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Mapping the Business Strategy: A Strategic Management Analysis

-Case Study Of Gekås Ullared

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Abstract

Background: Business strategy today is often an intangible and ambiguous term. Even though most companies often mention their strategy, few understand what strategy is, how it can be identified and used as a management control instrument. Therefore many corporations lack a clearly stated business strategy and do not coordinate their activities accordingly to their strategy. In today's competitive markets, a company's success can easily be copied. However a company with a distinct business strategy is enabled to achieve a differentiated market position. This differentiated position both protects companies from rival imitations and at the same time facilitates deepening within the processes that constitutes the company's core competencies, thereby delivering a unique mix of value to its customers. Previous works within the field of strategy highlights the importance of a strategy but there are few studies that show how to identify the business strategy and how strategy can be used as a management control instrument.

Purpose: Therefore our study focuses on identifying the business strategy and analyzing how the strategy can used as a management control instrument. Our two research questions are:

1.*"Through the use of current strategy frameworks, how can we practically identify the business strategy within a company?"*
2. "After identifying the business strategy, how can a company use its strategy as a management control instrument?"

Method: To answers our research questions we first covered a number of previous theoretic frameworks within the discourse of strategy and strategic management control systems. After composing a relevant theoretic framework we applied these frameworks in a case study of the company Gekås Ullared. We examined whether the theoretic frameworks can be used to identify strategy and if strategy can be used as a starting point for the company's management control systems. This study is based on a descriptive qualitative research approach in which we interviewed four members of Gekås' management team.

Results: The results of our research show that a business strategy can be identified by applying the frameworks of Porter and Chan Kim & Mauborgne. The strategy of a company is its proposed value proposition that is supported by a distinctive value chain. After identifying the business strategy, the strategy can be inserted into Kaplan & Norton strategic map framework. The Strategy map visualizes the strategy and puts a company's critical activities and goals into one coherent context. This strategy map shows which value factors a company prioritizes, how the value chain supports each value factor and shows the critical factors to achieve the value chain. Therefore the strategy map can be used as a management control instrument and make business strategy the starting point for business development.

Keywords: Value proposition, value chain, five forces, strategy maps, strategy canvas

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1. Introduction

1.1 Background Strategy

The goal of most firms is to maximize shareholders value (Lazonick, William, O'Sullivan, 2000, Eun & B.G. Resnick, 2000). Almost every company is in need of investors or credit lenders. In order to attract these investments the company must generate enough returns to compensate the risk that the investors are taking (Sharpe, 1964). If generating return on invested capital is the main purpose of a company, then it is of utmost importance that the company knows how to generate capital returns. However the challenge does not lie in setting the goal but in the means needed to achieve it. Therefore the main question of a company should be answering how they intend to generate shareholder value. This “how to”-problem often derives from the broader vision and mission statements, giving general guidelines to where, when and how a company should act in order to achieve its main financial goal (Ax, Kullvén, Johansson, 2002). But the vision and mission statement does not offer the means to formulate a concrete and detailed action plan. Business strategy, on the other hand, is defined as the detailed and practical action plan to achieve financial goals and therefore it probably is the most important guideline for managers to know what to do and where company resources should be allocated in order to create shareholder value (Ax, Kullvén, Johansson, 2002).

The term “strategy” has been interpreted differently over time. The term strategy originally derives from the ancient Greek word “Strategoes” that refers to strategy as a “plan of actions designed to achieve a particular goal” (National encyclopedia) and has often been used in military contexts when it came to preparations and planning before battle.

Another approach to strategy is to view it as positioning. To be competitive today, companies must be flexible and able to quickly react to changes in both competition as well as changes in the market structure. This often results in constant benchmarking and outsourcing of activities in order to remain efficient and competitive (Porter, 1996). Positioning is often seen as only a temporary competitive advantage that easily can be copied and thereby lost through benchmarking. This view of positioning is leading to an increasing amount of mutually destructive competition since many companies focus on copying others instead of achieving their own competitive position. Instead of trying to be as similar to their competitors as possible, companies should concentrate on performing different activities from rivals or performing comparable activities in a different way, in order to achieve a better strategic position. (Porter, 1996) Thus strategy viewed as positioning implies the planned choice to do activities differently than competitors.

Despite various definitions of the term business strategy, they all have a common feature and serve a common purpose and that is to describe how a company should achieve shareholder value and through strategy act accordingly to this descriptions (Ax, Kullvén & Johansson, 2002).

In today's modern business world competition grows stronger and demands become more fastidious. This makes it harder for companies to sustain profitability and to deliver value to their investors by just uncontrolled or uncoordinated initiatives.
By using a clear business strategy as a plan companies are enabled to organize their activities and resources and to create a clear prioritization of its initiatives in order to increase the likelihood of achieving their goals (Merchant Van de Stede 2007).

The summary above leads to Porter's definition of business strategy as "Strategy means deliberately choosing a different set of activities that delivers a unique mix of value" (Porter 1996). Porter's use of the term value has in recent marketing literature become refined as value proposition. A value proposition defines what kind of special value an offering propose to its customer in relation to the costs of that offering (Anderson & Narus, 2004). In order to offer a unique value proposition, a company need to inherent internal processes that ensure that it can deliver a set value proposition at a certain cost. The internal processes within a company thereby constitute of various value added activities that gives extra value to the offering. The sum of all these activities is defined as the value chain. (Porter, 1985)

Summing up the two terms above leads to our definition of strategy as: "Business strategy is the composition of a specific value proposition and a value chain that supports the proposition." This definition of strategy describes what a company intends to offer its customer and how these offers can be achieved. A strategy thereby describes the company's key drivers that are required to create long term success (Kaplan & Norton 2007). A company's strategy therefore becomes the core guide for managing the organization towards long term high returns for its investors.

1.2 Background management controls systems:

Originally management controls systems emerged as tools for costing calculations and internal performance measurements based on accounting, thereby providing profitably reports for management control and decision-making (Jonson, Kaplan 1987).

In the mid 1950's the Du-pont company revolutionized management control systems by introducing the Du-pont model. Through an analysis of the Du-pont model and the use of the ROI performance measurement companies could more efficiently evaluate projects' profitability and also compare profitability with other projects. (Jerome III, 1965)Financial measurements have traditionally been the focus of management control systems. However, solely relying on financial performance measures in order to evaluate performance has been criticized for several reasons such as myopic short-term behavior and decisions based on past events instead of future trends. (Merchant & Van de Stede, 2007) It is also difficult to solely use financial measures to communicate business strategy to employees, who are expected to deliver the incomprehensible targets, thus making the strategy implementation process the most challenging part in the business development process (Kaplan & Norton, 1992).

Modern management control systems are defined as a tool for implementing a business strategy (Ax, Kullvén & Johansson, 2002). Since a business strategy essentially describes how a company intends to achieve profit, the role of the management controls systems is to help managers to transform this plan into real actions. According to Merchant & Van der Stede (2007) "*management control is the procedure by which management ensures that the employees execute the organizational objectives and strategies and enables employees to act in a way that is congruent with the best interests of the organization*". Thereby the management control systems influence employees to act according to the strategy and achieve the company's objectives.

1.3 Problem Strategy

However business strategies are not clearly stated in many corporations. Past studies have been focusing on describing strategy and highlighting its importance (Al-Shammari & Hussein, 2007) but relatively few companies especially small business in practice operates in accordance with a clear, pronounced strategy (Källström, 1990). As we earlier mentioned, there are many definitions of the term strategy. In practice it can be difficult to define the current strategy of a company, and thus the key drivers for company success are hard to control. Since markets are constantly changing, strategies must also develop and be flexible to changes. When markets become more competitive and companies start to imitate each other's processes, these companies could easily lose track of the uniqueness that builds up to their current success. The business strategy help prevent rival imitations and facilitates further deepening within the company's specific set of activities in order to deliver a unique mix of values to its customer (Porter, 1996). In a study by Chan Kim & Mauborgne 108 new business ventures were examined and 86% of those ventures were offering improvements within exiting offerings, while a mere 14% were aiming at creating new markets. However the study showed that even though the improvement-oriented ventures accounted for 62% of the total revenues, they delivered only 39% of the total profits, while the ventures creating new markets only accounted for 38% of total revenues but received a total of 61% of all profits. The results further highlight the importance of defining your own distinct value proposition and being different from competitors. (Chan Kim & Mauborgne, 2002)

1.3.1 Problem Strategic Management Control

Even the best-formulated strategy is still an unrealized plan. In order for the intended strategy to succeed, a company must put ideas into action and implement these ideas on a large scale throughout the organization. According to Simons, business leaders and academics have paid much attention to the creation and definition of strategies but relatively little to understand how to implement and control these strategies (Simons, 1995). No matter how great the strategies are, if they cannot be implemented even the best strategies becomes worthless. (Simons, 1995)

Kaplan and Norton (2007) mention that in order to control the implementation process of a business strategy, the strategy must be clearly communicated to the employees who carry out the actions. The strategy must be translated into objectives and measures that employees can easy understand and relate to. A strategy cannot be executed if it cannot be well understood. Since a business strategy can be very broad and intricate due to the complexity of many companies, how can a strategy be communicated and measures be simplified in order to give clear directions and motivate employees to act in accordance with the business strategy?

Further, Simons argues that even the best strategies are based on certain assumptions of externalities such as consumer preference, legal conditions, competitors' strategies, technology and social trends. Simons regard these assumptions as strategic uncertainties that could threat the intended strategy. Therefore, control of the current strategy and its underlying assumptions must be conducted to update the validity of the strategy. Kaplan & Norton further supports this view since the market is constantly changing and all variables cannot be taken into account while formulating the business strategy. Therefore managers needs to periodically review and adapt the strategy to new market conditions.
In order to ensure the validity of the underlying strategy and improve the success of strategy implementation, how can strategic reviews be implemented in an organization?

1.4 Purpose:

Due to the problem discussions above, it is relevant and important to further contribute to the current field of business strategy and strategy implementation. We find it especially important to shed more light upon the process of practically indentifying and defining the business strategy within a company. This leads to our first research questions:

"Through the use of current strategy frameworks, how can we practically identify the business strategy within a company?"

Further, after identifying the business strategy, how can a company in practical situations develop and control their activities through strategy? In other words: how can a company make business strategy the starting point for business development and control? This leads to our second research question:

"After identifying the business strategy, how can a company use its strategy as a management control instrument?"

1.4.1 Essentials:

It is important to point out that in order to formulate or define an effective strategy, a company must understand the competition within their industry. The shape of the competition describes the industry's profitability and how a company could anticipate and influence their competitors (Porter, 2008). Therefore we have chosen to make an analysis of the shape of competition in our case company's industry. This analysis does not directly answer our research questions but it is still exceedingly important in order to understand how the strategy should be shaped in order to cope with competition. This analysis of industry competition constitutes the foundation for our research.

1.5 Limitations:

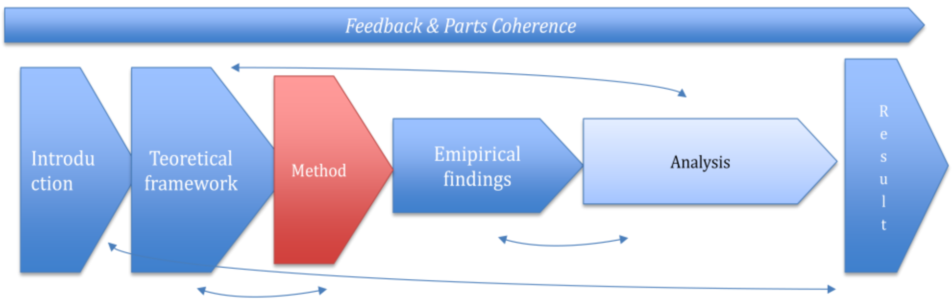
First and foremost, we are well aware of the wide selection of strategic studies, but we have chosen to limit our theoretical framework to consist of not more than two main theories for defining strategy. These are the works of Michael Porter and Chan Kim & Mauborgne. To answer our second research question, regarding strategy as a management control system, we used mainly the strategy maps & balanced scorecard model by Kaplan & Norton along with Levers of Control model by Simons.

Secondly, since our main focus is to investigate *how a company can use its strategy as a management control instrument* we want to study the creation of strategy management, rather than the actual implementation process. Therefore we have limited the focus of our second question to only creating the strategy map and explaining how it can be used as a management control tool. We will not attempt to create an actual balanced scorecard from the strategy maps nor define any value drivers, which are areas more interconnected with the actual implementation process.

Thirdly due to lack of time and the complexity of our study we are limited to conduct our study only on one case company.

1.6 Disposition

Our disposition of this thesis consist first of a theoretic overview of the current studies of strategy and strategic management control models that we have chosen. Thereafter we will build our empirical research methodology based on our chosen theoretic framework in order to conduct a proper and relevant case study for our subject. After gathering the empirical evidence we will summarize the answers in our empirical findings. These empirical findings will later be analyzed by using our theoretic framework in our analysis. In the result and discussions we will examine the results of our study, discuss some of our own reflections and suggest further research areas.



2. Theoretic Framework

2.1 What is Strategy?

To surpass competition a company must be different in a way that can be preserved. This may be achieved by either creating value at lower costs and thereby being more cost efficient or delivering greater value to customers and charge a higher price or doing both of these things. Consequently a company must focus on being either cost efficient by performing activities in a more efficient way than competitors or differentiate their activities that lead to distinguished values for customers (Porter, 1996).

Porter defines two different ways of being productive: operational effectiveness and strategic positioning. While operational effectiveness means that the company performs similar activities more efficiently than competitors do, strategic positioning is defined as performing different activities or performing equal activities in a different way.

In recent years most companies have focused on improving operational effectiveness to eliminate inefficiencies in order to keep up with competition, rather than focusing on strategic positioning. The advantages achieved through operational effectiveness is however often temporary since competitors can quickly imitate through benchmarking. This means that companies gradually becomes more and more alike which ultimately results in mutually destructive competition.

Porter states that competitive strategy, on the other hand, is about being different from your competitors. By choosing a strategic position and offer a distinctive mix of value the company must carefully choose a different set of activities, either performing these activities differently from adversaries or performing different activities. Thereby companies develop a competitive edge over their rivals and are able to maintain sustainable profitability.

2.1.1 Three different kinds of Strategic Positioning

The strategic position guides the company in choosing which activities to do differently from others. According to Porter strategic positions can be formed from three related sources that require different kinds of approaches, customizations or activities to satisfy customer needs (Porter, 1996).

The *Variety-based positioning* is based on producing a subset of the products and services of an industry. This means a larger focus on the selection of products and services, instead of customer segments. This type of positioning is best suited for companies that produce specific products or services. By choosing a specific focus on a certain type of products a company can create a more specialized value chain that outperforms that of others, who offers a wider spectrum of products. Thereby the variety based positioned companies offers a greater value to their customers due to their strategic position that made them focus on different activities from competitors.

Needs-based positioning focuses on targeting and then serving as many needs as possible of a distinctive segment of customers. Different segments of customers have different needs and by focusing on these distinctive needs, a company can outperform competitors in meeting these needs through their distinctive value chain that supports the company's position.

Access-based positioning is depending on certain conditions, such as customer scale and geography, which in some way necessitate different sets of activities in order to reach customers. This type of positioning is focused on customers that are accessible in different ways than others and thereby often needs configurations of activities.

2.1.2 The Value Chain

In order to create a competitive advantage and generate shareholder value a company needs a certain set of activities that create value, these activities constitutes the value chain. The purpose of these activities is to offer customers a greater value than the costs of the activities and thereby achieving a profit margin. The size of this profit margin is depending on how efficiently the company can perform the activities in the value chain, the difference between customers' willingness to pay and the costs of these activities constitutes the profit (Porter, 1998).

Through the value chain a company has the ability to create greater value by achieving a competitive advantage. This is done by shaping the value chain to either providing lower costs or improved differentiation, depending on the firm's core competencies. *Cost advantage* is achieved by reducing costs of the entire value chain or single activities or making structural changes in the chain that pressure costs. *Differentiation* is achieved by making activities unique and thereby harder for competitors to benchmark. Because differentiation often results in higher costs, companies must often make trade-offs between differentiation and cost advantages.

The activities in the value chain are not mutually exclusive and often one activity affects the performance of another. Thus the company can diminish costs in one of the activities and consequently benefit from reduced costs in another. By doing these kinds of enhancements the company can achieve a greater competitive advantage.

2.1.3 Trade-offs

A sustainable strategy, according to Porter, requires companies to make trade-offs with other positions. Only choosing a distinctive position is not necessarily enough to maintain a lasting advantage. There is still risk that competitors will copy the valuable position the company has achieved. For a strategic position to be sustainable, companies need to make trade-offs with other positions. Trade-offs means prioritization when activities are incompatible and when more of one thing calls for less of another. By making trade-offs between different activities to strengthen the company's position, the companies deepens within their value chain and is therefore able to deliver greater value within that position. Due to these trade-offs it becomes hard for competitors to imitate the exact process (Porter, 1996).

Porter states that there are different reasons why trade-offs occur. When a company has a certain image and is known for a certain type of product or service, it can loose credibility when it offers a different kind of value that is inconsistent with what they are currently offering. Another reason for trade-offs to arise is when different positions require different activities. Consequently if a company changes its strategic positions, they need to be flexible in their organization, since new positions demand a new set of activities and thereby a new trade-off prioritization must be made. Thirdly, trade-offs occur when the company chooses a distinct strategic position and thus makes organizational trade-off prioritization clear to its employees.

2.1.4 Fit

Positioning determines which activities to perform, how they should be performed and how they are related. Operational effectiveness is about how to reach maximal efficiency in individual activities. Strategy, on the other hand, is about how activities should be combined. By creating a chain of activities that are fit and that strengthen one another, the company protects itself from imitators and at the same time achieves competitive advantages and profitability. An optimal fit is closely linked to strategy because it highlights a position's uniqueness and strengthens trade-offs (Porter, 1996).

Porter indicates that there are three types of fit, which does not exclude each other. *Simple consistency* means that all activities are aligned with the general strategy. This type of fit guarantee that all the competitive advantages of all activities are connected and do not counteract one another. This also makes the strategy easier to communicate both internally and externally and the uniform thinking within the company makes implementation of the strategy easier. The second kind of fit arises at the time when *activities are reinforcing*. This is achieved when all activities are aligned to be mutually supportive. The third kind of fit is what Porter calls *optimization of effort*. The most basic form of optimization is coordination and information exchange within the organization, in order to avoid wasted effort and to reduce redundancy. Optimization of effort could also consist of optimizations within activities for example improved product configurations prevent after-sale services, or better coordination with suppliers or distributions channels reduces the need for in-house activities. The fit is critical for the complete system of activities that constitutes the competitive advantage.

The strategic fit is essential to the competitive advantage and the sustainability of that advantage, since a range of interlocked activities is harder for competitors to imitate. If one link is weaker, it affects the entire chain of activities and therefore the pressure for operational effectiveness increases the more fit the activities are. Since these activities often complement each other, rivals gain little success if they do not match the entire activity-chain. Through continually improving single activities and improving fit among these activities a company will be able to build distinctive capabilities tied to its strategy.

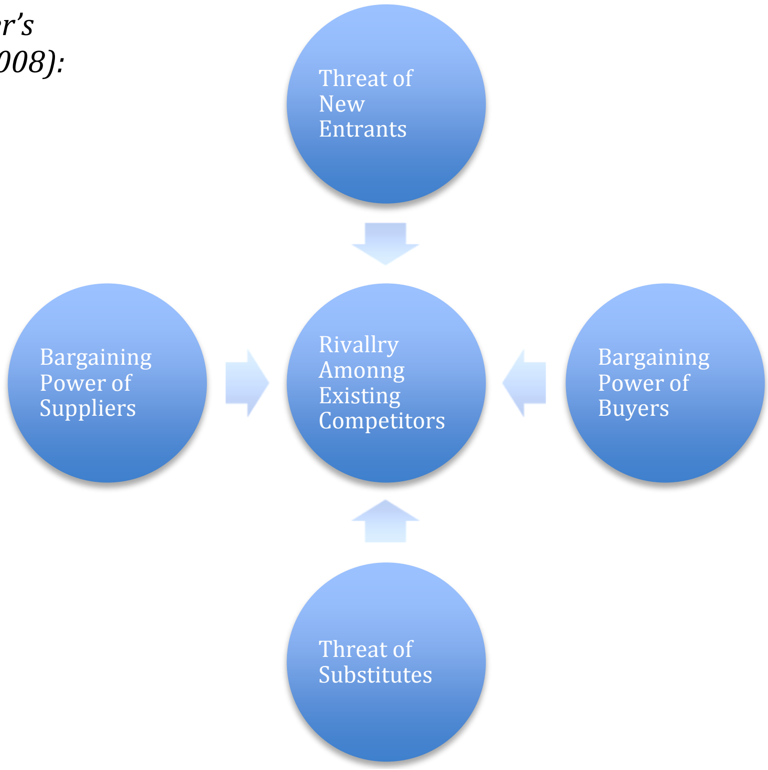
2.2 The Five Competitive Forces

Porter's five forces describe how an industry is structured and how competition interaction is shaped within that industry. These competitive forces consist of *rivals, customers, suppliers, potential entrants and substitutes*. Even though most industries might appear very different from each other, the underlying drivers of competition are fundamentally the same. The five forces framework by Michael Porter provides a guide to analyze an industry's underlying structure in order for a company to understand the competition and profitability within that industry. In industries where the forces are intense, few companies are profitable and in industries where the forces are benign, companies tend to earn satisfactory returns on investments. An industry's structure, in form of the competitive forces, forms the industry's long-term profitability. Understanding the forces is essential in order to understand the foundations of an industry's present profitability while it offers a guideline for how to influence and foresee competition in the long run. Therefore comprehending the industry's structure is also crucial for strategy planning (Porter, 2008).

2.2.1 Forces That Shape Competition

How the competitive forces are shaped differs from industry to industry. The profitability of a certain industry is determined by the force or forces that are more intense and thus becomes the most important factor to the formulation of the company's strategy. These forces in turn evolve from a series of economic and technical factors that influence the intensity of the competitive forces.

Micheal Porter's Five forces (2008):



2.2.2 Threat of New Entrants

When new rivals enter a market they do so with the ambition gain market share and thus they put pressure on the incumbent companies. The expected reaction from incumbents and the height of entry barriers are both crucial to the size of the threat of entry. If both entry barriers and the expected countermeasures from incumbent are low, the threat of new entrants is high. The underlying threat of new entrants often limits the profit potential of an industry since it pressures the incumbents to either lowering their prices or increasing their investments to counteract the new competitors. It is important to point out that it is the actual *threat* of new entrants that reduce industry profitability, not whether it actually occurs (Porter, 2008).

There are several kinds of barriers to entry. For example when incumbents develop economies of scale, they force newcomers to increase the amount of investments to establish similar advantages in order to compete in the market. Thereby the incumbents raise the barriers to entry by establishing economies of scale (Porter, 2004).

The barriers to entry are also raised when a company has many faithful customers and when it is considered costly to switch suppliers. Thereby discouraging new entries since these factors limits new entrant's possibilities to gain market shares.

Further barriers to entry might be that incumbents possess technology, brand identity, production experience or access to better distribution channels than those of new entrants. A restrictive government policy can also obstruct new entry through, for example, FDI regulations and licensing requirements.
If the incumbents are expected to react strongly to new entry and possess considerable resources to counteract or have previously made strong retaliations against entrants, then the cost of entering a new market might exceed the potential profits for entrants. Thereby the incumbents make the market less attractive for new entrants.

2.2.3 The Bargaining Power of Suppliers

Porter states that materials, such as labor, products and components, are necessities in all industries. Therefore companies in such industries have a very dependent relationship to the suppliers of these materials. If suppliers are powerful they have the ability to take more of the industry's potential value for themselves by, for instance, limiting quality and services or charging higher prices. Strong suppliers can limit the profitability in the industry if companies are unable to forward their increasing costs to their products (Porter, 2008).

A supplier group tend to be powerful if:

- The given industry has little influence on the supplier group's revenues.
- The supplier group is more concentrated to the industry it sells to.
- The costs for changing supplier are high.
- The suppliers offer differentiated, and thereby more distinctive, products.
- There are no or few substitutes for the products that the suppliers are offering.
- Suppliers threaten buyers to further integrate into the industry.
  (Porter, 2004)

2.2.4 The Bargaining Power of Buyers

The stronger the buyers are, the bigger impact they have on an industry. If powerful they can demand, for example, lower prices or better quality and thus capture the potential value in the industry. The buyers tend to have more control over the price levels if they are fewer in relation to the suppliers. If buyers are price sensitive they tend to increase pressure on reduction of price levels. The strength of a buyer group depends on their negotiation leverage relative to the selling companies (Porter, 2008).

Buyers tend to be more price sensitive if:

- The products that the suppliers offer have large impact on the buyers cost structure.
- Buyers need to pressure their purchasing costs.
- The quality of the industry's product has little effect on the buyer's product.
- The supplier's product has great effect on the buyer's costs.

A buyer group has more negotiation power if:

- There are few buyers in the industry, or if each supplier is depending on a single buyer that purchases larger volumes.
- Industry participants offer products that are standardized and that easily can be replaced by an equal product.
- It is inexpensive for buyers to switch to another supplier.
- Buyers can threaten to produce products or services themselves when suppliers earn too much profit.
  (Porter, 2004)

2.2.5 The Threat of Substitutes

A substitute is something that can replace a product by performing the same or a similar function. This could be a product in the same or in a different industry. For example, in the beverage can industry a substitute for the aluminums cans is plastic bottles. If the price of aluminum suddenly increases, purchasers of beverage cans would substitute the use of aluminum cans to use plastic bottles as containers for their beverages.

Industry prosperity often suffers when the threat of substitutes is high since it places a ceiling on the threatened product's potential profit. When a substitute product is introduced to a market it affects the demand elasticity since buyers have more alternatives. This effect is especially strong if the substitute offers high performance for a reasonable price relative to the product offered by the industry. The risk of loosing profitability to a company that offers a substitute product is especially high if it is inexpensive for customers to shift to new options (Porter, 2008).

2.2.6 Rivalry among Existing Competitors

An industry's potential profit is limited by high rivalry. How much this profit is limited depends mainly on the *intensity* of the rivalry and on which *basis* the industry participants compete (Porter, 2004).

Rivalry is likely to be intense if:

- There are a large number of competitors or if these are of equal size and strength.
- The general growth in the industry is slow.
- It is expensive for companies to exit the market because of, for instance, sunk costs.
- Competitors are highly devoted to the industry.
- Difficulties to read signals from competitors because lack of understanding between rivals that are different in nature.

Porter asserts that the basis of competition, whether or not rivals compete on the same dimension, also affects industry profitability. If many industry participants strive to satisfy the same needs, the only way for them to expand is to take market shares from each other. This will ultimately result in zero-sum competition where one company's profit is another company's loss. Rivalry based on price is especially destructive to profitability because it transfers the profits from an industry directly to its customers. Continuous price competition also often leads to a deteriorating level of quality and services because too much effort is put in diminishing product prices. Rivalry based on differentiation, on the other hand, might lead to increased profits and customer value, because companies focus on different customer segments where different customer needs are met, avoiding straight price competition. This might also raise barriers to entry or increase product value relative to substitutes by meeting and delivering a higher value to customers through a more focused differentiation (Porter, 2008).

2.3 Blue Ocean Strategy

2.3.1 Blue Ocean Strategy definition

Congruent with the earlier definitions of strategy as a set of value propositions that is supported by a set value chain, the study made by Chan Kim & Mauborgne (2004) provides another perspective to Porter's definition of strategy. They categorize business strategies into two different types:

1) Red Ocean Strategy.
2) Blue Ocean Strategy.

The Red Ocean strategies are most often found in industries where competition is high because of constant benchmarking and price competition. The red ocean strategy assumes that the market structure is set and rivals compete fiercely within the current market structure to win market shares from each other.

The Blue Ocean strategy, on the other hand, is denoted as the strategy to unlock new, unknown market spaces. In these markets an untapped demand exists but is not satisfied by any exiting company. By fulfilling the latent demand through the creation of a new set of value propositions, companies have the opportunity for highly profitable growth in a new market where competition is low. Thereby a company avoids rivalry in its current market by creating a new market. Blue Ocean strategy focuses on how to unlock these new markets.

2.3.2 Reconstructurelists view

The emphasis of the blue ocean strategist is to reconstruct the current industry structure in order to create a new value innovation and attract a larger customer base. This view is based on the assumption that industry structure is not given and can be reconstructed by the actions and beliefs of industry participants. This contradicts the conventional "structurelists view" of strategy whose emphasis is to create a competitive advantage within a given industry structure, in which the structurelists assumes that the industry structure conditions are set and that the existing industry conditions[1] cannot be challenged.

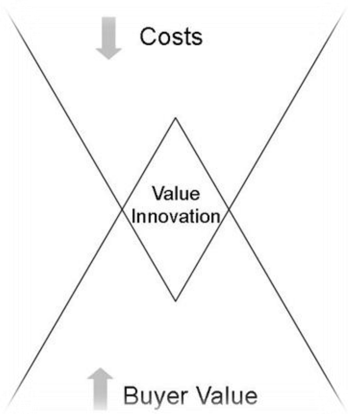
Red ocean vs Blue ocean strategy grid: (Blue Ocean Strategy, 2005)

Red Ocean Strategy Structurelists view Compete in existing Market Space	Blue Ocean Strategy Reconstruceturelists view Create uncontested market space
Beat the competition	Make the competition Irrelevant
Exploit existing demand	Create and capture new demand
Make the value-cost trade off	Break the value-cost trade off
Align the whole system of a firm's activities with its strategic choice of differentiation or low cost	Align the whole system of a firm's activities in pursuit of differentiation and low cost

2.3.3 Value innovations:

According to Chan Kim & Mauborgne the core of Blue Ocean Strategy is to create value innovations. Value innovations are new offerings that align a new product/service's utility and performance to a price in which a company can deliver more value to customers while being able to drive down costs. Value innovations are created by proposing new value propositions, which is supported by a new value chain, while eliminating parts of the old value proposition and value chain. By doing so, the company can reduce its current costs while delivering a higher value to its customers, diverging themselves from its competitors and achieve sustainable profitability.

Value innovation: (Blue Ocean Strategy, 2005)



The emphasis of Blue Ocean Strategy is therefore to look beyond industry structure and boundaries in order to create a new value proposition that brings more value to customers and at the same time lowers a company's cost

[1] Often in established markets, the value proposition of all competing companies are very similar and this similarity can be denoted as the industry structure conditions

structure. Even though the Blue Ocean Strategy takes a reconstrurelist viewpoint compared to Porter's more strucuralist viewpoint when it comes to creating a new strategy, the underlying definition of strategy is still the same. Both strategy viewpoints derive from a value proposition and a value chain strategy definition.

However, the questions still persists: How a strategy can be defined and how a new set of successful value propositions can be identified? Chan Kim & Mauborgne have therefore introduced another framework to help identify a company's strategy.

2.3.4 Strategy Canvas

Strategy Canvas, introduced by Chan Kim & Mauborgne (2005), is an illustrative framework that can be used to map the company's current value proposition and then compare it to the industry average. The strategy canvas can also be applied to create a Blue Ocean Strategy by illustrating a new set of value propositions that can be compared to the industry average in order to analyze which of these propositions are most appealing to customers.

The x-axis of the strategy canvas is defined as the value factors of a value proposition within the industry. They are marked as high/low in the y-axis. The value factors are the components of the value proposition that builds up the total value proposition. The value factors describe the factors that make up the value proposition appealing for a customer.

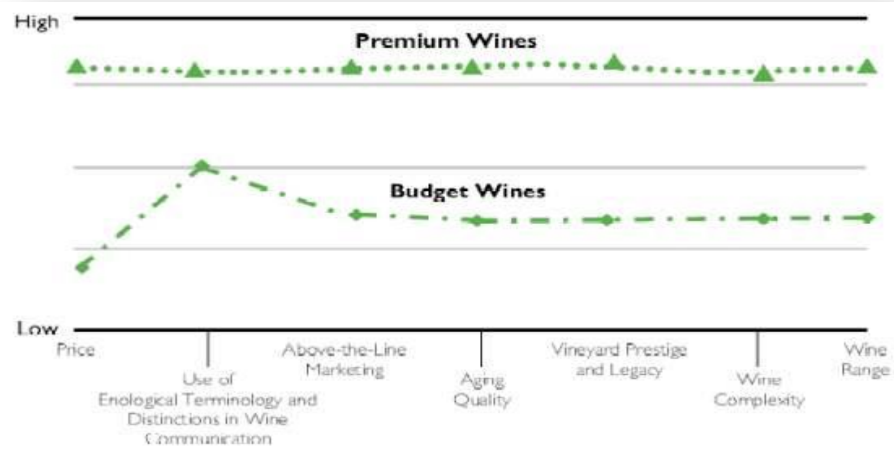
As an example, the value factors of the value proposition of the U.S wine industry are:

- Price per bottle of wine
- Aging quality
- Vineyard prestige and legacy
- Wine complexity
- Wine Range
- Use of Enological terminology and distinctions in marketing
- Above the line marketing

A high score means that a company offers more of this value factor to its customers[2]. By using the strategy canvas we can illustrate the value proposition of both the premium and the budget segment of the US wine industry, and compare them to each other.

[2] Thus the y axis for the value factor price shows the opposite value compared to the other value factors. A low price level means higher offerings to its customers.

Strategy Canvas of the U.S Wine Industry in the late 1990's (Blue Ocean Strategy, 2005)

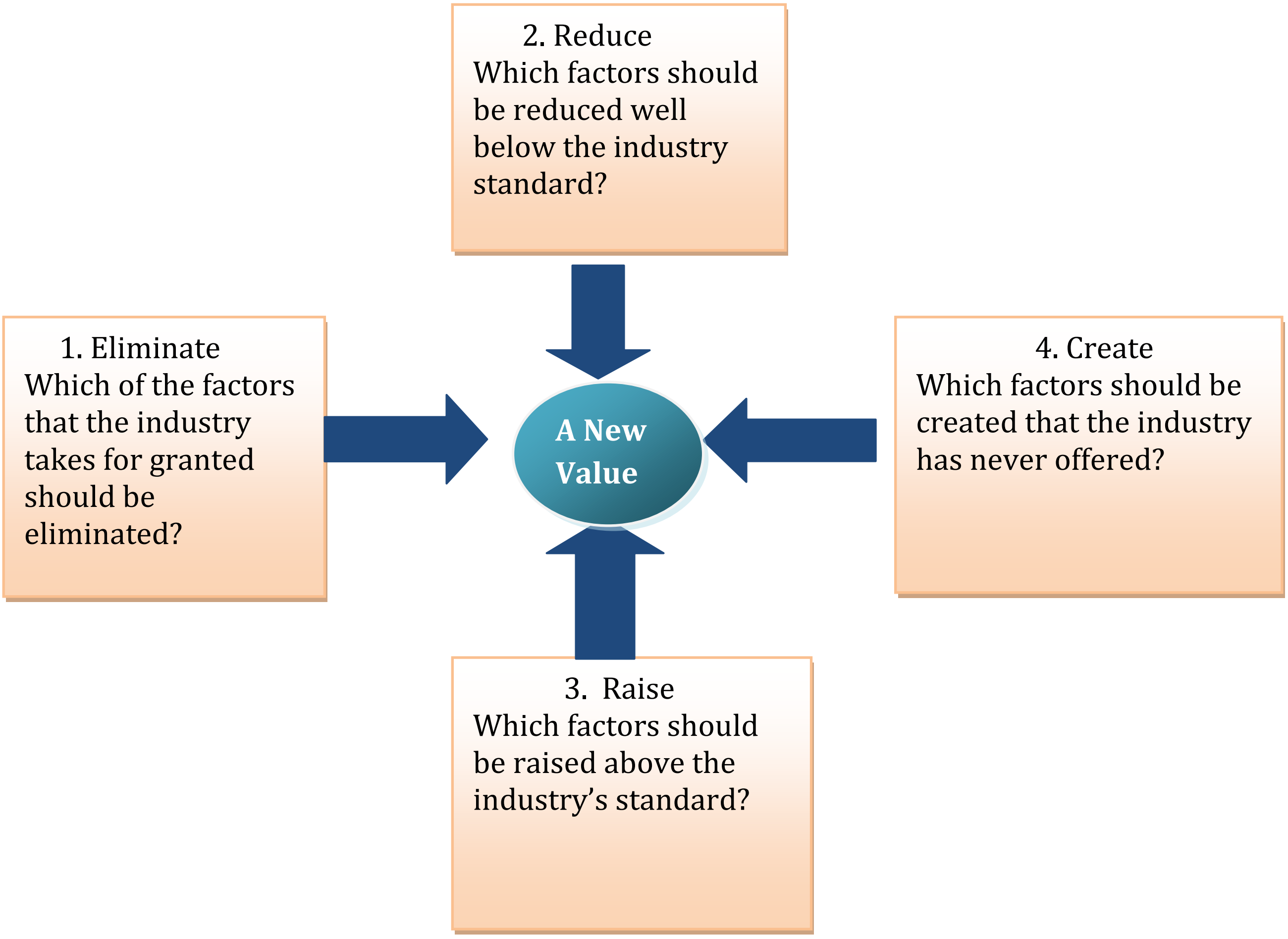


The distinctive curve that connects the value factors of the x-axis is represented by the value proposition of the premium wines above and that of the budget wines below. Through this strategy canvas we can identify the different value proposition profiles of each segment and add new factors on the x-axis for a renewed value proposition. The comparison above is based on a research of 1600 wineries. The study shows the average value proposition of each segment. Their results show that the value propositions of various wineries within an industry segment tend to be similar. Thereby they conclude that this type of situation is typical for a "Red Ocean" market.

2.3.5 The Four Actions Framework: Create a new value proposition

In order to reconstruct the industry's value propositions to create a blue ocean strategy, the company must identify which which factors to eliminate, factors to reduce, which factors to raise and which new factors to create.

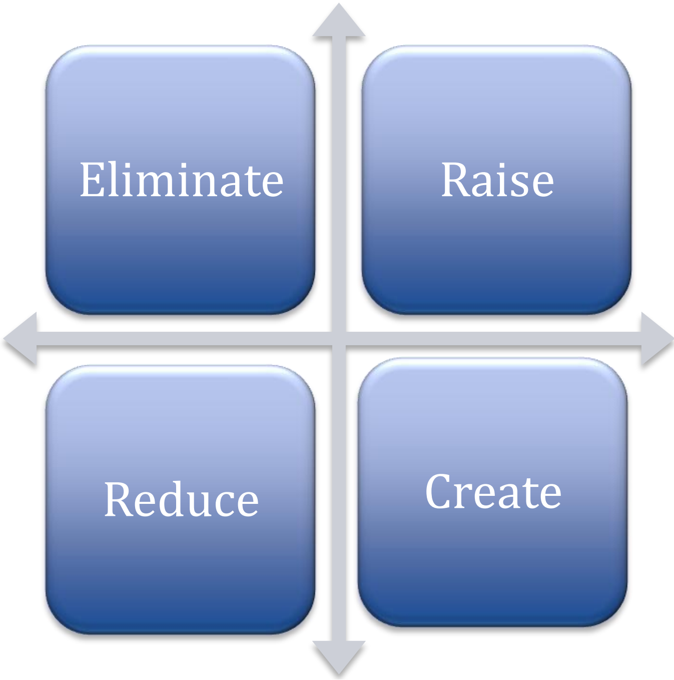
"The Four Action" framework (Blue Ocean Strategy, 2005):



This framework and the questions imposed directly challenges the fundamental structure of the industry. The first questions challenges certain factors within the industry that are taken for granted. These factors have become irrelevant to customers but due to lack of insight or too narrow focus on competition, companies have not been able to understand the fact that these value factors are no longer valued by its customers. The second question determines which value offers are overrated and that the company can reduce while still meeting the actual customer requirements. The third questions forces the strategist to identify the most important value factors to its customers within the industry and to focus the company's attention toward these factors. The fourth question requires creativity within the company in order to deliver a value outside that of the industry structure. This provides new experiences and forces the company to offer innovative value factors in its value proposition. By answering the first two questions the company gains insight into how to drop the current cost structure and the last two questions answers how the company intends to offer extra value and increase demand. This leads to the creation of new value innovations that both reduce costs and create higher value.

The factors to eliminate, reduce, raise or create can be summarized in an "Eliminate-Reduce-Raise-Create" grid:

"Eliminate-Reduce-Raise-Create" grid (Blue Ocean Strategy, 2005)



Similar to the structuralists view, the key to success with a Blue Ocean Strategy is focus and deepening[3] within the chosen strategy field when forming a new value proposition. Focusing often leads the firm to diverge from other firms, creating a unqiueness that can easily be related to the company's special value proposition that makes the company stand out from others.

By analyzing the questions above, the companies' strategists receive a creative perspective of the current value proposition, which could help them to identify the most important factors to eliminate, reduce, raise and create new value proposition that will unlock a latent demand.

2.4 Strategy according to Mintzberg

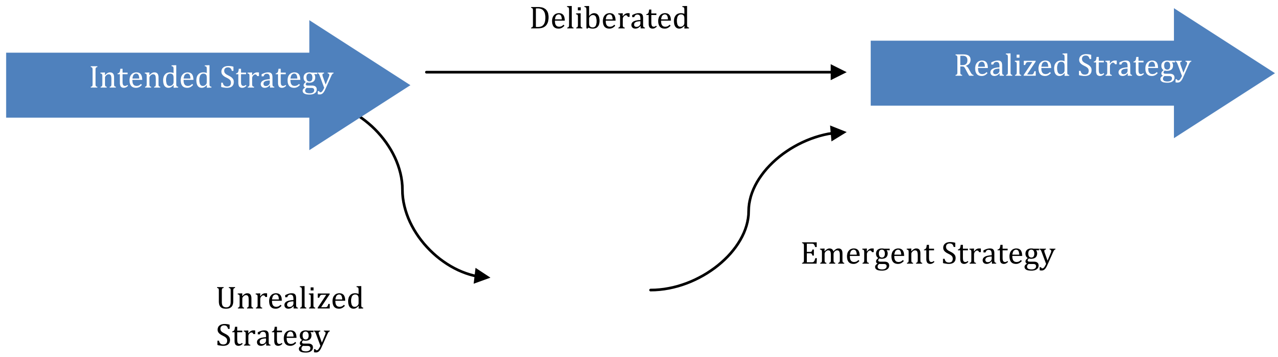
Mintzberg asserts that there are two kinds of strategies: intended strategy and emergent strategy. The intended strategy is formulated as a result of a rational process and planning. It formulates a clear direction and action plan for the company. The emergent strategy, on the other hand, is a result of a pattern of actions. This pattern of actions can be referred to as actions taken that was not intended or articulated in advance. The emergent strategy can also be viewed as attempts within the company to capitalize on emerging opportunities or spontaneous actions that lead to viable success.

The company's mission is to implement the intended strategy. However in many organizations, even though plans are supposed to be realized, the outcome is not always consistent with the original plan. Mintzberg argues that even the best

[3] Focus and deepening means to become specialized within the value chain that supports the chosen value proposition. This also includes efforts to increase the marketing of the chosen value proposition.

managers cannot work everything out in advance, and not even the most responsive subordinate gives up all control. Therefore the final realized strategy is a mixture of the intended and emergent strategies that operates interdependent of each other to realize a final desired result.

Mintzbergs Emergent view of Strategy Model (Mintzberg, 1978)



2.4.1 Adoption:

Minztbergs emergent view of strategy can provide us with another model to describe how our case company's realized strategy was formed. Did the strategy emerge through a carefully planned process or did it start as a pattern of actions that was later incorporated as a plan? Mintzbergs emergent strategy view also supports the interactive controls systems as a measure to review the intended strategy and encourage employee initiatives. These new initiatives can be classified as attempts to capitalize on new opportunities and therefore are new emergent strategies that complement the intended strategies to achieve a desired result. (Mintzberg, 1978)

2.5 Levers of Control

Simons argue that inherent tensions occur within a company during the strategy implementation process. Tensions between situations such as top-down control and employee's initiatives/freedom, employee empowerment and accountability, implementing intended strategy and strategic reviews must be balanced in the management control systems. But the questions remain: How can balance be achieved? Simons addresses exactly this question through his model *Levers of Control* in which managers can control strategy implementation through four levers of control: belief systems, boundary systems, diagnostics control systems and interactive control systems.

These four systems consist of opposing forces, where the equal balance of all the systems creates the best outcome.

1. Belief System VS. Boundary System

The belief systems are core values within a company that encourages employees to search for new opportunities and inspire employees to achieve organizational and personal goals. The belief systems also convey what kind of behaviors is encouraged within the company.

In contrast the boundary systems sets certain limits of the opportunity-seeking behaviors and conveys what kind of behaviors within a company is discouraged. Simons highlights two types of boundary systems: Business conduct boundaries and strategic boundaries. The business conducts boundaries constraints activities by employees that could jeopardize the well-being of the organization, such as potential loss of assets or reputation. While the strategic boundaries limits the initiatives by employees so that the resources within the company would not be used on non value creating activities.

2. Interactive Controls VS Diagnostic controls

The interactive control system's purpose is to constantly develop the intended strategy. This includes controls of the validity of the intended strategy through analyses of the strategic uncertainties. It also encourages the emergence of new strategies and development of the current strategy through organizational double loop-learning.

The diagnostic control systems are the exact opposite of the interactive controls. They are used to implement the intended strategy, ignoring the strategic uncertainties. The process of the diagnostic controls includes the use of information systems monitors, motivation of employees and correct deviations from plans.

Simons Levers of Control (1995):

2.5.1 Function and formation of the interactive control systems:

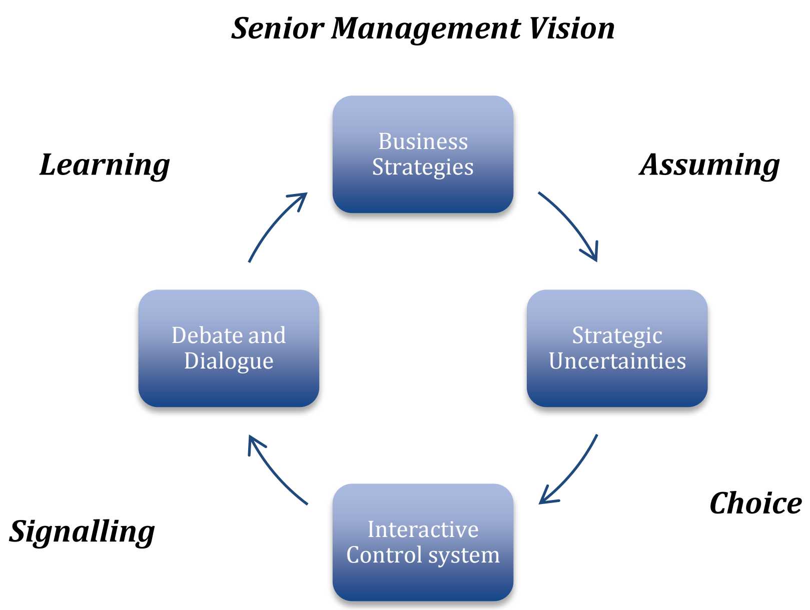
Simons asserts "*Because of the uncertainties and dynamics of competitive markets, most managers will admit they do not fully comprehend the detailed changes necessary to move from today's competitive position to the desired competitive position of the future. By choosing to use a control system interactively, top managers signal their preferences for search, ratify important decisions, and maintain and activate surveillance throughout the organization*." (Simons, 1995)

Due to the uncertainties that many companies face; the need to justify, control and develop the agreed-upon strategy is an essential part of the strategic management. Since a flawed strategy will not lead a firm to long-term financial growth and thereby not fulfill the final goal.

Simons defines interactive control systems as a formal information system that tests the assumptions of the strategic uncertainties upon which the current strategy is based. Simons argues that communication between subordinates and managers are vital to tests the strategic uncertainties, since the subordinates receives valuable information of market-trends, emerging technology, customers preferences and competitors products or services through day to day operations. Therefore a formal communication forum is essential for managers to complement market intelligence information with that of subordinates in order to validate the strategic uncertainties[4]. Interactive control systems should also function as a platform to guide the bottom-up emergence of strategy. The bottom-up emergent strategy is created within the organization when subordinates take own innovative initiatives to solve a certain problem or seize upon new instinctive opportunities. These initiatives, if accepted by managers, will be tested and if successful they will be implemented throughout the organization. The interactive control systems also stimulate organizational learning. During the interactive controls managers, project leaders and subordinates challenges previous assumptions, debates their current situation and reviews the actions plans. This process leads to great comprehensive organizational learning and provides better understanding of the company's own organization and the dynamics of their competitive markets. A company can through debates learn and strengthen their knowledge of the current business strategy.

[4] Strategic uncertainties are various external factors within the company's environment that the company itself cannot control. Therefore when formulating a strategy, the management team needs to make assumptions of the future outcome of these external factors.

Simons illustrates this relationship by the following model:
Using Interactive Control Systems to Translate Senior Management Vision into New Strategies (Simons, 1995)



Interactive control systems may vary in form but according to Simons they should all have four defining characteristics:

1. Information generated by the system is an important and recurring agenda addressed by the highest levels of management
2. The interactive control system demands regular attention from operating mangers at all levels of the organization.
3. Data generated by the system are interpreted and discussed in face-to-face meetings of superiors, subordinates, and peers.
4. The system is a catalyst for the continual challenge and debate of underlying data, assumptions and action plans (Simons, 1995)

2.6 Strategy Maps

Throughout our theoretic framework so far we have described various frameworks within strategy and strategy implementation. These frameworks provide us with tools to define strategy and highlights important elements during strategy implementation. However as a measure to clearly visualize a company's strategy we will describe the last framework that puts all previous frameworks into one context. This framework, formulated by Kaplan & Norton (2004), provides a useful tool to describe and implement the strategy in a systematic and cohesive way.

2.6.1 Mapping & coherency to earlier frameworks:

In the beginning we referred strategy to its historical definition as a "plan of action designed to achieve a particular goal" and later moved towards a business context in which strategy was defined as **"**the composition of a specific value proposition and a value chain that supports that proposition." By utilizing a strategy map a company can coherently visualize its goals, value proposition, value chain and another dimension that explains how to achieve the value chain. (Kaplan & Norton 2000)

In a strategy map the goals, value proposition and value chain are redefined as the financial perspective, customer perspective, internal perspective and it adds another perspective: the learning and growth perspective. (Kaplan & Norton 1992)

The Financial perspective can be regarded as the financial goals that the company intends to achieve through the strategy. These goals are often expressed in return on invested capital measures. Financial goals can be achieved through either a growth or a productivity strategy. A growth strategy focuses on how to increase the sales amount by providing a superior value proposition, while the productivity strategy focuses on how to increase the current productivity within the company's internal processes.

The company's proposed value proposition is expressed in the customer perspective. It defines the company's value proposition and links it to the financial perspective to explain how the financial goals are supposed to be achieved. Showing that by offering the company's specific value proposition the customers will purchase the goods or service of that particular company, resulting in financial benefits for the firm.

The internal perspective can also be related to our earlier framework as the value chain. In this perspective the company must define its processes and link them to the intended value propositions. The value chain consists of activities within the company that allows the company to offer a particular set of value propositions.

The learning and growth perspective answers how the company will achieve the crucial internal processes that are essential to deliver the value propositions. The learning and growth perspective defines the types of core competencies that the company need, the type of internal information system that is desired and the type of values and beliefs that the company employees must inherent to support the company's strategy.

These four perspectives altogether structuralizes the most crucial factors for a company's success, clearly illustrating the set goals and the strategy as a plan to achieve its target.

The strategy map provides a clear overview of the company's strategy and illustrates the cause and effect relationships within the processes that are linked to the value proposition. The cause and effect relationships provide guidelines for managers to set clear objectives and targets within each internal activity and relate their activities to the overall strategy. By visualizing the company's strategy in strategy maps, it becomes easier to communicate the strategy to middle managers, set clear objects and motivate employees (Kaplan & Norton 2004). From the strategic maps a detailed scorecard can be constructed to set objectives, measure targets, distribute responsibilities and action plans for the implementation of a strategy. Therefore the strategy map is a vital starting point to build an effective balanced score card in order to implement a company's strategy (Kaplan & Norton, 2000).

2.6.2 The Balanced Scorecard

Since an organization's measurement system can be used to affect the actions of managers and employees, these measures are important to guide any organization. To only focus on financial accounting measures, such as return on investment, may have worked well during the industrial era but it does not achieve the demands of modern days' business environment. No single measure can provide a clear picture of which areas that are crucial to an organization. Therefore a combination of both operational and financial measures is needed to attain a balanced view of the business. It also diminishes sub-optimization and accounting myopic behaviors since it forces management to contemplate all the operational measures together (Merchant, Van de Stede 2007).

The design method of the balanced scorecard is focused on finding relevant measures linked to the strategic objectives of the four perspectives previously described. Since the critical indicators of strategic success differ from company to company, which measures to use is a highly individual question.

Financial targets such as *operating margin, revenue, cash flow* etc can be inserted into the financial perspective. Value proposition metrics to ensure that we are offering what we intend, can be measured through *price benchmarks, deliver time measures, quality checks, amount of contacts made with customers* and *customer satisfactions*. Value chain metrics could be *internal lead time, average process time, amount of new products, use of man-hours compared to previous years etc.* For the learning and growth perspective metrics *such as employer satisfaction, employer retention, use of information technology, promotion of a certain amount new leaders* (Kaplan & Norton, 1992).

By setting targets and allocating responsibilities within the perspectives the balanced scorecard can be used as an effective management tool to implement business strategy. However to decide the right set of metrics to use and the right level of metrics are very challenging. A company must carefully analyze and evaluate the possible metrics to make sure they fit the company's situation and goal (Kaplan & Norton, 2007).

3. METHOD

3.1 Research Strategy

The purpose of this study is to use the literature as a framework to answers our two research questions. Because our questions are profound, and therefore hard to measure, an analytical research approach that promotes measurement and a quantitative model is not appropriate for our study. Since the term strategy is an intangible phenomenon, information regarding the subject can only be gathered through deep interviews. For such studies the qualitative research strategy is preferred (Gilljam, Esaiasson et al 2004).

Our purpose is to describe the strategy applied in our case company by using the literature we have compiled as a framework. Even though there might be some instances of normative conclusions for how a strategic management controls system should be formed, there is no direct empirical research tied to that conclusion in our thesis. Therefore our research approach neither derives from a normative research approach. Our study should rather be classified as a descriptive one. Our main purpose is to describe how a strategy can be defined and how it can be used as a management control instrument. The descriptive study is used to describe a certain phenomenon through previous theories and thereby testing the validity of these theories in practice. The descriptive study leads to a deductive research approach. The deductive approach is used when the research is based on previous theories. The theories used states what type of empirical information that should be gathered, how it should be interpreted and how the results can be related to the theories to describe the empirical material. This research approach consist the base of our thesis.

3.1.1 Research Philosophy

Since we wanted to indentify the strategy of Gekås, the best way to gather this information was to interview members of the management team. Through our interviews we were able to gather enough empirical information to interpret and describe Gekås' strategy based on our theoretical framework. Due to our emphasis on interviews we derive our interpretation of reality through an operator's perspective. This perspective concludes that reality is a social construction (Gilljam, Esaiasson et al 2004) and it is interpreted differently by each individual. Therefore the truth consists of coherency among different individuals' interpretations of reality. This perspective is consistent with our choice of conducting four interviews to validate the coherency between each individual's interpretations and thus we attempt to build a reliable empirical data of reality.

3.2 Inquiry approach

By studying and summarizing the works of Michael Porter and Chan Kim & Mauborgne's *Blue Ocean Strategy* we have created a coherent theoretical work frame for examining how a strategy can be defined in an actual business. Further to this we have investigated how the strategy can be implemented by using Kaplan & Norton's theories about *Strategic Mapping* and *The Balanced Scorecard* as well using Simon's strategy implementation theory *Levels of Control*.

According to Robert K. Yin (2006), a case study is a study that discusses a contemporary fact in its real context. A case study also supports the use of several theoretical frameworks to describe empirical information. In accordance with this guidance we realized that this was an appropriate method for achieving the purpose of our thesis. Therefore our research method is based on an in-depth, single case study in which we examined both the strategy and strategy management control system. Further to this we also wanted to clarify how the different theories could be used as complements to one another and use them together to describe the strategy of a company.

3.2.1 Selection of Case Study Objects

In order to be able to apply the theories that we have chosen for strategy definition and strategy implementation, we thought that a company with a clear market position would be suitable for us. This because an evident market position often mean a distinct value proposition, which facilitates the process of defining a strategy (Porter, 1996, 1998). Since our theoretical framework revolves around many different theories, it was also important that the company was of an appropriate size so that we would to be able to compile the empirical and theoretical material into one coherent context. When searching for interesting companies that could be suitable for our thesis, we became more and more interested in Gekås Ullared because they have a unique concept and position in the Swedish market.
While the vast majority of companies have suffered during the recent financial crisis, Gekås has defied this general pattern of decline and prospered (DI, 2009-07-30, 2009-06-19). In mid-2009 their growth rate was higher than it had been for almost half a decade, despite the prevailing crisis (DI, 2009-07-30). The fact that Gekås has defied the general condition of the market suggests that they are in some way distinguished from their competitors. This triggered our interest for a more detailed study of the strategy that has contributed to Gekås' success. After some initial contacts with Gekås and receiving their support we decided to build our case study around their company.

3.3 Literature search

In order to find a practical and valid theoretic framework for strategy definition and strategic management control systems, we started our literature search by looking at previous studies within the field of strategic management controls. This was done by searching the Swedish database "Uppsatster.se" and through Gothenburg University's own database GUNDA. We used key search words such as “strategy”, “strategic management controls” and “strategy implementation” to find relevant studies within the specified field. After covering a broad number of previous works we found several commonly used articles and books. We later searched for these articles by entering their specific article names within the scientific databases EBSCO, Emerald and Google scholar. The books that we used in our thesis were found in the various Gothenburg University libraries by searching on either the author’s name or the title of the book. We first briefly overviewed the articles and books that we had found in order to evaluate whether they were relevant to our research question or not. The sources that we found relevant were later used to create our theoretic framework. We were also given literature guidance from our supervisor Ingemar Claesson and from a business case competition’s (BI-Marathon) readings recommendations. The coherency among the sources we found through the database searches and those sources we received from our supervisor and reading recommendations from the business competition gives credibility of relevancy to our sources. Since our thesis converge two interconnected discourses; those of strategy literature and those of management control, we consider our literature overview of five models quite broad. This approach enabled us to apply a combination of appropriate theories to be able to answer our research questions in a manner that we saw fit.

Through the literature search and understanding of the previous studies we created a theoretical framework. This theoretic framework guided our collection of empirical data in the case study so that the theoretic framework could later describe and interpret the empirical information.

3.4 Selection of Respondents

In the process of selecting respondents we assumed that we needed to interview employees at leading positions within Gekås in order to gain information from those with significant insight into the strategic processes. In order to gain a broad perspective of Gekås business and activities we chose to interview the CEO, CFO, Purchasing Manager and the Store Manager of the company. By interviewing these respondents we gained insight into the different areas relevant to our study.

Our respondents were:

Boris Lennerhov, *CEO*, Gekås Ullared (3/5 16.00-18.00)
Per Andreasson, *CFO*, Gekås Ullared (3/5 10.00-12.00)
Christian Henriksson, *Store Manager*, Gekås Ullared (4/5 10.00-12.00)
Carin Kjellgren, *Purchasing Manager*, Gekås Ullared (5/5 10.0-12.00)

3.5 Interviews

We have designed our interview template based on the theories that we have compiled so that the interview would be thematic and thereby congruent with the purpose of our thesis (Gilljam, Esaiasson et al 2004). Our interview questions were designed in a semi-structured way, as an entirely structured interview often leaves too little room for respondents to answer freely (Patel & Davidsson,

1994) A semi-structured interview also enabled each respondent to focus on the questions he/she found more relevant. We used the same general design for all interview templates in order to get a broad perspective of the interview subjects and to cross-reference these answers with one another to ascertain the answers coherency.

Before the interview we sent an e-mail with the different areas that we would be discussing so that our respondents would be acquainted with the topics of the interview. However we did not send the exact interview template, since we did not want our respondents to give us "automated" answers. None of the respondents requested to be anonymous, which contributed to the credibility of our research (Gilljam, Esaiasson et al, 2004).

3.6 Data processing

To facilitate the data processing and ensure the reliability of data received from our interviews we printed out our interview templates and used them during the interviews. Answers were document by both computer and by hand to ensure reliable answers. Since the interviews were held in Swedish in order to make sure that our respondents felt comfortable and to be able to gather more information, we had to first translate the raw data into English. The interviews were recorded for validity check during the data processing.

After documenting all answers directly after each interview we put together all four answers and concluded the coherent answers of each performed interview into one final main answer. This process is consistent with our research philosophy of the operator's perspective that reality is based on coherency among each individual's interpretations.

Due to our interview structure, which is based on our theoretic framework, we could quite easily relate the answers to our theories. We later analyzed the empirical data with our theoretic framework to answer our two research questions.

3.7 Method Critics – Validity and reliability

The validity of research studies is the most difficult and most important problem in empirical social studies. (Gilljam, Esaiasson , 2004) The term validity can be defined in three ways:

1) Congruency between the theoretic definition and the operational indicators
2) Free from systematic errors
3) The research examines what we intend to research.

The first two definitions can be categorized as conceptual validity while the third definition is categorized as result validity. (Gilljam, Esaiasson , 2004)
These two categories are related to each other by the following formula:

*Conceptual validity + Reliability = Result validity (*Gilljam, Esaiasson et al, 2004)

The greatest validity problem is that of conceptual validity. The problem of social science empirical research is that many theoretic terms are abstract and intangible and therefore makes it difficult to use proper operational indicators that measure the theoretic term. Therefore improper results and wrong conclusions are created by using inconsistent operational indicators to measure the theoretic term.

Further for the proper result to be valid, the reliability of the study must be high. Reliability implies that the thesis is free from unsystematic and random errors. These kinds of errors might occur due to stress, carelessness or sloppy notes, misunderstood interview answers, negligence of certain information during data processing etc. However it is argued that conceptual validity is more important than reliability. (Gilljam, Esaiasson et al 2004) For example if the operational indicators used in a study does not measure the intended theoretic term the results are flawed, but if the conceptual validity is correct and the reliability is low the results are slightly skewed though the overall result is still accurately measured.

Since the theoretic terms strategy and management control systems are very abstract and interpreted differently among researches and professionals. There are no unanimous operational indicators that properly define these two terms or any unanimous framework in which these two terms can be described. However in this thesis we have implied a theoretic framework that guided us how to describe strategy and through this framework we formed interview questions that could be seen as our operational indicators. Thereby we attempted to achieve as good conceptual validity as possible.

To increase the reliability of our thesis, we taped all our interviews and performed the same interview with our four chosen respondents. We used structured interview templates printed on A4 paper that would provide a clear guide for notes and made it easier for us to refer answers to our literature framework. We transcribed the answers directly after the interviews to make sure that the answers were correctly documented. Still the reliability for this study might be imperfect because our behavior during the interview might have affected the respondents' answers. However we tried to prevent this so-called interviewer's effect (Denscombe, 2000) by reacting as neutral as possible to the respondent's answers. Further, Gekås has not worked with any kind of strategy controls therefore some respondents were unfamiliar with our subject. If the respondents had read through our content email and prepared a bit before our interviews, their answers might have been better.
Since we only conducted four interviews with the management team of Gekås our empirical finding might include a large amount of their subjective assessments. It would have been better to interview a larger number of respondents within the management team and even conduct the same interviews with external industry experts[5] to further validate the answers of our respondents from Gekås.

[5] Such as academic industry experts or consultants within the retail industry

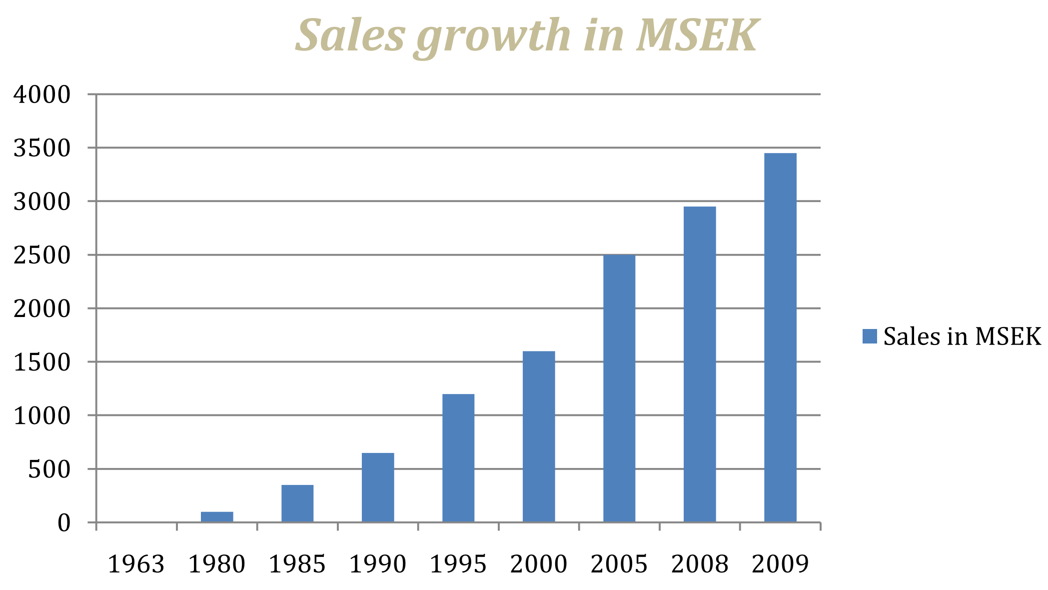
4. Empirical Findings

4.1 Company background

In 1963 Göran Karlsson did something that someone with a degree in economics would never do: he started a department store in the middle of nowhere. From a rented basement he sold outdated cleaning coats and other garments for a very low price. His original philosophy was to by cheap and sell cheap, a philosophy that still characterize the organization. In the beginning business was slow and after two years the store had a turnover of 80.000 SEK. After a few years business blossomed and customers traveled in busloads to Gekås and in 1971 the store moved to larger premises. In 1979 the turnover had reached 80 million SEK.

In 1991 Göran Karlsson sold his company to six of his employees. While the company had previously solely focused on selling products for a low price, the new owners raised the importance of quality. Because of this, the philosophy changed slightly and the focus shifted towards selling quality goods for the lowest price. The new owners broadened the product range and made several larger investments in expanding the department store. Business continued to prosper and sales increased exponentially. In 2004 Thomas Carlsson and Torbjörn Bäck bought out the remaining four owners. This was financed by a loan of nearly half a billion SEK, a loan that the new owners were able to acquit after only five years (DI, 2009-08-12).

Gekås have in their 47-year history grown from a small basement-outlet into a 20.000 square meter department store with over 4 million visitors each year. In 2009 Gekås had a turnover of about 3500 million SEK and had increased their sales with 16% compared to 2008.



In order to gain an overview of the competitive situation in the industry that Gekås participates, we asked our respondents how they interpreted their industry. We based our interviews on Michael Porter's Five Forces and have therefore divided our interviewees' answers after each force.

4.2 Five Forces That Shape Competition

Gekås Ullared is unquestionably a retailing company in the low-price segment of the market. Though their exact line of business is quite hard to define since the store is divided into many, very different departments that sells everything from equestrian sports to everyday commodity. Therefore it is also hard de define their main competitors, since every department has its own opponents. The biggest actor[6] within each business line can be seen as main competitors, according to our respondents. Other shopping centers could be seen as competitors but they do not offer the same wide range of products as Gekås and could therefore be considered rather as competitors to specific business areas of Gekås. Most shopping centers offer many different price levels, in contrast to Gekås, and thus only the low-price departments of these shopping centers should be regarded as direct competitors to Gekås. Because of this it is hard to see other shopping centers as main competitors to Gekås, according to our respondents. Most shopping centers neither offers the same overall experience, with for instance affordable accommodation and wide range of activities for family members that are less interested in shopping and therefore also tourism companies can be regard as competitors. Therefore our respondents state that companies in the low-price segment of retailing such as H&M, Lindex, Rusta and Claes Ohlsson are regarded as their main competitors

The rivalry among existing competitors in the market is strong. Every competitor on the market struggles for the attention of customers through media, pricing and various campaigns. Our respondent state that it is a constant challenge to maintain a market position and that a company quickly becomes outmaneuvered if it does not put the right amount of effort in preserving their position in the market. The conditions of low-price segment of the market are different today compared to 20 years ago. Then low-price was entirely about selling goods at the lowest price possible, independent of the quality of the goods. Today it is becoming increasingly more important to sell the right products for the right price because customers demands a higher quality. The intensity of the competition differs between the different departments, since these have different main competitors. Our respondents assert that competition is for instance slightly lower the in more slimmed departments, such as equestrian sports, and higher in bigger departments, such as tools and electronics.

[6] Biggest commercial rival in form of market share within a business line.

Our respondents assert that there is a *threat from new entrants* in the industry, even though this threat is not significant. The market today is quite saturated by larger established actors such as ICA, H&M and Lindex and therefore our respondents do not regard the threat of new entrants as dominant. However our respondents commented that many new products have become available during the last decade and that customers because of this have become increasingly more open to new actors in the market.

When it came to the *threat of substitutes* our respondents mainly interpreted this as alternative ways for customers to shop. Our respondents assert that Intenet shopping probably is the, if any, substitute that poses a threat to the industry. Via the Internet customers can find almost any product that they are looking for. Methods for payment over the Internet is becoming safer and it is easier for customers to find better prices which makes the Internet an increasingly more attractive way of shopping. Therefore the Internet has taken market shares during the last few years and it will probably continue to do so in the future. Our respondents emphasized once again that the magnitude of the threat is depending on how you define Gekås' line of business because different departments are effected in varying degrees. For instance DVDs and books are more threatened by Internet shopping since shipment costs are relatively low and because customers know what they get and therefore does not need to evaluate the product on beforehand. On the other hand departments such as food and hygiene is marginally effected by Internet shopping. Our respondents also point out that Internet shopping is a higher threat among their younger customers.

The *bargaining power of suppliers* varies since there are many different kinds of suppliers on the market. Smaller suppliers that are more dependent on bigger companies tend to have less bargaining power and the bigger, more established suppliers usually have a better bargaining position. Our respondents state that there are fewer retailers on the market today compared to 20 years ago but that these retailers are bigger and often chain stores. The suppliers bargaining power towards these bigger stores have diminished because the retailers nowadays are fewer in numbers but lager in size and thus have more leverage. But trading with suppliers that are too big might be unprofitable since they usually have a much better bargaining position.

Our respondents mentioned that *the bargaining power of buyers* is quite weak in their industry. Buyers often have little knowledge of products and thereby they have little impact on, for instance, pricing. However it is easier today for customers to gain information about products and pricing via the Internet. This implies that companies must constantly observe the prevailing market prices for their product lines, in order to keep their customers. If one company's prices are too high customers can easily choose another retailer and because the high rivalry results in constant price-pressure, this also affects the customers' willingness to pay. In that aspect customers' bargaining power might have an impact. Otherwise their bargaining power has little effect, according to our respondents.

Our respondents were at firs uncertain when we asked them if they thought that any of the five forces were particularly strong or weak in their industry. Three of our respondents thought that the rivalry among existing competitors was the most significant force in their industry. It is the competition that sets prices and that put pressure on market participants and if a company cannot handle this competition they will quickly loose their position on the market. Two of our respondents regarded the *threat of substitutes* as the force that has the least effect on the industry. One of our respondents regarded *the bargaining power of suppliers* as a factor that only marginally affects the industry. One respondent considered that it is the interaction of all the forces that shape the competition within the industry and that no force is stronger or weaker.

4.3 Value-Proposition:

By asking each respondent to fill out our strategy curve template we were able to, from their perspective, map out the industry's value proposition and later relate that to the value proposition offered by Gekås. According to our respondents' earlier definition of Gekås' line of business, the industry of Gekås is regarded as the low-price segment of retailing.

When we asked our respondents to write down the value factors that constitutes the industry's value proposition, we found five recurring factors from all respondents as well as some factors that differed. The recurring value factors were: price, product variety, accessibility, quality and shopping experience. The non-recurring[7] value factors of the industry's value proposition were: simplicity, status, moral & ethics, personnel knowledge, nice treatment, fun shopping and service[8]. The average amount of value factors found was seven.

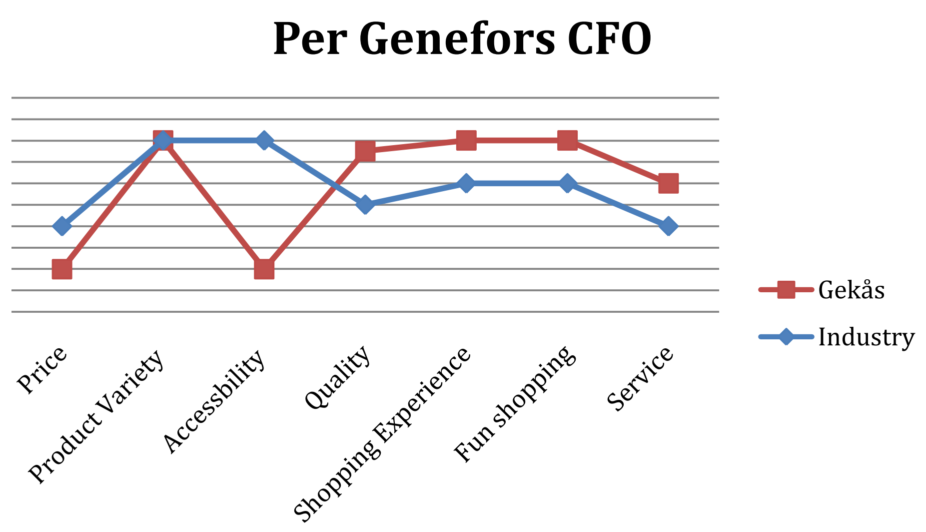
Most of these factors are obvious in their meaning; however the factor simplicity is defined by the store manager as the ease and convenience for customers to be able to access parking, find their way within the store, find help and find the products they are looking for. Thereby simplicity means making the entire shopping process easier and more convenient.

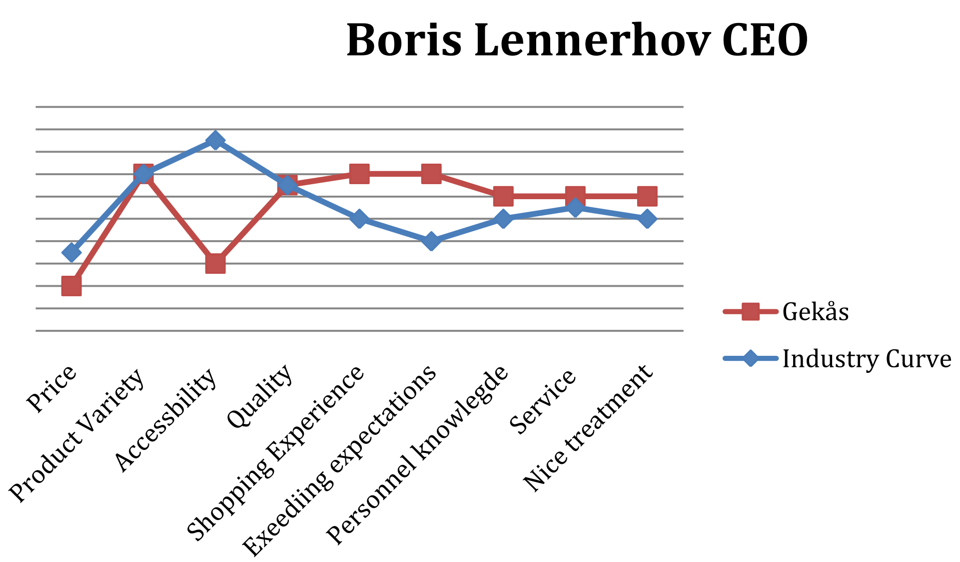
Later on, our respondents drew the value curves for the industry by plotting out the level of each value proposition offered by the industry in our template.

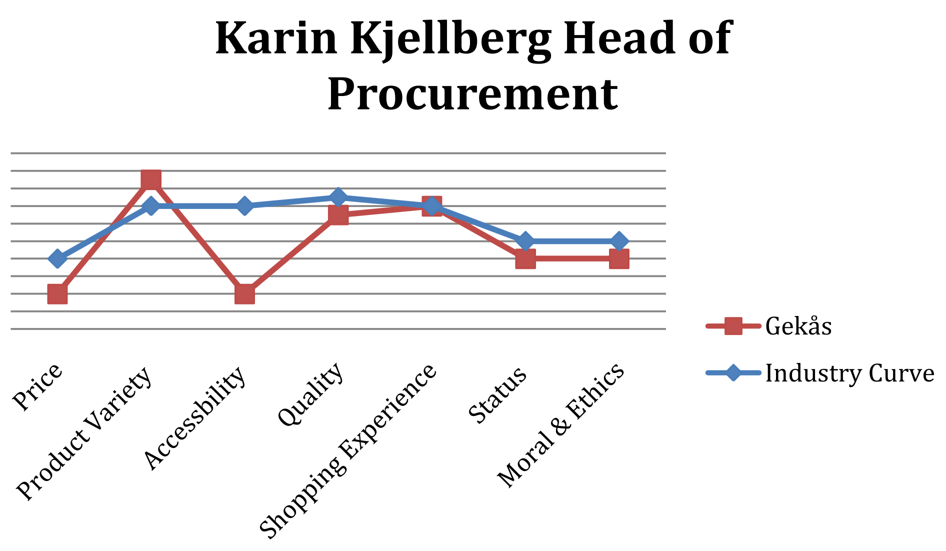
After this, our respondents did the same exercise but from Gekås' own perspective, plotting out the strategy curve of Gekås in the same document. None of our respondents added any extra value factors to the strategy canvas of Gekås.

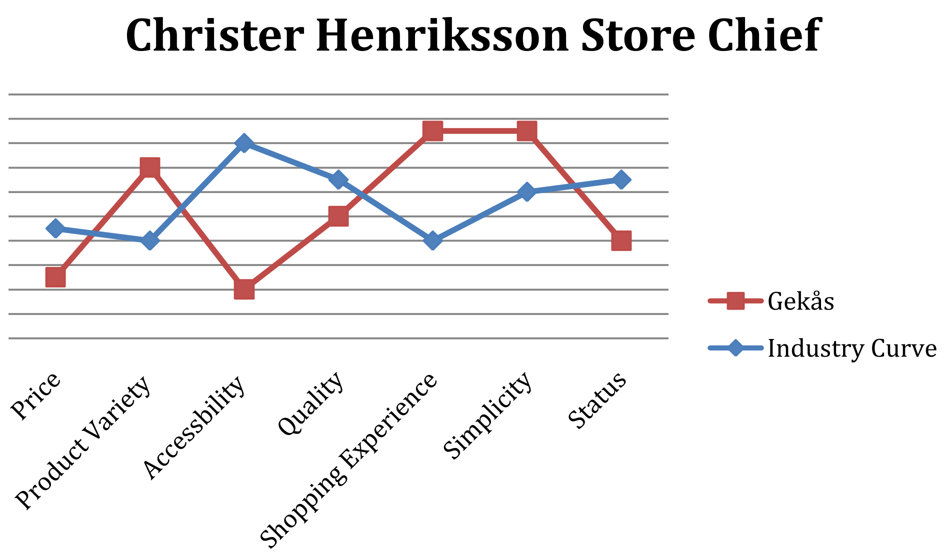
[7] Or were not recurring for all respondents.
[8] The interpretations of the factors: service, personnel knowledge, nice treatment, exceeding expectations, fun shopping could be summarized as shopping experience as these factors are very similar and respondents could not really say the difference between these factors and shopping experience.

The result of each respondent's interpretation of the industry-to-Gekås value proposition is presented below:









4.3.1 Interpretation of Strategy Curves:

Although each respondent's strategy curves differ in some individual factors, the curves in general are fairly congruent. The strategy curves show two main factors: price and shopping experiences[9] that are generally higher [10]than those of the industry while Gekås' accessibility-factor is much lower than that of the industry. Since Gekås does not work with a clearly documented value proposition like the ones described above, the non congruent factors that differs in our respondents' answers, derives from each respondent's own subjective assessment.

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[9] The term "shopping experience" is a factor that could be broken down into sub factors such as service, simplicity, fun shopping, personnel knowledge and exceeding customer expectations. In that case according to our respondents, these factors related to shopping experience are higher than the industry standard.

[10] The lower the price the greater value the company offers to their customers

From this exercise we were able to map out a decent strategy curve for Gekås. This framework allows us to identify Gekås' value propositions and the level of emphasis for each value factor.

4.4 Empirical findings Value Chain:

We asked each respondent to explain which internal processes that Gekås needed in order to achieve the value factor that we described earlier. Thereby we could map out their entire value proposition and how it is supported by their value chain.

- **Price**

  According to our respondents, the most critical activities to ensure a lower retailing price to end customers were procurement, location in Ullared, distribution, marketing, flexible staffing and product design.

  Gekås procurement process for buying new goods is exceedingly flexible and fast. The purchaser is not only responsible for buying the new goods for the lowest price, but they are also responsible for the sales of those purchased products. Therefore the purchaser is given a higher level of responsibility and freedom to make deals that they feel that hey can sell. Since the amount purchased each time tend to be very high and because purchasers have the authority to make quick decisions, they possess a higher bargaining leverage towards their suppliers. This flexibility in procurement also enables purchasers to make quick bargains at major trade fairs, enabling them to purchase quality products at low prices. This easy form of the procurement function also saves Gekås a lot of man-hours for tasks such as purchase price scenario analysis or sales prognoses. Gekås does not have any formalized product design function and can therefore save additional costs compared to its competitors. Gekås has a clear intention to be the cheapest in the retailing industry in all their product segments and to have an average retail price that lower than competitors'. Due to these goals, the purchasers must be constantly aware of competitors' pricing levels of similar products and the overall market price for certain products in order to make sure what the highest acceptable purchase price is. This awareness can be created through using Internet price-search engines and benchmarks from competitors.

  The store location in Ullared is a significant factor to Gekås in order to be able to keep lower prices. This "one stop shop" saves them huge amount of rent costs compared to other, more centrally located retail chains. Since the office space, warehouse, store and parking lots are located in the same area, Gekås saves another a considerable amount of office space costs compared to many of their rivals, according to our respondents.
  The central location also means savings in distribution costs since no further deliveries are made from Ullared. This also enables lower purchasing costs since the suppliers do not need to distribute their products to any other location and permits the suppliers to give extra discounts to Gekås.

Since Gekås do not use any kind of direct marketing such as TV ads, catalogues, billboard, newspaper ads etc, they can cut their costs further than many competitors. Our respondents argue that most of their marketing relies on mouth-to-mouth communications and because of their unique price position and long history people are well aware of Gekås and therefore the benefits of marketing would probably not outweigh its costs.

Our respondents also mentioned that they have a flexible staffing system that allows them to optimize the use of man-hours according to the needs in the stores.

- **Product variety**

To achieve a good level of product variety for customers and to ensure that the right products are offered to customers Gekås uses an ERP[11] system to review the sales record for each product group. Thereby purchasers receive feedback for the composition of the product mix offered to customer. Further to this, purchasers take routine tours down to the store to receive feedback about their product category from both customers and employees to ensure that the right products are offered. Benchmarks of competitor's product collections are constantly conducted to make sure that Gekås' product variety is consistent with that of the market. On some occasions external fashion experts are hired to describe the newest market trends. Purchasers are also sent on international product fairs to gather more information about products and prices to ensure that they buy the right products. Our respondents also mentioned that working experiences is an additional factor that ensures purchasers to make the right purchases for their product group.

- **Accessibility**

Since the location of their warehouse is in Ullared, which is situated far from larger, more populated area, Gekås weakness lies in their limited accessibility. Our respondents asserted that the average customer has to travel 200 km (one way) just to get to Gekås, therefore Gekås' accessibility is very low. But Gekås has taken measures to increase accessibility by prolonging their opening hours to include Sundays as well. Gekås have earlier collaborated with travel agencies to arrange direct buss connections from the major Swedish cities to Ullared. Measures, such as increasing the number of parking lots and improved systems for queue handling, are taken to increase the accessibility after the customers' arrival at Gekås.

- **Quality**

In order to maintain an overall high quality of products at Gekås, many products from well-known brands are purchased. Our respondents state that the well-known brands themselves assure the quality level of the products. By adding a large proportion of these quality products to the total product mix, the overall product quality level can be maintained more easily. In

[11] ERP is defined as Enterprise Resource Planning System

certain instances Gekås themselves conducts product quality checks to maintain an accepted level of quality.

- **Shopping Experience**

Our respondents repeatedly mentioned that the entire shopping experience must be excellent in order to attract new and retain old customers. Our respondents generally agreed that the definition of the value factor “shopping experience” is the process from the time when a customer arrives to Gekås until the time the customer leaves. There are several critical activities within Gekås to ensure that the customers enjoy a good overall experience during their time at Gekås. These activities consists of a service minded personnel, no marketing campaigns, many parking slots, good direction information within the store, camping areas, housing and a good variety of restaurants and extracurricular activities.

The service minded personnel makes sure that the personnel of Gekås responds to the needs of their customers in a nice way. Because Gekås do not use any marketing campaigns, they lower the expectation levels of their customers because customers do not expect Gekås to have a certain product at a certain price level. This makes it easier for Gekås to exceed the expectations because customers can suddenly find quality products at unexpected price levels. Good information and parking are crucial for Gekås, especially during peak periods, to make sure that customers do not get frustrated when the store becomes crowded. Additional services such as extracurricular activities, housing and restaurant alternatives are also very important for Gekås to provide to their customers. Since many customers drive long distances and stay over night during their visit in Ullared, their demands are high for services like these in order to be able to take a pause from the shopping. All these activities support the entire shopping experience in Gekås and aspire to make the whole trip to Ullared a good overall experience

- **Status[12]:**

Our respondents assert that shopping at Gekås is generally perceived as low-status by customers. Gekås however tries to increase their status level by being active in and receiving respected recognitions by media. This does not involve any direct marketing efforts from Gekås’ part but rather efforts to gain recognition by receiving awards[13] and being active in various business forums. Most of these external forums are attended by the CEO while it requires the work of the whole organization to achieve these awards. Recently Gekås have also allowed a Swedish TV channel to run a reality TV show about the everyday life at Gekås. Except for the two activities

[12] Even though status was not a fully recurring value factor during our interviews, we have chosen to include the value factor status because it is mutually exclusive from the other value factors and it occurred during two interviews. The term status refers to customers who perceive it fashionable to shop at a certain store.

[13] Various business awards, such as best employee of the year and Gazelle Company of the year etc.

mentioned above, Gekås do not conduct any coordinated activities to increase their shopping status level.

4.4.1 Strategic Positioning

Our respondents assert that they have achieved their market position mostly by doing the same things as competitors but in a different way. In many ways Gekås have been similar to their competitors but our respondents believe that their success depends on those different processes that they excel at. Gekås logistics is simpler than most competitors' since they only have one warehouse and one department store, both at the same location. Gekås usually buys larger quantities that often result in lower purchasing prices. Because the office areas are located above the store, the management team has a good overview of the everyday business. This allows them to make quicker decisions than many competitors. Their concept has been successful over a long period of time. Ever since the start in 1963 Gekås has adhered to their original low-cost concept and never taken any unnecessary business risks. Instead of trying new ways Gekås have cherished their original low-cost concept and constantly developed it further. By taking small steps and portioning theses steps at the right time Gekås has grown into what it is today.

4.5 Empirical findings Interactive Controls:

At Gekås there are no outspoken interactive control systems that are formally coordinated together to evaluate and develop the strategy. However there are several controls could be classified as interactive controls, such as sales reports per product group, per division, per period, routine in-store feedbacks from customers and from personnel, year end division evaluations and formalized customer surveys. Through these activities the underlying value chain and value propositions are examined to evaluate whether or not they reach a satisfying level. Our respondents also state that many new initiatives emerge from these controls and that further organizational learning is achieved by through these mostly informal meetings. Therefore these activities works much like the interactive controls discussed by Simons.

4.6 Empirical findings current financial goals:

The situation of Gekås is unique since it is in not owned by any private or public institution, but is owned 50/50 by two former employees that have worked in the organization for many years. The two individual owners, Torbjörn Bäck and Thomas Karlsson, are originally from Ullared and have been working at Gekås since the very beginning. The two owners receives all dividends from Gekås whose latest dividend from 2008 was 20 million SEK, which means that each owner received 10 million SEK in only one year. Because of the unique individual ownership of Gekås, the board does not set any clear financial targets for Gekås as a hole, since the owners do not really care if they get 8 million or 10 million in dividends. Therefore the financial targets and goals are not as important in Gekås' case as it is for their public listed rivals, according to our respondents.

However Gekås still regards both revenue growth and increased productivity as their financial goals even though they do not set any exact targets.

4.7 Empirical findings Learning & Growth perspective:

When we asked our respondents which factors that are critical in order to create their value chain, although the answers were generally consistent some of our respondents' answers differed from one another. The respondents emphasized that the core factors that affects the value chain were the corporate culture, ownership structure, Information technology systems, and headquarters' proximity to customers, informal communication forums, distinct leadership and the fact that each organizational function is closely situated.

Our respondents mentioned that the corporate culture at Gekås is a very strong and an important factor that affects the behavior within the organization. Their core values consist of cost awareness, humility, empathy for customers and colleagues, cooperation and constant improvements. These core values are clearly communicated through the organization in their "communication bible" and through the experienced leaders of Gekås. Since the owners still work at Gekås as purchasers, they influence these core values through their presence. For example one respondent said the owners quite usually take out the garbage or takes a walk in the store to help customers.

The ownership structure, as described before, also affects the strategy of Gekås. The owners do not emphasize on short-term financial targets; therefore the governance of Gekås derives from a long-term perspective. This means that they generally make more long-term investments and thus may avoid myopic problems due to short-term financial goals.

The ERP[14] system is an essential feedback tools for Gekås to measure which products that does and does not sell, providing feedback for evaluating purchases and division performances of the store. Distinct leadership is also important for business development and for communicating core values to employees. Another important element for sustaining their decentralized organization is that all functions of Gekås are located close to each other and to customers. Because of the proximity and informal communication between divisions, the management team uses this informal communication as constant feedback to evaluate the current overall business performance. This proximity eliminates the need for costly formal evaluation sessions and detailed routines that hinder flexible actions within the purchase functions or in-store management.

4.8 Perception of the term Strategy

Strategy is a conception can be interpreted in many different ways. Therefore we asked our respondents what their own definition of strategy was. All of our

[14] ERP is defined as the Enterprise Resource Planning system

respondents had a quite similar idea of what they perceived as strategy. Their interpretation of strategy could be summarized as the following:

Strategy is the path you choose to present your concept to your customers and how you want your customers to perceive this concept. A plan in it's utmost sense.

4.8.1 Strategic management control systems:

The respondents answered that the management control systems today rely heavily on various sales reports. Sales reports measure the performance of each division and product category and these sales performances are reviewed on a weekly basis. When sales do not meet their targets within a certain division, higher management will review that division. Gekås do not however use any kind of strategic management control instruments to measure performance and develop their business in accordance with any strategy. The respondents also mentioned that the management team often focuses on operational issues and rarely talks about strategy. This makes business strategy and strategy development an under prioritized issue within Gekås.

4.8.2 Intended or emergent strategy?

According to our respondents Gekås' organization did not originally start out with a clear strategy. To buy cheap and sell cheap was the original idea and philosophy of Göran Karlsson and he wanted this to permeate the organization. This concept has evolved during the years and still characterizes Gekås but in a slightly different way today. But this concept has rather been a guideline for the organization than an actual strategy. Gekås strategy was something that the founder had in the back of his head and it did not emerge as the result of rational processes and planning. Even today their strategy is not something that is clearly stated, it is up to every employee to use his or hers best judgment with the company philosophy in mind. Gekås strategy has evolved in small steps during the years and it is the result of the customer demands that have grown and changed. According to our respondents the strategy today is still based on the employees' judgment rather than rational processes and action plans.

5. Analysis

5.1 Five Competitive Forces That Shape Strategy

In order to gain insight into how Gekås strategy is affected by the competition in the industry we have chosen to use Porter's Five Forces framework on our respondents' interpretation of the shape of their industry.

To formulate an effective strategy, one must know how the industry's competitive conditions are shaped. According to Porter, if a company does not understand competition or how it should be dealt with, they probably would not be lasting very long in their industry. In order to be competitive a company must know the conditions of the competition and how to use these in a favorable way. We believe that the foundation for an effective strategy is based on an understanding of the competitive forces within the industry and that a company must formulate its value proposition in accordance with these factors. Without the proper knowledge of the industry's competitive conditions it would be very hard to formulate an effective strategy.

Regarding Gekås' main competitors our respondents' opinions were somewhat hard to grasp as some regarded other shopping malls as Gekås' main competitors while other respondents mentioned almost every major company in the low-price retailing industry as their major opponents. The exact industry that Gekås operates in is hard to define since their business consists of numerous different departments. Of course one could see Gekås as a shopping mall with a low-price philosophy across their entire line of business and that their competitors are similar shopping malls such as Allum Partille. But since Gekås has so many different departments we rather believe that their competition is the major actors in every department's line of business. This ultimately means that we regard their competition as major companies in low-price retailing such as H&M, Claes Ohlsson and Rusta.

According to our empirical findings the industry is signified by an intense *rivalry among existing competitors*. Since there are several highly devoted competitors of equal size and strength on the market there is a constant struggle among these actors for the industry's potential profits. Once again it is hard to define the exact intensity of this rivalry because the basis of competition is different for the numerous departments. The essence of Gekås business philosophy is to sell branded goods for the best price, which means that the basis of competition for their various departments is low-price oriented. According to Porter these kinds of industries tend to be signified by zero-sum competition, where one actor's loss is another one's profit. This destructive basis of competition, where industry participants compete on the same price oriented dimension, also implies that profits tend to be transferred from the industry directly to its customers, according to Porter. This kind of high rivalry is valid for Gekås' bigger departments because there are several major competitors in these business areas. But that the smaller, more narrowly focused departments, that targets less saturated customer groups, might be less affected.

Regarding *the threat of new entrants* our respondents did not consider this force as significant in the industry. Our respondents state that the industry's demands already are saturated by several larger actors and that the barriers to entry is high, which leave little space for new entrants. Though during the last decade several larger actors, such as Zara and Lidl, have entered the low-price segment of the industry, which implies that the market's demands maybe is not as saturated as our respondents claim. Therefore our respondents might have underestimated the future threat of new entrants.

Our respondents regarded *the threat of substitutes* as another force that is not very significant in the industry. Since Gekås trades with an extremely broad selection of products, substitutes for these products are almost irrelevant because it is too hard to get an overview of those. Instead we focused on the threat of alternative ways for customers to shop. In this aspect our respondents found Internet shopping as a small but potential threat, mainly towards CDs, DVDs and books because these kinds of products are best suited for internet shopping. Our respondents might have underestimated the threat that the Internet shopping might pose in the future because the availability of both information and product assortment over the Internet has increased exponentially the last few years and nothing indicates that this availability will diminish in the future. Because of the rapid development of Internet shopping we believe that it will take further market shares from product areas, such as clothing, that today is becoming more attractive for this way of shopping. Because of this the threat of the Internet as a substitute way of shopping will be even greater in the future. Thereby the actual threat of substitutes might be higher than what our respondents perceived.

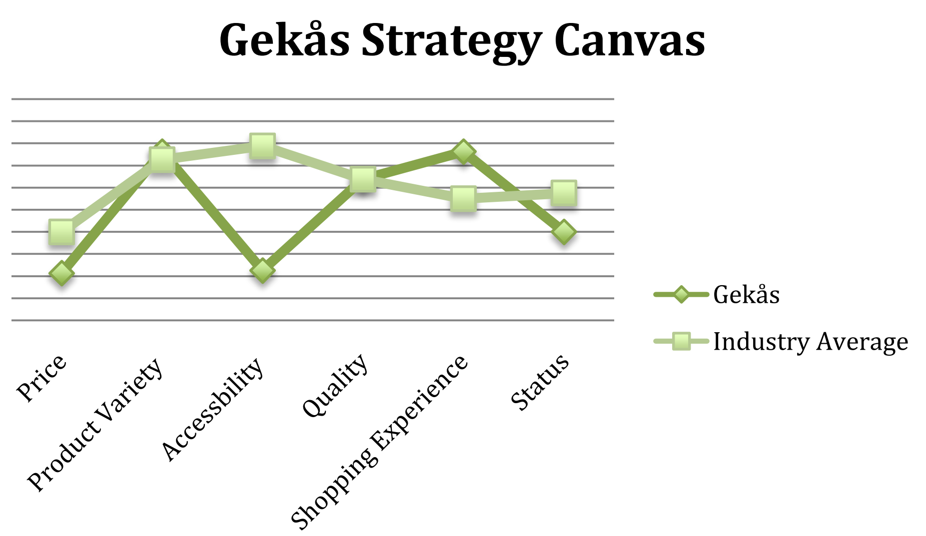
Our respondents state that the *bargaining power of suppliers* varies greatly depending on their size: the bigger the supplier, the bigger the leverage. Since there are quite many suppliers in the industry it is easy and often inexpensive for companies to switch suppliers. Because the industry is dominated by several larger companies, it is rather the suppliers that are put in a situation of dependence. This suggests that suppliers have less bargaining power today than they had before. This statement is also in accordance with our respondents answers. Though this diminished bargaining power applies mainly to the larger chain stores and not to the stores with a more slimmed product range. The suppliers bargaining power might affect this narrowly focused kind of stores in a greater extent since they are dependent on fewer suppliers because of a more focused assortment. But the general condition of the industry seems to be signified by suppliers that are more dependent on the retailers, rather than the other way around.

According to our empirical findings *the buyers bargaining power* has little effect on the industry. Our respondents claim that it is the competition within the industry that sets prices and that customers have very little influence on pricing because of their lack of knowledge of the products offered. We agree with our respondents' opinion that competitors have great influence over pricing but that the influence of buyers is underestimated. By using the Internet, it is today exceedingly simple for customers to find information and quotation for these products. By a few clicks, the price sensitive customers can easily find which store that has the best offer and choose the place of purchase in accordance with this information, This gives the customers more leverage to choose where to go. In light of this our respondents might have underestimated both the buyer's knowledge and bargaining power.

Whether or not there are any force or forces that were stronger or weaker in the industry, our respondents agreed upon the opinion that *the rivalry among existing competitors* had a greater influence and that the *threat of substitutes* had relatively little influence on the industry. We agree with our respondents regarding the importance of the rivalry but that might they have underestimated the threat of substitutes because of the alarming growth of internet shopping, as previously mentioned.

5.2 Value proposition:

We followed the strategy canvas framework and let our respondents draw their own interpretation of strategy curves for both Gekås and the industry average. Our empirical findings show that the strategy canvas framework (Chan Kim & Mauborgne, 2005) was a very practical tool for defining a company's value proposition. Even though both the curves and the value factors differed in some extent, we still think our empirical findings show a fair measure of Gekås' value proposition. The strategy curve for Gekås is summarized in the follow chart as an average of our respondents' answers:



The strategy canvas framework illustrates Gekås value proposition compared with that of the industry. From this chart we can see that the main differences between the strategy canvas of Gekås and that of the industry are mainly in price, accessibility and shopping experience. Gekås has clearly traded the value factor accessibility with price and shopping experience, benefitting these two latter factors.

The competitive situation in the industry suggests that price is the most important factor for the industry's average value proposition. The strongest competitive force in Gekås' industry is the rivalry among competitors and the competition tend to be low-price based. This implies that price is the most essential value factor in order to offer an attractive value proposition. Our respondents states that the focus of low-price competition has changed from selling goods for the lowest price possible to selling quality goods for a low price. This suggests quality is a highly influential factor that effects the customers shopping choices.

5.3 Red Ocean Vs Blue Ocean:

In an attempt to classify whether the strategy of Gekås derives from a red ocean structurelists view or from a blue ocean reconstructurelist view, we found that the strategy canvas of Gekås originates from a combination of both views. Gekås has clearly reduced the value factor accessibility and raised the value factors price and shopping experience, which is congruent with the reconstructuralist view, but they have not eliminated or created any value factors. Our empirical findings also showed that future goals of Gekås are to improve all of the current value factors and not to reduce, raise, eliminate or create any new factors. Thereby Gekås is continuously improving their current strategy canvas and not trying to construct a new strategy according to the four-action framework by Chan Kim & Mauborgne. From this point of view the current actions of Gekås can be described from a typical structurelists view point.

5.4 Value chain

Porter suggests that each company's value proposition must be supported by a distinctive set of activities. This set of activities is the company's value chain and these activities support the value proposition. By mapping out and relating the value chain to the value proposition we could see that the activities within Gekås are aligned with the overall value proposition and therefore the value chain lives up to the simple fit consistency according to Porter. Our empirical findings show that several activities are reinforcing and thus interlinked to support more than one value factor. For example the market trend seminars for purchasers not only give the purchasers knowledge about what kind of products to buy but also information about market prices, which can be used as reference during negotiations. Since Gekås does not conduct any marketing campaigns, unlike their competitors in the industry, Gekås can further reduce their retailing prices due to the almost nonexistent marketing costs. By eliminating marketing, Gekås also lowers the expectations of the customers who come to the store, therefore making it easier for Gekås to deliver offers beyond expectations.

During our empirical studies we also found that not only can the activities within the value chain be reinforcing, but also that these value factors also can be mutually supportive. In Gekås case we found that in order to achieve a high level of shopping experiences the value factors price, product variety and quality also affects the overall shopping experience. Therefore the fit among the value factors is also important in order to deliver an appealing value proposition.

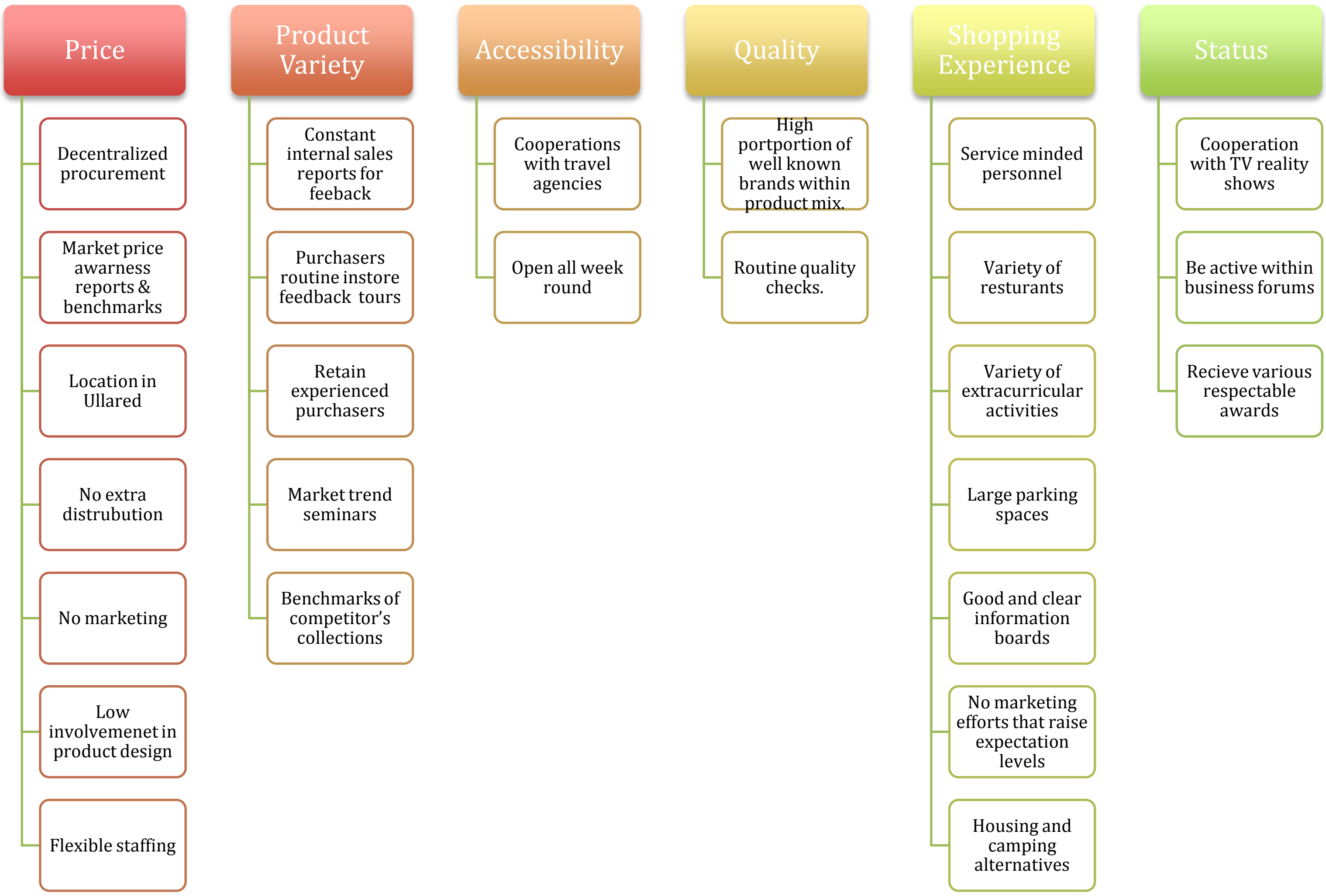
In Gekås case we could also see that trade-offs have been made within the value chain to further deepen their chosen set of value factors. For example, to ensure low costs Gekås has chosen to not use any marketing campaigns or establish any new stores in other parts of Sweden because it would raise distribution costs and require more formalized procurement systems to control that the right purchases are made. We also found that the value chain consists of more activities for those value factors that Gekås are better at than the industry average according to our strategy canvas. This is another example showing that trade-offs have been made to extract extra focus towards the activities that supports the most important value factors for Gekås.

5.4.1 Strategic positioning

Whether Gekås has achieved their market position through operational effectiveness or strategic positioning is hard to ascertain. Gekås success is probably the result of a combination these two ways of being productive. To say that Gekåst has achieved their advantageous market position entirely by doing things differently from competitors would be somewhat of an overstatement since being entirely different from competitors is almost impossible in most industries. Though the main reason for their success probably depends on those processes that actually are different, as our respondents' stated. We conclude that the most relevant factor to Gekås strategic position is their single location, which for instance has rendered logistics and management much more effective. Our findings also show that Gekås derives from a needs-based positioning in their attempt to satisfy the needs of the low-price segment of the market.

Since Gekås did not start out with a clearly stated strategy, they began with what Mintzberg calls an emergent strategy that originates from a pattern of actions. The original, characterizing business philosophy to "buy cheap and sell cheap" served as an underlying guideline for the employees in their decision-making and therefore it also constituted a foundation for the emergent strategy of Gekås. Because Gekås' strategy today is still not clearly formulated, it cannot be seen as an intended strategy. But as a strategy that emerged through time and experience.

Summary Value Proposition & Value Chain:



5.5 Gekås' Strategy

In accordance with Porter's definition, that strategy is a company's specifically defined value proposition towards its customers and that this proposition is supported by its value chain, we can now define the strategy of Gekås by summarizing their value proposition and value chain and putting them together.

The figure below connects each value factor to the supporting activities within the value chain. This model can define the strategy of Gekås since the value proposition describes what Gekås aims to offer to their customers, while the value chain describes how this offer is going to be achieved. To further develop their current strategy, Gekås should work according to the preferred value factors[15] and improve or add further activities in their value chain that would support that value factor. Thereby Gekås can increase their value proposition's offers and make the value proposition more attractive for customers and thus increase revenues.

By defining their strategy (see model below), Gekås could receive a better overview of which processes should be prioritized. It provides Gekås with a better guideline and structure for how to achieve their goals according to their strategy. It also shows how to further complement the current feedback systems, which Gekås uses in a large scale as the only controls to guide Gekås future initiatives and activities.

In Gekås' case we saw that the business strategy is formed by patterns of actions that were not articulated in advance. Even though this emergent strategy has been successful for Gekås, we think that the initiatives and co-ordinations of the activities within Gekås are becoming more and more similar to that of the industry. Since Gekås do have any clear outspoken goals or objectives, the development of Gekås is rather guided by a philosophy of constant improvements. But we found that emerging initiatives, guided by the constant improvement philosophy, are neither coordinated nor evaluated by ranking. However by defining, and therefore emphasizing, the intended strategy[16], Gekås could coordinate and evaluate different initiatives better.

5.6 Strategy Implementation:

In our opinion, Kaplan and Norton's strategy map framework provides a clearer visualization of the business strategy and the cause effect relationship among the perspectives and therefore we have chosen to mainly use the strategy map as our analyze model. We also chose to complement the strategy map with a set of interactive controls in order to be able to analyze and give feedback on the current strategy.

[15] The prioritized value factors for Gekås are especially price and shopping experience that should be better than the industry's level, while quality and product variety comes after and should be similar to the level of the industry.
[16] The intended strategy is a term described by Mintzberg as an action plan for a company to achieve its goals. This action plan is formulated through rational process and planning.

5.7 Putting the pieces together:

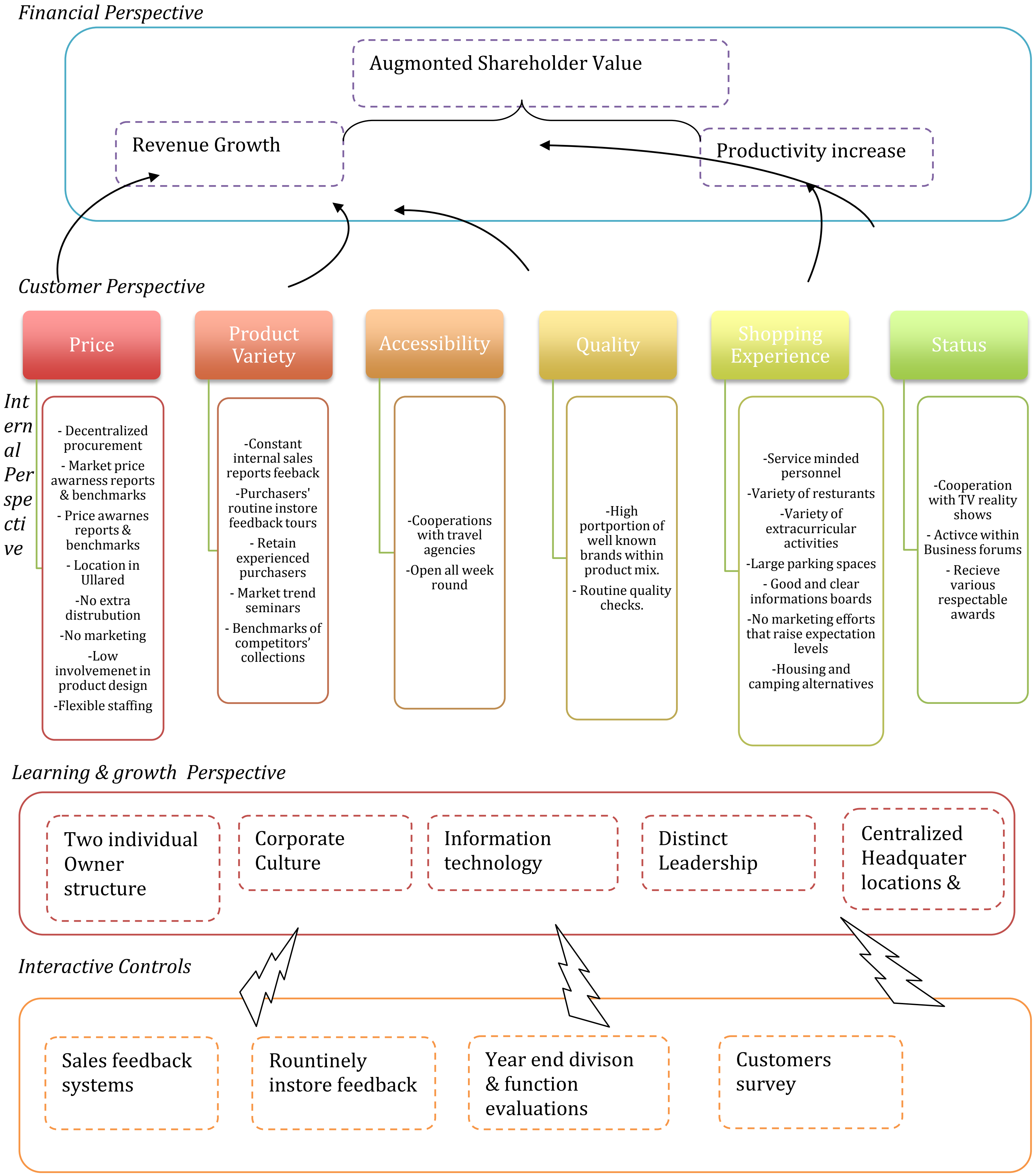
The original strategy map consist of four perspectives. These are the financial, customer, internal and learning & growth perspectives. Our empirical findings showed that Gekås did not articulate any clear set financial targets, but aims to both increase revenue and increase productivity to achieve growth. The customer perspective for Gekås is its value proposition that we defined earlier by applying the strategy canvas framework. The strategy canvas showed that Gekås aims to attract customers by offering a better value and a greater shopping experience than rivals in the industry, while being more difficult to access than most rivals. The product variety and quality should hold a level similar to that of the industry. The internal perspective is the processes in the value chain of Gekås that supports each of the value factors described above. The learning and growth perspectives consist of several factors such as corporate culture, ownership structure, information technology systems and headquarters' proximity to operations.

The interactive controls in Gekås are mostly routine feedback from sales reports and informal interactions with customers and colleagues. Year-end evaluations are also conducted for each division. These feedback controls evaluates the current situation, challenges earlier assumptions[17], reviews action plans and create new improvement initiatives. In Gekås' current situation, where they do not work with strategy maps, we believe that it is hard for them during the interactive controls to relate the problems received by the feedback systems to a certain value factor or to a specific activity within the value chain. If Gekås would use the strategy map as a staring point during their current interactive controls, Gekås will be able to relate the specific issue to its strategy and coordinate the new initiatives under a certain value factor or under a certain value chain activity. Thereby Gekås can visualize the problem and the new initiatives that derive from these interactive controls and receive a good overview of the strategic development.

By using the strategy map described below, Gekås receives a clear visual guide of the overall activities within their organization and how the different activities reinforce each other and affects the general strategy. It can easily be communicated to the organization and provides employees with a better understanding for the importance of their rolls and how their day-to-day work affects the overall strategy. It also helps managers to coordinate and prioritize new initiatives. The strategy map provides a practical instrument for Gekås to control performance and develop the business according to their strategy.
The strategy map could be constructed into a balanced scorecard, with metrics and clear responsibility areas. However we feel that in Gekås's case, the freedom and decentralized organization is a crucial part of the company's philosophy and corporate culture. If a too detailed management control system would be implemented, the overall mood within Gekås might become negatively affected and therefore the new management controls could be met with reluctance.

[17] Simons argues that even the best strategies are based upon some uncontrollable factors defined as strategic uncertainties. Therefore, in order to formulate a business strategy, certain assumptions of the strategic uncertainties must be made.

Strategy Map of Gekås & Interactive controls:



6. Results & Discussions

In this study we have attempted to answer the following two research questions:

> *1. "Through the use of current strategy frameworks, how can we practically identify the business strategy within a company?"*
> *2. "After identifying the business strategy, how can a company use its strategy as their main management control instrument?"*

6.1 Results for questions nr 1 *"Through the use of current strategy frameworks, how can we practically identify the business strategy within a company?"*

Through our empirical findings and analysis we found that the theoretic frameworks we applied in our case study were suitable for defining the business strategy within a company. The works of Porter provided us with a pragmatic definition of strategy and helped us analyze our case company within the context of its industry. With that definition in mind we were able to narrow our search for other practical frameworks to define a value proposition and value chain. The Blue Ocean strategy framework was an enlightening material that gave more insight to different kinds of strategy and the more pragmatic strategy canvas method. Lastly the strategy map framework provided a summary of the previous two frameworks and connected the value proposition and the value chain in a clear visual document. Thereby we could relate these three main frameworks to map out the strategy of Gekås in a pragmatic way. Our study shows that by applying the strategy frameworks by Porter, Chan Kim & Mauborgne and Kaplan & Norton we were able to define the business strategy within our case company[18].

6.2 Results for questions nr 2 *"After identifying the business strategy, how can a company use its strategy as a management control instrument?"*

Our findings and analysis show that our strategy map for Gekås could be practically used as management control instrument to guide, implement and deepening within a business strategy. Gekås could use our strategy map to control processes within the value chain and direct more focus to certain value factors that they prioritize. It visualizes their strategy and puts the activities and goals into one context. The strategy map provides guidelines for how the current value chain can be sustained through the learning and growth perspective. By adding the interactive controls as another perspective to the strategy map, the interactive controls helps Gekås coordinate its feedback systems to control the success of new initiatives and to verify the validity of the strategy. Since we have limited our scope of study to not define any metrics or allocate any responsibilities we have not further in detail created a balanced scorecard that would tighten the management control system for Gekås.

[18] Our results for Gekås' strategy is summarized in the strategy map in our analysis on page 54 proving that through the use of our theoretic framework the strategy of Gekås could be defined.

6.3 Discussions:

Even though we only performed four interviews, we still believe that our research has resulted in a credible definition of the strategy in Gekås. However, due to our limited timeframe we were only able to apply our method on one company and it would therefore be interesting to investigate if our methodology could be applied in other companies as well. We would also like to interview external respondents[19], who do not work at the case company, to further verify the validity of the strategy canvas. If more time were allowed we would like to do a more detailed observation and investigation of the activities within Gekås to verify the value chain that our respondents claimed.

If Gekås would chose to use our strategy map as a management tool, we would also like to follow the implementation of our strategy map in Gekås. Thereby we could evaluate how the strategy has helped Gekås according to the benefits we highlighted in our analysis. Therefore we suggest two new areas for future research; firstly to apply the same methodology and theoretic frameworks in other companies, with more detailed value proposition and value chain observations to map out the company strategy. Secondly to follow a company, who has chosen to implement the strategy map as a management tool, to investigate how the implementation of the strategy map may have helped the company coordinate, plan, evaluate activities. Thereby working more in alignment with the company strategy and create greater shareholder value.

6.4 Other findings

6.4.1 Sustainability

In the aftermath of our definition of Gekås' strategy, one interesting question still remains: is their strategy sustainable? When examining our results we realized that their strategy might not be that hard for competitors to benchmark. In essence Gekås have made one major trade-off between accessibility and price. This trade-off implies that they save money by existing on only one; far-off location that gives them the possibility to offer beneficial prices to customers and this is basically what distinguishes Gekås from their competitors. Otherwise, most of the factors and activities that constitute their value proposition and value chain are closer to operational effectiveness, which means that these parts are fairly simple to imitate. It would not be that hard for competitors to establish a department store somewhere in the outskirts of nowhere and thereby save money on unified logistics and low land prices. But it is possible that the money they would save would not result in lower prices for customers because they would have to spend huge sums on marketing costs, since few customers would travel to the middle nowhere without proper incentives. We believe that it is here that Gekås true advantage lies. Gekås is successful because of its strong brand with a clear strategic position. Because of Gekås long history of constant developments and improvements, they have evolved from a simple bargain store

[19] Such as academic industry experts or consultants within the retail industry

to somewhat of a phenomenon in Swedish retailing. This is something that cannot be achieved through benchmarking and therefore we believe that the strong brand and long history of Gekås is its true advantage.

6.4.2 Ambiguous strategic goals

Gekås do not apply any strategic controls since most of the management control systems within Gekås derive from sales reports and customer feedbacks. Although many of the initiatives that are taken through these controls improve the current processes and operations within Gekås, without control and business development through strategy, many of those initiatives often lead to benchmarking from rivals, making Gekås more and more similar to their competitors.

Further if the strategy of Gekås is not well documented and some of the key persons at Gekås would leave, the current strategy could become undermined by new management teams who do not clearly understand the uniqueness of Gekås and instead they would be likely to implement new best practice methods, similar to rivals.

Throughout our study we found it important for Gekås to put more emphasis on strategic issues, coordinating the activities within their set of value factors and to set clearer targets for each value factor that constitutes the value proposition. Thereby Gekås would not just be able to improve its overall operations but also to be able to deepen within their position. By deepening within their strategy Gekås would avoid becoming increasingly more similar to their rivals and thus avoid becoming neglected by customers due to Gekås lack of availability.

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7.5 Interview Contacts

Boris Lennerhov, *CEO*, Gekås Ullared (3/5 16.00-18.00)
Per Andreasson, *CFO*, Gekås Ullared (3/5 10.00-12.00)
Christian Henriksson, *Store Manager*, Gekås Ullared (4/5 10.00-12.00)
Carin Kjellgren, *Purchasing Manager*, Gekås Ullared (5/5 10.0-12.00)

8. Appendix:

8.1 Interview template:

1.Background

1.1 How was Gekås Ullared originally established?
1.2 How has Gekås' growth looked during the last few years?
1.3 What are your main goals for the future?

2. Five Forces That Shape Competition

2.1 In which industry would you say that Gekås participates? Who are your main competitors and how would you characterize them?

2.2 How do you perceive the intensity of the competition within your industry?

2.3 Do you think that there is a threat of new entrants in your industry?

2.4 Are there any alternative ways for customers to shop that pose a threat against your industry?

2.5 How does the bargaining power of suppliers look in your industry?

2.6 How does the bargaining power of buyers look in your industry?

2.7 Are there any of these "forces" that are stronger or weaker in your industry and how does this affect profitability?

2.8 Is there any force or forces that benefits you more than others?

3. Strategy

3.1 How do you perceive the term "strategy"?

4. Value Proposition

4.1 What do you perceive as the industry's average value proposition? Can you mention 5-10 value factors that this proposition could be composed of?

4.2 Could you draw an average level of the industry's value proposition out of these factors?

4.3 What would you say is the value that you offer customers and what factors do you believe constitute this value? Would you say that your value proposition is similar to that of the industry or do you offer any other value factors?

4.4 Could you draw you value proposition in relation to the value proposition of the industry?

5. Value Chain

5.1 Which are the internal processes and activities that supports to your value proposition?

- Which are these internal processes?
- How does you value chain look?

5.2 How coherent are these internal processes and activities with your value proposition? How much do these activities and processes contribute to your value proposition?

5.3 Do these processes and activities support each other or can they sometimes be opposing?

6. Operational Effectiveness VS. Strategic Positioning

6.1 Do you believe that Gekås has achieved their current market position by doing similar activities better than competitors, similar activities in a different way than competitors or by doing different activities?

7. Mintzberg

7.1 How was your strategy originally created? Was your strategy created from an original plan or has it emerged over the years in an informal way?

8. Interactive Controls

8.1 How do you work with developing your strategy? Do you have any formalized systems or forums for discussing, evaluating and communicating your current strategy, which enables employees to participate in and challenge the company's strategic processes?

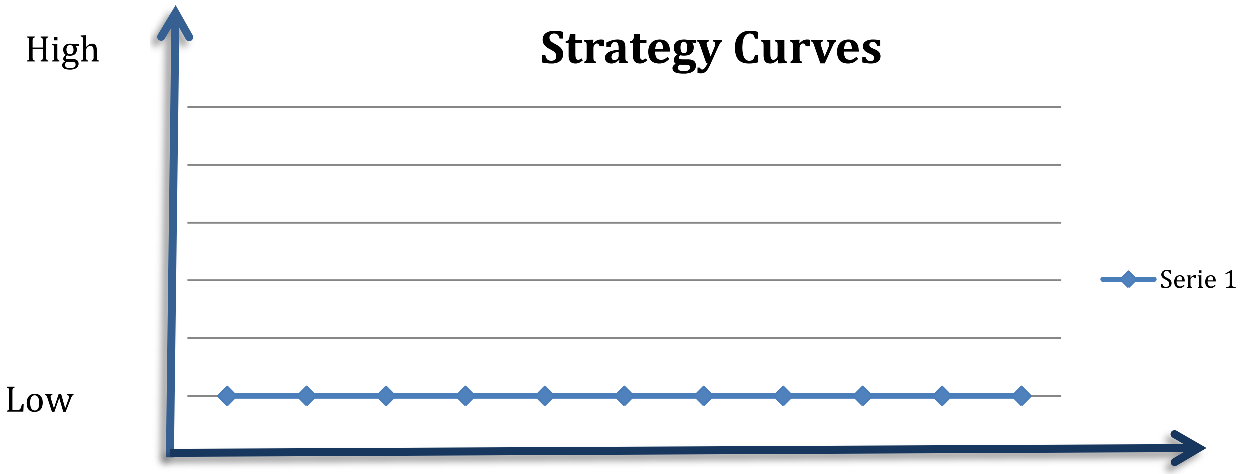
9. Strategy Maps

9.1 Which overall financial goals do you have? Do you plan to increase sales or improve efficiency?

9.2 What are the key factors, such as infrastructure, information technology, specific skills or attitudes, for achieving your current value chain?

9.3 How do you work with strategic management control today? Do you use a balanced scorecard or any similar control systems for implementation of your strategy?

8.2 Strategy Curve Template:



Value Factors: