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# The successful elements of the Gazelles

- A case-study of Gary Hamel's Business Model  
applied to rapid-growing companies  
in the region of Gothenburg

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We hope that the thesis will be of great use and enjoyment for the readers.

Gothenburg, 2005-05-27

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# ABSTRACT

## **Bachelor thesis in Business Economics, Spring 2005**

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**Title:** The successful elements of the Gazelles - A case-study of Gary Hamel's Business Model applied to rapid-growing companies in the region of Gothenburg

**Background:** Business strategies in order to succeed must be adapted to the rapid changes of an industry in order to achieve sustainable competitive advantages. Gary Hamel, Igor Ansoff and Michael E. Porter present strategic choices for the growth and expansion of a company. Jim Collins is a management educator and has created a concept for how a good company can become great.

**Research Questions:** Our main research question is: Can Gary Hamel's Business Model provide an explanation for the success of the Gazelle companies? Further research questions are: Is it possible to find any common features of the Gazelles that can explain the success based on Gary Hamel's Business Model? Can Igor Ansoff's "Product/Market expansion grid" or Michael E. Porter's "The Five Forces" be complementary in giving a concise picture of the Gazelles' success? How can Jim Collins Concept for growth bring a new angle to explain the Gazelles' successful elements?

**Objective:** We have chosen an explanatory objective. The aim of our study is to examine whether we can give an explanation to the success of Gazelle companies and to find out whether they have any common features by applying different models to them.

**Delimitations:** In this study we have only included medium-sized enterprises with 50 to 300 employees, from the list of fast growing companies – known as "Gaseller" in the Swedish newspaper "Dagens Industri". The research site is limited to the region of Gothenburg. The number of companies included in the study is delimited to seven.

**Methodology:** We have chosen to bring out a qualitative investigation in the form of a case-study and with an abductive approach. The primary sources that we have used consist of seven qualitative interviews. Our secondary sources consist of literature, articles and information from the Internet. In this study we have used a semi-structured interview form. We organized our data arrangement at the same time as the interviews took place, one of us making notes on the computer during the interview. The companies examined are presented anonymously.

**Results and Conclusions:** Our conclusion is that Gary Hamel's Business Model gives a clear picture for the success of the Gazelles. We have also discovered common features of the Gazelles that can explain their success. Furthermore we have concluded that Michael E. Porter's "The Five Forces" can be beneficial in giving a concise picture of the Gazelles' success while Ansoff's "Product/Market expansion grid" cannot give an explanation to the same extent. Finally we found that Jim Collins' Concept for growth could give a new angle to explain their success, even though we could not apply all of the selected principals to the examined companies.

**Suggestions for Further Research:** We suggest a similar study in a few years to see if the companies still are successful and have made any changes of their strategies. Another interesting angle for further research is to find out if the Gazelle companies' success can be explained by other theories, such as, for example, strategic market management or organisational management.

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## **1. INTRODUCTION**

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*In this chapter we will start by providing background to our study. This leads to the research issue and the research questions. In the definition-section we will explain the definition of "Gazelle companies" and our definition of medium-sized companies. We will continue with the objective of our study and a discussion of the target group. Finally we will conclude with the delimitations of the research.*

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### **1.1 BACKGROUND**

Traditional business strategy for success is shaken to its foundation when different industries go through rapid changes in appearance. Markets, technologies, competitors and customers continuously change and put companies foresight to the test. It is no longer possible to build one long-term strategic plan and then strictly stick to it. The Internet as a new trading place has changed the market and the shopping behaviour of customers. Entry into the European Union has brought about new laws and regulations and globalisation has created different competitive conditions. These are examples of changes that pave new ways for companies that make heavy demands upon their ability to observe the world around. Actively searching for information and the awareness of the constant changes must increase in order not to get run over by the competitors. The companies must spend a lot more energy on creating the future than keeping pace with their competitors.

At the same time the large enterprises have grown even larger. Many of them have taken over the smaller companies or driven them out of business by providing sustained competitive advantages such as economies of scale and improved products from their research and development investments. In spite of this there are some small ants that refuse to be defeated by the giants. How is it possible for them to survive and grow although there are so many factors against them? What are the outstanding features for these organisations? Are there any common features in their strategic choices?

Gary Hamel states that companies must adopt a radical new innovation agenda to survive in the age of revolution.<sup>1</sup> The worldwide turbulence requires different perspectives on organisations, different styles of leadership and a new strategic flexibility. The fundamental challenge companies face is reinventing their business mission continually – not just in times of crisis. They have to break out of old paradigms and start to ask new questions. Hamel's Business Model shows companies how to develop new financial measures that focus on creating new wealth and vibrant internal markets for ideas, capital and talent. He reveals an entirely new definition of what it means to be strategic and successful.

In the 1960s Igor Ansoff realised that companies needed to develop and grow to be able to survive in the changing world. The strategic decisions made by the companies had to correspond better to the environment. Using an adequate combination of products and markets could do this. In the 1980s Michael E. Porter proclaimed his view of competitive strategies. According to him the fundamental competitive strategies are cost leadership, differentiation and focusing. The principle is that a successful implementation of each basic strategy requires clear choice and almost complete commitment. In making the decision, it has to be considered that each industry is fundamentally different and it is impossible to present general rules how these generic strategies should be shaped in detail to fit the special features of a given industry.

Jim Collins, a world known management educator, states that an organisation has to identify, confront and solve what he calls "brutal facts" to really be successful and that it is of most importance to "put the right people on the bus".<sup>2</sup> He means that many executives spend too much time primarily on the process of alignment when their time should be focused on gaining understanding. Every company should have what he calls "a hedgehog concept".<sup>3</sup> The goal should be to become the best at something and to have a realistic understanding of what they can and cannot become the best at. He believes that some of the most distinguished characteristics for good leadership are to be modest, share the

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<sup>1</sup> www.leadershipnow.com, 2005-04-26

<sup>2</sup> www.jimcollins.com, 2005-04-21

<sup>3</sup> Collins, J. (1998). Good to Great: why some companies make the leap - and others don't.

companies' basis of valuation and to be target-oriented. He has compiled a concept for how a company can grow, how they can attain superior performance and how good companies can become great.

## **1.2 RESEARCH ISSUE**

The Swedish business newspaper "Dagens Industri" presents a list called "Gaseller" of rapid-growing companies.<sup>4</sup> The definition of Gazelles correspond to the lowest common denominators David Birch found when he examined rapid-growing companies in the USA. We are interested in making a research of Gazelle companies in order to find out the reasons behind their success.

Many studies deal with companies' strategic choices and several of them contain models from Ansoff or Porter in the theory section. We find it interesting to principally apply Gary Hamel's Business Model to the rapid-growing "Gazelle companies", because he reveals an entirely new definition of what it means to be strategic and successful. Still as a complement to Hamel we will apply Ansoff's "Product/market expansion grid" and Porters' "The Five forces" to give a concise picture of their strategic choices. For bringing a leadership-view to our examination we have included parts of Jim Collins' Concept for growth.

### **1.2.1 RESEARCH QUESTIONS**

Our main research question is:

*Can Gary Hamel's Business Model give an explanation for the success of the Gazelle companies?*

Further research questions are:

*Is it possible to find any common features of the Gazelles that can explain their success on the basis of Gary Hamel's Business Model?*

*Can Igor Ansoff's "Product/Market expansion grid" or Michael E. Porter's "The Five Forces" be complementary in giving a concise picture of the Gazelles' success?*

*How can Jim Collins Concept for growth bring a new angle to explain the Gazelles' successful elements?*

## **1.3 DEFINITIONS**

What is a "Gazelle company"? How large is a medium-sized company? To enhance the comprehension of this examination, we will explain in depth the definitions.

### **1.3.1 DEFINITION OF GAZELLE COMPANIES**

The Swedish business newspaper "Dagens Industri" presents a list of rapid-growing companies called "Gaseller" and they have been inspired by Dr. David L. Birch. David Birch is a physicist, educated at Harvard University in Boston, USA. He asserts that economists tend to study economy as a whole, but physicists work in the opposite direction, by studying the small particles and put them together to completeness. He gave rise to the expression "Gazelles" for small, rapid growing and work creating companies. He also talks about elephants and mice. Elephants are the large companies and they are often slow and are not particularly creative. Then there are several small firms that run around but will not develop - the mice. There are often fundamental differences between companies that want to grow and companies that want to keep the position they have reached today. The former wish to create value and the latter is happy for the livelihood of today.<sup>5</sup>

The outstanding feature for Gazelles is that they give increase value. Gazelles are very unstable and the distance between extreme growth and failure is not great. David Birch thinks that if you have a good idea, it does not matter if GNP increases by 1.3 percent or 1.8 percent, it will not affect your success. Therefore you can find Gazelles in different industries. Service is a growing sector but many Gazelles develop in stagnating engineering industries. The key is to do something differently and do it

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<sup>4</sup> [www.di.se/gaseller](http://www.di.se/gaseller), 2005-04-11

<sup>5</sup> [www.nutek.se](http://www.nutek.se), 2005-04-21



better than others do. Most sectors are swarming of small-specialised firms that fill up the niches where the elephants do not have the ability to answer for the market's demand. He is convinced that almost 100 percent of the net increase of the American employment during the last years comes from Gazelles. The Swedish business newspaper "Dagens Industri" has adopted David L. Birch's ideas and has created a list of their own. They collect all annual reports of companies in Sweden from "Bolagsverket" in the month of September and examine them to find companies within the following criteria<sup>6</sup>:

- At least four annual reports have been announced
- More than 10 employees
- Sales must amount to more than SEK 10 million a year
- Sales have continually increased during the last three-year-period
- Sales have during the last three-year-period increased by the double
- Consolidated operating result for the four accounting years has to be positive
- The growth is principally organic, that is the growth does not occur from acquisitions or mergers

### 1.3.2 DEFINITION OF MEDIUM-SIZED COMPANIES

There are many definitions of medium-sized companies. Some use the number of employees and others the size of the companies' sales. We have chosen our own definition to be companies with between 50 and 300 employees. Smaller firms often operate without strategy plans or having analysed the reasons for being successful. Sometimes their ambition is to keep their market share instead of being willing to expand to greater markets. Firms with more than 300 employees can be small in some cases but large in another case. It can part from different branches, locations and market opportunities. It is always hard to generalise how small or how large a medium-sized company is, but our objective is to find common features for the business concept of a company that has the restricted size chosen.

### 1.4 OBJECTIVE AND TARGET GROUP

We have chosen an explanatory objective. Our objective is primarily to examine whether we can give an explanation for the success of Gazelle companies by applying Gary Hamel's Business Model to a number of these companies. Our aim is also to investigate whether there are any common features in their strategies. The purpose of applying Michael E. Porter's "The Five Forces" and Igor Ansoff's "Product/Market expansion grid" to our examination is to get a complementary picture of their strategic choices. Jim Collins' Concept for growth, focuses on the leadership and we expect the concept to further improve the explanation for the companies' success.

First of all it can be useful for academic students to study our essay but it can also be of interest for business executives from different industries to take part in our examination. If it is possible to explain the Gazelles' success using Gary Hamel's Business Model, they can learn how important a business model can be as an instrument for giving a concrete form to their own strategies.

### 1.5 DELIMITATIONS

In this study we have only included medium-sized enterprises with 50 to 300 employees, for two reasons. The first reason is that the big companies, normally stock exchange quoted enterprises, already get a lot of attention in the media. Therefore we found it more interesting to study the business strategy of small and medium-sized companies, which are not often discussed by the media. The second reason is that we consider it very important for a medium-sized company to be aware of and bring out a well-defined business concept to become more competitive and to expand in the long-term. The research site is limited to the region of Gothenburg. However, we believe that our results are applicable to companies throughout Sweden, since Gothenburg, in our opinion, is a developed business area, widely represented in all different kinds of sectors and with a lot of competition on the market.

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<sup>6</sup> bjornanders.olson@di.se, 2005-04-14

## 2. METHODOLOGY

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*This chapter describes our methodology. We will begin with a description of the research method we have chosen. Then we will discuss our research approach followed by the examination form, a case study. After that we will present the basis of our empirical data collection, first the secondary sources and then the primary sources. Then we will discuss how our interviews have been carried out, first the selection we have made, and then the interview form we have chosen. Moreover we will explain the procedure of the data arrangement and the companies' anonymity. Finally we will treat the validity and the reliability of the study.*

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### 2.1 RESEARCH METHOD

There are two method forms to bring out an investigation, the quantitative and the qualitative form. The quantitative method compares different data and tries to find a connection between them. A qualitative method's purpose is to investigate more, and is suited when there are no measurable data or the data is of no value.<sup>7</sup> The research method we have used is the qualitative method. The reason is that qualitative research starts out from an interpretation approach, and is more convenient when the researcher needs an overview of a specific case and when individuals are important in the study. With a qualitative approach, we have achieved richer and deeper information about the enterprises in our case study.

### 2.2 RESEARCH APPROACH

A scientific study can be approached in three different ways: in a deductive, inductive or an abductive way. A deductive approach means arguing through a logical derivation and an inductive approach implies that in each specific case derive a general conclusion.<sup>8</sup> Characteristics of inductive oriented approaches are that knowledge and understanding are constantly developed throughout the investigation. In this study we use an abductive approach. That means that we have used both a deductive and an inductive way to approach our case. An abductive approach allows the researcher to develop a theoretical pre-understanding, while still having an interest in developing or evolving the theory.<sup>9</sup>

### 2.3 CASE STUDY

In this thesis we have used a case study. The term case study refers to a study that includes a single case, or multiple cases, which are studied in detail and in number of ways.<sup>10</sup> A case study means that you investigate a few objects with a lot of purposes.<sup>11</sup> It can also be explained by an investigation of a contemporary phenomenon within its real-life context, when the boundaries between phenomenon and context are not clearly evident, and in which multiple sources of evidence are used.

As a research method, a case study has both advantages and disadvantages. The disadvantage with a case study is among other things the misleading opinion that a case study gives a comprehensive picture, though it is a simplification of the reality. Researches cannot capture everything. They usually do a selection of the information and do their own interpretations of the collected data. A qualitative case study is also very influenced in the way the researches are carrying it out. Another aspect, which speaks against case studies, is that it is difficult to make generalised conclusions about the result of the study. However the advantage is that it can be generalised to create theories, figure out patterns and make use of different theories as a reference point against which the empirical materials can be compared.<sup>12</sup> In our study we have not made any overall investigations, of whether there are any connections between rapid-growing companies, such as the Gazelles, and the business model of

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<sup>7</sup> Eriksson, L.T. & Wiedersheim, P. F. (1997). Att utreda, forska och rapportera.

<sup>8</sup> Backman, J. (1998). Rapport och uppsatser.

<sup>9</sup> Yin, R. K. (1994). Case study research. Design and methods.

<sup>10</sup> Lundahl, U. & Skärvad (1999). Utredningsmetodik för samhällsvetare och ekonomer.

<sup>11</sup> Att utreda, forska och rapportera.

<sup>12</sup> Rapport och uppsatser.

Hamel. One explanation is that we have not interviewed all of the "Gazelle companies", which means that our empirical material is based on far too few interviews. It is worth mentioning that we have chosen companies from different lines of business, which has given us a broader foundation to draw our conclusions from.

## **2.4 DATA COLLECTION**

### **2.4.1 SECONDARY SOURCES**

Our secondary sources consist of literature, articles and information from the Internet. The purpose of these sources is to provide a general view of the subject and the theoretical framework and the possibility to investigate the subject more profoundly. The secondary sources we obtained from the database at the University of Gothenburg's library, Libris and GUNDA. Furthermore, we found material on the proposal of our tutor Ingemar Claesson and from a Swedish book site called Adlibris.

### **2.4.2 CRITICISM OF THE SOURCES**

In this study we have mainly used sources, which are universally accepted and well known by the research of strategy. We have also tried, as far as it has been possible, to use current literature and information. Although we have not done a complete search of sources, we are aware of that we can have missed out relevant sources. Furthermore, we are aware of the fact that secondary information contains interpretations and bears the stamp of the research approach. With regards to the information from the Internet, it has only been used in the introduction and in the background description of some of the theories. Therefore we do not think that this will cause any problem for the validity of our study.

### **2.4.3 PRIMARY SOURCES**

The primary sources that we have used in this study consist of seven qualitative interviews. We have interviewed five managing directors, an assistant managing director and a human resources manager. A financial manager also took part in one of the interviews. We contacted the companies by telephone. The interviews took place at the enterprises in the beginning of May, and all of them were limited to one and a half-hours. Before the interviews, we prepared an outline of our questions<sup>13</sup>, which we sent to the respondents approximately one week before the interview was going to take place. In chapter 4 we are going to present the respondents, as well as the companies line of business.

## **2.5 SELECTION**

Within every case there are normally a lot of elements that can be investigated, in our case a lot of companies. Therefore it is important for us to make a selection. A selection can be done through a probability or non-probability choice. In qualitative research a non-probability selection is the most common choice. In our study we mainly used the non-probability selection. Our selection process was carried out in the following way; we picked out medium-sized companies, with 50-300 employees, in the region of Gothenburg from the list of fast growing companies called "Gaseller" in the Swedish newspaper "Dagens Industri". From the 17 companies that we selected and got in contact with, we obtained seven interviews. Our aim was to interview the managing director. We are aware that the selection process may have had influence on the result of the study.

## **2.6 INTERVIEW FORM**

A qualitative interview is an adequate instrument for getting information, which is generally difficult to do, for example using a questionnaire<sup>14</sup>. A qualitative interview can either be semi-structured or unstructured. The semi-structured interview implies that the interviewer has a guideline with specific topics and questions that need to be answered. Moreover the questions are open and the sequences not evident, so that the interviewer can develop the answer with more questions.<sup>15</sup>

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<sup>13</sup> See appendix 1.

<sup>14</sup> Jacobsen, J.K. (1993). Intervju: konsten att lyssna och fråga.

<sup>15</sup> Bryman, A. (2002). Samhällsvetenskapliga metoder.

In this study we have used a semi-structured interview form. Our objective with the interviews was that they would proceed unobstructed as much as possible. We wanted to have flexible and spontaneous interviews, but at the same time we strictly maintained our interview structure, due to the time limit. We chose not to tape-record the interview, because we thought it could have a negative effect if the respondents felt uncomfortable. Besides we did not think it was necessary, because one of us made notes on the computer during the interview. We showed the respondents a picture of Jim Collins "Hierarchy for Level 5"<sup>16</sup> and asked them to point out which level suited their leader best.

## **2.6.1 DATA ARRANGEMENT**

### **2.6.1.1 Procedure**

We started our data arrangement at the same time as the interviews took place. Directly after every interview we discussed our impressions and what information was of most value. When the interviews were finished, we already had an idea of how the empirical part should be carried out. Our interview questions were based on the theory part of our study.

### **2.6.1.2 Anonymity**

We chose to present the interviewees as anonymous, first of all because a request from some of the respondents, but also because with anonymity it is possible to receive sensitive and unconventional data.<sup>17</sup> We are aware of that anonymity is difficult to carry out and could as a result make this case somewhat artificial. Though we considered it was of more value to be able to interview the respondents, who requested anonymity, and create good opportunities to obtain more detailed and interesting information.

## **2.7 VALIDITY AND RELIABILITY**

Validity can be defined as a measuring instrument, an ability to measure what it is supposed to measure.<sup>18</sup> In this study we have related the findings of our empirical study to the model and, discern common aspects to be able to highlight what part of the results are more generally valid. In that way, our results contribute to the gradual generalisation of some aspects of the theory, while adding some new aspects that could be developed by future research.

The validity in this study depends on our primary source, the results of the interviews. We consider that we have achieved validity in this study. The main reason is that our respondents, all of them, obtained a key position. Another reason was by permitting the respondents to be anonymous, the sincerity and the openness of their answers increased.

Reliability implies that the investigation should give a reliable and stable result, this means that the reliability state the trustworthiness and the usefulness of a measuring instrument and the unit of measurement.<sup>19</sup> It means that if a latter investigator followed exactly the same procedures as described by an earlier investigator and conducted the same study all over again; the investigator should arrive at the same conclusions. We are aware of that this study is not completely reliable, due to the fact that subjective interpretations of the interview results are difficult to avoid.

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<sup>16</sup> Collins, J. (2001). Good to Great – Hur vanliga företag tar språnget till mästarklass.

<sup>17</sup> Utredningsmetodik för samhällsvetare och ekonomer.

<sup>18</sup> Att utreda, forska och rapportera.

<sup>19</sup> Ejvegård, R. (1996). Vetenskaplig metod.

### 3. THEORY

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*The following part describes the theories, which this study is based on. First we will start by explaining the concept of strategy and the different management schools. Secondly we will explain Gary Hamel's Business Model with all the components, Ansoff's Product/Market expansion grid and Porter's The Five Forces. Finally we will conclude with Jim Collin's Concept for growth.*

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#### 3.1 STRATEGIC MANAGEMENT SCHOOLS

The concept of strategy, etymologically, derives from the Greek noun *strategos*, leader of the troops, which in turn has been born out of the meaning for *army* and *lead*. The ancient Greeks understood strategy to be a skill within the strategos carried out its management task in the war. The concept of strategy has been used in the military context throughout the history. Within military science, according to the famous definition of Carl von Clausewitz, "Tactics teach the use of armed forces in the engagement; strategy, the use of engagements for the object of war".<sup>20</sup> Nowadays the high-flown concept of strategy has expanded to all aspects of life to such an extent, that, according to the analogy used by Mintzberg et consortes, trying to describe strategy is like a blind man trying to describe an elephant: everybody talks about it but nobody has ever seen it.<sup>21</sup>

The first scholars who used the concept of strategy in the context of business were the game theoreticians von Neumann and Morgenstern.<sup>22</sup> Alfred Chandler, H. Igor Ansoff and Kenneth Andrews brought the concept of strategy to the discourse on business administration. For Ansoff, the core of strategy is formed by a product-market combination chosen as synergistically as possible to achieve the planned goals, whereas the main objectives are return on capital and growth.<sup>23</sup>

In the 1980s, the knowledge of competition strategy was emphasised as a critical success factor. The greatest proponent of the competitive strategy approach was Michael E. Porter with his generic competition strategies and models of expanded competition.<sup>24</sup> According to Porter, the main feature is to define a competitive strategy; that the company must adjust to its environment, where the most important level of observation is the industry.

The resource-based view established in the 1990s, as the paradigm of strategic studies is best known as "core competence" and was presented by Prahalad and Hamel.<sup>25</sup> The source of sustainable competitive advantage is defined as knowledge created in the firm, bringing added value to the customers. Wholeness must be developed out of the various resources. It must be difficult to plagiarise them and the resources must constantly be further developed by the company to maintain the lead. The theoretical literature means that core strategy is the only sustainable source of competitive advantage. In spite of this, core competence thinking has not had such a dominant position in business life as it has in strategic management studies.<sup>26</sup> Many have realised that in addition to the competition waged in markets, topics of interest always must include customers, technology, demography, social psychology, politics, law and so on, depending on which of these aspects offers possibilities for success or threaten the survival of the firm.<sup>27</sup> But we can be sure of that "without competition, no strategies are needed".<sup>28</sup>

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<sup>20</sup> Clausewitz, C. von (1832). Vom Kriege.

<sup>21</sup> Mintzberg, H. & Ahlstrand, B. & Lampel, J. (1998). Strategy safari: a guided tour through the wilds of strategic management.

<sup>22</sup> Neumann, J. von & Morgenstern, O. (1947). Theory of Games and Economic Behaviour.

<sup>23</sup> Ansoff, H. I. (1979). Strategic Management.

<sup>24</sup> Porter, M. E. (1980). Competitive Strategy: Techniques for analysing industries and competitors.

<sup>25</sup> Prahalad, C. K. & Hamel, G. (1990). The Core Competence of the Corporation.

<sup>26</sup> Strategy safari: A guided tour through the wilds of strategic management.

<sup>27</sup> Rumelt, R. P. & Schendel, D. & Teece, D. J. (1991). Strategic management and economics.

<sup>28</sup> Ohmae, K. (1982). The mind of strategists.

### 3.2 GARY HAMEL'S BUSINESS MODEL

Gary Hamel is a visiting professor of Strategic and International Management at the London Business School.<sup>29</sup> In the 1990s Gary Hamel published, together with C.K. Prahalad, "Competing for the future". In this book they wanted managers to have a distinctive and forward reaching view, rather than a conventional and reactive view about the future. The goal was not to speculate on what might happen, but to imagine what they could make happen. They argued that managers should focus on regenerating core strategies instead of reengineering core processes. They should also be a rule maker rather than a rule follower. The authors meant that the companies had to be more innovative and endeavour to growth. Moreover they pointed out the importance for a company to always walk at the head of the competition instead of catching up.<sup>30</sup> "Competing for the future" was the basis of Hamel's Business Model described in "Leading the revolution", published by Hamel in the beginning of this decade.

The main purpose of Hamel's Business Model is to create value. He argues that many companies' have a zeal for cost cutting and carry out different form of efficiency-oriented programmes, such as outsourcing, reengineering, restructuring and downsizing, in order to become more lucrative. This will only improve the profitability, but not the value in the company. To thrive in the age of revolution, enterprises must create a radical business concept. He says that the fundamental challenge companies face is reinventing their business model continually, not only in time of crises. He means that, a business concept innovation is to build a business model so different from what has come before that traditional competitors are left scrambling. That is the objective; to use an innovative business concept is to achieve strategical variation, and change the basis within the ambit of a market.

Furthermore he explains that an innovation involving a business concept is not a way of positioning against competitors, it is going around them. Hamel means that companies should avoid attacking their competitors. Moreover companies need to change every component in the business model, not only in one or two areas. They must develop an instinctive capacity to see business models in their entirety. Companies tend to have "business concept blind spots" that impede them from seeing opportunities for innovations in their business concept. They must be more open-minded and creative. Hamel wants companies to think in the following way; "what is not different is not strategic".<sup>31</sup>

The business model is comprised four main components; core strategy, strategic resources, customer interface and value network. Each main component has several sub-elements. The four core components are linked together by three-bridge elements; configuration of activities, customer benefits and company boundaries. Four elements, which determine its profit potential; efficiency, uniqueness, fit and profit boosters, support the business model (see figure 1 below).

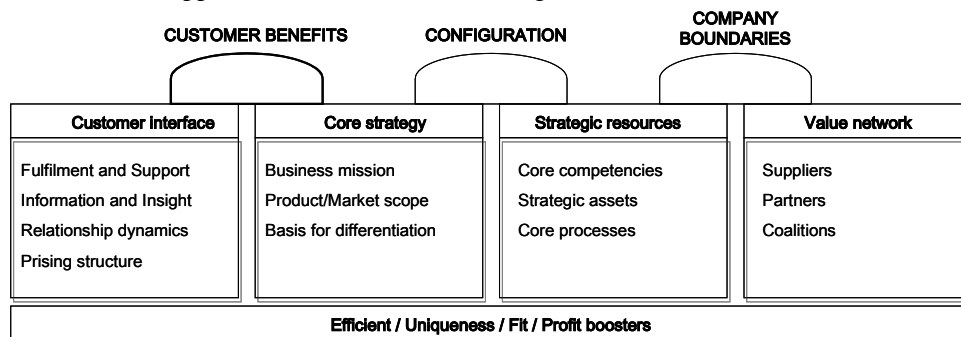


Figure 1 Gary Hamel's Business Model<sup>32</sup>

<sup>29</sup> www.leadershipnow.com, 2005-04-26

<sup>30</sup> Hamel, G. & Prahalad, C. K. (1994). Competing for the future.

<sup>31</sup> Hamel, G. (2002). Leading the revolution.

<sup>32</sup> Leading the revolution.

### 3.2.1 CORE STRATEGY

Core strategy is the first component in the business model. It involves how the companies choose to compete. The core strategy includes three elements: business mission, product/market scope and basis for differentiation.

#### 3.2.1.1 Business mission

The business mission captures the overall objective of the strategy and describes what the business model is constructed to deliver and bring about. It includes among other things, "strategic intent", "value proposition" and overall performance objectives. The business mission is usually instated and constrains many times the managers' view of potential business concepts.

#### 3.2.1.2 Product/Market Scope

The product and market scope are the essence of where the companies compete, that is which customers the enterprise has, which geographic location, what product segment and in which market it does not compete. With a well-defined product and market scope a company can achieve a business concept innovation, if it is different from the missions of the competitors within the same market. An example is an online bookseller that not only offers books, but also is offering diverse products to increase their share of the market.

#### 3.2.1.3 Basis for differentiation

This component explains how the firm competes and how different it competes verses the competitors, for example a hotel chain offering the clients the chance to use their credit card instead of a key to enter the hotel room.

### 3.2.2 STRATEGIC RESOURCES

Strategic resources are the resources that exist in a company, for example core competencies, strategic assets and core processes. Changing companies' resources can lead to an innovation of the business concept. Companies owning unique and specific resources are able to achieve competitive advantages.

#### 3.2.2.1 Core competencies

Core competencies describe companies' skills and unique capabilities and competence. The challenge is to find out the strength and uniqueness in the core competencies, the benefits it allows to deliver to customers and if it is applicable to other industries, where competitors have very different skills.

#### 3.2.2.2 Strategic assets

Strategic assets explain what the firm owns. It could, for example, be patents, brands, infrastructure, customers and data. A concept innovation can be realised, by using strategic assets in a different and new way. The company has to figure out if it could exploit strategic assets in a new way, or if the already existing strategic assets can be valuable in other industry settings.

#### 3.2.2.3 Core processes

Core process describes what the company is dedicated to do, their activities. It generates value for the customer by translating competencies and other inputs. Knowledge about the companies' core processes and what process creates most value for the customers, are examples of ways to innovate a business process.

### 3.2.3 CONFIGURATION

Configuration is a bridge component between a company's core strategy and its strategic resources. It is a linkage between competencies, assets and processes and shows how these linkages are managed. Configuration refers to the way in which competencies, assets and processes are connected and interrelated by a particular strategy.

### 3.2.4 CUSTOMER INTERFACE

Customer interface is the third main component in the business model. It consists of four elements: fulfilment and support, information and insight, relationship dynamics and pricing structure.

### 3.2.4.1 Fulfilment and Support

Fulfilment and support explain how the company reaches customers and how it behaves on the market. One challenge for companies is to figure out how they could reinvent their connection to customers and how they reach the market.

### 3.2.4.2 Information and Insight

Information and insight refers to all kinds of information that companies have about their customers. Moreover it explains how a company can extract insight from the information and make use of it to invent new products and services. A company that uses the information gathered about their customers is able to provide truly differentiated services to, for example, their best clients.

### 3.2.4.3 Relationship dynamics

Relationship dynamics explains the interaction between the producer and the customer. The interaction could be face-to-face or indirect, continuous or sporadic. Relationship dynamics indicates the fact that there are emotional, as well as businesslike, elements in the interaction between consumers and producers. According to Hamel, it is one thing that customers buy a company's product, but another thing that they tattoo the company's name on their body. With this example he is referring to a famous motorcycle manufacturer that has achieved genuine relationship with its clients.

### 3.2.4.4 Pricing structure

Pricing structure describes how companies charge customers, for example, charging through a third party, directly or indirectly. Companies can charge customers for a product or for a service; they can bundle components for a product or price them separately.

### 3.2.5 CUSTOMER BENEFITS

Customer benefits are the intermediate part between the core strategy and the customers interface. It explains the bundle of benefits that are being offered to the clients. Customer benefits show the basic needs and wants that are being satisfied, that is a link between the core strategy and the needs of the customers. A good way to increase customer benefits is, for example, to offer overall-solutions with products and services.

### 3.2.6 VALUE NETWORK

Value network is the fourth and last main component of the business model. This component surrounds the company and complements and amplifies the enterprises own resources. Many companies' critical resources use to lie outside its own business. Value network comprises the following elements: Suppliers, partners and coalitions.

#### 3.2.6.1 Suppliers

Suppliers provide companies with products. Access to or a deep relationship with suppliers can be a central element of a novel business model. Likewise the company should regard the suppliers as an integral part of the business model and have their business goals aligned with them.

#### 3.2.6.2 Partners

Partners support companies with complements and solution for final products. Their relationship with producers can be described as more horizontal than that of suppliers.

#### 3.2.6.3 Coalitions

Coalitions are a deeper collaboration, than partners, where both risks and rewards are shared. When investments are high and technical barriers exist, or there is a high risk of ending up on the losing side in a battle of the winner takes all standards, it could be an advantage to belong to coalitions.



### **3.2.7 COMPANY BOUNDARIES**

Company boundaries is a bridge component between a company's strategic resources and their value network. It describes what the enterprise decides to do within their business and what they choose to outsource to partners, suppliers or coalition members.

### **3.2.8 WEALTH POTENTIAL**

Wealth potential consists of four factors. The first factor is in which extension the business model is an efficient way of delivering customer benefits. The second and the third factor describe in which way the business model is unique and fits among the elements of the business concept. And the last factor is; in which extension the business concept uses profit boosters that generate above average returns. These four factors determine the wealth potential in a business model.

#### **3.2.8.1 Efficient**

Efficiency means that a business model must be efficient in the way that the value clients put on the products exceeds the cost of delivering those values.

#### **3.2.8.2 Uniqueness**

Uniqueness means that the business model is unique both in its intention and the way it is carried on. Moreover it has to be unique in the sense that customers appreciate the business model.

#### **3.2.8.3 Fit**

Fit means that all elements in a business concept have to be mutually reinforced. That is, a business concept has to be consistent and all parts have to work towards the same goal. For example, if the concept is to offer customers high quality products, it has to be consistent with the quality from the very beginning to the very end.

#### **3.2.8.4 Profit boosters**

Profit boosters are the fourth wealth-potential. They can be divided into four categories: increasing returns, competitor lockout, strategic economics and strategic flexibility. Profit boosters are necessary to create increasing profits in a company. The first two profit boosters are similar to, or synonymous with monopoly.

##### Increasing return

Increasing return refers to a competitive situation where a company that is ahead, will get further ahead, and the company that is behind, will get further behind. A business model must contain at least one of three underlying forces: network effects, positive feedback effects and learning effects.

##### *Network effects*

Network effects means that companies benefit from a value multiplier. It usually increases as the square of the growth for the number of members or nodes in the network.

##### *Positive effects*

Positive feedback effects explain how companies can take advantage of their base of customers, to listen to them, in order to develop improved products and services.

##### *Learning effects*

Learning effects refer to accumulating knowledge. Companies that start early to capture and accumulate information and knowledge, and then continue to learn faster than their competitors, can increase the lead. That is, "the application of knowledge begets new knowledge"<sup>33</sup>.

##### *Competitor Lockout*

Competitor lockouts describe how companies can avoid fighting with their competitors.

A company can conceive that in three different ways:

Pre-emption: is common in industries that are R & D intensive or have highly fixed costs, and is one possibility to watch out for competitors. In this kind of industry, there normally does not exist a first runner up. You have to be first.

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<sup>33</sup> Leading the revolution, p. 106

- Choke points:** is another way to achieve competitive advantage. It can, for example be a company that has access to infrastructure and offers other companies to use it for a toll. The ones that are unwilling to pay are locked out.
- Customer lock-in:** refers to a company that through for example, long term supply contracts or proprietary contract, lock-in their customers. It can also be through control over a local monopoly.

Strategic Economies

Strategic economies derive from business concept and exist in three forms: scale, focus and scope.

- Scale:** Scale means efficiency in many ways. It can be for example through better plant utilisation, greater purchasing power and build scale advantages.
- Focus:** Focus describes how efficient companies run their business. A company that achieves a high degree of focus and specialisation can reap economic rewards compared with competitors.
- Scope:** Scope economies explain how companies from sharing things across countries and business units may have an efficiency advantage over companies that cannot. It could, for example, be sharing brands, IT infrastructure and facilities.

Strategic Flexibility

Strategic flexibility helps companies to generate profit by making them stay turned toward the market and avoid getting trapped in an obsolete business model. It comes in three varieties: portfolio breadth, operating agility, and lower break-even.

- Portfolio breadth:** Portfolio breadth consists for example of countries, products, business, competencies or customers. It helps companies to be more resilient and hedge its exposure in face of rapidly shifting customer's priorities.
- Operating agility:** Operating agility means that a company that quickly refocuses their efforts can better respond to changes in demand.
- Lower break even:** Lower break even explains how a business concept that carries a high breakeven point is less flexible than a company with a lower one. Things that tend to reduce the financial flexibility are, for example, high fixed costs and capital intensity.

**3.3 ANSOFF'S PRODUCT/MARKET EXPANSION GRID**

A lot of companies have focused on improving performance by downsizing, restructuring, redeploying assets and reducing costs. But there is a limit to how much you can improve profitability with efficiency programmes – they have come to the point of diminishing returns. The improved performance can still be reached by renewed emphasis on growth, based on the product/market expansion grid. The first set of strategies involves existing product markets and the choices of market penetration on existing markets or market development on new markets. The next two concern developing new products and the choices of product development on existing markets or diversification on new markets. The product/market expansion grid (see figure 2) is a useful device for identifying growth opportunities.<sup>34</sup>

	Existing products	New products
Existing markets	Market penetration	Product development
New markets	Market development	Diversification

Figure 2 The Product/Market expansion grid.<sup>35</sup>

<sup>34</sup> Aaker, D.A (2005). Strategic Market Management.

<sup>35</sup> Ansoff, H. I. (1957). Strategies for diversification.

### **3.3.1 MARKET PENETRATION**

A firm may attempt to attract customers from competitors or increase usage by existing customers. The company may have experience, knowledge and resources already in place. Improving market share can be the most obvious way to grow. A programme based on tactical actions (such as advertising, promotion or price reduction) can be expensive and unprofitable, however, resulting in transitory share gains from attracting price-sensitive customers. Firms can generate a more permanent share gain by delivering solid value and thereby creating customer satisfaction and loyalty. Developing the assets and competencies to do this, though, often involves more heavy lifting than designing a price promotion. Another approach is to pursue increased market share by focusing on competitors and their customers, but this way is much more expensive and risky. Increasing the loyalty of existing customers is more rewarding. When existing customers are made to feel like winners, new customers – and a market share gain – will usually follow.

### **3.3.2 MARKET DEVELOPMENT**

Geographic expansion may involve changing from a regional operation to a national operation, moving into another region, or expanding to another country. With market expansion, the same expertise and technology and sometimes even the same plant and operations facility can be used. When moving to a new unexplored market, the expansion can be best implemented by connecting, through an alliance or merger, to a partner that already has the capability to market more broadly.

### **3.3.3 PRODUCT DEVELOPMENT**

One type of product development is the addition of features to a firm's current product. The right feature can dramatically change the competitive dynamics. The advantage in adding product features is that it involves almost total commonality of marketing, operations and management. Growth can also be obtained in an existing market by creating new-generation products, such as a keyboard for example that sounds like an old-fashioned piano, but have a larger field of application. A smart growth pattern is to exploit marketing or distribution strength by adding compatible products that share customers but are different from existing products. Synergy is usually obtained at least in part by the commonality in distribution, marketing and brand name recognition and identity.

### **3.3.4 DIVERSIFICATION**

Diversification is the strategy of entering product markets different from those in which a firm is currently engaged. Product expansion and markets expansion usually involves entry into new product markets. However, diversification can also involve both new products and new markets. A diversification strategy can be implemented by either an acquisition or a new business venture. Diversification can be categorised as related or unrelated. In a related diversification, the new business area has meaningful commonalities with the core business. Meaningful commonalities provide the potential to generate economies of scale or synergies based on an exchange of assets or competencies. When related diversification is accomplished by internal expansion, the goal is to export assets or competencies. When acquisition of or merger with another business is the vehicle, the goal is to combine two sets of complementary assets and competencies with each party contributing what the other lacks. Unrelated diversification lacks enough commonality in brands, marketing, distribution, channels, manufacturing, or research and development thrust to provide the opportunity for synergy through the exchange or sharing of assets or competencies. The objective is therefore mainly financial, to generate profit streams that are larger, less uncertain, or more stable than they would otherwise be.

## **3.4 PORTER'S FIVE FORCES**

In the 1980's the knowledge of competition strategy was emphasised. The greatest proponent of the competitive strategy approach was Michael E. Porter with his generic competition strategies and models of expanded competition. According to him, the management must construe an abstract model of how the company will compete, what the goals and objectives of the company should be and what means and methods should be used to obtain them. The most important feature is that the company must be adjusted to its environment where the most important level of observation is the industry. The structure of the industry has a major significance because of the common rules of competition and the strategies that the company is able to implement in the first place. External forces such as

technological or political factors affect all operators alike and different companies have different capabilities to tackle these forces and to adapt to them. Competitive strategy concerns how to create competitive advantage in each line of business in which a company competes.<sup>36</sup>

Even if Porter's view is much more versatile and dynamic than the view of Ansoff, it still represents a rational planning tradition. He presents five forces that drive competition within an industry and determine the structure of the industry, the intensity of competition and profitability (see figure 3).

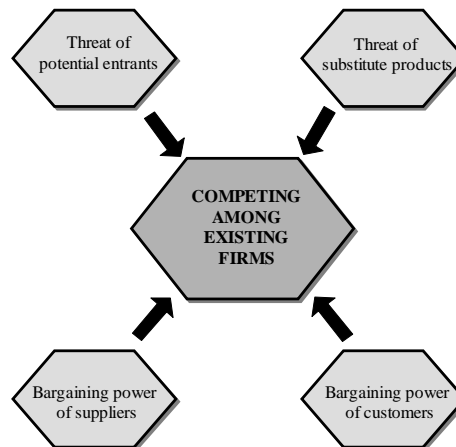


Figure 3 Porter's The Five Forces<sup>37</sup>

### 3.4.1 COMPETING AMONG EXISTING FIRMS

The intensity of competition from existing competitors will depend on several factors. First the company must examine the number of competitors, their size, and their commitment and identify how many competitors are already on the market or making plans to enter soon. The more competitors that exist, the more competition intensifies. Secondly compare whether their product offerings and strategies are similar, consider the amount of differentiation, find out whether the competitors are similar or find out if some of them are insulated by points of uniqueness valued by customers. Thirdly examine the existences of high fixed costs. A high-fixed cost industry (the airline industry for example) experiences debilitating price pressures when surplus becomes large. Finally the company has to consider the size of exit barriers. The presence of exit barriers such as specialised assets, long-term contract commitments to customers and distributors and relationship to other parts of a firm should be assessed.<sup>38</sup>

### 3.4.2 THREAT OF SUBSTITUTE PRODUCTS

Substitute products can influence the profitability of the market and can be a major threat or problem. Substitutes that show a steady improvement in relative price/performance and for which the customer's cost of switching is minimal are of particular interest.

### 3.4.3 THREAT OF POTENTIAL ENTRANTS

Whether potential competitors enter depends on the size and nature of barriers to entry. An analysis of the barriers is important in projecting likely competitive intensity and profitability levels in the future. There are considerable barriers to entry when the competitive firm is in possession of:

- Specialised assets – plant, equipment, or other assets that are costly to procure
- Relationships to other business units in the firm resulting from the firm's image or from shared facilities, distribution channels or sales force
- Government and social advantages

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<sup>36</sup> Porter, M.E. (1987). "From competitive advantage to corporate strategy".

<sup>37</sup> Porter, M. E. (1985). Competitive Advantage.

<sup>38</sup> Strategic Market Management.

- Financial strength
- Economies of scale
- Advanced technology and possess technological knowledge

### 3.4.4 BARGAINING POWER OF CUSTOMERS

Customers can force prices down or demand more services, when they have relatively more power than the seller. When the customer's purchase size is a large proportion of the seller's business, when alternative suppliers are available and when the customer can integrate backward and make all or part of the product, the customer's power will be greater.

### 3.4.5 BARGAINING POWER OF SUPPLIERS

When the supplier industry is concentrated and sells to a variety of customers in diverse markets, it will have relative power that can be used to influence prices. Power will also be enhanced when the costs to customers of switching suppliers are high.

## 3.5 COLLINS' CONCEPT FOR GROWTH

Jim Collins is a management educator who has specialised in examining companies which have shown growth in a class of their own compared to others with the same capabilities. He and his research team have spent years studying the most successful companies in the USA. His team consists of more than twenty research scientists and they conduct multi-year research projects involving companies, which for a considerable time – several decades – have shown profits of international calibre compared with companies of similar primary prerequisite. Together they have charted why certain companies become enormously successful, while others remain average.

What he found out was that sustainable success does not appear from a revolution, magnificent visions or because of charismatic leader. The keys for success are hard work, compiling a concept, finding something that you can be the best in the whole world at and doing it - and doing just that, nothing else. That is what he calls a hedgehog concept. Besides that, you need the right people on every level of the organisation. Those who do not fit must be taken away and be replaced by people with the right skills. The typical leader of a successful company is a person that always puts the company's interest in first place and will not give prominence to himself/herself. He claims that bonus programmes and other reward systems are of little importance for long-range development. The secrets of success are not technique, innovation or good luck, but simply having the right people "on the bus" and promoting competence.<sup>39</sup>

Collins has compiled a concept involving how a company can grow, how they can attain superior performance and how good companies can become great. His book "Good to Great" starts with: "The good is the enemy of great. And that is one of the key reasons why we have so little that becomes great."<sup>40</sup> He means that most companies will never become really great; they will be quite good and will not grow even more and that is their problem. He and his colleagues have examined the best growth companies of the Fortune 500-list and picked out the 11 most outstanding. The research team created a concept about how to make the leap. This concept consists of a number of principles and we have chosen those which we find most interesting for our examination: 1) Level 5 Leadership 2) First who ... Then what 3) The Hedgehog concept (the three circles).

### 3.5.1 LEVEL 5 LEADERSHIP

The characteristics of all the leaders of Good-to-great-companies, from now on named as "GtG-companies", are that they are humble, modest, strong-willed and fearless, and have an implacable resolution in doing what it takes to make the company a master's class enterprise (see figure 4). Level 5 leaders channel their vanity away from themselves and towards the company's goal. They are enormously ambitious, but manage to direct their energies towards the company's main interest

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<sup>39</sup> www.jimcollin.com, 2005-04-21

<sup>40</sup> Good to Great - Hur vanliga företag tar språnget till mästarklass.

instead of gaining personal credit and wealth. These qualities are the same for all leaders of all different industries.

Level 5 leaders are nearly fanatical and have an incurable need of creating results. They will sell mills or fire a brother or whatever it takes to make the company a master class enterprise. Ten out of eleven of the examined "GtG-companies" made an internal recruitment of their executives. They prepared their successors, so that the company would be able to achieve even greater success in the future.

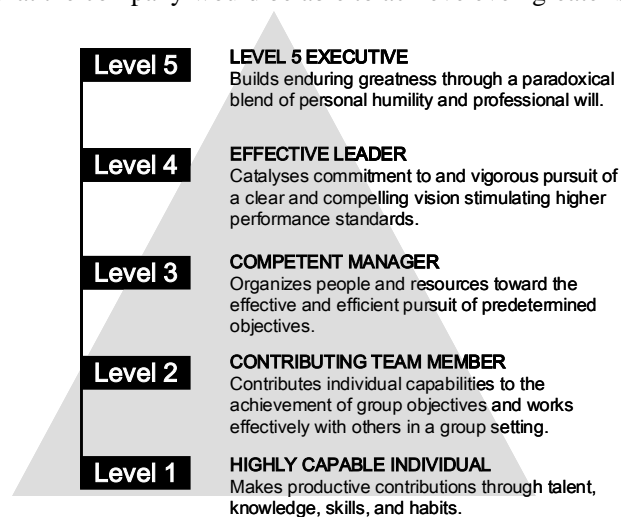


Figure 4 Hierarchy for Level 5<sup>41</sup>

### 3.5.2 FIRST WHO ... THEN WHAT

First, you cannot "set" organisational values you can only discover them. Nor can you "install" new core values into people. Core values are not something people "buy in" to. People must be predisposed to holding them. You cannot get people to share your core values. Instead, the task is to find people who are already predisposed to sharing your core values. You must attract and then retain these people and let those who are not predisposed to sharing your core values go elsewhere. The principal point is to first get the right people to step forward and get the wrong people to step off before you find out where to go, before vision, strategy, organisational structure and tactics.

Collins and his team did not find any connection between reward systems and performance. Of course reward systems can be important, but at the "GtG-companies" they had a different purpose. The objective should not be to try to get wrong people to do the right things, but get the right people to "step on the bus" and then to keep them aboard.

There are three simple rules for having strong principles: 1) When in doubt, do not hire – keep looking. What will affect the company's growth is the capability of attracting a sufficient number of the right kind of people. 2) When you know you need to make a people change, act. The matter in hand is to be certain that a person not only is in the wrong place. 3) Put your best people on your biggest opportunities, not your biggest problems. When you decide to sell off your problems, do not sell off your best people. To get the right people is rather a question about characteristics and natural capacity of that person, than knowledge and proficiency, background or competence.

### 3.5.3 THE HEDGEHOG CONCEPT (THE THREE CIRCLES)

This parable Jim found in the famous essay "The Hedgehog and the Fox", where Isaiah Berlin divided the world into hedgehogs and foxes, based upon an ancient Greek parable: "The fox knows many things but the hedgehog knows one big thing".<sup>42</sup> Foxes pursue many ends at the same time and see the world in all its complexity, while hedgehogs simplify a complex world to a single organising idea, a

<sup>41</sup> Good to Great: why some companies make the leap- and others don't.

<sup>42</sup> Berlin, I. (1993). The Hedgehog and the Fox.

basic principle or concept that unifies and guides everything. No matter how complex the world is a hedgehog reduces all challenges and dilemmas to simple hedgehog ideas. Anything that does not somehow relate to the hedgehog idea holds no relevance. Those who built the "GtG-companies" were, to one degree or another, hedgehogs.

The essential strategic difference between the "GtG-companies" and ordinary companies involves two fundamental distinctions. First, the "GtG-companies" founded their strategies on deep understanding along three key dimensions. Second, they translated that understanding into a simple, crystalline concept that guided all their efforts - The Hedgehog Concept, which flows from deep understanding about the intersection of the following three circles (see figure 5).

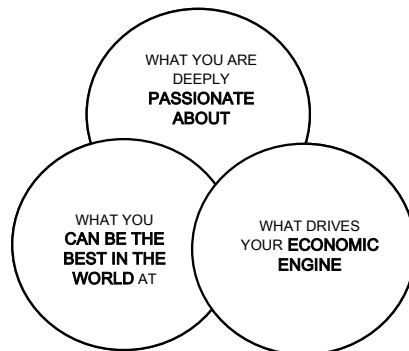


Figure 5 *The Hedgehog Concept*<sup>43</sup>

### 3.5.3.1 What you can be the best in the world at

It is not a goal to be the best, a strategy to be the best, an intention to be the best, or a plan to be the best. It is an understanding of what you can be the best at (and, equally important, what you cannot be the best in the world at). The discerning standard goes far beyond core competence. Even if you possess a core competence, it does not mean that you can be the best in the world at it. What you can be the best at might not even be something in which you are currently engaged.

### 3.5.3.2 What drives your economic engine

The companies need to attain profound insight into their finances. The denominator can be quite subtle, sometimes not even obvious. The key is to use the question of denominator to gain understanding and insight into the economic model. For example one of the "GtG-companies" built their upswing on the insight that a portfolio of classic toys and games produces more sustainable cash flow than big onetime hits. And their people were passionate about it.

### 3.5.3.3 What you are deeply passionate about

The companies should focus on those activities that ignite their passion. The idea is to discover what makes you passionate, and to do only those things you can get passionate about. No one can manufacture passion or motivate people to feel passionate. You can only discover what ignites your passion and the passions of those around you.

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<sup>43</sup> Good to Great - Hur vanliga företag tar språnget till mästarklass.

## 4. EMPIRICAL RESULTS

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*In this chapter we will present our interview result. The empirical part starts out from the theoretical chapter and each headline comprises the interview result that it corresponds to. To begin with we will give a presentation of the selected companies. Then we will describe the interview result applied to Gary Hamel's Business Model. Subsequently we will present the empirical results in relation to Porter's Five Forces and Ansoff's Product/Market expansion grid. Finally we will show Collins' Concept for growth in relation to the outcome of the interviews.*

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### 4.1 PRESENTATION OF THE SELECTED COMPANIES

Out of consideration for the companies' anonymity and to make the presentation more viewable, we have chosen to present the companies as Company A – Company G. These are the companies' line of business and the respondents, who we have interviewed.

**A:** Credit Facilities, Managing Director

**B:** Building Contractor, Managing Director & Financial Manager

**C:** Educational Consultant, Managing Director

**D:** Entertainment industry, Managing Director

**E:** Technical Consultant, Managing Director

**F:** Optician Services, Assistant Managing Director

**G:** Property-management Company, Human Resources Manager

The empirical part starts out from the interview material we have put together from seven different companies. There are some reiterations in the text. Though, we think it is important to show the answers we got from every part within the current model to achieve a complete view of the model. This also explains why we have chosen to present all of the empirical data in this chapter instead of as an enclosure.

### 4.2 GARY HAMEL'S BUSINESS MODEL

#### 4.2.1 CORE STRATEGY

##### 4.2.1.1 Business mission

**A:** The business mission is to attract finance companies through a low profile and gentle approach to debtors. They also want to sustain their good reputation and grow in the European market. In the long-run their vision is to capture market shares and become the largest in their industry. Compared to the competitors the company has a lower profile and a softer approach towards the customers.

**B:** They focus on turnkey contracts that are cost efficient and also develop ideas to complete projects through straight communication. Their vision is to become the natural co-operator by providing entrepreneurship and market leading competence. They differ from their competitors by focusing more on turnkey contracts and are competing mainly on markets with less competition. Furthermore they have a more narrow business mission than the competitors.

**C:** The business mission is to help customers in developing their competence and to create added value for the clients by carefully listening to what they really need. Their concept is unique, seeing that the customers present the object desired and then the company complies with the desire. Every education programme is tailor-made and it is based on what the customer needs.

**D:** The company's business mission is nation-wide sales of low price products within the entertainment industry. The company differs from the competitors in their line of business by focusing on low price products. The vision is to increase impulse buying, to create extra sales and by this become the largest on the market with the best profitability. They also want to create new purchasing behaviour and to become the largest supplier within their industry.

**E:** Their business concept is to help clients to become winners in the global competition by providing a combination of competence concerning mainly technical matters. They want to become strategic



partners with their customers. The company strives for long-term relationships with the clients that are best within their line of business and compete on a global basis.

**F:** This company is dedicated to selling products of good quality at moderate prices. Unlike their competitors the company wants to control the whole value chain in order to create more value for the customers. The vision is to become a nation-wide distributor by franchising agreements with other companies and to maintain the profitability.

**G:** The business mission is to create an increase in property value and satisfy tenants by administrate real estate at the request of the customers. The company wants to become the Nordic and Baltic countries most professional and successful assets manager.

### 4.2.1.2 Product/Market Scope

**A:** The company competes in 12 countries and their largest market share is in Scandinavia. Their clients are debtors, which could be individuals as well as companies. Their product segment involves buying debt portfolios from banks and other finance companies.

**B:** They mainly carry on their business in the region of Gothenburg, and their aim is to expand to the whole of Sweden. Their biggest customers are co-operative building societies, municipalities, industries and individuals. The company offers minor as well as turnkey projects.

**C:** The company operates in five cities from Gothenburg in the south to Uppsala in the north. Customers of this company are business firms, upper secondary schools and local-governments. Their products are education programmes within technique and leadership.

**D:** They have nation wide coverage and are dedicated to distributing strong and attractive products within the entertainment industry. The company represents the large entertainment companies and the clients are retailers, radio and television dealers, petrol stations and toyshops.

**E:** The customers are the vehicle industry, technical product-developing companies and the public sector. The company's marketplace is mainly the region of Gothenburg, but it also competes globally. Their products are mainly consulting assignments and education programmes involving technical matters.

**F:** The company operates in the western part of Sweden. Their customers are individuals, companies and local authorities. The company sells products of good quality and at moderate prices.

**G:** This company competes in the Nordic countries. Their clients are investors, real estate owners and individuals. More than 80 percent of their customers are large enterprises.

### 4.2.1.3 Basis for differentiation

**A:** This company has their own segment and keeps a low profile and tries constantly to find solutions for the indebted clients. They avoid bringing judicial proceedings against the debtors and offer their clients an instalment plan to pay back their debts. In some cases the debts can be partly removed from cause lists in order to make it possible for clients to repay.

**B:** They think their success is a result of that the fact they focus on larger turnkey projects and do not accept an assignment that does not suit their activity. Moreover they are aware of how the competitors work.

**C:** The company keeps strictly to the needs of the customer and is not interested in providing knowledge on a broad front. They listen to the customers' needs, which explain the company's competitive advantage. They also want to provide an overall-solution for the customer by helping the clients to transform the education into competence within the company.

**D:** They focus on selling low price products, which make them different from the competitors. The company has a high stock turnover and offers customers free cardboard exhibition boxes for the shops.

**E:** Well-educated and proficient personnel underlie the company's success. They provide high competence to elite companies. The employees are the most important resource and the company has ventured to employ even in recessions.

**F:** The main factor of success is the integrated business concept that characterises the company. They control the entire value chain, from raw material to the end product. They have contractual partnerships with some large companies and the local authorities in Gothenburg. Furthermore their products are manufactured in low-income countries, such as China, Thailand and India, which creates a high profit margin for the company.

**G:** This company has created a strong company culture, where all the employees work together from a basis of shared values. They consider that client focus will come naturally, by creating a culture where all their employees are content and appreciated. The company focuses only on large enterprises as their clients and potential clients.

### 4.2.2 STRATEGIC RESOURCES

#### 4.2.2.1 Core competencies

**A:** The most important core competence is the company's qualified staff. The employees have a business instinct and a deep knowledge of financial accounting and IT.

**B:** The core competencies are entrepreneur spirit and the employees' capacity of doing business.

**C:** The company's core competency is above all their clear hierarchy organisation, but also that the employees share the company's core values.

**D:** Well-developed product knowledge and salesmanship among the staff are the core competencies.

**E:** This company relies on their competent and proficient personnel.

**F:** Registered opticians and laboratory opticians are the most important core competencies within the company.

**G:** New thinking, curiosity, commitment and doing the same thing as the competitors but in a different way characterise this company. The company has competent personnel with breadth and depth of knowledge and staying power, which is important, since they work with long-term contracts.

#### 4.2.2.2 Strategic assets

**A:** Their strategic assets are mainly the contact they have created with clients and suppliers. They are well known in their business and the company's name stands for something good. Furthermore they have access to a well-developed computer system.

**B:** The most important strategic asset for the company is the staff. Another important strategic asset is the relationship with the clients. They have managed to achieve customer confidence, which they know is important in the long run. Their local managers, who have daily contact with the customers, have many years of experience in their line of business.

**C:** The relationship with the industry and well-established contacts with customers are strategic assets.

**D:** They have contracts with all multinational entertainment suppliers and well functioning logistics. Furthermore they have two successful registered trademarks, thousands of products of their own and sole rights to imported products. The company has also a unique product mix and sales concept.

**E:** Since they are a knowledge-based company, the true heart of their business is the employees.

**F:** This company has a well-known trademark in the western part of Sweden. Their trademark functions as a high-quality brand that attracts customers.

**G:** The company has a well-respected name and five strong core values, which characterise the company. Furthermore they have access to a database that provides them with information.

#### 4.2.2.3 Core processes

**A:** The company is dedicated to buying debt portfolios from banks and other finance companies. They are aware of what process creates most value for the customers. The company collects influences from sales companies.

**B:** Their activity is to carry out cost-efficient turnkey contracts and develop ideas to complete projects. The company has not focused on whether or not to borrow processes from other companies. They think that industrial construction could be an interesting alternative. Furthermore it could be of interest to learn more about other companies' employment policy.

**C:** The core processes are to sell education programmes within technique and leadership. Every education programme is tailor-made and it is based on the needs of the customers.

**D:** They sell rock-bottom products to large retail chains, radio and television dealers, petrol stations and toyshops.

**E:** This company provides their client with a combination of competencies concerning mainly technical matters on a consult basis.

**F:** They control the whole value chain from a raw product to the final product. The most significant part is the manufacturing-process, which takes place in low-income countries.

**G:** It is one of Sweden's leading property-management companies. This company is dedicated to administrate real estate.

#### **4.2.3 CONFIGURATION**

**A:** The divisional organisation form and the company's competent staff manage the linkage between their competencies, assets and processes.

**B:** Their form of organisation and a well-developed communication system connect the company's core strategy with their strategic resources.

**C:** A pronounced assignment of responsibility and a hierarchical form of organisation configure the company's resources and strategy.

**D:** Through long-term solutions, which benefit both customers and the company, they try to achieve interplay between their core and strategic resources. They adapt the assortment to each client by a well-functioned logistic chain and good market knowledge among the company's salesmen.

**E:** According to the manager, the company's interface between resources and processes is directed by an efficient organisation.

**F:** The company's integrated business concept connects the core strategy with the strategic resources.

**G:** The company has a divisional organisation form. The employees work in project groups and employees at lower levels make a lot of decisions as well.

#### **4.2.4 CUSTOMER INTERFACE**

##### **4.2.4.1 Fulfilment and Support**

**A:** They reach the customers through well-established contacts with clients as well as with suppliers. They do not rely on marketing through the media.

**B:** The company hardly conducts any marketing campaigns. They rely more on their network and their good reputation in their business.

**C:** They do not use a lot of marketing to reach clients. Instead they rely on their good reputation. Twice a year the company sends out advertising in the form of a catalogue. Sometimes they have had an education department of their own at the client's establishment.

**D:** The company relies on well-established contact with the customers. They assume responsibility for taking out drafts for advertising campaigns and delivering the products in time. They have had nationwide television advertising spots. The company thinks mail order selling could be a new way to reach their customers and they are always keen on finding new ways of selling their products.

**E:** This company considers it more of value marketing their employees instead of the company's name. The best way to promote the company is having staff that talk well about their place of work. They are eager to create confidence and long-term relations with their customers.

**F:** They reach customers mainly through advertising in the daily paper, but also by using advertisements on the radio and on television. Direct advertising is something they would like to use.

**G:** The company relies on a good reputation and partnership with customers.

##### **4.2.4.2 Information and Insight**

**A:** The company has good information about the customers. Recently they made polls, to get to know the customer's opinion about the company and the competitors. The measurement was qualitative and consisted of enquiries, telephone interviews and deep interviews. The company does not use a customer-satisfaction-index, though they prefer to have continuous and personal contact with their clients.

**B:** They know what the customers appreciate. The customers require delivery by the due date and close contact with the company. They also appreciate entrepreneurship that characterises the company. The company has used customer-satisfy-index to obtain the clients view of the company in the present situation and how they want to see the company in the future.

**C:** The company carries out measurements, such as customer-satisfaction-index on a regular basis. They work in partnership with their clients and know what the customers need and appreciate.

**D:** In the present situation they rely on the personal contact between the salesman and the shop assistant to achieve the clients' opinion about the products. In the future they are planning to use customer-satisfaction-index.

**E:** The company does not use customer-satisfaction-index on a regular basis. Complaints and requests from the clients come up directly, but in some cases complaints are never presented to the management, which is a problem.

**F:** The customers appreciate a high service level in the stores. Reimbursement and repayment are only done by the head office. Occasionally they carry out customer-satisfaction-index. They do not take advantage of their customer base yet, but they are planning to use their register of customers.

**G:** This company puts the staff first. They mean that by creating a culture where all their employees are happy and appreciated, the client focus will come naturally. The company thinks it is important to be passionate about colleagues and clients. On a frequent basis they carry out customer measurements as customer-satisfaction-index, which is followed up in a professional way. They keep a dialogue with their customers through a commission workout, where the customers can express their needs and wishes.

### 4.2.4.3 Relationship dynamics

**A:** The interaction between the company and the consumer is face-to-face and continuous. They are aware of how they can exceed their client's expectations, for example, by an even more gentle approach towards their customers.

**B:** The company thinks they can come closer to, but not exceed, the customers expectations by providing the client financial arrangements and building sites.

**C:** They have partnership relations with their customers, which means they first listen to what the customers need and then work out the material.

**D:** They have a dynamic and continuous relationship with the customers. The company wants to achieve profitability by creating a win-win situation.

**E:** They have meetings with their customers, in order to create confidence and a long-term relationship.

**F:** The company wants to become more efficient to follow up their customers and take more advantage of their customer base.

**G:** Well-managed assignments create satisfied customers and this in turn generates more assignments. "Passion for colleagues and clients" are the company's core value.

### 4.2.4.4 Pricing structure

**A:** Banks are aware of the market price and it is difficult for the company to deviate from the pricing structure in the business line.

**B:** The company's pricing structure is cost pricing and fee. They are controlled by the market price and can only deviate from this to a small extent.

**C:** They charge for the cost to prepare the education with a reasonable increase in price added. No pricing model within the industry restrains the company from deciding their own price level.

**D:** The multi-price-concept is important for the company and they were first to establish it. The pricing structure depends on the market demand and not on the competitors. They charge for the products and indirectly for the cardboard exhibition box, by signing long-term contracts with their clients.

**E:** Their price model is based on a contribution margin and overhead-cost per hour and employee.

**F:** Companies within their industry have a high contribution margin of approximately 60-70 percent, but company F does not follow a specific price model. They charge their customers for the whole business process, from raw material to the end product.

**G:** A general price model exists in their line of business. The company can deviate from it if, for example, the object is on an extraordinary place or if the purpose is to create a long-term relationship with the customers.

### 4.2.5 CUSTOMER BENEFITS

**A:** With a gentle approach and focus on solving the debtor's problem without instituting judicial proceedings they can satisfy their clients' needs and wants.

**B:** If a project turns out to be cost saving they share the excess-benefits with the clients. Furthermore the company can provide the customers with information about, for example, a profitable building site.

**C:** The client presents the object desired and the company complies with it. The material is made exclusively for each customer.

**D:** The company offers high levels of service and long-term solutions to the retail stores and their customers. The clients have the right to exchange the product, which is not very common for that kind of business. With their rock-bottom prices the company creates a win-win situation.

**E:** They provide consultant commissions and sometimes even accomplish projects and education programmes of their own.

**F:** The company offers an examination for free if the customer buys the product. In the present situation they do not have a special bonus offer for their clients, but they have plans to take greater advantage of their customer base.

**G:** The company ensures that every client's confidentiality is total and that every decision is undertaken with the clients best interest in mind. They deliver high quality services in time and strive for a high occupancy rate.

### 4.2.6 VALUE NETWORK

#### 4.2.6.1 Suppliers

**A:** The company suppliers are banks and finance companies. The relation between the company and the suppliers is well developed. They regard suppliers as an integral part of their business model.

**B:** The company considers their suppliers as an integral part of their business model. They continuously work on improving the relation with the suppliers. Occasionally the suppliers exhibit their products and educate the company's staff how to use them.

**C:** Suppliers are mainly computer companies and they have a good relation with them.

**D:** They have a few large suppliers, with a lot of negotiation capability. The company reaches customers that the large suppliers are not capable of reaching. They want the suppliers to see them as an extension of the suppliers' sales-market.

**E:** The company has mainly sub-suppliers that take care of some parts of the projects. The suppliers have no negotiation strength.

**F:** Their relation with the suppliers is well developed and controlled. The suppliers represent one part of the company's value-chain.

**G:** They make use of sub-suppliers for different kind of repair work. Their suppliers do not function as a resource for renewal for the company's business mission, neither are they an integrated part of their business process.

#### 4.2.6.2 Partners

**A:** They have bought a portfolio together with an investor, but this was an isolated case and they have no plans to co-operate in the future. However, they are investigating the possibility of co-operating with commercial banks to achieve more capital for new investments.

**B:** The company tries to avoid having partnerships, due to the disadvantages that it could result in. They have had partnerships with construction companies, which is common in their line of business.

**C:** They have partnerships with two multinational computer companies. According to the manager the relationship with their partners is well developed.

**D:** The company sometimes co-operates with their competitor. They have gotten a good-bargain from competitors and also they sell products to other companies in the industry.

**E:** They co-operate frequently with competitors to achieve more profitability. The company sometimes works with sub-consults for spreading the risk.

**F:** The company is a partner with other optician chains in order to be able to achieve market shares. They are also partners with a federation within their industry in order to co-operate concerning certificates and subsidies to researches at university hospitals.

**G:** The company has a partner on the Norwegian market.

#### 4.2.6.3 Coalitions

**A, E:** In the present situation these companies do not collaborate with any company outside the industry.

**B:** To be able to broaden their overall-solution, they are considering entering into co-operations with consulting agencies within the construction industry and also with architects.

**C:** According to the manager they do not have a project to co-operate with another line of business.

**D:** They have an idea of creating coalitions with other large mail order firms as a possibility to create more market shares.

**F:** The company has a relationship with a real estate company. They also have a coalition with a hospital, concerning surgery.

**G:** Coalitions do not exist to any larger extent outside the company. They do have some co-operations with consulting companies.

#### **4.2.7 COMPANY BOUNDARIES**

**A:** In the present situation they do not outsource services. They have a full-time computer programmer employed, who is dedicated to developing a custom-based computer system.

**B:** They hardly outsource any activities. The company is exploring the possibility of having fewer workmen employed. Concerning the production system they prefer to retain that within the company.

**C:** The company does not outsource any activity within the business. They prefer to control the entire business process.

**D:** It would be possible for the company to outsource marketing, stock keeping and distribution. They prefer to maintain all activities within the company to be sure of that the products are delivered in time and for not losing the comprehensive view among the employees.

**E:** The company has plans to outsource some part of their administration. Furthermore they will investigate the outsourcing possibilities of locating administration in low-income countries, which is one important part of their business concept.

**F:** In the present situation the IT services are outsourced. In the future they will outsource E-commerce and call-centres.

**G:** The cleaning service of the properties is outsourced. The company has employed an IT-consultant in order to become less vulnerable. Previously they outsourced that service.

#### **4.2.8 WEALTH POTENTIAL**

##### **4.2.8.1 Efficient**

**A:** Their clients are the debtors. By a gentle approach towards their customers they try to obtain 50 percent of the claim, which can be about 25 percent more than they pay to their suppliers.

**B:** It is a price sensitive line of business and they are not always aware of how much the clients are willing to pay. They are efficient at negotiating transactions with the customers.

**C:** The company does not maximise their prices. They charge for the cost to develop and carry out the education programme with an increased price added.

**D:** They want to create profitability for the customers, a win-win situation, by charging a low price for the products. The industry is price sensitive and the company considers that selling bargain products is the most efficient business mission.

**E:** To achieve efficiency in their business concept the company focuses on delivering services of high quality and creating partnerships with the customers.

**F:** By manufacturing in low-income countries the company has a high contribution margin, which helps them to be efficient in their business model.

**G:** They achieve efficiency in their business mission by striving to constantly create a higher operating profit.

##### **4.2.8.2 Uniqueness**

**A:** They think their business model is unique, seeing their gentle approach to debtors with a focus on solving the debtor's problem without instituting judicial proceedings and with a discrete profile.

**B:** The company's business model is unique in that there is a focus on cost-efficient turnkey projects and delivering overall-solutions to their customers.

**C:** They consider their business model to be unique since the company offers custom-built education programmes and helps the client to develop competence.

**D:** They offer entertainment products at bargain prices and try to create a win-win situation for the company and the customers.

**E:** The company provides high performance to elite enterprises and has a high level of ambition within the company.

**F:** By vertical integration they control the whole value chain. Their business concept will become even more unique when E-commerce is established, and franchising more developed.

**G:** This company provides overall-solution for larger companies and have a genuine philosophy and approach. The philosophy is defined by the slogan "Passion for colleagues and clients".

### 4.2.8.3 Fit

**A:** They consider that their business model is consistent and that all parts of the process work towards the same goal. A gentle approach to the customer and a low profile permeate their business concept.

**B:** The company focuses on cost-efficient turnkey projects, which characterise the entire activity.

**C:** It focuses only on certain areas and is not interested in providing knowledge on a broad front. The company is distinguished by overall-solutions, first they educate and then they help the client to convert the knowledge into competence.

**D:** The company has a consistent business mission, which is clearly identified and enduring. They offer customers low price products, which characterise their business process from the very beginning to the very end.

**E:** The company thinks that their business model is consistent.

**F:** Their business model is consistent, but the company can derive further advantages from using the list of current customers.

**G:** They consider themselves to have a consistent business mission. The five core values: excellence, expertise, innovation, commitment and integrity, underlie the whole business process.

### 4.2.8.4 Profit boosters

#### Increasing return

Network effects, Positive effects and Learning effects

**A:** The company achieve increasing returns by having a discrete profile and avoiding publicity.

**B:** They have a good reputation in their business, and by network effects they continuously find new clients. Further the company is keen on listening to the customers, however it is difficult for the company to find out all the complaints, due to the fact that part of them never are reported to the management.

**C:** The company relies on their good reputation, which results in new clients by positive feedback. They take advantage of their partnerships with clients by carefully listening to what kind of education programme the customers need and are looking for. The company always tries to be one step ahead of their competitors, by anticipating changes in the consumption pattern.

**D:** This company can increase return by giving the retailers information about their products and how to promote them. In turn they will sell more of the product, which leads to fewer repurchases for company D and in the end an increase of profitability.

**E:** The company dedicates a lot of time and money to promoting themselves through different events and in student happenings in purpose to create increasing network effects.

**F:** This company has achieved spin-off effects by successful relationships with companies and participation in the industrial health service at a larger enterprise.

**G:** The selection process of clients is important for the company. When the large companies are satisfied with the service, it will result in larger spin-off effects. Commitment is the key to the relations with their clients. It explains how the company listens to the customers, is interested in and shows respect for the clients' needs and problems. They take advantage of every moment to learn, find, seek and test new solutions.

#### *Competitor Lockout*

Pre-emption, Choke points and Customer lock-in

**A:** The company has long-term supply contracts and it is expensive for the supplier to end the contract.

**B:** They try to achieve long-term supply contracts, and make a lot of effort to obtain recurring clients.

**C:** Long-term contracts and framework agreements exist to a large extent within the company.

**D:** The company has a lot of long-term contracts that extend over more than one year. It also has a lot of exclusive contracts with large multinational entertainment companies.

**E:** The company considers that the best way to lock out competitors is when colleagues promote and speak well about their work place.

**F:** They try to lock-in their customers with long-term contracts and general agreements.

**G:** This company has three years administrative contracts with the clients, which get renewed yearly.

### Strategic Economies

Scale, Focus and Scope

**A:** The company achieves strategic economies by focus on their core process only.

**B:** They try to be efficient by offering their clients overall-solutions and to focus only on cost efficient turnkey projects.

**C:** They concentrate only upon providing knowledge within technology and leadership.

**D:** The company dedicates wholesale business to achieve greater purchasing power and lower prices. The company focuses on selling entertainment products at bargain prices with a multi-price-concept.

**E:** This company competes with a narrow line of business, but as a whole, economies of scale are of most importance for the company, regarding for example administration costs.

**F:** They control the whole value chain and therefore they can obtain large-scale production. The company is also thinking of expanding in other countries, to become even larger thanks to economies of scale

**G:** This company takes advantage of both focus and scope to achieve a strategic business model. They focus on their financial situation and try not to have too many employees

### Strategic Flexibility

Portfolio breadth, Operating agility and Lower break even

**A:** They obtain strategic flexibility through a portfolio breadth, acquiring a lot of debts from the same customers.

**B:** The company consider themselves to be open-minded and not prejudice, which makes it easier for the company to refocus in a downturn of demand.

**C:** The company always take the incentive in their line of business in order to adapt to changes. They want to be a step ahead of the competitors.

**D:** They are flexible and follow the changes in the world around them. The company has always been sensitive to new ways of selling and distributing their products.

**E:** The company achieves flexibility through variable wages among the best-paid employees. The wages are about 70 percent of the company's total cost.

**F:** They have a lot of possibility of being flexible, though they control the whole business process. They are not flexible concerning the staff. It would take too much time to move the core competencies to another country. Furthermore they are almost internally financed and have good solidity.

**G:** The company has a flexible business model and offers many different kinds of services.

## **4.3 ANSOFF'S PRODUCT/MARKET EXPANSION GRID**

### **4.3.1 MARKET PENETRATION**

**A:** By treating the debtors in a different way compared with their competitors, they try to attract customers. This company's approach is gentle with a focus on solving the debtor's problem without instituting judicial proceedings. They have instalment plans and sometimes the debts can be partly removed from the cause list. The profile is to be discrete and to avoid publicity. That is their method taking customers from the competitors. Many of their competitors are bureaucratic and severe towards



the debtors. They will not rely on marketing operations in the media. In the market they are well known and their name stands for something good.

**B:** The business concept is not that different from the competitors, but they focus on larger turnkey projects. By helping the customers arrange the financial requirements, they hope to become even more attractive.

**C:** They help the customers developing their competence and try to create added value for the customers by carefully listening to what the customer really needs. Their best competitive advantage is to keep strictly to the needs of the customer. They do not use a lot of marketing, but rely on the spreading of their good reputation.

**D:** There are no other competitors with exactly the same business concept. The competitors focus on maximum price products and artists that are most popular for the time being. To attract customers, company D sells their products at bargain prices. They try to change the consumer's buying behaviour. Earlier the consumer did a lot of thinking before making a decision, but now when prices are low they can buy the product as an impulse purchase. Rock-bottom products sell best nowadays. Customers also have the right to exchange the product, which is not very common for that kind of product.

**E:** The aim is to help the customers to become winners in the global competition by providing a combination of competence concerning first of all technical matters. The customers are the vehicle industry, technical product-developing companies and sometimes the public sector. They have chosen to apply to those companies, which have the leading position and want to be the best within their own industry, the elite of the market.

**F:** By offering products of good quality at moderate prices the company attracts customers. This company controls the whole value chain. None of the competitors have that kind of control over the whole value chain as a tool for identifying ways to create more customer value. That is their strength.

**G:** This company is one of Sweden's leading property-management companies. They want to create an increase in property values and satisfy tenants by administrating real estate by order from clients. The aim is to be the most professional and successful asset manager in the Nordic countries. They get management assignments from investment banks, institutions, property companies and private investors. They gave up customers, who were too small for them and focused on the large enterprises.

### 4.3.2 MARKET DEVELOPMENT

**A:** They have a vision of expanding into new markets and in the long run becoming largest in their industry in the whole of Europe. They are already busy in more than ten European countries.

**B:** The marketplace is mostly the region of Gothenburg, but the aim is to expand to the whole of Sweden. When they are asked to carry through project that does not really fit their company, they will give a negative response.

**C:** They carefully listen to the clients' desires. It is important to listen, be ahead of the competitors and present recommendations regarding the customer's needs. By being professional, they hope their customers will speak in favour of them and this will lead to a larger share of the market in the long run. They focus on the branches where they are most competent and do not go into areas they are unsure of, because then there is a risk that your competence will be weak.

**D:** They sell their products nation-wide and want to be the largest company in the market. Mail order selling could be a new way. They are not using that distribution channel today, but they have always a sensitive ear for new ways of selling and distributing their products.

**E:** The sphere of activity is mostly the region of Gothenburg, but they see the whole of Sweden as a conceivable market. Sometimes they work globally too.

**F:** The geographic area they operate in is the western part of Sweden. They have a vision of becoming a nation-wide distributor by making franchising agreements with other companies. It is hard to compete in the Swedish market. As the first in their industry, they will try to sell the products on the Internet.

**G:** The group's long-term objective is to become the leading property-management company in the Nordic countries and the Baltic states. You will find them in the capitals of the countries, but also in smaller towns if there are attractive objects.

### 4.3.3 PRODUCT DEVELOPMENT

**A:** A new business activity is buying claims.

**B:** In the future they would like to provide building sites for their customers and be able to provide broad scale building opportunities.

**C:** Every competence programme is custom-made. Sometimes they have had an education department of their own at the customers' establishment.

**D:** They continuously develop their products and the packing. The cardboard exhibition box is free of charge for the shops and is tempting for the consumers.

**E:** At the request of the clients they provide consultant commissions and occasionally they accomplish projects of their own and provide educational programmes.

**F:** The products change continuously with trends, but are quite similar to the products offered by competitors.

**G:** They continuously increase the capacity of their services.

### 4.3.4 DIVERSIFICATION

**A:** There has recently been a merger of companies, to get into new markets and the parent company is now a listed company in another Scandinavian country. New strategies are subject of discussion.

**B:** By providing the financial arrangements to the customers and in the future building sites, they hope to take even more advantage of their knowledge and proficiency.

**C:** They are focusing on certain areas and are not interested in providing knowledge on a broad front to enter product markets different from those in which they are currently engaged.

**D:** Technological advances lead to a new capital good for households and the sales of that product increased rapidly. They did not sell the capital product mentioned but started to sell complementary products for the new capital good using the same distribution channel they already were in possession of. The new product could be offered for sale in much the same way as their existing product.

**E:** They are eager to examine new services and new markets. The level of ambition is high and often they have to bring ideas to a standstill because it is not possible to do everything at the same time.

**F:** The industry is in state of change. The company wants to grow by making franchise agreements with new companies. E-commerce is another step towards new markets. They even have an idea about hiring eye specialists under their own management. Now they send the customers to different specialists for consideration, but they would like to take care of that part themselves.

**G:** It is necessary to establish operations where the attractive objects can be found, in order to become the market leading property-management company in the Nordic countries and the Baltic states. Finland is an unexplored market and there will be a lot of opportunities when the economies of the Baltic states get better and the investments increase. The real estate business is a long-term opportunity for profitability in those countries.

## 4.4 PORTER'S FIVE FORCES

### 4.4.1 COMPETING AMONG EXISTING FIRMS

**A:** A year ago there were only four companies in the Swedish market. On account of the deregulation, there are many new actors. Many of these competitors are bureaucratic and severe towards the debtors. The company tries to be different from the competitors by treating the debtors gently and try to solve the problem without instituting judicial proceedings. They have instalment plans and sometimes the debts can be partly removed from the cause list. By being discrete and avoiding publicity, they attract the customers. They have long-term commitments with some of the banks.

**B:** There are many actors in the market – both small and large companies. The large companies are often impersonal and there are many levels within their organisations, which makes it heavy and time-consuming. It can be hard for the customers to talk to the right person. The large companies do not differ much from each other. They can be taken as the same "grey mass". Many of the smaller companies are not able to provide turnkey projects. To keep a personal touch and a manageable organisation it is very essential.

**C:** In this industry there are also a lot of actors on the market. Customers of this company are business firms, upper secondary schools and the local-government. The customer presents the object desired and the company complies with their needs. Every education programme is custom-built. They help customers transform knowledge to competence and create a long-term partnership with them.

**D:** Many competitors focus on maximum price products and this company has chosen a different path. They sell products at rock-bottom prices to many of the large retail chains, radio and television dealers, petrol stations and toyshops. The competition is not that strong, but of course they have to be aware of threats from new and existing competitors. The unique product mix, the fantastic sales concept and the high level of service given to the retail stores and their customers have resulted in tangibles advantages. They want to create a win-win situation for the customers. The founder of the company started out several years ago and has superior knowledge about the market and the products.

**E:** The competition is high. They have found their strengths to be working with elite companies, providing extraordinary high competence, and giving the employees good compensation, which will maintain the high level of service. The employees are the most important resource. Renewal and competence are of utmost importance.

**F:** There are several competitors in the Swedish market. Company F has an integrated business concept and is in control of the whole value chain from raw material to the end product; import, distribution, marketing and sales, service, warranties and so on. They also have plans for horizontal integration. They have an overall solution and have made agreements with some of the largest companies in Gothenburg. If the E-commerce and franchise projects are successful they will become stronger.

**G:** They have focused on the large enterprises as their customers and potential customers and have given up working with the smaller business. Formerly about 40 percent of the clients were large enterprises, but now the figure is about 80 percent. They have unique core values and they apply them to the customers as well as their employees. The managing director of the group states that they do not want to work with anyone who does not share and support these values – whether they are colleagues or clients. Individuals and organisations, which cannot accept that, should find another employer or another supplier. The core values, and the fact that they are well respected are some of the competitive advantages of company G. The market is changeable and they realise that they must think ahead and establish business where they expect the market to be in the future.

### 4.4.2 THREAT OF SUBSTITUTE PRODUCTS

**A:** They buy debt portfolios from banks and other finance companies. A threat can be a creditor, placing encashment orders to pure debt-collecting agencies.

**B:** Foreign competitors with a different kind of construction work with pre-built modules can be a threat.

**C:** According to the managing director there are no substitutes.

**D:** The most threatening actor is the Internet; partly the E-commerce companies partly the downloading of products. Another threat is other opportunities for amusement such as mobile phones and games and also a totally different spare-time occupation. Youngsters with a limited budget have a lot to choose from. The threats strike the competitors selling maximum price products much more than company D.

**E:** Staffing services can be a threat.

**F:** The only substitute is laser surgery, but today it is not really a threat but it can be a potential threat if the prices for having a laser operation fall rapidly.

**G:** A kind of substitute would be if investors choose to make investments elsewhere and not on the Swedish market.

### 4.4.3 THREAT OF POTENTIAL ENTRANTS

**A:** On July 1, 2004 a deregulation led to new operators being established on the market. Before that, the company had to act as a credit market company and there was a claim to those companies to hold at least EURO 5 million in restricted equity in order to get authorisation for operating on the market. That is quite a sum and at that time there were only four companies operating on the Swedish market. After the above date, the only thing the company is obliged to do, is to get a licence for collection of debts from the Swedish "Datainspektionen" and that is not hard to get.

**B:** Low-income employers from other European countries are threatening the Swedish construction firms. In the southern part of Sweden employees from abroad have built about 30 – 40 % of all constructions. You will find them in Gothenburg too, but it is not that common there yet.

**C:** Sometimes competitors emerge, but they usually disappear after a few years.

**D:** There are some key men in the company. If they, for example, decided to start a business of their own, there would be a problem. Still there are barriers of entry such as contracts with multinational suppliers and functional logistics. Another barrier is economies of scales.

**E:** Staffing services can be a threat to the consultant. If the global enterprises move their research and development abroad, company E may lose commissions.

**F:** Two of the largest actors in the market have merged and now they manage eighty retail shops and that could be a greater threat than new entrants.

**G:** The biggest threat is when companies merge and become large enterprises.

#### **4.4.4 BARGAINING POWER OF CUSTOMERS**

**A:** The customers are the debtors. This company works out instalment plans and sometimes the debts can be partly removed from the cause list.

**B:** There are many companies to choose from. They are fairly controlled by the market prices, but are efficient at discussing the contract with the customers and telling them what is included in the price. It is harder to discuss the price with the local authorities or civil service department, while they have the Law of public offers that is very regulated.

**C:** Working for customers is more like a partnership. There exists no clear bargaining power for customers.

**D:** Customers have a lot of power. They are price sensitive and the company has to adjust their price policy to the price sensitiveness of the final customers. The best way for the company to show better profitability is to increase sales.

**E:** The bargaining power of customers is tremendous. They determine the conditions. If they for example say: "terms of payment 90 days", the company has to adjust to it without questioning.

**F:** Today they do not have a special discount programme for regular customers, but sometimes the customer is given a price reduction from the shop assistant. The company has plans to take advantage of their register of customers and give customers benefits to reduce their power of walking away to a competitor.

**G:** The procedure is normally that they will be asked to make an offer for a business transaction. A person in charge of customers or a property manager mostly handles the contacts. There will be offers from competitors too. They do not focus on offering the lowest price.

#### **4.4.5 BARGAINING POWER OF SUPPLIERS**

**A:** The suppliers are the banks and other finance companies. They know what the market price is for a debt portfolio. Many companies make calculations of a portfolio and then there will be bidding.

**B:** The suppliers can influence them in different ways. Now and then the suppliers provide education programmes for the building workers. Sometimes the suppliers possess greater bargaining power, but it can be reduced by the influence of foreign competition.

**C:** There are only a few suppliers of office supplies and computers and their bargaining power is not very tangible.

**D:** There has been a corporate merger of two large suppliers. Their negotiation capability is now stronger (but the prices have not changed yet) and the decision-making process is more time consuming.

**E:** There are no suppliers with bargaining power.

**F:** The bargaining power of suppliers can be a problem when it comes to price negotiations. The suppliers are an integrated part of the business even if this company does not own them.

**G:** IT costs a lot of money, but they employ an information technology consultant to have better control of costs and the computer system.

### **4.5 COLLINS' CONCEPT FOR GROWTH**

#### **4.5.1 LEVEL 5 LEADERSHIP**

**A:** The managing director was recruited internally and has been working there since 1992. He thinks he was chosen because he has the right background, experience and values. He was raised with Lutheran morals to always try to do one's best. His knowledge is widespread, he is well read, comfortable in many different places and has always been interested in money and money flows.

Level 3 is most suitable for describing him. Level 4 does not at all fit, but some parts of level 1, 2 and 5. He would describe himself as a team member and an administrator.

**B:** The recruit was internal. The choice was a natural one from the previous organisation. The financial manager describes the managing director as social, human and humble. He can maintain discipline and keep the public opinion positive. He does not control everything in detail. The managing director tells us that working with people is very rewarding, but it is also very laborious. Level 4 and 5 are most significant.

**C:** The respondent is the founder and owner of the company and the managing director as well. He likes being an entrepreneur and enjoys developing companies and people. He places himself at level 5.

**D:** His role is being the managing director and financial manager at the same time, an uncommon combination. The recruitment was internal and he thinks his competence was the determining factor. He is interested in sales, personnel matters and information technology. To have the possibilities of influencing the line of business and to see the results is very interesting for him. Family life must work too. He tries to work as little overtime as possible. Level 3 is most suitable for this man.

**E:** The managing director was there when the business was set up. He likes to show what he is worth, that he has capacity in strategic thinking, showing that his ideas could be put into practise. All levels describe him, but most likely he is a Level 5 leader.

**F:** The assistant managing director tells us that the managing director is the founder of the company and he can be described as an entrepreneur. Sometimes he has to be stimulated but sometimes he must be stopped and that is a decision of the top management. Level 4 is most appropriate level for the managing director.

**G:** He first worked as an economist and was recruited internally to the position as managing director. He is driven by passion. If you have an idea he will give you an opportunity to make something out of it, but he will also let you have the responsibility and you will not be able to transfer the liability to him. Still he will have some control over the project. The human resource manager thinks that level 4 and 5 are the most suitable levels for describing his leadership.

### 4.5.2 FIRST WHO ... THEN WHAT

**A:** It is always hard to have people around that do not share the company's core values. They will work on getting the right people from the start. The person must be stable and have the right values.

**B:** They have started with their business concept and then tried to pick the right people. If somebody does not fit, first you have to try to make him or her fit or in the worst case get rid of that person.

**C:** They have an accurate recruitment process and sharing the core values of the company is very important. In most cases they get the right people.

**D:** They have tried to get the right people on board. It is very important that your colleagues have the same values. If they do not fit in, they have to be replaced.

**E:** Right values and people that are ambitious are very important features. They do a test of a person's personality when they recruit employees for a key position. If somebody does not suit, first of all they try to put that person in another position.

**F:** Usually they do not have to replace a person, but it has happened a couple of times. First they try to find something else within the organisation before they start thinking about dismissing an employee.

**G:** In this company they have many discussions about core values and company culture. When they recruit new employees they talk a lot about sharing the core values. The values make clear the work that they do and will make the company attractive for employees and clients.

### 4.5.3 THE HEDGEHOG CONCEPT (THE THREE CIRCLES)

#### 4.5.3.1 What you can be the best in the world at

**A:** The core strategy is to buy debt portfolios from banks and other financial companies and then get the debtor's to pay more for them by treating them gently and by being discrete. They do not provide pure collection orders.

**B:** Their core strategy is to focus on turnkey contracts, financing of the projects and in the future be able to offer building sites for them as well. In contrast to the large companies they will concentrate on the personal touch and a manageable organisational form.

**C:** They listen carefully to their customers needs and comply with their wishes. Orderliness is essential and in order to keep everything in order, a hierarchic organisation is necessary for being successful.

**D:** To attract the customers on the market they have decided to sell their entertainment products at bargain prices and to try to change customer behaviour towards impulse purchasing. By keeping the price low they will create profitability not only for themselves but for customers as well, a win-win situation.

**E:** They can be best at helping clients become winners in the competitive global market by providing a combination of competence concerning first of all technical matters. They have chosen to apply to those companies, which have the leading position and want to be the best within their own industry, the elite of the market.

**F:** Their strength is the integrated business concept and the control of the whole value chain and the striving towards new angles for selling their products. They have also found a means of horizontal integration into their industry. That will give them the opportunity of becoming the best in their industry.

**G:** They will be the best at property-management by creating an increase in property values and satisfying tenants by administrating real estate by order from clients.

### 4.5.3.2 What drives your economic engine

**A:** The employees have a business instinct and know what portfolios to buy. They must be proficient at financing and have good relations with the suppliers. The founder is well acquainted with people in the industry and has a superior network.

**B:** The economic engine is the people working for the company. The customers have confidence in the employees. The employees have a personal concern for the customers and for the business expansion. Without them there would not be such an astounding result.

**C:** By focusing on the things they are good at and saying no to those they are not that good at, they will survive and develop the business.

**D:** The products and the people working drive the company further. The product mix is the selling concept. The only way to increase profitability is to sell more products and sales is the main point for the company. The employees stand by the company all the time.

**E:** The heart of the company is their highly-educated and proficient personnel. Many companies only have a couple of well-educated employees, but here all of them have an excellent level of competence.

**F:** The determining factor for profitability is that the products are manufactured in China, Thailand and India at a lower price. They will also develop new ways of selling the products.

**G:** When you give your employees rights and privileges and responsibility and the attitude is that everything is possible, that will get you far. The world is always changing and you must be prepared to adjust and to find and examine new markets and be ahead of the change.

### 4.5.3.3 What you are deeply passionate about

**A:** It is very stimulating to work with money and money flows.

**B:** Entrepreneurship, engagement, employees knowing how to do business are some of the passions.

**C:** Entrepreneurship, focus on the core business and having an ability to adjust to customers needs is the key to success.

**D:** Once again - the products and the people working drive the company further. Many of the employees have come to the company because they have an interest in working with those kinds of products. That gives rise to the feeling of being connected to each other in a natural way.

**E:** As the competence in the company is high and people are very ambitious it brings forth many ideas. There is a passion for new ideas and the striving towards becoming even better.

**F:** Entrepreneurship and an interest in doing business give enthusiasm and create possibilities.

**G:** This company is deeply passionate about their colleagues and clients. They state that if they can create a culture where all their employees are happy and where they know that their contribution is appreciated, the clients' attention will come naturally.

## 5. ANALYSIS

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*In this part we will carry out our analysis. We will start with an introduction to the analytical review and then we will make a comparison between the theoretical part and the empirical results of every model.*

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### 5.1 INTRODUCTION

In the analysis we make a comparison between the empirical material from the seven examined companies and the four different theories. Therefore it is inevitable not to find any reiterations in the text. However, we find it necessary to treat every theory and model independently to form an opinion of the theory's completeness.

Gary Hamel's Business Model is the primary theory for our examination. For that reason we will compare his theory with the empirical result of the different parts of his model. Our aim is to consider the strategic choices from a broader perspective. In order to do this and to make the complementary analyses more clear, we have chosen to treat the analyses of Ansoff, Porter and Collins separately.

The principal interest of our study is to examine whether the theoretical models can give an explanation to the Gazelle companies' success and growth. All of the examined companies from different industries have an expressed core strategy and have made deliberate choices. Even though we have asked as many as 52 questions during the interview, we received relevant answers applicable to Gary Hamel's Business Model, Porter's Five forces as well as to Ansoff's Product/Market expansion grid. It has been harder to obtain profound answers applicable to Collins' Concept, presumably because certain questions deal with the leader's personality and what kind of leader the managing director thinks himself to be.

### 5.2 GARY HAMEL'S BUSINESS MODEL

#### 5.2.1 CORE STRATEGY

With a core strategy, Gary Hamel means that a company, in a structured way, decides which strategy they should have regarding business mission, product/market scope and basis for differentiation. According to Hamel, a company's business model becomes renewed when a company brings a new or very different business mission into an industry dominated by companies with similar business goals. Concerning the product/market scope the company has to know which customers segments they have and where to compete. Moreover companies need to have a broad basis for differentiation in order to compete against the competitors. The core strategy is the essence of his model and for that reason, we have chosen to make a detailed analysis for every single company concerning this component of the model.

**A:** This company is aware of how their business mission differs from the other companies in their industry. We think that they have a well-defined business concept and are aware of what they would like to achieve in the future, even though we consider their vision as somewhat too general. Their business mission corresponds with their daily activity and is constantly modified, which indicates that the mission is not only "empty words" or constrains the company's view of the potential business concept. According to Hamel's Business Model, the company has to bring a new or very different business mission into their line of business to become successful. Our opinion is that this company has become successful in their industry even though its concept is quite similar to their competitors.

**B:** The company's business mission gives a clear picture of how they compete in their line of business. We believe that their vision works hand in hand with what they strive to obtain in their daily activity. The opinion we have of the company is that they try to compete differently from their competitor, though they are perpetually searching for new ways to compete on the market, but with a focus only on commissions that are suitable for their core strategy.

**C:** They want to create added value for customers by converting knowledge into competence. We believe that the company has a genuine business concept. They are focusing mainly on their customers and want to increase the competence within every company.

**D:** As Hamel mentioned in his business model, this company has a concept that is quite different from their competitors. We also think that the company has a clear vision regarding what they want to become in the future. Our opinion is that even though they are a nation-wide company in their industry, they keep on searching for new ideas and ways to capture more market share. As in Hamel's Business Model this company figures out a new strategy constantly even if they already have a leading position in their line of business.

**E:** This company has obtained a pronounced business mission and we believe that their concept characterises the whole business process. Moreover they are expanding in a line of business that is said to be stagnating and the question is, how is it possible? According to Hamel, a company by detecting its business concept blind spot, which prevents it from seeing opportunities for innovation in many parts of the business mission, could increase their share of market. We believe that this company, by creating a partnership with the customers, having a unique business vision and taking care of the employee's competencies, has become successful in their line of business.

**F:** According to the way we have interpreted Hamel's Business Model, the company has to be an innovator and always be one step ahead of the rivals, which this company has managed to do. They have an innovated business concept and seem to be their own driving force by meeting the future before the competitors. The company controls the whole value chain and offers the clients overall-solutions, which correspond with Hamel's idea of providing the customer a total solution by expanding the companies' definition of product scope.

**G:** We think that their new thinking, curiosity and the entrepreneurial-spirit that exists in the whole company could explain this company's progress. As in Hamel's Business Model this company is searching diligently for differentiating opportunities. Besides, this company has created a strong culture, shared by all employees, which also explains their success even if it is not included as an element in Gary Hamel's Business Model.

In accordance with Hamel's Business Model, company A-G have business concepts that are different in their line of business. Companies C, D, F and G have in particular conceived to introduce a core strategy remarkably different from the rivals. Our opinion is that rapid-growing medium-sized companies tend to have an expressed and well-structured strategy, which also Hamel in his business model points out as important. Besides, we consider them to have a well-defined vision that they strive to achieve by their daily activities. The seven companies in our study are all aware of what they want to become. They have a strategy, which will take the company from what they are today and to their vision, what they want to become in the future.

Companies, which have a business mission that is far too common, will have little incentive for business concept innovation, according to Hamel. Our view is that rapid-growing companies tend to have a vision of making differences within their markets and even creating new purchasing behaviours. Two of seven companies that we have interviewed strive to continually reinvent themselves, which according to Hamel is a requirement for a business mission.

### 5.2.2 STRATEGIC RESOURCES

Strategic resources reflect the company's capacity of satisfying their customers' needs. Gary Hamel mentions three elements that a company needs in order to become successful: core competencies, strategic assets and core strategy. Hamel's Business Model could be a guide for companies to make a survey of their qualifications and to give inspirations to discover new opportunities. Our opinion is that the companies in our study are well aware of their core competencies and are aware of the elements that are unique and valuable to customers. Six of seven companies put their employees' competencies in the first place as their strategic resources. Although they are aware of their competencies, they have not reflected on how their core competencies would contribute more value within the company if they were introduced to industries where the competitors possess different skills. Hardly any company has tried to introduce their core process outside their own line of business. One explanation, in our point of view is that medium-sized companies do not have the same volume in their core process as the larger companies. This implies that only a few employees may have a unique competence within the company, which make it difficult to introduce a core competence into a new line of business. Furthermore it is difficult to pick out one core competence that is of the most value



for the company, although we think that the success of the rapid-growing companies depends on a combination of many competencies. The interviewed companies are all aware of which core processes create the most value for customers and are most competitively unique. Some of the companies, as Hamel recommends, also collect ideas from other companies outside their industry. According to Hamel companies have to figure out if they can use their core process to transform some other industry. Our opinion is that this implies that companies know what a process is. Hamel states that almost everything could be considered as a process and not only the manufacturing processes. We believe that the interviewed companies, especially company B, D and E have a clear understanding of their core processes and how to improve their efficiency.

### 5.2.3 CONFIGURATION

Configuration connects the company's strategic resources with their core strategy. According to Gary Hamel the configuration is the linkage between competencies, assets and processes. Companies could have unique competencies and a successful strategy but despite this not be successful, if they, for example, are short of financial resources.

Configuration is a complicated element in Hamel's Business Model and is decisive in how successful a company will become. This element makes it difficult for companies to know how to create the most adequate combination or interplay between strategic resources and core strategy. We believe that the interviewed companies in our study found it difficult to describe how their resources and strategy were configured.

Six of seven companies manage the interfaces between their assets, knowledge and processes mainly by a divisional form of organisation and a well-developed communication system within the company. Company G also has a more integrated form of organisation where the employees work in projects-groups, where both lower as well as higher levels participate in making decisions. Only one of the seven companies has a hierarchical organisation with a pronounced assignment of responsibility. The previously mentioned company is larger with more employees and divisions, which could explain that they need a more structured form of organisation. Our interpretation is that larger companies need a more structured form of organisation than medium-sized companies. Larger companies seem to be more strictly managed than smaller companies. Furthermore we think that there hardly exists any problem with the communication within the middle-sized company, which we have interviewed. Hamel's Business Model is mainly based on larger companies experiences, were conflicts and communication problems are more common and therefore he emphasises in his model the importance of having a well-configured link between resources and the core strategy.

### 5.2.4 CUSTOMER INTERFACE

With customer interface Gary Hamel wants the companies to think about how they reach their customers and how the company behaves on the market as how the company treat their customers. He means that companies have to get rid of all kind of obstacles that the clients have to past to get in contact with the company. Hamel also states the importance of having a well-developed relationship with customers and creating a good reputation among the clients. He also thinks that it is important for the company to be aware of the price structure in their line of business and to create new ways of charging their customers.

The companies in our study have, using fewer contact barriers, facilitated better relationships with the clients. Six of seven companies in our study rely mainly on well-established contacts with the customers and their good reputation to promote themselves. Company E considers it more important to market their employees instead of the company's name. Five of seven of the interviewed companies collect information on a regularly basis about their customers and make use of it to invent new products and services. One of the companies wants to capture more data from their clients though they, in accordance with Hamel, think it is an opportunity for creating closer relations to the customers. All of the interviewed companies are aware of how they can exceed their customers' expectations even though company B and E, which due to their industry and the hard competition, are satisfied if they meet their clients needs. According to Hamel companies can always exceed the

customers' expectations by reinventing their interaction with their customers and being aware of the emotions that the customers experience in these interactions.

Quite contrary to the other companies in our study company G puts their staff in first place, by creating a culture in which the employees feel content; client focus will come naturally and become more efficient. We consider that Hamel in his business model focuses too little on the employees, though our opinion is that an important element for being successful is having a competent and motivated staff.

Concerning the pricing structure, Hamel says that companies have to be conscious of the pricing structure in their line of business to be able to change it and hence become differentiated versus the rivals. Four of the seven companies that we have interviewed are aware of the dominant pricing structure in their industry and can deviate from it. They are also conscious of what they are charging, but we think that they do not know what the customers are willing to pay for the products, which Hamel in his business model points out as a prerequisite of being successful.

### 5.2.5 CUSTOMER BENEFITS

Customer benefits are according to Hamel the link between the core strategy and the customer interface, that shows the link between the companies strategy and their customers' needs and requirements. For the customers benefit the company could decide what kind of special offer they would give to their clients. Hamel states that the link gives the company information about the customers' needs and the company should use the information when they create strategy.

To deliver customer benefits companies have to analyse what process creates value for the customer. Our opinion is that all of the companies we have interviewed know what kind of benefits they are delivering to their customers. They tend to offer their clients overall-solutions and services that from the customers' point of view seem to be unique.

### 5.2.6 VALUE NETWORK

The last component in the business model is the value network. A value network surrounds the company and complements and amplifies the enterprises own resources. By making a survey of the network that surrounds the company, they could get a picture of their competencies and resources. Hamel means that companies ought to take advantage of surrounding companies' competencies and resources. In our opinion increasing the value network implies that the company runs the risk of losing control of the process that lies outside the company. Another risk could be that the other companies do not accomplish the undertaking, or that competitors get a hold of the resources that the company possess.

The rapid-growing companies in this study have created a deep relationship with their suppliers. Company A, B, D and F regard their suppliers as an integral part of their business model and work continuously to improve the relationship with them. The rest of the companies do not see their suppliers, as an integrated part of their business models, nor do they function as a resource of renewal for the company. The main reasons are, according to these companies, that their suppliers have no negotiation strength or that they are few. Hamel means that co-operation or integration with the suppliers is necessary to become successful. At the same time this means that companies become more and more dependent on their suppliers, which makes the bargaining power weaker against the suppliers.

Partnership is common for company C, E and F. The principle reason is that they want to achieve more profitability and/or spread the risk that a commitment can imply. Company B is the only company that refuses to have partners, due to the disadvantage it has resulted in. Our opinion is that having a partnership with external partners implies a lot of advantages, such as, for example, access to valuable competence and technique but also disadvantages, though there are a lot of interests involved that could strive towards different goals.

Concerning coalitions, Hamel says that it could be good to have in industries where investment or technology hurdles are large or where there is a high risk of ending up on the losing side. Our experience is that coalitions are not that common in medium-sized companies, as they seem to prefer partnerships instead. Company G and especially F have coalitions with other companies outside their line of business. We noticed that company B and D were open-minded and interested in finding a possible ways to co-operate with companies outside their industry.

### 5.2.7 COMPANY BOUNDARIES

The third bridge component in Hamel's Business Model is the company boundaries. The company boundaries are a link between strategic resources and value network. They explain what the company decides to outsource to partners, suppliers and coalition members and what activity the company decides to maintain within their own business. With company boundaries Hamel wants companies to focus more on vertical than horizontal integration. Vertical integration is important for medium-sized companies in order for them to focus on their core activity. However, we believe there is a risk to outsource too many parts of the companies' activities. That could lead to weaker bargaining power with their suppliers. Another risk could be that the company concentrates on activities that do not generate value for their customers or fulfil the clients' needs.

Our opinion is that rapid-growing companies prefer to control their whole business process and seldom use outsourcing activities. The main reason is that they want to be assured that their product or/and services are delivered in time. Besides, they want to maintain control over their critical computer system in order to keep the company less vulnerable. Another reason is that they are afraid that outsourcing of the companies' activities could result in their employees losing the comprehensive view of the company.

Only two of seven rapid-growing companies have chosen to outsource some of their activities, such as, for example, IT and cleaning services. In the future company F will try to outsource E-commerce and a call-centre. We also think that company B and D are exploring the possibility to outsource some parts of their business activities, even though, in the present situation, they seem to be concerned about keeping their whole business process within the company.

### 5.2.8 WEALTH POTENTIAL

According to Hamel, companies have to find a way of creating high profitability in their business concept. If the profitability does not exceed the competitors' profit the company has to look into their business model and search for new ways of making the most of their resources. Hamel's Business Model could make companies more aware of how they can make use of their resources and assets in an efficient and profitable way.

Our opinion is that rapid-growing companies generate new wealth in their business model by being unique in their line of business. These companies have an innovative power and know how to become differentiated, which results in a competitive advantage and hence an increased margin of profit. Hamel states that the company also has to be efficient in the sense that the value customers place on the benefits delivered exceeds the cost of producing them. But as we already have mentioned we consider that their unique business concept explains why they have become successful in their industry.

Company E, F and G have conceived efficiency by delivering services and/or products of high quality and by obtaining higher operating profits. In this we explore some similarities with Gary Hamel's Business Model, which states that an efficient business model does not mean having the lowest cost. They could also be offering more services and quality for about the same price as the competitors.

It can be said of the interviewed companies in our study that they all offer their customers overall-solutions and focus on the customers needs and requirements. They have also in common a consequent business concept where all the parts in their concept work together for the same goal. Our opinion is that a consequent business mission implies that, if a company wants to become identified as a

company that, for example, provides their clients services of high quality and overall-solutions, the customers have to receive that impression from the very beginning to the very end.

As profit boosters, which Hamel mentions in his business model, rapid-growing companies take advantage of networks and positive effects in order to achieve increasing returns. However the examined companies do not take advantage of learning effects in the same extensive way that Hamel explains in his model. Almost every company we have interviewed, except A and D, experience large spin-off effects from relationships with their clients. We consider that this part of Hamel's Business Model gives a clear explanation for the success of the rapid-growing companies in our study. Another way to achieve profit boosters is to lockout competitors. Hamel in his model describes three ways: Pre-emption, Choke points and Customer lock-in. According to our empirical material rapid-growing companies make use of long-term contracts with suppliers as well as customers.

According to Hamel a profit booster can also be a result of creating strategic economies. He says that companies by focusing on their core activity or taking advantage of economies of scale can become more successful. Likewise a company can reach prosperity by increasing the scope of their business activity in order to level, for example, the state of the market during a season. Five of the seven rapid-growing companies in our study achieve strategic economies by focusing on their core process while the other two companies mainly strive towards obtaining scale advantages and scope economies. We consider that this component in Hamel's Business Model explains another part of the medium-sized companies' success. Almost every one of the examined companies has obtained large market shares by focusing on their core activities.

As the last component of his business model, Hamel states that a company will obtain advantages in their industry if they create flexibility in the business concept. He means that strategic flexibility comes from portfolio breath, operating agility and a lower breakeven point. However, we cannot see any strong correlation between the successes of the companies in our study and the way Hamel points out that strategic flexibility helps the company to come a step closer to prosperity.

### **5.3 ANSOFF'S BUSINESS POLICY FOR GROWTH AND EXPANSION**

An improved performance can be reached by renewed emphasis on growth opportunities, based on the product/market expansion grid. Market penetration is the way the firm attempts to attract customers from competitors or increase usage by the current customers with existing products on existing markets. Another way to increase sales can be by entering new markets or developing new products on existing markets. Finally growth can be attained through diversification – the strategy of entering product markets different from those in which a firm is currently engaged.

All of the examined companies have made a clear choice of market penetration and have found their niche in the market. They focus on specific segments and have made decisions about keeping away from certain products or markets. Their aim is to keep the professionalism to a specific field where profitability is high, but we think a weakness in keeping the sphere of business to narrow can arise, when competition is keen. We are surprised by the fact that many of them do not use the tactical action of marketing operations. They try to deliver solid value and thereby create customer satisfaction and loyalty and expect their good reputation to work as a marketing channel and that is in line with Ansoff's view. Of course it is an excellent way of attracting new customers and it will keep the marketing costs low, but we think that there is a risk of not reaching a great number of potential customers. Customers are put in first place and they work hard to make them satisfied and when they feel like winners, new customers and a market share gain will usually follow, but we think there is a danger in using the current customers as almost the only marketing channel.

Their next step is to examine their opportunities for entering new markets. The companies in our study all talk a lot about new markets and their visions of increasing market share both on existing and new markets, but we have noticed that many of the companies do not have a plan for market development at this point. As they are rapid-growing companies it is hard to get the time for planning. Their energy is mostly focused on existing products on existing markets. Still there are some that have worked out

long-term plans for market development in the future. Company F, for example, has plans of selling their products on the Internet and by making franchise agreements with shops they can expand their market even more. They even examine the opportunities of horizontal integration with a new product on the existing market. Ansoff means that the addition of features to a firm's current product can dramatically change the competitive dynamics. We think that a strategy for expansion such as Company G's can be very interesting. This company wants to be ahead of the markets fluctuations and by establishing business and making investments in the markets that are expected to grow in a few years, and in this way they hope to be there first and be able to make profit on their invested capital.

They work hard to strengthen their current products and some of them have plans of introducing related products on existing markets using the same marketing, operations and management. Synergy can be obtained with this kind of action. Remarkably none of the companies have plans to enter unrelated products on new markets. According to Ansoff, a merger can implement a diversification strategy. One of the companies has made an acquisition with another company in order to become financially stronger and to enter new markets in Europe, but still with the same type of services.

Scarcity of time is a major issue in a rapid-growing company. The focus is generally on the operations in progress. When the organisation grows it takes time to find new personnel and they need time to get to know the business matters. Within most of the examined companies, there are several ideas of how to expand the business and exploit the company's internal resources, but once again time is an issue.

### **5.4 PORTER'S COMPETITIVE STRATEGY**

Every company should, according to Porter, construe a model of how the company will compete, what the goals and objectives should be and what means and methods should be used to obtain them. The company must be adjusted to the environmental changes of their own industry in particular. Competitive strategy concerns how to create sustainable competitive advantages. He presents five forces that drive competition within an industry, determine the structure, the intensity of competition and profitability: 1) competition among existing firms 2) threat of substitute products 3) threat of potential entrants 4) bargaining power of customers 5) bargaining power of suppliers.

All of the companies, with the exception of one, are exposed to keen competition. We think that competition actually is a good thing. It will force them to be more vigilant and more professional in their actions and it will make the companies stronger in the long run. We have also noticed, that all of them have a niche in the market. They have a high amount of differentiation compared with their competitors. We would say that this is a deciding factor for success, to differ from the competitors and to concentrate on the companies' best abilities.

According to Porter, substitute products can influence the profitability of the market. We have found that most of the examined companies experience the threat not to be very strong. One of them finds foreign competitors with products, different from those on the Swedish market, to be a threat. The E-commerce products and substitute entertainment products threaten one of the companies. Two of them say that merger of competitive companies is more threatening than substitute products.

There is a connection between threat of potential entrants and barriers to entry. Porter argues that when a company is in possession of for example specialised assets, relationships to other business units in the firm or economies of scale, there are considerable barriers to entry. We have observed that all of the examined companies possess something that is not easy for a new company to copy or procure. They all have different unique features such as control of the whole value chain, unique product mix and sales concept, long-term commitments to the customers or specific custom-build education programmes. We believe this will give them sustainable competitive advantages. Most of the companies are exposed to the bargaining power of customers, because there are many competitors to choose from. Porter suggests that prices can be forced down or the customers can demand more services, when they have more power than the seller. Company E's customers actually determine the conditions and the company has to adjust without questioning. Some of the companies even have chosen to give up certain categories of customers. We think that it is necessary to sort out the

customers that are not profitable and concentrate on those creating values. Fortunately for the interviewed companies the bargaining power of suppliers is strong only in some cases. The power occurs mainly, according to Porter, when there are many companies they can sell their products to, but it is not very common for the examined companies.

### 5.5 COLLINS' CONCEPT FOR GROWTH

When Collins and his research team examined the most successful companies in the USA, they found out that the keys for sustainable success are hard work, compiling a concept, finding something that you can be the best in the world at and doing it – and just that, nothing else. Besides that, you need right people on every level of the organisation. The typical leader of a successful company always puts the company's interest in first place. Collins has compiled a concept for how a company can grow and we have chosen those principals which we find most interesting for our examination: 1) Level 5 Leadership 2) First who ... Then what 3) The Hedgehog concept (the three circles).

Level 5 leaders embody a mix of personal humility and professional will. They are ambitious and have an incurable need to produce sustained results. They are resolved to do whatever it takes to make the company great, no matter how big or hard the decisions. Almost all of the leaders of "GtG-companies" came from inside the company and the rest from family inheritance. We argue that the rapid-growing companies do not have any leader that corresponds to all parts of Collins description of a Level 5 leader. About half of the leaders partly match the account of Level 5 leadership, still not completely. One of the respondents tells us that his driving force is to develop companies and people and another one likes to show that his ideas can be put into practice. Two of the managing directors in our study place themselves at level 3 and one of those says that he would describe himself as a team-member and an administrator.

There can be many reasons for the chosen levels of the hierarchy. First of all the Swedish mentality considers that it is not very polite and correct to push your personality and talk about what you are the best at. We have observed respondents becoming silent and not knowing how to put it. The answer can be different from the reality. Secondly, Collins brings up so many different features of a Level 5 leader, that it can be hard to find persons with all of the characteristics. Common features of the leaders we have examined are that they have been internally recruited. Moreover they have good knowledge about the companies' activities and are eager to make progress for the company.

Collins states that you cannot get people to share your core values, but the task is to find people already predisposed to sharing them. The principal point is to first get the right people "on the bus", before you find out where to go, before vision, strategy, organisational structure and tactics. It is hard to find out whether the examined companies tried to find the right people when the business was established. However, all of them tell us that they make a careful selection of candidates for employment and an essential quality that the employees have to possess is sharing their core values.

The main strategic difference between an ordinary company and a "GtG-company" is the deep understanding and translation of a crystalline concept that guides all their efforts – the Hedgehog concept, describing 1) What you can be the best in the world at 2) What drives your economic engine and 3) What you are deeply passionate about. We would say that all of the examined companies have made quite consciously choices about what they can be the best at. Many of them have abandoned business operations in order to focus on the best parts. Five of the seven companies in our study declare the personnel to be their primary economic engine. We are somewhat suspicious of the answers' reliability, because nowadays there is a bit of routine in mentioning the personnel as the company's most important resource, a trend that came about when human resource management made fast progress. About half of the companies say that entrepreneurship is their passion. Many of them also give prominence to their employees' commitment. We have observed that "Passion" and "The Company's core values" are trendy topics for every company that likes to appear in the limelight these days. We have not found out whether they hold on to their Hedgehog concept.

## **6. CONCLUSION**

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*In the final chapter we return to the research questions of the thesis. We will start by giving an introduction to the conclusion. Thereafter we will answer the main research question and the three subordinated research questions. Finally we will give suggestions for further research.*

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### **6.1 INTRODUCTION**

To be able to answer the research questions, we have examined theory on the subject, made an empirical study and after that compared these two sources of data.

In our conclusion we will answer the main research question and the subordinated research questions that were defined in the introduction of this study, by drawing conclusions from our analyse. Our principal purpose with this study is to find the underlying causes to the success of Gazelle companies by applying Gary Hamel's Business Model. Therefore we will start by answering our main research question.

### **6.2 CONCLUSION ABOUT THE MAIN RESEARCH QUESTION**

Our main research question is:

***Can Gary Hamel's Business Model give an explanation for the success of the Gazelle companies?***

Our conclusion is that Gary Hamel's Business Model gives a clear picture for the success of the Gazelles. First of all the examined companies have well-defined and genuine core strategies. Secondly they are aware of their core competencies and have well-establish contacts with their customers. Furthermore they are taking advantage of their value network by regarding their suppliers as an integrated part of their business model. Our study also shows that the rapid-growing companies in our study have obtained a configuration that connects the strategic resources with the core strategy in a unique way. Besides the examined companies, by utilising what Hamel in his business model explains as the wealth potential, have found a way to create high profitability.

In our study the rapid-growing companies' business strategies appear to differ in some ways from the components in Gary Hamel's Business Model. Primarily we refer to the fact that the companies have not introduced their strategic resources into other industries. Neither are they aware of how their resources would create value within the company if they were introduced into other lines of business. The study also indicates that the interviewed companies, according to Hamel's Business Model, have too little information about what the customers are willing to pay for their products. Furthermore our research confirms that the examined companies prefer to control their whole business activity and seldom outsource any parts of the company.

In spite of the few divergences between what Hamel describes as important for a company to follow and the examined companies' strategies we state that Gary Hamel's Business Model as a whole explains the Gazelles' success. The conclusion proves the fact that we mentioned as important in our introduction of the study; namely the importance of creating the future instead of keeping pace with their competitors.

### **6.3 CONCLUSION ABOUT THE SUBORDINATED RESEARCH QUESTIONS**

The first research question is:

***Is it possible to find any common features of the Gazelles that can explain their success on the basis of Gary Hamel's Business Model?***

The conclusion we have come to is that on the basis of Gary Hamel's Business Model there are common features of the Gazelles that can explain their success. This conclusion is based on the fact that the examined companies have all created a unique and well-defined business concept. Their

business mission corresponds with their daily activity and is constantly modified. The rapid-growing companies have also in common that they focus on their core activity and offer their clients overall-solutions. These companies also tend to be innovators in their industries and are always a step ahead of the rivals. Moreover they are all conscious of their core competencies and aware of which core process creates the most value for customers and are most competitively unique. The study shows that the examined companies tend to have a divisional form of organisation and straight communication within the company. Creating a good reputation seems to be more important than marketing.

They also have the following features in common: entrepreneurship, creativity, innovating power and a lot of ambition as driving forces in their business activities. It can be said of every company in our study that they have obtained a niche in the market and have created new opportunities and sales avenues. Finally our conclusion can be explained by how they achieve wealth potential through long-term contracts or/and partnership with customers and suppliers

The second research question is:

***Can Igor Ansoff's "Product/Market expansion grid" or Michael E. Porter's "The Five Forces" be complementary in giving a concise picture of the Gazelles success?***

By concentrating on the specific market/product segments most profitable for their capacity and abandoning the other segments, the examined companies are able to attain profitability and professionalism. All of them have made a clear choice of market penetration in order to differ from their competitors and have found their niches in the market. We consider this to be an explanation for their growth and success. Still their energy is mostly focused on strengthening their existing products on existing markets. Product development, market development and diversification are fairly unexplored strategies and therefore we believe they do not to explain the Gazelles' success.

It should be noted that all of the examined companies (except one), are exposed to keen competition, which forces the company to be vigilant and professional and makes them become stronger in the long run. They all possess different unique features that can be used as barriers to entry for potential entrants. Threat of substitute products and bargaining power of suppliers are not very strong, which gives them an advantage. The bargaining power of customers on the other hand is usually quite strong as there are many competitors to choose from, but most of the companies have given up certain categories of customers in order to concentrate on those most profitable.

We conclude that Michael E. Porter's "The Five Forces" can be complementary to Hamel's Business Model in giving a concise picture of the Gazelles' success while Ansoff's "Product/Market expansion grid" cannot give an explanation to the same extent.

The last research question is:

***How can Jim Collins Concept for growth bring a new angle to explain the Gazelles' successful elements?***

We argue that the examined companies do not have leaders that completely correspond to the characteristics of a Level 5 leader. About half of the respondents pointed out level 5 as suitable for the company's leader, when we showed them the document of Collins' "Hierarchy for Level 5". By word of mouth the characteristics of the company's leader was considerably different from Collins's description.

It has been hard to make clear whether the companies tried to get the right people "on the bus" when the business was established. However, all of the interviewees told us that a careful selection of candidates for employment is made and an essential quality for the employees to possess is sharing the company's core values.

We have noticed that all of the companies in our study have made quite conscious choices about what they can be the best at. Most of them point out their employees to be their economic engine. Half of



them say that entrepreneurship is their passion and some of them refer to their employees' commitment. We believe that there is a risk in the answers' reliability, as we suspect that they did not really understand the purpose behind the Hedgehog concept. We have not found out whether the empirical result of the Hedgehog concept and the theory completely correlates. The three circles is a crystalline concept that should guide all their efforts.

Our conclusion is that Jim Collins' Concept for growth sheds light on the essential point of employing people, who share the company's core values, and that the personnel's commitment and entrepreneurship are fundamental elements for bringing the company to profitability and success.

### **6.4 FURTHER RESEARCH**

We hope that this study will increase the awareness of how a well-defined business model, such as Gary Hamel's, can have an affect on creating value and for a company to become successful in the long run. Hamel states that companies continuously have to reinvent their business concept and they must change every component in their models, not only one or two parts, to achieve a model remarkably different from the competitors. It would be interesting to read the list of Gazelle companies in a few years from now, to see if any of the examined companies are still there. In that case, the objective could be to apply Gary Hamel's Business Model to the companies, in order to find out whether their continued success could be explained by changes in the different strategies within their business models.

Another interesting angle for further research is to find out if the Gazelle companies' success can be explained by other theories. Their successful elements could, for example, be applied to models of strategic market management or organisational management.

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## The successful elements of the Gazelles

A case study of Gary Hamel's Business Model applied to rapid-growing companies in the region of Gothenburg

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Company D, Entertainment Industry, Managing Director, 2005-05-04

Company E, Technical Consultant, Managing Director, 2005-05-04

Company F, Optician Services, Assistant Managing Director, 2005-05-09

Company G, Property-management Company, Human Resources Manager, 2005-05-10

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## INTERVJUFRÅGOR

- Vilken befattning har ni på företaget? Beskriv era arbetsuppgifter.

### Strategifrågor utifrån Gary Hamel's Business Model

#### HUVUDKOMPONENT 1) Kärnstrategi = Hur företaget väljer att konkurrera

- 1) Det kommersiella uppdraget = Det övergripande syftet med strategin, vad ska åstadkommas eller levereras?
  - Vad vill ni uppnå med er affärsidé och vision?
  - Är er affärsidé annorlunda än konkurrenternas?
- 2) Omfattning av produkt/marknad = Kan utgöra en källa för förnyelse av affärskonceptet om den är helt olika de traditionella konkurrenternas
  - Var konkurrerar företaget, vilka kunder, vilka geografiskt område, vilka produktsegment?
  - Vilken bredd har ni med era produkter och marknader?
  - Vilka substitut kan hota era produkter och marknader?
- 3) Underlag för differentiering = Grundvalen för hur företagen konkurrerar och framförallt hur det därmed skiljer sig från konkurrenterna
  - Varför lyckas ni inom er bransch?
  - Har konkurrenterna i branschen försökt att differentiera sig?
  - Vilka nya aktörer kan tänkas komma in på marknaden?

#### HUVUDKOMPONENT 2) Strategiska resurser Varje konkurrensfördel vilar på unika resurser kopplade till företaget.

- 1) Kärnkompetenser = Vad företag kan, skicklighet och unik förmåga
  - Vilka grundläggande kompetenser är viktiga i ert företag och vilka kompetenser besitter ni inom företaget?
  - Vet ni vad som är unikt med ert företag?
  - Vet ni vad som är värdefullt för kunderna?
- 2) Strategiska tillgångar = Vad ett företag äger. Att använda de strategiska tillgångarna på ett nytt sätt kan innebära en förnyelse av affärskonceptet.
  - Vilka är företagets strategiska tillgångar, t ex varumärken, distributionskedja, kunddatabas etc.?
- 3) Kärnprocesser = Aktiviteter som används för att omvandla resurser, tillgångar, kunskaper och andra insatsresurser till kundvärden. Processer skapar störst kundvärde och är mest unika som konkurrensmedel.
  - Vilka är företagets avgörande kärnprocesser?
  - Kan företaget låna processer från andra branscher?

#### KONFIGURATION = samspelet mellan företagets kärnstrategi och dess strategiska resurser.

- Är företagets tillgångar, färdigheter och processer konfigurerade (samspelade) på ett enkelt sätt?

#### HUVUDKOMPONENT 3) Kundkontakter

- 1) Genomförande och understöd = hur företaget uppträder på marknaden
  - Hur når ert företag ut till kunderna?
  - Vad måste kunden göra för att kunna köpa företagets varor och tjänster?
  - Förser ni era kunder med uppriktigt korrekt data om var det skulle kunna hitta jämförbara produkter/tjänster?
- 2) Information och insikt = informationsinnehållet i kundkontakterna
  - Vilka kunskaper har ni om era kunder?
  - Samlar ni in all data som finns att få om era kunder, t ex via nöjdhetsindex?
  - Hur användas dessa data för att behandla kunderna på ett nytt sätt?

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3) Dynamiska kundrelationer = samspelet mellan leverantör och kund

- Hur kan ni överträffa kundernas förväntningar och försvåra för konkurrenter?
- Beskriv om kunderna har någon förhandlingsstyrka som påverkar ert sätt att arbeta.

4) Prisstruktur

- Vad är det ni egentligen tar betalt för av kunderna?
- Vad är den dominerande prissättningsmetoden inom er bransch?
- Kan ni avvika från den modellen?
- Missgynnar/favoriserar er prissättningsmetod vissa kunder?

**KUNDFÖRMÅNER** = förmedlande länk mellan kärnstrategi och kundkontakter dvs. förmåner som faktiskt erbjuds kunden. Att kundens grundläggande behov och önskemål tillgodoses.

- Vilka förmåner erbjuder ni era kunder?

**HUVUDKOMPONENT 4)** Värdennätverk, det som omger företaget, skapar, kompletterar och förstärker företagets egna resurser, t ex leverantörer, allianser och samarbetspartners.

1) Leverantörer

- Betraktar ni era leverantörer som en integrerad del av er affärsmodell?
- Beskriv om leverantörerna har någon förhandlingsstyrka som påverkar ert sätt att arbeta.

2) Samarbetspartners = ett kreativt utnyttjande av samarbetspartners kan innebära nyckeln till branschrevolution.

- Finns det några möjligheter att ta del av andra företags tillgångar och kunskaper och föra samman till ert företag?
- Använder ni er av samarbetspartners för att kunna uppnå mer än vad er företagsstorlek egentligen tillåter?

3) Allianser = förnyelse av affärskoncept kräver ofta att man gör gemensam sak med andra likasinnade konkurrenter inom ramen för en allians.

- Samarbetar ni med andra företag inom er bransch och i så fall på vilket sätt?

**FÖRETAGETS AVGRÄNSNINGAR** = länken mellan företagets strategiska resurser och dess värdennätverk.

- Har ni kritiskt granskat vad företaget bör utföra på egen hand och vad det bör överlåta åt andra?

**VÄRDEPOTENTIALEN** innehåller de fyra faktorerna effektiv, unik, beredskap och vinstförstärkare för att bestämma värdepotentialen i ett affärskoncept.

1) I vilken utsträckning affärskonceptet utgör ett effektivt sätt att leverera kundfördelar

- Vet ni vilket pris kunderna faktiskt är beredda att betala för era produkter och tjänster?

2) I vilken utsträckning affärskonceptet är unikt

- Anser ni att ert affärskoncept skiljer sig från det som i allmänhet råder i branschen eller på marknaden?

3) I vilken utsträckning det finns samhörighet mellan komponenterna i affärskonceptet

- Hur konsekvent är er affärsidé?

4) I vilken utsträckning affärskonceptet utvecklar vinstförstärkare som har potential att frambringa avkastning över genomsnittet

Vinstförstärkare är inordnat i fyra kategorier: växande avkastning, utestängande av konkurrenter, strategisk ekonomi och strategisk flexibilitet.

*1) Växande avkastning*

Delas in i tre 3 underliggande krafter:

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### 1) Nätverkseffekter

- Utnyttjar ert företag någon slags nätverkseffekt, som t ex kreditkortet VISA gör? Ju fler företag som accepterar VISA, desto större är sannolikheten att fler skaffar detta kort. Vilket i sin tur leder till att fler företag kommer att acceptera VISA som betalningssätt.
- 2) Effekter av positiv feedback, det vill säga att företaget tar till vara på signaler från marknaden/kunderna för att komma före konkurrenterna.
- På vilket sätt utnyttjar ni företagets kundbas?
- 3) Inläringseffekter
- Drar ni nytta av varje tillfälle att lära?

### 2) Utestängande av konkurrenter

Det kan göras med hjälp av:

- 1) Förtursrätt = används vanligtvis i kapital och forskningsintensiva branscher där gäller det att vara först på plats, annars är det för sent
  - 2) Vägtullar = företag med en kapitalkrävande infrastruktur kan erbjuda andra aktörer att nyttja denna tillgång mot att de betalar en så kallad tullavgift.
  - 3) Inlåsnings av kunder = görs genom långtidskontrakt eller genom ensamrätten för en viss produktutformning.
- Använder ni någon av ovannämnda faktorer för att stänga ute konkurrenter och i så fall på vilket sätt?

### 3) Strategisk ekonomi

Strategisk ekonomi handlar om effektiviteten i affärsidén.

Det finns tre varianter av strategisk ekonomi:

- 1) Stordriftstänkande
  - 2) Fokusering
  - 3) Bredd
- Innefattar företagets strategi stordriftstänkande, fokusering och/eller bredd?

### 4) Strategisk flexibilitet

Strategisk flexibilitet handlar om att snabbt anpassa sig till marknaden och uppstår som en följd av följande moment:

- 1) Portföljbredd, det vill säga ett brett utbud
  - 2) Verksamhetens flexibilitet
  - 3) Närhet till nollresultat, där intäkterna täcker kostnaderna
- Hur försöker ni uppnå en strategisk flexibilitet. Genom att erbjuda ett brett sortiment, genom att snabbt ändra fokus och/eller att sträva efter att vara nära den punkt där intäkterna täcker kostnaderna?

## Ledarskapsfrågor utifrån Jim Collins principer

- Har företagets VD rekryterats internt eller externt?
- Vad var det som var avgörande att den personen blev VD?
- Vad är det främst som driver VD?
- Vilken typ av ledare är VD? (Se bild)
- Jim menar att ledaren först ska se till att ha "rätt människor på bussen" och sedan utarbeta vision, strategi mm. Hur har VD gjort hos er?
- Hur gör ni med en anställd som inte passar in på företaget?
- Vad brinner företaget för?
- Vad kan företaget bli bäst på?

## Gary Hamel's Business Model

