



Strategy during stormy conditions

- A case study of Stena Line

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Preface

The process in writing this thesis has been an inspiring and extensive experience. We have increased our knowledge in the techniques of writing a thesis, but also learnt a great deal, foremost about the shipping industry, management control and strategy. There are some people whose help and input has been crucial for creating this thesis.

We would like to dedicate our deepest gratitude to the respondents at Stena Line; Charlotte Ljunggren, Sven Rudholm, Tommy Gustafson and Olle Melin. These four helpful professionals gave us important input. We would also like to thank our tutor Gudrun Baldvinsdottir. Her guidance and feedback during these ten weeks have been very valuable.

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Abstract

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Title: Strategy during stormy conditions - A case study of Stena Line

Background & problem description: It is general accepted that a condition for companies to achieve profitability is to have a well-defined strategy. A further condition for companies to succeed and be profitable is having a strategy which is up-to-date. If the strategy is outmoded, the risk for the company to lose its competitive advantages arises. The last decades the environment surrounding organizations have become more complex and dynamic. This requires a greater focus on adapting the strategy to the changes in the surroundings. Having an up-to-date strategy is especially important for companies operating in the shipping industry, since this industry, with its global and investment-demanding nature tends to be very turbulent and cyclical.

Purpose: The purpose of the thesis is to identify the strategic changes a company is forced to implement due to external changes. The thesis also aims to analyze how a company could sustain its competitive advantages on a dynamic market.

Delimitations: The thesis is delimited to the Danish route, which is a division within Stena Line. A further delimitation is the focus on travellers, not on freight.

Method: The authors have used the Danish route as the case company, in order to achieve the thesis purpose and research question. The thesis is descriptive with a retrospective nature, since it describes events that have already occurred. The qualitative method has been used as survey method. The authors have used both primary and secondary data. The secondary data was collected to build up the framework, while the primary data was gathered to build up the empirical findings.

Conclusion: Stena Line, the Danish route included, is a good example of how external changes forces a company to change its strategy. Before the external changes took place, the Danish route's strategy was in connection to Porter's ground view of strategy. Due to the external changes, the Danish route lost its advantage, selling items free of tax, and it became obvious that they needed to change its strategy to remain competitive. Stena Line was forced to reorganize, reposition and create new competitive advantages in order to meet threats from different substitutes. Offering tax-free items was replaced by offering a maritime experience and visiting Denmark. Further, the Danish route has kept many of its valuable resources that they had before the external changes occurred, such as the maritime experience. The Danish route was in possession of this resource before, but due to the new conditions, they adapted its strategy, which made them to exploit this resource in a more effective and commercialized way.

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1. Introduction

The first chapter presents a background of the main topics raised in this thesis; the shipping industry in Sweden and strategy as term. Further, a problem description is introduced, which leads to the research question, and the thesis purpose. Consequently, a justification of the case company is described. Finally the delimitations and the disposition of the thesis is presented.

1.1 Background

The Swedish shipping industry is, and has through the history been one of the most important industries for the Swedish economy (Johansson & Karlsson, 2006). According to Johansson & Karlsson (2006), Sweden is dependent on its shipping industry, where ships freight around 80 percent of the goods from and to Sweden. Around 13.000 people are employed in the Swedish shipping industry, and further 5000 are employed in harbours. Surrounding businesses dependent on the industry employs around 200.000 people. In total, the Swedish shipping industry employs around 220.000 people. (Johansson & Karlsson, 2006) In this industry, there are a lot of different companies, serving different types of customers. For example, there are companies with freight ships serving the industry, there are cruise ships serving private passengers, and there are companies running ferries, which combines both freight and passengers. (www.sweship.se) Although these companies have different focus and serves different types of customers, Ax et. al. (2002) describes that a general accepted condition for companies, shipping companies included, to achieve profitability, is to have a well-defined strategy.

Strategy, as a term has been highlighted by researchers in several fields, including political science, sociology and in business economy. Researchers have different views in defining what strategy really is (de Wit & Meyer, 1998). Although the definition of strategy differ, there is a general agreement that strategy is described as the direction in which the company plans to move to achieve its goals. (Anthony & Govindarajan, 2003)

Top managers started paying attention to strategy within a business context in the middle of the 1950's, and ever since, strategy has been a major area of research. Focus has been on the strategic formation process and the decision-making process (Canet-Giner & Fernández-Guerrero, 2010). Igor Ansoff (1987) argues that an optimal strategic process is deliberate, rational and planned, where the Chief Executive Officer makes the final decisions. Michael Porter (1996) argues that the strategic plan should have a long-term horizon, minimum a decade. Henry Mintzberg et. al. (1998), compared to Ansoff and Porter has a different view of how companies should handle their strategy-process in changing conditions. Ansoff (1987) states that companies operating in uncertain, dynamic and complex environments can increase its performance when having a planned and rational process. Mintzberg et. al. (1998) on the other hand, states that a company operating in an uncertain, dynamic and complex environment should have an incremental process. Further, in the theories on the resourced-based view, it is essential for a company to possess resources that are valuable, rare, inimitable and non-substitutable in order to create sustained competitive advantages (Barney, 1991). While, Ambrosini et. al. (2009) argues that a company have to develop new capabilities to sustain its competitive advantages in a dynamic and changing environment.

1.2 Problem description

A condition for a company to succeed is by having a strategy that is up-to-date and collaborates with its situation (Merchant & Van der Stede, 2007). If the strategy is outmoded and not up-to-date, the risk for the company of losing its competitive advantages arises. When a company loses its competitive advantages, the strengths of the company disappear and is exposed to risk of critical magnitude. (Barney, 1991) Having an up-to-date strategy is especially important for companies operating in the shipping industry, since this industry, with its global and investment-demanding nature, is very special. The shipping industry tends to be very cyclic and turbulent. According to Lorange (2005), for a company working in the shipping industry to be successful, it should see the cyclical and turbulence as an opportunity, not a threat. Taking advantage of the opportunity, however, requires an understanding in how to formulate and execute an effective strategy. (Lorange, 2005)

Helfat et. al. (2007) describes another problem, other than not having an up-to-date strategy, in today's industrial environment: "...Businesses and people find it far easier to do more of the same than to do something different" (Helfat et. al. 2007 p. 1). The challenge is though, that the world does not stand still. The globalization leads to more integrated markets, and new forms of competition and technology arise. Therefore, companies cannot relax. (Merchant & Van der Stede, 2007). It is important for managers whose companies operate in a changing environment to address the following question: "Is our strategy valid, and if not, how should it be changed?" (Merchant & Van der Stede, 2007 p. 7). According to Canet-Giner & Fernández-Guerrero (2010), the environment surrounding companies has become more complex and dynamic in every competitive sector the last decade. This strengthens the motive for companies to adapt its strategy in order to keep it up-to-date.

Thus, there are many barriers to cope with for companies operating in today's dynamic environment. The process does not get easier, since researchers have different views and theories on how companies should work with strategy. What is generally accepted, however, is that a well-defined strategy is an important prerequisite for having a profitable business.

1.3 Research question

With the problem description as a basis, the following research question has been formulated:

How does a company adapt its business strategy in order to sustain its competitive advantages under changing external conditions?

1.4 Purpose

In a first step, the thesis aims to identify strategic changes a company is forced to implement due to external changes. Further, the thesis aims to analyze how a company could sustain its competitive advantages in such conditions. To fulfil the purpose and by answering the research question, the authors aim to contribute to the research and increase knowledge in how a company could adapt its strategy due to external changes.

1.5 Case company

To see how extensive external changes affects a company and how the company handles its strategy in such conditions, the authors have been given the opportunity to analyze the Swedish shipping company Stena Line. The thesis focuses on the Danish route within Stena Line. Stena Line, the Danish route included, were during the time period of 1999-2001 extensively affected by three uncontrollable external factors. The first and most affecting external change was the abolition of tax-free within EU in 1999. This meant that the Danish route immediately lost around one million travellers annually. A year later, in 2000, the Öresund Bridge was completed, which resulted in a loss of around 500.000 travellers annually. In year 2001, the establishment of the budget airline Ryanair in Gothenburg affected the Danish route. People could now fly to London and other metropolitan cities in Europe for the same - or lower - price of a trip to Frederikshavn with the Danish route. This resulted in a loss of potential travellers for the Danish route. (Charlotte Ljunggren, 2010)

1.6 Views among shipping industry managers on the possible abolition of tax-free in 1991

In 1991, a master thesis written by three students at Chalmers University of technology was published, analyzing the possible abolition of tax-free, and how it would affect the shipping industry. Those authors interviewed 23 persons working in the upper management of different organizations connected to shipping industry in Sweden. In the interviews the respondents were asked how shipping companies should compensate for the big loss that the abolition of tax-free would incur. 12 of the respondents answered that they could not see any possibilities for the shipping companies to compensate for this expected loss. Eight of the respondents answered that they did not have sufficient knowledge to answer the question. Three of the respondents believed that there was “some” opportunities for the shipping companies. The respondents were also asked if they believed that the tax-free actually would be abolished. 15 out of the 23 respondents answered “yes”, three, answered “no” and three respondents answered that they did not have sufficient knowledge to be able to answer the question. The last two did not want to answer this question. (Forslund, Johansson & Peterson 1991)

1.7 Delimitations

The authors decided to analyze one company in depth, instead of analyzing many companies at the surface. This delimitation affects the conclusion, since the authors will conclude how *one* company adapts its strategy due to external changes, rather than a conclusion how companies in general adapt their strategy due to external changes.

The concept strategy can mainly be divided into three types of strategies, functional, corporate and business strategy. The corporate strategy is the overall strategy, in this context, Stena Line’s overall strategy. The functional strategy is the strategy for a functional, smaller division within an organization, for example, a specific strategy formulated by a part of the Danish route. This thesis is delimited to business strategy, since it focuses on a larger division, formulating its own strategy based on the overall strategy.

The thesis is delimited into the Danish route. It is a division within the Stena Line organization and operates as an own organization, with its own objectives and strategy-formation process. According to route director Charlotte Ljunggren, the abolition of tax-free, the completion of the Öresund Bridge and the establishment of Ryanair had the greatest impact on the Danish route within Stena Line.

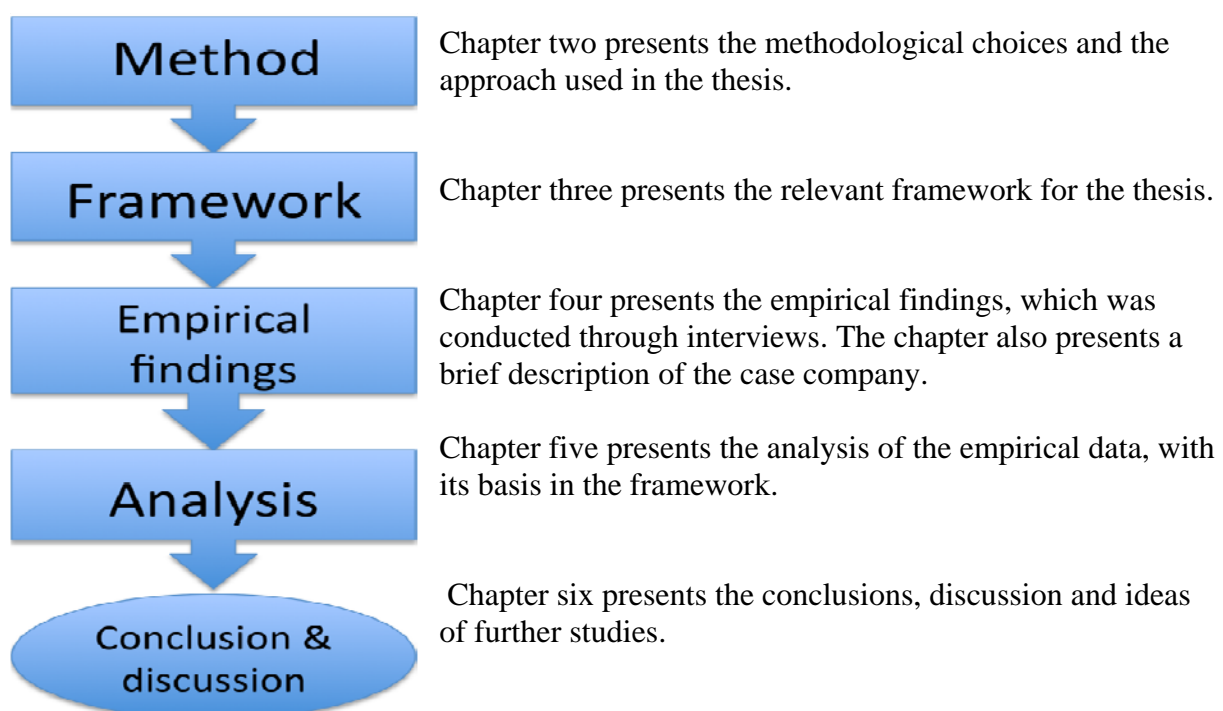
A further delimitation is the focus on travellers, not on freight. Although, the freight has increased after the external changes, but the Danish route's strategic changes have focused on travellers. Further, the Danish route consists of two routes, Gothenburg-Frederikshavn and Varberg-Grenå. The thesis is focusing on the route Gothenburg-Frederikshavn, since it is clearly the biggest route within the Danish route, and historically has been one of the most profitable parts of the Stena sphere. The route Varberg-Grenå contributes with only around 180 million SEK of the Danish route's total revenue of 1,2 billion SEK. The route Gothenburg-Frederikshavn stands for the rest of the revenue. (Olle Melin, 2010).

1.8 Contribution

Strategy is a subject, which is widely reported in research. Previous studies in management control related to Stena Line have been made, but to the authors knowledge only with focus on budgeting. This thesis also differs in the extent that it is based on three external factors affecting the company in a relatively short time period. The combination of these external factors in connection to strategy has not been addressed before.

1.9 Disposition

The thesis consists of six chapters. The opening chapter presents a background of the chosen topic. The background has formed the basis for the problem discussion, which resulted in a research question and a purpose. Below, the further disposition of the thesis is presented.



2. Method

Chapter two consists of the methodological choices and the approach used in the thesis. The first part presents the choices of method, followed by a presentation of the collection of the data. Further, a description of the case company is presented, followed by the selection of respondents and the technique used in the interviews. In the end of this chapter, the credibility and the criticism of resources are discussed.

2.1 Research approach

The purpose of the thesis is to identify the strategic changes a company is forced to make due to external changes, and how an organization could sustain its competitive advantages in such conditions. To be able to write this thesis, a deeper understanding within strategy and changing strategy had to be obtained by the authors. These two topics are complex, since there are no definite answers, only theories by different researchers. Due to the complexity, the qualitative method was applied. The qualitative method is best applied when the topic of a study is informal, which often is common for case studies, and when the research question is based on “*how*”. A condition to be able to apply the qualitative method, closeness to the case of research is required. A qualitative report should consistently be descriptively presented. (Holme & Solvang, 1997) A descriptive study is based on describing an existing condition or situation. Further, the descriptive study should be detailed and properly described. (Patel & Davidsson, 1994) This thesis is descriptive, since it aims to describe strategy-changes within an existing case, at the company Stena Line.

According to Yin (1994), when having a research question, based on “*how*”, a case study is the research strategy most suitable. Case studies are often applied together with the qualitative method, which in turn is combined with the descriptive method. A case study is a study of a particular subject, such as a company or an event. The case study should be used due to the importance and relevance of studying a particular case. (Merriam, 1988) Furthermore, this thesis is of retrospective nature, since it describes changes during a time period that already have occurred. (Yin, 1994).

Although the case study is one of the most frequently used research strategies, many researchers have criticized it. The most criticized concern is due to the lack of accuracy in case study research. In many case studies, subjectivity reflects the empirical findings and conclusion. Another problem with case studies is that a generalization sometimes is made when having research based on only one study. This can though be the problem with other research strategies, for example an experiment. (Yin, 1994) The last general critique, is according to Yin (1994) that case studies takes too long time to finish, and the result is presented in massive, unreadable documents.

Due to the critique of case studies not being accurate and subjective, the authors of this case study aimed to be as objective as possible, and neither had any motives in taking the case study to some particular direction. The general interest was to present the special events that affected the case company during a certain time period, as accurate as possible. Due to the critique, that some case studies generalize based upon only a single study, the aim for this study is to present a certain case, and no generalizations will therefore be made. The last general critique, that a case study is time consuming and the finished work is hard for the reader to understand, is something that the authors have been aware of and aimed to avoid.

2.2 Collection of data

The thesis is based on both primary and secondary data. Secondary data is information obtained from literature, which means that the data has been collected by someone else for a purpose other than the purpose of this thesis (Björklund & Paulsson, 2003). The secondary data was collected to get the knowledge to be able to build up the framework. The sources used in collecting information for the framework were academic literature and academic journals. The databases used in searching for secondary data have foremost been Business Source Premier, GUNDA, Libris and Science-direct. In order to find relevant studies within the thesis specified field, the authors used keywords such as “Shipping and strategy”, “Management control and shipping”, “Strategy during changing conditions”, “strategy and dynamic environment” and “strategy and surroundings”. The Primary data is collected for a specific study and has therefore not previously been used (Björklund & Paulsson, 2003). In this thesis, the primary data was gathered through the conducted interviews. These interviews were the basis for the empirical findings.

2.3 Selection of case company

The selection of case company was based on several factors. First and foremost the authors have a genuine interest in the shipping industry. Further, the authors found it important to select a case company, which was suitable for the purpose of the thesis and research question. Based on the external changes that affected Stena Line and especially the Danish route, the authors found Stena Line as a well-suitable case company to apply to the thesis. The authors considered Stena Line as particularly interesting, since it is one of the largest ferry companies in the world and has great significance for the industry in Gothenburg and Sweden. Furthermore, the Danish route was regarded as interesting from the standpoint that Denmark is the second most visited country by Swedes. (www.stena.com)

To get access to interview the desired respondents, it was important that the case company operated in the Gothenburg area. Since the authors have contacts within Stena Line, the possibility of allowing the desired interviews was increased.

Another important condition for the authors during the selection of case company was that similar studies with Stena Line as case company had not been made. To our knowledge, studies with Stena Line as a case company have not been made within the researching topics. Furthermore, it was important to be able to contribute, not only to research within strategy under changing conditions, but also by making a contribution to an operating company, Stena Line.

2.4 Selection of respondents

Based on the choice of research approach as described in section 2.1, it was essential to make a series of interviews in order to fulfil the purpose of the thesis and answer the research question. In the process of selecting respondents, the authors found it appropriate to interview persons with leading positions in the organization. Due to the relatively long time period since the external changes took place, the authors at first found it tough to find respondents who had worked for Stena Line during the external changes, in 1999-2001. After some investigation though, the authors found four respondents who were appropriate.

The authors first interviewed Charlotte Ljunggren, Route Director for the Danish route. By starting interviewing the top manager the authors was provided with a good overview of the organization and its strategy over time. Even though Charlotte Ljunggren did not work for Stena Line during studied time period, she still had good knowledge about the special events. This was, due to what she had learned during her eight years at Stena Line, at her top position, but also due to the fact that she during the time of the external changes worked for Sea Cat. Sea Cat was the head competitor to Stena Line in Gothenburg during the 1993-2001. After the interview with Charlotte, the authors interviewed Sven Rudholm, Business Controller for the Danish route. He has been working for Stena Line since 1996. The third interview was with Tommy Gustafson, revenue manager for the Danish route. In the fourth and last interview, the authors interviewed Olle Melin. He has been working for Stena Line since 1972, in many different positions, such as manager for the German route. These last years, he has been working as a Project Manager for rebuilding some of the terminals held by Stena Line. His long experience within the organization provided the authors with important input, as well as an interesting historical perspective.

The four respondents, with their different inputs contributed with a vast picture of how the external changes affected the Danish route during 1999-2001, and how they acted in order to meet the external changes.

2.5 Interviews

The authors started the interview-process by contacting the selected respondents by telephone, to determine time and place for the interviews. The interviews took place at the respondents' workplaces. The agreed time was between 60 and 120 minutes. According to Patel & Davidsson (1994), there are a variety of different types of interviews, depending on the level of structure. The authors adopted a semi-structured interview technique. This technique does not demand focus on fixed questions in a predetermined order (Patel & Davidsson, 1994). The authors found it appropriate to give the respondents an understanding of the focus-area in advance. The questions were therefore sent out a couple of days before each interview. (The basic questions are presented in appendix)

The second purpose in sending out the questions in advance was to prepare the respondents in order to increase the efficiency of the interview. Due to the choice of a semi-structure interview technique, a majority of the questions were formulated during the interviews. Open questions are appropriate for getting a better flow in an interview. (Björklund & Paulsson, 2003) The authors gave the respondents space to speak free, however, the aim was to discuss areas relevant for the thesis.

The authors chose to record the interviews, using a tape recorder. According to Holme & Solvang (1997) usage of a tape recorder in an interview increases the efficiency of collecting information. By recording the interviews, it was easier to separate what was considered as relevant. A problem that may occur when recording an interview is the respondents perceiving it as an obstacle, which may lead to cautiousness (Ejvegård, 1996). However, none of the selected respondents perceived the recording as obstacle. Together with the tape recording, notes were taken during the interviews. It can, in some cases be difficult to take notes while interviewing, due loss of focus. To avoid losing focus, one of the authors verbally controlled the interview, while the other took notes. The person who took notes complemented with follow-up questions. According to Ejvegård (2003) the memory from an interview tends to be worse the longer you wait to compile the data. Therefore, a compilation and transcription was made immediately after the interviews. In order to avoid misconceptions, the authors sent the consolidated data back to the respondent for verification. Sending back consolidated data was appreciated from the respondents, since they was given the chance to ensure that no misinterpretations occurred.

2.6 Reliability and validity

By having valid and reliable study, it is assured that the presented material is of high quality. In case study research, four tests have been created to measure the validity and reliability in academic studies. For this thesis, only three of them are relevant, since one of the tests is made only for explanatory studies. (Yin, 1994) In general, validity is the measurement of the relevance of the gathered information (Patel & Davidsson, 1994). In a valid study, there must be compliance between what information is wanted and what information actually is obtained. (Holme & Solvang, 1997)

The first, *Construct validity*, tests if the method used in the study is the correct one to measure the topic being studied. This has been the main source of critique from researchers criticizing the case study as research strategy. Critics argue that there is a risk of subjective judgments. In this case study however, the authors have been studying special external events concerning one particular company, therefore the case study was most suitable. When interviewing people working for the case company, there could be a risk of leading to subjective and invalid information. (Yin, 1994) The authors have been aware of the risk that the respondents for example could beautify the company's or/and their own performance. By taking this risk into account, the authors have controlled the information gathered through the interviews in other sources, to the extent possible. As described in section 2.5, the authors used face-to-face interviews, which increases the validity, in making it easier for the authors to explain questions that the respondents in the beginning did not fully understand.

The second test, the *External validity*, measures how well the results of the case study can be applied to different contexts outside the examined case. Critiques often describe the problem with a single case study of leaving out the opportunity to generalize and apply the study on other similar case studies. (Yin, 1994) The external validity of this study would be how well the findings in this thesis could be applied to how Swedish shipping companies in general have adapted its strategy due to the certain external changes that affected Stena Line 1999-2001. However, the aim of this study was to look into how those certain changes affected a particular company. The aim of this thesis was not to create an opportunity to generalize.

The objective of the third test, *reliability*, is making sure that if later investigations were made, with the same procedures as in the current investigation, the same results and conclusions would be made. The main goal with reliability is to minimize the errors in the study. By doing this, it is made sure that the true result is obtained. (Yin, 1994) A condition to having a reliable study, the interviewer must be experienced and have good knowledge within their chosen interview-strategy. (Patel & Davidsson 1994) The authors had obtained knowledge through the writing of the framework and through academic courses in management control. As mentioned in section 2.5, the interviews were recorded with a tape recorder. This is a useful tool to increase the reliability, since the authors can listen to the interviews retrospectively, and therefore decreased the risk of errors. The consolidated gathered data from the interviews was sent back to the respondents in order to control that data was not misunderstood. This strengthened the reliability of the empirical findings.

2.7 Criticism of sources

As mentioned in section 2.2, the primary data of the thesis was obtained through the interviews. When dealing with interviews there is a risk that the respondents beautify sensitive subjects of the company, to provide a good picture. Determining when a respondent beautifies, by answering a question in a certain way, is difficult. The benefit of an interview face-to-face, was the opportunity for the interviewers to interpret the body language of the respondent. (Björklund & Paulsson, 2003) When the authors have been uncertain about certain answers, they have tried to examine the information through other sources. Another way to minimize the risk of difficulties due to possible beautified responses is based on the fact that the authors conducted interviews with four different respondents. The same basic questions were asked to each respondent, which enabled the authors to compare and control the respondents' answers.

The secondary data used in the thesis was primarily obtained through literature, academic articles and information about the case company. When using secondary data, it is important to be aware that the information is not always comprehensive, and can sometimes be angled. Another important aspect to remember is that the information in these sources often is referred to previous research (Björklund & Paulsson, 2003). In order to avoid misinterpretations and misperceptions the authors attempted to find, and use the first source.

3. Framework

The chapter starts with a brief introduction to strategy, followed by a presentation of Porter's view on strategy, and his five forces-model. Furthermore, Mintzbergs' view of Strategy is described, followed by a presentation of the Resourced-based view and dynamic capabilities.

3.1 Introduction to strategy

Strategy as a term was coined within the military in Greece around 500 BC. The word Strategy derives from the Greek word "strategos", which means general. "Strategos" is divided into two meanings; First, "stratos", which means the army and "agein", which means lead. In the original sense, the meaning of strategy was "the art of leading an army" (Heracleous, 2003 p. 3). Researchers have different views on the definition of what strategy really is. Although the definition of strategy differ, there is a general agreement that strategy is described as the general direction in which a company plans to move in order to achieve its goals. (Heracleous, 2003)

Top managers began applying strategy to a business context in the middle of the 1950's, and ever since, strategy has been a major area of research (Heracleous, 2003). Focus of the research has been the strategic formation process and the decision-making process (Canet-Giner & Fernandez-Guerrero, 2010). Michael E. Porter and Igor Ansoff are two of the most prominent researchers in the field of strategy. Porter and Ansoff are of the same opinion on the view of strategy and how companies should handle their strategy. According to Ansoff (1987) an optimal strategic process is deliberate, rational and planned. Porter (1996) states that the strategic plan should have a long-term horizon, minimum a decade. More recent research takes the company's environment in account as a main variable in the strategic formation process. Canet-Giner & Fernández-Guerreros (2010) states that the environment surrounding companies has become more complex and dynamic in every competitive sector during the last decade.

Mintzberg et. al (1998), as compared to Ansoff and Porter, has a different view on how companies should handle their strategy process under changing conditions. Ansoff (1987) states that companies operating in uncertain, dynamic and complex environments can increase their performance when having planned, rational and particularly flexible processes. Mintzberg et. al. (1998) on the other hand argues that companies operating in a complex, dynamic and uncertain environment should have incremental processes. Mintzberg et. al. (1998) further argues that a company competing in dynamic, complex and uncertain environment using an emergent strategy-process can improve performance to those companies that uses a planned and rational strategy-process. (Canet-Giner & Fernández-Guerros, 2010)

More recent research point out that companies operating in dynamic and complex environments, should adopt an integrative strategy formation process. The integrative process can be described as a process that should be rational, planned and emergent at the same time. Consequently, emergent and visionary strategy formation processes should be applied where the involvement and the initiative is very high. These formation processes therefore demands high levels of so called "vertical decentralization" and "socialization" within the company. By using "vertical decentralization" and "socialization" the company aims to integrate and increase the involvement of the employees. (Canet-Giner & Fernández-Guerros, 2010)

Nevertheless, due to all these different views of strategies, which are proposed to work in the same type of environment, the idea of hybrid-strategies has evolved. The hybrid-strategy is a combination of different strategies. According to Canet-Giner & Fernández-Guerrero (2010) a company should combine strategies that fit its unique situation in order to be able to sustain its competitive advantages. They further argue that hybrid-strategies better contributes to sustained competitive advantages in comparison to one pure strategy. (Canet-Giner & Fernandez-Guerrero, 2010)

3.2 Choices of further framework

In the framework, three different views of strategy are presented; Porter's theories, Mintzberg's theories and the Resource-based view. As all views of strategy, these three are general in their nature, but still have their different takes on the issue. However, both Porter and Mintzberg argue that a strategy should be based on a planning process, but the similarity between the two researchers ends here. Mintzberg, in comparison to Porter, argues that the planned strategy continuously should change over time. According to Recklies (2001), it is uncommon for a company to use only one theory or model in the strategy formation process. The authors therefore found it important to present different, but still valid view of strategy. Further, the authors are of the opinion that these three views provide a good basis for analysis the empirical findings. The simplification offered by the models provides an opportunity to simplify and make the complex reality more manageable.

The choice of only presenting Porter's strategy-views and not Ansoff's, is based on the fact that Porter and Ansoff have a similar view on strategy. Porter has published the most current academic research, and he is also the most well-known and discussed researcher of them two.

3.3 Generic strategies

Michael Porter has developed the theories around several generic strategies, which can be regarded as the widest and simplest level of how a company should position itself. Through these strategies, Porter states that a company should choose between three different positions in order to achieve and maintain competitive advantages. These positions are based on being different and unique. The generic strategies are; *Cost leadership, differentiation, and focus*. (Porter, 1985) A company should choose one of the generic strategies, otherwise there is a risk for the company to get "stuck in the middle"(Heracleos, 2003).

The first way to position itself is by *cost leadership*, which means that a company position itself as the low-cost leader in the industry. By doing this, the company can gain higher average-profit than its competitors. (Porter, 1985)

The second generic strategy is the *differentiated* strategy, which is based on offering products or services different from its competitors. A company could take advantage of this, since they can charge a higher price. This strategy is appropriate in industries when the customers have specific needs and are prepared to pay for these needs. (Porter, 1985)

A third way for a company to positioning itself is by **focusing**. Porter divides focus into two different types focus. Cost-based focus means the same as cost leadership, except that it now focuses on just a part of the market. The differentiation-based focus is the same as differentiation, except that in this type of focus, the company only concentrates on one part of the market. (Porter, 1985)

3.4 Operational effectiveness & three kinds of strategic positioning

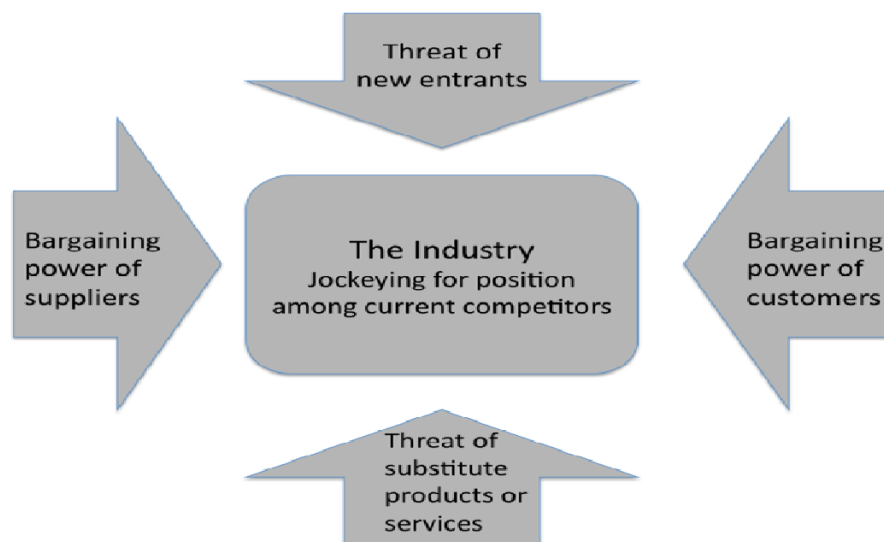
The paragraph above presents a wide view of different positions a company could take, but Porter in his research also describes two different ways to be productive and to achieve target profitability. By presenting these two methods, Porter showed more ingoing methods for companies to become productive and position themselves. These two methods are *operational effectiveness* and *strategic positioning*. Operational effectiveness is defined as “*performing similar activities better than rivals perform them*” (Porter, 1996 p. 62). Operational effectiveness includes efficiency, but it is not limited to only efficiency. It refers to several practices that allow a company to better utilize its inputs. This can be made, by for example developing better products faster or by reducing the number of defects in products. Strategic positioning on the other hand, is based on the idea that a company should perform different or similar activities in a different way, compared to its competitors. (Porter, 1996)

The theory on strategic positioning emerges from three different types of positioning, which require different kinds of activities, approaches and customizations in order to satisfy the customer’s needs. It is not necessary for a company to choose only one of these positions, since they often overlap, in contrast to Porter’s generic strategies, presented in section 3.2, where a company should choose one of the preferred positions to avoid getting "stuck in the middle". The three bases for strategic positioning are: *variety-based*, *need-based* and *access-based*. These bases for positioning bring the understanding of the generic strategies to a greater level of specificity.

The ***variety based positioning*** focuses on the selection of products rather than a specific customer segment. The variety based positioning can be applied to companies that produce a subset of an industry’s products or services. A company with a variety-based positioning takes advantage of having a narrower operation, since its value chain produces faster services at lower cost than a company with broader operation. To position itself in accordance with the variety based positioning is best suited for companies that produce specific services or products. The ***need-based positioning***, focuses on serving as many customers needs as possible in a distinctive segment. The need-based positioning requires a tailored set of activities that can serve the customers different needs. For example are some customers more price-sensitive than others and different customers need different amounts of information, services and support. A company with a need-based positioning takes advantage of focusing on these distinctive needs and can therefore outperform competitors in order to meet these needs through their distinctive value chain. The ***access-based positioning*** is needed when customers are accessible in different places. In all these cases, it is necessary to have different sets of activities to reach the customers in these cases. (Porter, 1996)

3.5 Porter's five forces

A key issue for a company to be successful is having good knowledge about its surroundings. Porter's five forces is a model developed by Michael Porter. The five forces describes the attractiveness of operating in a particular industry, where customers, potential entrants, suppliers and substitute-products all are potential threats or supporting factors. These forces can be more or less active depending on the industry. According to the theory, a company's profitability decreases when there is heavy pressure from the five forces. (Porter, 1980) Porter's theories on competitive advantages on industry- as well as global level have had a lasting influence on strategic management. (Recklies, 2001) The picture below illustrates Porter's five forces, followed by a description of the five forces.



Porter (1979, p 12)

3.5.1 Threats of new entrants

When new companies enter an industry, they bring new capacity to the industry, and they have the desire to gain market share. This often leads to pressure on prices, costs and that the rate of investments increases in order to compete in this industry. The new actor puts a cap on the potential profit for the industry. In cases when the threat of new entrants is high, the incumbents must hold their prices low and invest more to deter the new companies. Whether a new actor threatens the incumbents or not in the industry depends on the reaction of new actors entering the industry, as well as the height of entry barriers in the industry. The threat of new entrants is high if both the entry barriers and the expected countermeasures from the incumbents in the industry are low. (Porter, 2008)

Porter (2008) states that incumbents have some advantages relatively to new entrants. For example when incumbents develop economies of scale, they force new entrants to increase their investments in order to establish similar advantages to compete in the industry. There is an advantage for incumbents operating in industries where it is costly for the customers to switch suppliers, since this is a factor that limits new entrants, and therefore their possibility to gain market share. Other advantages that incumbents hold are often technological advantages, experience of production and better access to distribution-channels.

3.5.2 Bargaining power of suppliers

Resources such as products, components and labour are necessary in all industries. Companies therefore have a very dependent relationship to the suppliers of such resources. Suppliers' bargaining power arises when they get more value for themselves, for example by charging higher prices or limiting quality. This is common when there are few potential suppliers of one essential input or resource. This is defined as a "near-monopoly situation". This means that suppliers are not dependent on selling to one single industry, since the supplier can sell to many different industries. Another aspect strengthening the suppliers' bargaining power is when the cost for a company to replace the supplier is high. In some cases, when the supplier is located near the industry's production, the industry is dependent of one specific supplier. It is worth remembering in this context that the suppliers also may have high switching costs, which limits the suppliers' power. (Porter, 2008)

3.5.3 Bargaining power of customers

Strong customers have bigger impact on an industry. Bargaining power of customers is the opposite to bargaining power of suppliers. Customers are powerful when there are many different suppliers. The customers can therefore capture more value by forcing down prices, require more service and better quality on the product or service bought. Further, customers are powerful in situations when they have negotiating leverage in the industry, especially if they are price sensitive. They can therefore use their influence to pressure the price. Customers are also powerful in industries where the products are undifferentiated, because in such cases, customers can find an equivalent product from many different suppliers, and they can therefore play one supplier against another. (Porter, 2008)

3.5.4 Threats of substitutes

Porter defines substitutes as something that "*...performs the same or a similar function as an industry's product by a different means.*" (Porter, 2008 p. 84). Substitutes always exist and they are always present, but are often easy to overlook. Substitute products and services might be overlooked because they are being perceived as not different from the industries product or services. When the threat of substitutes is high, the profitability in the industry suffers. Substitute products and services limit an industry's profit-potential by placing a cap on prices. If a company does not distance itself from substitutes through product performance, marketing, or other measures, it will suffer in terms of profitability and growth potential. It is natural that the industry's profitability will suffer when the threats posed by various substitutes is high. One example when the threat of substitutes is particularly high is when a substitute offers better performance and/or a better price than existing products available in the industry. (Porter, 2008)

3.5.5 Rivalry among existing competitors

There are several ways companies can compete; for example by lowering prices, introducing new products, by promotions or by increasing service to customers. Competition increases in industries where many actors offer similar products and services. Competition is high when the market is characterized by slow and stagnant development, with high barriers to exit. High barriers to exit are the opposite of the barriers to entry, as mentioned in section 3.5.1. A company wanting to leave the market might not be able to do so due to the high exit barriers, making it difficult and costly to leave the market. Therefore the companies might stay on the market, and continue to compete. Price competition is the most common way to compete. It is most likely to occur when the switching costs of costumers are low, and when the actors offers nearly identical products and services, or when the products is perishable. Perishable products make the actors to cut prices and sell the product while it still creates value. Another aspect of price competition is when the fixed costs are high and the marginal costs are low, this leads to an intense pressure for the actors to cut the prices below their average costs, but still close to their marginal costs, in order to steal customers from other actors while still making some contribution to cover the fixed costs. (Porter, 2008)

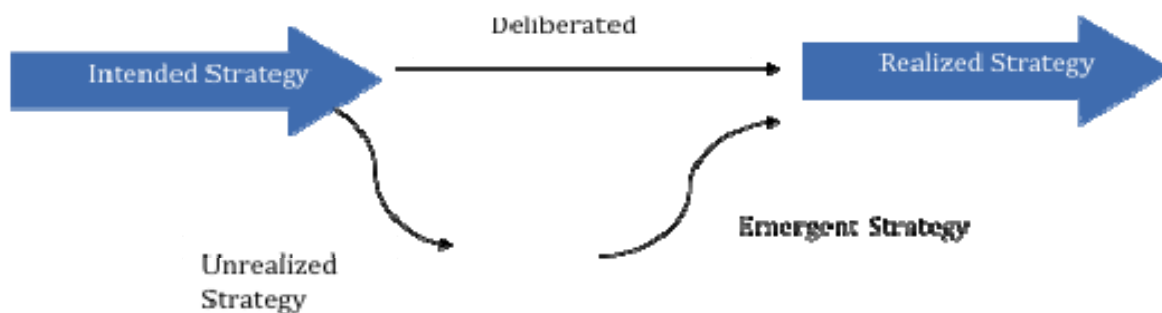
Above, in section 3.3, 3.4 and 3.5, presents Michael Porter's theories about positioning and his model that describes the attractiveness in a particular industry. Below, in section 3.6, presents Henry Mintzberg's view of strategy and his theory about strategy-formation.

3.6 Mintzberg's five P's

Henry Mintzberg et. al. (2005) describe their view of strategy using five different definitions; all starting with **P**, where each definition adds an important element to the understanding of strategy. Mintzberg et. al. (2005) describes strategy as a *plan* to deal with a specific situation or to achieve a future state. An example of a plan is a *ploy*. A company can do a ploy by making a manoeuvre to mislead or to complicate the work for a competitor. A ploy is not a plan for the company's own expansion, it is rather an action taken to address the threats to the company and prevent a competitor to expand. To define a strategy as a plan, it is not sufficient whether a strategy is a specific ploy or a general plan, because it is rare that the company's original plan is completely executed. The strategy should therefore be viewed as the company's *pattern* of behaviour, decisions and actions. The company should distinguish between strategies that are planned and strategies that are realized. Mintzberg further describes that a strategy is a *position*. When choosing a certain position the company should look at its own company in a context, especially in its competitive environments. By doing this, the company takes a certain position of a given product in a given market. *Perspectives* are based on that strategy, seen as a perspective. The strategy consists not only on a chosen position, but also the way of how a company perceives the world. (Mintzberg et. al. 2005)

3.6.1 Difference between intended and realized strategy

Mintzberg (1978) argues that there are two types of strategies, intended strategy and emergent strategy. The intended strategy is similar to Porter's view of strategy, namely, that the creation of a strategy is a result of a rational process and planning. The result of the planned process that gets realized are called the deliberate strategy, and the plans that never gets realized is called unrealized strategy. The emergent strategy, on the other hand, is a result of patterns of actions and behaviour. Strategies emerge by forcing changes in the decision due to changes in the company's surroundings. However, Mintzberg argues that the company's mission is to implement the intended strategy, but that the original plan has to be changed due to changes in the competitive environment. Mintzberg therefore suggests that a combination of emergent and intended strategy is optimal. Therefore, the final realized strategy is a mix of the emergent and the intended strategies, where both of them should operate interdependently in order to achieve the desired result. The picture below describes Mintzberg's theory. (Mintzberg, 1978)



3.7 Resource-based view and sustained competitive advantage

Porter's five forces describe the importance for a company to have good knowledge about its competitive environment in order to be successful. The resource-based view on the other hand is a business management tool, describing the mechanisms of sustained competitiveness, and more closely examines the link between the internal characteristics of the company and the company's performance. A company is said to have *sustained competitive advantage* when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors *and* when these other companies are unable to duplicate the benefits of this strategy. (Barney, 1991) It is challenging for a company to sustain strategies competitive. Different kinds of challenges might arise, for example competitors evolving its products or services, external unforeseen market-changes or internal problems within the company.

The resource-based view divides a company's attributes into two types; resources and capabilities. By strategically using the resources, competitive advantages can be created. Resources are characterized as being persistent, static and important for long term competitive advantages. Not all company-resources fulfill the requirements of sustained competitive advantages, these resources are rather uncommon. (Barney, 1991) In the resource-based view, a company is perceived as a pile of resources. If the company possesses resources that are **valuable**, **rare**, **inimitable** and **non-substitutable**, the so-called VRIN-condition is fulfilled and the company is able to sustain competitive advantages. VRIN is a model built up in the resource-based view. (Amit & Schoemaker, 1993)

For something to be defined as a **valuable** resource, the resource must be able to create competitive advantages. A valuable resource enables the company to create advantages that improve the efficiency and effectiveness (Barney, 1991). This improvement in effectiveness and efficiency is for example lower costs compared to competitors, or differentiated products. There is a risk for resources to be destroyed, i.e. stop being valuable. This can occur through for instance downsizing within the company, or through imitation by competitors. (Ambrosini & Bowman, 2003)

To sustain competitive advantages the value-creating resource should not be similar to the competitors' implemented strategies, thus **rare**. (Barney, 1991) When being in possession of a rare resource, the company can generate better margins or higher sales volumes compared to its competitors. Rare resources are not very common in industries, since the industry-leaders often hold these rare resources. (Ambrosini & Bowman, 2003)

Valuable and rare resources may be a source of competitive advantage. Companies with such resources are often be strategic innovators in an industry and other actors may imitate these resources. (Barney, 1991) Therefore, for a resource to bring sustained competitive advantages, it should be **inimitable** (Barney 1991). The harder it is for a competitor to imitate the nature of the resource, the more value will be accrued to the company. The imitable resource is based on its isolating mechanisms, which can be causal ambiguity, information asymmetries or social complexity. These are the mechanisms that protect the resource from being replicated by competitors. (Ambrosini & Bowman, 2003)

The last condition to achieve sustain competitiveness, a resource should be **non-substitutable**, and is defined by Ambrosini and Bowman as "*A resource is said to be non-substitutable if it cannot easily be replaced by another resource that delivers the same effect*" (Ambrosini & Bowman, 2003, p. 292). A non-substitutable resource, as the quote states, is hard to replace into another resource. When a company holds resources that are non-substitutable, the competitive advantage is strengthened and it is easier for the company to sustain competitiveness for this resource. (Ambrosini & Bowman, 2003)

3.7.1 Dynamic capabilities

The resource-based view and the VRIN-condition describe resources that enable to create advantages and sustain competitive advantages. The Dynamic Capabilities view develops this view into how to sustain competitive advantages in a dynamic environment. (Ambrosini et. al. 2009)

Strategy is always crucial for a company, but is particularly important during times of change. A company must adapt to changing environments in order to sustain its competitive advantages. Helfat, C et al (2007) has defined a dynamic capability as “*the capacity of an organization to purposefully create, extend and modify its resource base*” (Helfat, et. al. 2007, p. 1). Further, Teece et. al. (1997), defines dynamic capabilities as following: “*the firm’s ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments*” (Teece, et. al, 1997, p. 516). Dynamic capabilities are, as the quotes describes, crucial for a company working in a dynamic environment. Dynamic capabilities are more specifically different types of processes within the company, for example product development, resource allocation routines, knowledge transfer and replications routines. (Helfat, 2007)

3.8 Approach to chosen theories

Michael Porter is often described as the world’s top management guru, because of his contribution to strategy and marketing research (Seshachala, 2005). Nevertheless, his theories are often criticized. Porter’s “five forces” is often criticized primarily because the economic conditions have changed since the model was developed in 1980. Critics therefore consider the model as obsolete (Recklies, 2001). Larry Downes (2007) in his article "Beyond Porter" argues that digital technology has thrown every industry into a new era of competition. Downes highlights three forces that better reflects the current economic situation. These three forces are digitalization, globalization and deregulation. Downes new forces are important to consider in today's industry analysis, but nevertheless, Porter's Five Forces remain valid. A strategy should still be based on an analysis of a company’s internal and external factors and on their potential future development. Worth to mention is, Downes new forces are derived from the economic condition of a particular era as well. Within some years, Downes forces may lose some of the importance because the market conditions will continue to change. (Recklies, 2001)

Hamel (1991) criticizes that Porter focuses too much on finding the right position in the market. According to Hamel, finding the right position in the industry is only the final step in finding the optimal strategy. Even Mintzberg is critical of shaping strategy only from a planned process. Mintzberg’s theories originate from a planned process, but he also argues that a company should be open to change the strategy. Therefore, Mintzberg presents that a combination of intended and emergent strategy is optimal. Porter responds the critique of Hamel and the resourced based theorists in his article "What is Strategy" (1996). He warns them that a good position in the market is still important and too much focus on the internal perspective can lead to a forced focus on operational issues at the expense of strategic issues.

Finally, it is not appropriate to develop a strategy solely based on one model; since models always need to be completed with other models. This was widely accepted even in the 1980s, when Porter introduced the five forces. Shaping a strategy based on only one model has never been the objective. So even though, Porter's model is old, it may not be considered useless. The users have to apply the model with the knowledge of its limitations in mind and use it as a part of a larger framework of theories and techniques. However, this approach is advisable for the application of every model or theory, new or old, from Porter or from anyone else. (Recklies, 2001)

4. Empirical findings

The chapter initially consists of a presentation of the case company, followed by a description of how the external changes affected the Danish route. Further, it is presented how the Danish route repositioned itself and how its strategy was changed within the company in response to external changes. Finally, the Danish route's strategic resources and a view of how competition in the industry has changed will be presented.

4.1 Company description

The foundation of the Stena sphere was set in 1939, when the trading company “Sten A Olsson Metallprodukter”, working in the scrap iron-business was founded. The founder, Sten Allan Olsson had a close connection to the shipping industry, since his father worked as a sea captain. In 1962, the traffic between Gothenburg and Skagen, Denmark, was established. During these years, the shipping business increased within Stena. In 1972, the company was split into Stena Metall AB and Stena Line AB, with Stena Line containing the shipping business. In the end of the 1970's, the company continued expanding its operations, for example by investing in RoRo-vessels, which are vessels constructed for freight. In the year of 1980's, Stena expanded its business both in shipping and into new markets by establishing following companies: The real-estate company “Stena Fastigheter”, the tanker-shiping company “Stena Bulk” and the shipping-companies Northern Marine and Concordia Maritime. The expansion continued during the 1990's, partly by the establishment of Stena Drilling, working in the oil drilling business. During the 2000's Stena expanded into long term investments, without active ownership, by setting up Stena Adactum. The Stena-sphere has during the last years focused most of their investments in the energy sector, by investing more in oil drilling, but also into alternative energy. (www.stena.com)

Stena Line has over time, evolved into one of the largest ferry companies in the world. The company holds 35 ferries on 18 ferry lines, running in Scandinavia, Poland and Great Britain. Stena Line 2009, had a revenue of 10 billion SEK and transported around 15,4 million travellers and 3,3 million vehicles. (Annual report 2009, Stena Line)

The Danish route was the first route set up in Stena Line, starting in 1962 with the route Gothenburg-Skagen. At that time, low food prices in Denmark, tax-free onboard and fare prices became a winning concept, leading to long-term success. (www.stenaline.com) Since that time, the Danish route has been one of the pillars and the most profitable route in Stena Line over time. This is confirmed by the forth respondent, Olle Melin; “*The Danish route has always been the cash cow in Stena Line*”. Today, the Danish route has five ferries running on two lines, one route between Gothenburg-Frederikshavn and the other route between Varberg-Grenå, Denmark. The Danish route had 2009, a turnover of around 1,2 billion SEK, which of 1,08 billion SEK was generated by the route Gothenburg-Frederikshavn. Under the last years, around 1,2 million passengers have travelled with the Danish route annually. (Charlotte Ljunggren).

4.2 External changes affecting the Danish route, 1999-2001

The Danish route was during the time-period of 1999 to 2001 affected by a series of external changes. The first and most affecting external change that affected the Danish route was the abolition of tax-free within EU, which happened on the 1st. July 1999. Tax-free is the special tax-situation in certain area such as, on ferries, airplanes and airports, where it is allowed to sell goods free of tax (SOU 1998:49). Although, the decision of the abolition of tax-free within EU was taken in 1991, the abolition was perceived as a sudden and quite unexpected change within the Stena Line-organization, partly since there was an intense political debate up to the end, whether the tax-free would remain in the EU or not. Within the organization, a special kind of thinking was fostered, upon the belief that tax-free could not possibly be abolished. This led to a form of “caught by surprise”-situation within Stena Line, although the decision of abolition of tax-free was taken nine years earlier. The route director Charlotte Ljunggren describes this as “*We bit ourselves in the tail*” and by Olle Melin “*We buried our heads in the sand*”. The company had before the tax-free was abolished, an intense lobbying initiative attempting to retain the tax-free. Stena Line externally held the position, that after the abolition of tax-free, it would be pointless to travel. In connection to that, they started to campaign that people had to travel with Stena Line in order to shop tax-free items, before the abolition would take place. When the tax-free finally was abolished, the Danish route lost their previously so high margin on the items sold, since they now had to start paying tax on the items sold on-board. Due to the added tax, the Danish route immediately lost one billion SEK annually in revenue. Now, the Danish route had to make up for the lost revenue in another way and therefore felt compelled to raise ticket-prices.

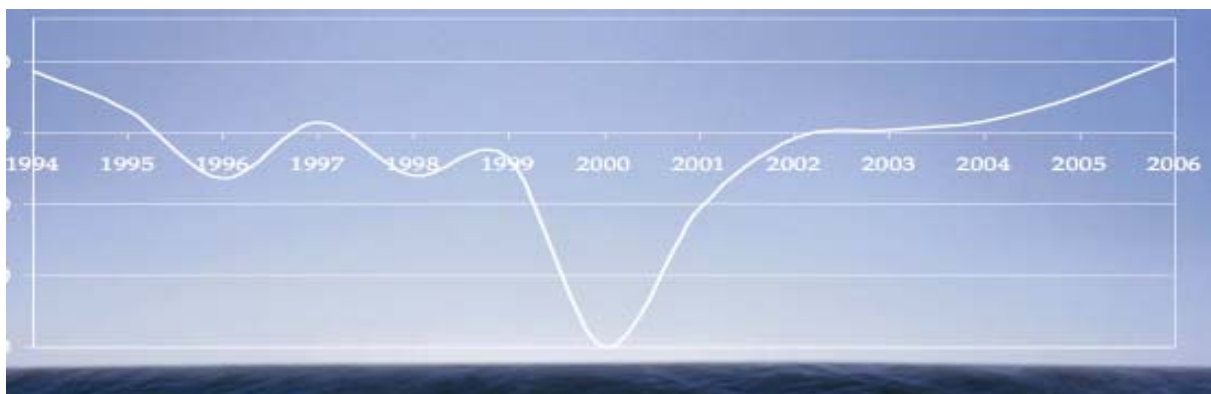
Before tax-free was abolished, around three million passengers travelled with the Danish route annually. Immediately after the abolition of tax-free, the Danish route lost one million travellers annually. The loss of passengers was partly influenced by the raised ticket-prices, and that the possibility for the passengers to shop items free of tax on-board disappeared. For tax purposes, it was after the abolition of tax-free important to determine in which territory the sale takes place. Today, the Danish route still takes some advantage due to tax reasons, since the tax on liquor still is lower in Denmark compared to Sweden. The Danish route can therefore sell goods at lower price than offered on the Swedish market. (www.skatteverket.se)

One year after the abolition of tax-free, in the year 2000, the Öresund Bridge was completed (<http://se.oresundsbron.com>). Charlotte Ljunggren about the Öresund Bridge; “*Bridges are always a bad thing for the ferry industry*”. From the Danish route’s point of view, the completion of the Öresund bridge was of a different nature compared to the abolition of tax-free, in the sense that this external change did not occur as “sudden” as the abolition of the tax-free for the Danish route, due to that there was no doubt that the bridge actually would be completed in 2000. The difficulty with the Öresund Bridge was to estimate how much the Danish route would be affected by the bridge, since it was impossible to know how the market would react. However, estimations were made, predicting a reduction of 500 000 passengers annually. Whether these estimations were accurate is impossible to determine. But the estimations were a good basis in preparing the organization for future strategic decisions.

The third major external factor impacting the Danish route over the studied time-period was the establishment of Ryanair in Gothenburg 2001. The Danish route used the same planning models used for the Öresund Bridge in preparing for this new threat. Charlotte Ljunggren commented: *“the world became smaller when Ryanair was established in Gothenburg”*. Ryanair provided consumers with greater choice of travel destinations at a low price-range that had not existed before. Now people could fly to London and other metropolitan cities in Europe for the same - or lower - price of a trip to Frederikshavn with the Danish route. Charlotte Ljunggren says: *“Going Gothenburg-Barcelona maybe is more coveted than going to Frederikshavn”*. The Danish route noted that the establishment was a threat that probably would take customers from the Danish route. Estimations of the potential loss of customers were made, though it was complicated to know how the market would respond to the establishment. However, the estimations predicted a lower loss of passengers than the estimations for the completion of the Öresund Bridge. Ryanair was, and still is described as an indirect competitor. Today, Ryanair is seen as a bigger threat to the company, than how it was seen when it was established in 2001. This is because of the development of Ryanair’s operations in Gothenburg. Today, Ryanair flies to more destinations and more frequently than during the time of the studied period. (<http://www.ryanair.com/se/about>)

Effects seen of these three external changes are for example that the on-board staff, a short period after the tax-free was abolished, was reduced by 30 percent. Another effect was that the high-speed ferry Stena Carisma, going between Gothenburg and Frederikshavn now is running only 3,5 months a year. Before 1999, Stena Carisma was running 10 months a year. Further, the amount of departures was decreased, due to the reduction of people wanting to travel with the Danish route. Due to the significantly decrease in the amount of passengers, the Danish route now had to change focus of its business.

The figure below illustrates the Danish route’s profitability over time. As the figure shows, the Danish route’s profitability was relatively low even before the external changes occurred. After the external changes, the profitability fell sharply downwards. What is seen after this decline is that the Danish route’s profitability has increased gradually since 2002. Note, the picture does not show figures. This is due to that the Danish route does not give out route-specific figures.



4.3 Changed organizational structure

Already during the 1990's, Stena Line had fallen into a negative trend with low profits. The organization had become ineffective and slow, and did not respond to new trends demanded by customers. The third interview was with Tommy Gustafson, and his general view of reorganizations was: *"I believe that an organization should change their organizational structure within every 7-10 years, to not become slow and ineffective"*. The combination of the negative trends and the increasing fear of the abolition of tax-free made the management of Stena Line deciding to restructure the organization into a route-organization. This was made even though a belief that the tax-free would remain, as mentioned in 4.2, partly due to the fact that the top management had come to understand that the abolition actually could take place. In the new structure, the operational decisions would be as close to the customers as possible. Around one year before the abolition of tax-free, in the 1st of March 1998, the work with reorganizing the company into route-organizations was established.

The route-organization was a start of transforming Stena Line into a decentralized organization. The process in making the organization more decentralized evolved over time, and was fully implemented in 2002. By becoming a decentralized organization, most of the decision-making was put from the top-management down to the line-organization. By doing this, the Stena Line top-management aimed for a decisions-making process closer to the customer. This was considered to be better for both the customer and the organization. For example, every employee was given the opportunity to compensate a guest up to 1000 Euro. The new organizational structure changed the Danish route's strategy-process, which is further presented in section 4.5.

4.4 Repositioning due to external changes

Before the tax-free was abolished, the Danish route was positioned offering customers the opportunity to buy items free of tax. Moreover, the Danish route was positioned as a party organizer. When tax-free was abolished, the management of the Danish route realized that a repositioning was crucial. The Danish route had lost its main competitive advantage, which demanded a new profile. The completion of the Öresund Bridge and the establishment of Ryanair in Gothenburg, connected to the abolition of tax-free, raised the demand for change. In connection with this, there was a decreased interest to party on the boats. This was partly based on new customer trends, since the supply of entertainment increased in the Gothenburg area, but also due to the increased ticket prices. Tommy Gustafson explains *"Stena Line as a party spot was not as popular anymore, since the range of entertainment had expanded in Gothenburg"*. After an intense planning process, including numerous meetings, and through help of external consultants and experts, a new focus was developed. This focus was considered to meet the change in demand in a better way. The new focus was to reposition the Danish route offering high customer service connected to a maritime on-board experience, and by marketing the destinations.

4.4.1 Marketing the destinations

By marketing the destination, the Danish route aimed to create "reason for travel". The Danish route started cooperating with various tourist attractions in Denmark. These cooperations were based on giving children free entry, in order to attract Swedish families to travel to Denmark and consequently increase the passenger-volume for the Danish route. Cooperation with various tourist attractions is a process that continuously evolves, as new behaviours and trends arise. Today, the Danish line has agreements with 48 tourist attractions in the area around Frederikshavn. Another action taken in the attempt to increase the attraction of going to Frederikshavn, Stena Line re-built its hotel in Frederikshavn. This hotel had been in Stena's possession for many years. At the start, the hotel was built due to the so called 24-hour rule, which forced people to stay 24 hours in Denmark, to be able to buy the items on-board free of tax (Charlotte Ljunggren). The hotel has recently been re-built into a theme-bath-hotel called "the Reef".

Another part of the new strategic plan in getting people to travel with the Danish route was to offer travel-packages. One example is the cooperation with the Swedish ski-tourism company Skistar. The Danish route and Skistar promotes winter-holidays in Sweden and Norway to Danes living in the northern part of Denmark. In another attempt to offer package-solutions, Stena line acquired Sembo, a Swedish travel agency, specialized in travel packages. The competencies from Sembo have increased the opportunity for the Danish route to offer travel packages, which includes travelling with the Danish route.

4.4.2 Maritime on-board experience

As mentioned previously, a part of the new positioning was to profile the maritime on-board experience. The new position changed the staff's role, from being an order-receiver to having customer-focus and becoming more service-minded. The Danish route had to increase the level of service and serve the customers in a way they had never done before. The new change of positioning was a start of a long-term process in aim to increase the value for customers travelling with Stena Line. In the year of 2000, the first part of the development started, called "Partner in Hospitality", which focused on improving customer service. The new positioning and the staff's new work-approach initially had some negative effects. The staff were accustomed to working in a certain way and would now have to adapt to new work practices. This partly resulted in some employees having difficulties in adjusting to this new way of working. It led to some of the employees resigning. Moreover, in the beginning of the changed positioning, the degree of sick leave was increased. Charlotte Ljunggren states that it is hard for a company to adjust to a change of that proportion, since it takes around seven years to fully change the culture within the staff.

Since the external changes occurred during the studied time period 1999-2001, the Danish route has profiled the maritime on-board experience in different ways, depending on how trends in the society have changed. Currently this is done mainly in two ways. The first one promotes the Danish route as "childish fun", which is addressed especially for families. This was a process that was difficult to establish, since the Danish route before the external changes occurred, was connected to party, rather than families. At that time the party people scared families from travelling with Stena Line, says Sven Rudholm. The second way the Danish route is profiling itself, is the aim to attract couples and friends to travel with the Danish route. This concept is called "njutomlands" and involves a lot of offers, for example; "eat two for the price of one" in the restaurants on-board. According to Charlotte Ljunggren, "Njutomlands" and "Childish fun" have proved to be successful. She further claims that it is always a challenge to change these types of concepts in order to meet the changes in trends and behaviours.

4.5 Changed strategy and development of capabilities due to external changes

Before the external changes 1999-2001, the overall strategy was to get people on-board in order to shop items free of tax. According to Olle Melin, this strategy was enough to be profitable. This was a strategy that had been fairly consistent over time, but the new external conditions created new demands on the Danish route's strategy. The first action in meeting the changes was by reorganizing the company, as earlier described, in section 4.3. The reorganization led to extensive changes in the Danish route's strategy-process. Before the reorganization, the top management shaped the objectives and strategies in connection with each other. Since the reorganization was completed, overall the top management sets overall objectives while the route-organizations form their own strategies in order to achieve the overall objectives. The strategy of the Danish route is set in three-year plans, and is followed up and developed on an annual basis in connection to the budget-process. The second respondent, business controller Sven Rudholm, sums up the Danish route's strategy-process as following; "*we have a planned strategy, but we are using an emerging*". The other respondents also pointed out that the planned strategy often is modified, due to external changes.

Charlotte Ljunggren states that "*In order to meet changes in the surroundings, we have to be more flexible*". This is due to the fact that the Danish route tends to be more affected by external changes in the surroundings than before, mainly because it is unable to take advantage of its previous competitive advantage, selling items free of tax. Further, Charlotte Ljunggren claims that the Danish route today has become more responsive to changes in the surrounding environment, since the external changes took place 1999-2001.

The flexibility and responsiveness developed within the organization of the Danish route, has been manifested through the actions taken due to the fluctuations between the Danish and Swedish currency, and the actions taken due to the rising fuel prices. These two macroeconomic factors immediately affected Stena Line, and therefore also the Danish route. During 2008 and 2009, the Danish Krone was strongly appreciated to the Swedish Krona. The management team acted rapidly to this external change by adding a boat-departure from Frederikshavn to Gothenburg. This action was taken in order to attract Danes to Gothenburg, since it had become very cheap for them to shop in Sweden. According to Charlotte Ljunggren and Tommy Gustafson, this turned out to be a strategic success.

Changes in fuel prices affect the Danish route extensively. It is always a trade-off, since the Danish route wants to run its ferries fast in order to offer a quick trip to compete with the Öresund Bridge, but it is also more expensive to run fast, since the boat burns more fuel. In order to meet the rising fuel prices during the 2000's, Stena Line has developed the Energy saving project, called "ESP". ESP means energy saving project. As the Stena sphere has its own ship-building department, Stena Line and the Danish route could gain from the knowledge within that department for saving fuel on the ferries. By optimizing energy consuming, rebuilding of propellers, optimizing of the schedules and weather briefing could Stena Line very fast be able to make quantitative fuel savings up to 15 percent, which had a considerable effect on the cost side when fuel prices rapidly increased under the period 2004-2008.

As described earlier, profitability fell immediately as the external changes occurred. One step in the Danish route's new strategy-plan was the repositioning, presented in 4.4. Furthermore, cost-effectiveness and to maintain revenue more effectively became two main points in the new strategy-process. Except ESP, presented above, the Danish route developed capabilities, in terms of using flexible manning and flexible pricing,

4.5.1 Flexible manning

One of the most important actions taken by the Danish route in becoming more cost effective was by manning the boats based upon the number of guests on each departure. "*We are staffing uniquely for each departure,*" says Tommy Gustafson. Charlotte Ljunggren further explains that the Danish route was groundbreaking in practicing flexible manning, and has developed an efficient system in manning the departures. In some cases, a departure with 1.000 passengers sets off in the morning, and in the afternoon the same boat sets off with only 300 passengers. Before 1999, the Danish route did not change the level off staff after the number of guests, partly because the Danish route had a different, more passenger-volume based focus during the tax-free time. Focus was to fill the boat, which even could be made by handing out free tickets. This was also shown in the manning, since the boat mostly was manned for being fully booked. Another reason why the Danish route did not have flexible manning before 1999 was due to the unions' restrictions. These restrictions were harder regulated before 1999. When the tax-free was abolished, the union eased the restrictions regarding flexible staffing, which was a benefit for the Danish route. Olle Melin says that the union realized that they needed to do so, in order to prevent the ferry-industry from collapsing. Despite the unions' restrictions, it was possible and partly necessary to use flexible manning even before 1999, but the organization did not think of it, stated Charlotte Ljunggren.

4.5.2 Flexible Pricing

The flexible pricing, also known as “yield” is according to Tommy Gustafson and Charlotte Ljunggren an important capability, which was developed after the external changes 1999-2001. After the abolition of the tax-free, the Danish route started marketing that the price of items on-board was as cheap as before. The result of this campaign had a low impact on the revenue. This was because, after the abolition, customers did not believe that the items sold on-board could be as cheap as before. Since the organization had agreed on the strategy to keep prices of items on-board at about the same level as before, the Danish route did not earn closely as much money as before, since they now had to pay tax on the items sold. This loss of profit had to be made up for elsewhere. This was done by raising ticket prices. Around two years after the abolition of tax-free, the Danish route had doubled the ticket price. This resulted in a reduced passenger volume. *“There is always a balance act between putting the right prices to maintain a high volume, and at the same time earning money in the form of ticket sales”*, states revenue manager Tommy Gustafson. The Danish route started dividing passengers into different categories; leisure travellers and those who “had to” travel to Denmark, for example commuters and business travellers. These passengers were priced higher than leisure travellers.

After the reorganization, the Danish route sets its own timetables and price-lists. Before the reorganization, timetables and price-lists were set centrally. This change has facilitated becoming more efficient in pricing. The flexible pricing enables maximizing the profit on each departure. Is there a high demand on a certain departure, ticket-prices will rise. On the other hand, is there a departure, which is not particularly booked, the ticket-prices on that departure will fall. There is though, a minimum limit to which the prices will fall when booking through the “common channels”, such as online-booking or through a travel agency. By having a minimum limit, the company do not risk lowering the prices to the level that could accustom the travellers to prices, which are not profitable for the Danish route. The Danish route uses another method to attract travellers to low demanded departures. The company does this through so called “hidden channels”, which means that they offer favourable offers, for example “travel two for one”, only to certain compounds, with whom they cooperate.

4.6 Competitive resources

The section above presented different types of capabilities that have been developed to meet changes in the industry. According to the respondents, the Danish route also has several strategically important resources. Before the tax-free was abolished, one of the most important resources was the ability for the Danish route to sell items free of tax. Since this ability ceased to exist, the company as described in section 4.4 and 4.5 was transformed. However, many of the Danish route’s important resources existed before the external changes took place, and still exists.

The Danish route's terminals in Gothenburg and Frederikshavn are one of these resources, which existed long before the tax-free was abolished. The terminals, controlled by Stena Line through long-term leasing-contracts with the local municipalities, are according to Sven Rudholm one of the most important resources. He notes that the central location of the terminals, particularly in Gothenburg, simplifies for customers in getting to the terminals, and therefore easily can travel with the Danish route. Since the port area of Gothenburg and Frederikshavn is limited in terms of space, particularly in Gothenburg, it is hard for competitors to compete in this particular area. It should be noted that the location of Stena Line's terminals have been criticized for many years. The critics want to use the space for building housing areas and create a harbour walk (<http://gt.expressen.se>). Sven Rudholm states that the critique to the location is a problem for Stena Line. He speculates that in the future, the commercial and economical interests will win this "battle", and Stena Line will have to move its operations. He further states that this is a dilemma for the politicians, because there are today no good locations for placing Stena Line terminal. He further states that the municipality also wants to keep the passengers ferries, as a part of cityscape.

Further, the respondents highlight the benefits of being a part of a big sphere, particularly since the Stena sphere is financially strong. This creates a security in the route-organizations, since if a radical external change would occur, the Danish route can be secure in knowing that the sphere is able to back them up. Since the Stena sphere is working in many different types of industries, there are many different competencies within the organization. Tommy Gustafson argues that, when other smaller shipping companies must hire consultants to help them with complex work, Stena Line already has the competence in the organization, ready to help. Sven Rudholm states that the Stena sphere has a particularly good competence in ship building, and has several times re-built vessels in order to meet new demands and adjusting the vessels to new routes. This is a competence, which has saved the company time and money, not needing to hire external consultants. In addition, the respondents perceive that there is an advantage to be part of a family-owned company, since the owners of Stena Line, the Olsson family, have patience and strives for a long term success. Charlotte Ljunggren emphasizes, just because the owners have a long-term interest, they cannot get slow.

According to the respondents, the vessels running from Gothenburg to Frederikshavn is seen as fulfilling the markets whole spectra of demands, by offering different types of ferries. For example there are two bigger vessels, Danica and Jutlandica combining freight and travellers. Carisma is the high-speed ferry, running during the peak season, when the demand to travel fast between Gothenburg and Frederikshavn is high. The Danish route also holds Stena Scanrail, a smaller freight-vessel, which only carries freight, and specializes in goods of high risks, such as chemicals. Due to the wide spectra of vessels, it is tough for a competitor to establish a route between Gothenburg and Frederikshavn, states Sven Rudholm. Another valuable resource mentioned by the respondents is that the company have been running its own stevedoring for a long time, instead of hiring this service from the Gothenburg harbour, which also is a possibility. This has during the years created an efficient and both cost- and time-saving system.

The respondents further highlight the maritime experience on-board as a valuable resource, due to the uniqueness in travelling by sea from Gothenburg to Denmark.

4.7 Competition within the industry

The Danish route has been the single actor on the market for passengers travelling between Gothenburg-Denmark since the competitor Sea Cat ended its operations in 2001. Tommy Gustafson says *"there is no room for anyone else"* However, he points out that, if the Danish route would remove its high-speed ferry, Stena Carisma, the risk of a new actor establishing its operations on the market would increase. He further notes that it was in this manner Sea Cat got into the market, since they saw a weakness in the Danish route's supply of different types of vessels. It was Sea Cats establishment that made Stena Line to build their high-speed ferry, Stena Carisma. Today, Stena Carisma is running only 3.5 months a year, during the height of season. The short running-period is because of Charismas' high fuel consumption, which demands almost full occupancy to be profitable.

The Danish route has had a monopolistic market-position since Sea Cat left the industry in 2001. Charlotte Ljunggren describes that they are pleased with the competitive situation, even though she realizes the benefits of having a direct competitor. She notes that competition forces a company to constantly develop. Despite the existing monopoly, the Danish route has other types of competitors, for example indirect competitors such as Ryanair and the Öresund Bridge, which has been described in section 4.2. Ryanair is seen as an indirect competitor offering an alternative way for people to travel, while the Öresund Bridge is another way to travel to Denmark and further into Europe.

Except the indirect competitors presented above, there are several substitutes to travelling with the Danish route. Tommy Gustafson describes the Danish route's substitutes as following: *"We compete with people's time and money"*. According to Charlotte Ljunggren, competing with people's time and money is difficult, since this type of substitutes is difficult to identify. Substitutes to doing a day-trip with the Danish route include every alternative day-activity. Charlotte Ljunggren states: *"a day-trip with Stena Line corresponds to go shopping at mall or buying a flat-screen TV"*. Threats from substitutes are affected by people's behaviours, and trends in the society. Tommy Gustafson says; *"15 years ago, Denmark was a more popular destination than it is today"*. He further speculates that Denmark might become more popular in the future, but states the complexity to know what will be popular in the future. In order to analyze changes in people's behaviour and trends, the Danish route uses Kairos future, a market-analyzing company. Kairos future provides the Danish route with information about changes in surroundings and changes in human behaviours and trends. The Danish route uses this information in order to be prepared to changing trends and behaviours, by for example replacing on-board concepts

5. Analysis

In this chapter, the results of the empirical findings presented in chapter 4 will be analyzed in connection with the framework presented in chapter 3. The analysis forms the basis for the conclusion, presented in chapter 6.

5.1 Repositioning due to external changes

According to Porter's generic strategies, a company should be unique in order to gain competitive advantages. Before the external changes, the Danish route was foremost positioned by selling items free of tax. This was not a unique attribute, mostly because of that the competitor Sea Cat also operated on the same route, offering tax-free items on-board. When Sea Cat left the industry, it became easier for the Danish route to become more unique, since they were now the only actor in the industry. When tax-free was abolished, the Danish route lost its most valuable resource, and the amount of substitutes to travelling with the Danish route increased. This forced the Danish route to start working to distinguish itself. Therefore, the Danish route started promoting the maritime on-board experience more actively. There is no other alternative for customers in the Gothenburg area, than travelling with the Danish route, when wanting a maritime experience going to Denmark. This new positioning by offering a maritime on-board experience is unique.

Before the tax-free was abolished, the respondents stated that it was enough getting people on-board for the company to be profitable. However, since the Danish route's profitability was low even before the tax-free was abolished, it is questionable whether it was enough in getting people on-board. According to Porter's theories about the generic strategies, the increased profitability after the external changes took place may depend on that the Danish route became more uniquely positioned. This is illustrated in the picture in section 4.2, illustrating the profitability of the Danish route over time. The profitability was decreased during the time when Sea Cat operated in the industry, and increased when Sea Cat ended its operations. On the other hand, if a competitor leaves the industry it is naturally beneficial for those who remain, at least short term.

The second positioning-theory of Porter (1996) presented in the thesis, describes two different ways for an organization to be productive; by operational effectiveness or by strategic positioning, where the strategic positioning is divided into three kinds of positioning. A company that has a position by operational effectiveness performs similar activities better than rivals, while strategic positioning is based upon that a company performs different or similar activities in a different way. When Sea Cat operated in the industry, the aim for the Danish route was to position itself through operational effectiveness. Whether they performed their activities better than Sea Cat is hard to determine. One obvious indication that the Danish route might have performed their activities better than Sea Cat, is the fact that Sea Cat left the industry in 2001. Since Sea Cat left the industry new indirect competitors have appeared, such as Ryanair and the Öresund Bridge. After the external changes took place, the Danish route has aimed to achieve its market position by strategic positioning, since they started to perform different activities in a different way.

More specifically, the new positioning is in accordance with the variety based positioning. The Danish route started to perform different activities, since the only competitor left the industry, and they started to perform activities in a different way, since they started focusing on selling a maritime experience in going to Denmark. When a company offers a subset of products, they have a variety based positioning. The Danish route went from offering tax-free items to offering a subset of products, such as different options in eating, cooperation with tourist-attractions, the maritime experience and shopping.

5.2 How the Danish route have changed its strategy

Before the external changes took place, the Danish route had an overall strategy in getting passengers on-board in order to shop items free of tax. According to the respondents, getting passengers on-board was at that time the only thing needed to earn profit. The strategy in getting passengers on-board in order to shop was constant and planned. This strategy formation process is in accordance with Porter's basic-view in how strategies should be formulated, since Porter (1996) states that the strategic plan should have a long-term horizon, minimum a decade, thus a planned strategy.

When the reorganization took place, the Danish route started setting strategies in three-year plans, which can be defined as a planned process. The Danish route, after the reorganization formulate its strategy based on overall objectives set up by top management, and further implements the results of the strategy-process into the business. This planned process can be seen as being in accordance with both Mintzberg (1978) and Porter (1996). Porter states that the strategic plan should have a long-term horizon and Mintzberg argues that the company's mission is to implement the intended strategy, but the similarity between the two researchers ends here. This is, because Mintzberg argues that the implementation of the intended strategy is just the first part in the strategy-process. The intended strategy should be changed over time due to changes in the company's surrounding. After the external changes took place during the studied time period, 1999-2001, the Danish route has been focusing more on taking the surroundings into account. One obvious example is when the Danish route set up an extra departure from Frederikshavn to Gothenburg, when the Danish Krona appreciated compared to the Swedish Krona in 2008. This was made because the strong Danish Krona made it cheap for Danes to shop in Sweden. The action proved subsequently to be successful. This quick reaction to an external change proves that the strategies of the Danish route today arise as a result of "patterns of actions", stated by Mintzberg. The key to being able to act fast and handle external changes is being responsive, which the action with the extra departure also proves.

5.3 The Danish route's competitive resources and its dynamic capabilities

Ambrosini et. al. (2009) describes the importance of having resources that enables an organization to create sustainable competitive advantages. For a resource to create sustainable competitive advantages, the resources should fulfil the VRIN-condition. The VRIN-condition means that the resource should be **v**aluable, **r**are, **i**nimitable and **n**on-substitutable in order to achieve competitive advantages. Ambrosini et. al. (2009) further describes the importance be in possession of dynamic capabilities in order to sustain competitive advantages in changing environment. Dynamic capabilities should be utilized by purposefully create, extend and modify its resource base. (Helfat, et al, 2007)

To see if the Danish route holds resources that fulfil the requirements to create sustainable competitive advantages, a VRIN-analysis is presented below:

Valuable

* The advantage of being a part of a large sphere is a valuable resource, since the Stena sphere, working in different industries, has many different competencies. The Danish route is therefore in many cases provided with accessible competence. By taking advantage of these different competencies within the sphere, the Danish route saves money by not needing to hire external consultants. The Stena sphere also provides with financial backing, which in turn gives security to the Danish route.

* The fact that the Danish route is owned by a family, represented by Dan Sten Olsson as the CEO of the Stena sphere, is a valuable resource. The active ownership brings a long-term perspective to the company, by having patience and striving for a long-term success. Hence, this is in accordance with Ambrosini et. al. (2009) where they state that a resource should be static, and create long-term value.

* The Danish route have been running its own stevedoring for a long time. The stevedoring has become very efficient in loading and unloading the ferries, which is both cost- and time-saving. Therefore, the stevedoring has become a valuable resource.

* The terminals, centrally located in Gothenburg and Frederikshavn is a valuable resource. The terminals create value for the Danish route, since many of the Danish route's customers travel without car, and the central location simplifies in getting there. The central location of the terminals therefore increases the travelling with the Danish route.

* The maritime experience is a valuable resource. When travelling to Denmark from Gothenburg or vice versa, wanting a maritime experience, there are no other way than travelling with the Danish route. This is therefore a resource that brings value to the company in terms of travellers wanting a maritime experience.

Rare: Some of the resources presented above bring value to the Danish route, but all of them are not considered as rare. For a valuable resource to sustain competitiveness, it must be rare. (Barney, 1991)

* Being a part of a big sphere, which provides different competencies, is a rare resource. It is unusual for other shipping companies to be part of a sphere working in so many different industries.

* The terminals, centrally located in Gothenburg and Frederikshavn is a rare resource. There are no other free spaces in the Gothenburg harbour, and it is therefore hard for competitors get access to this resource.

* The stevedoring is also rare. The efficient system in loading and unloading the ferries is uncommon in the industry.

* The maritime experience in going to Denmark is rare, since the Danish route is alone in the industry offering a maritime experience in going to Denmark.

Inimitable: For a resource to sustain competitiveness it is not enough that the resource is rare and creates value. It must also be inimitable (Barney, 1991).

* The terminals centrally located are inimitable, as well as rare. Due to the limited free space, especially in the central parts of the Gothenburg harbour, where the Danish route's terminal is located, it is hard for potential competitors to imitate the resource.

* Being a part of a large sphere is hard for competitors to imitate. Building up a sphere, working in many different industries is hard for a competitor to do. The wide spectra of competencies within the sphere, is very hard to imitate.

* The maritime experience may be considered as difficult to imitate, however it is possible for a potential actor establishing operations in the industry, offering the maritime experience in going to Denmark. Today, it is hard for a new actor to enter the market, since it requires a great initial investment. The fact that Sea Cat ended its operations after only eight years proves that it is tough for another actor to offer a maritime experience in the way that the Danish route does, running between Gothenburg and Frederikshavn.

Non-substitutable: The last condition for sustained competitiveness is that the resource should be non-substitutable. The maritime experience and the advantage of being a part of large sphere fulfil the condition for non-substitutability. Regarding the terminals, they fulfil the first three conditions, but are substitutable. This is due to the debate, where the location of the terminals is criticized, and therefore as Sven Rudholm stated, there is a risk that Stena Line will have to relocate its operations.

Furthermore, the respondents highlighted that the wide spectra of different vessels are seen as a valuable resource. It is a fact, that the vessels fulfil most needs demanded by the market, and is crucial for the company, because without being in possession of these vessels, they would not be able to run its business. On the other hand, the vessels within the fleet are relatively old and does not itself bring value for the Danish route, in terms of competitiveness.

The VRIN-analysis shows that the Danish route is in possession of many resources fulfilling different types of attributes. There are two resources fulfilling all the four conditions. These resources are: being a part of a large sphere with many competencies and the maritime experience. These resources enable for the Danish route to sustain competitive advantages. The resources have been crucial for developing several dynamic capabilities, which in turn, makes the organization sustain its competitive advantages in the new market-conditions. Dynamic capabilities are defined as the capacity of an organization to purposefully create, extend and modify its resource base (Helfat et al, 2007).

Due to the competencies within the Stena sphere, the Danish route has developed several capabilities. The most important capabilities are the flexible manning, flexible pricing and the development of the energy savings project (ESP). These capabilities are a result of taking advantage of the competencies within the sphere. The development of these capabilities has created a proven increase in efficiency. The adaptable manning and the ESP have proven to be cost-effective, and the adaptable pricing has increased the revenue. The maritime experience, as well as the competencies within the Stena sphere, was in the Danish route's possession before the external changes occurred. Due to the new market-conditions, they started promoting the maritime experience more actively, and took advantage of the resource.

5.4 The Danish route's competitive situation

Porter (1980) states that a key issue for a successful organization is to have good knowledge about its surroundings. Hence, it is important for the Danish route to analyze its surroundings in order to sustain its competitiveness. The Danish route has been the single actor on the market for passengers travelling between Gothenburg-Denmark since Sea Cat ended its operations in 2001. The respondents state that the threats of substitutes have increased in the industry, since tax-free was abolished. Before, the Danish route took advantage of selling items free of tax. When the tax-free was abolished, the Danish route began to compete with substitutes, which the respondents define as everything that people spend money and time on. Competing with people's time and money is difficult, since these "competitors" are difficult to identify. To know how to compete with these substitutes, the Danish route focuses on analyzing trends and peoples' behaviour. By analyzing trends and behaviours, the Danish route takes advantage of getting input about changes at an early stage. Porter (1996) states that substitutes are often easy to overlook. Due to the fact that the Danish route is well aware of the increased amount of substitutes, and actively works to identify these, the risk of overlooking this threat is lowered.

Further, Porter (1996) states, that if a company does not distance itself from substitutes through product performance and marketing, it will suffer in terms of profitability. The Danish route takes this risk into account. Since the tax-free was abolished, the Danish route repositioned itself, which was an action taken in attempt to be competitive in the new conditions on the market. The new positioning is a new concept and has been promoted actively.

Porter, (1996) states the importance of having good knowledge of threats of new entrants in the industry. He states that incumbents have some advantages relatively to new entrants. For example when incumbents has developed economies of scale, it forces new entrants to increase their investments to establish similar advantages to compete in the industry. The respondents mentioned, that it is difficult for a new actor to enter the market, since Stena Line, the Danish route included, is such a large company, covering most needs demanded by customers. A new entrant would have to take great initial investments to be able to compete with the Danish route. The respondents do not perceive any threats from new entrants, since they mean that there is no room for anyone else. However, this can be questioned. On an open market, there is always a possibility that a new entrant with financial strength can establish its operations. If this entrant is more effective than the Danish route, there is a risk that the entrant can outrank them.

Further, the respondents have different opinions regarding the high-speed ferry, Stena Carisma. Some of the respondents argue that Carisma is profitable for the Danish route, even though the ferry is running only 3.5 months per year. Others argue that Carisma is left in operation, in order to prevent other actors from entering the market. Preventing another actor entering the industry is in accordance with one of Mintzberg's 5 P's, where strategy is described as a *ploy*, meaning that an organization can do a ploy by making a manoeuvre in aim mislead or complicate for a competitor.

Moreover, Porter (1996) states that customers are powerful when there are many different suppliers in an industry. He further states that customers also are powerful in industries where the products are undifferentiated, because in such industries, customers can find an equivalent product from many different suppliers. The Danish route has never operated in an industry with many different suppliers. The bargaining power of customers though, has changed since the tax-free was abolished. Before the abolition, the bargaining power of suppliers was low, since the alternatives to buy items free of tax were few.

The increased access to information, due to the internet-revolution exemplifies that the bargaining power of customers has become higher, since it is easier for people to compare prices and find different alternatives to travel. Since the bargaining power of customers has become higher, the Danish route has to work harder to attract customers than before. Before the tax-free was abolished, people travelled with the Danish route to buy items free of tax, and the Danish route did therefore not need to attract customers to travel with them in the same extent. The cheap items on-board attracted passengers anyway. After the external changes, the Danish route started focusing more on offering a maritime experience and by marketing the destination. The new way of having to attract customers demands an extensive work in order to attract customers. The maritime experience is difficult for customers to find anywhere else, when travelling between the Gothenburg and Denmark. Due to this, it can be stated that the bargaining power of customers is still low, but in a different way. However, the question is what attracts the most, to buy items free of tax, or to get a maritime experience.

6. Conclusion & discussion

This chapter consists of the conclusion drawn with the analysis as a basis. Furthermore, the authors present interesting areas of discussion, and ideas of further studies.

6.1 Conclusion

The purpose of the thesis is to analyze how a company adapt its strategy to achieve sustained competitiveness during external changing conditions. Since the authors decided to make a case study of one particular company, they analyzed this company in depth, rather than many companies at the surface. The conclusions are therefore made on how *one* company adapted its strategy due to external changes, rather than a conclusion how companies in general adapt their strategy due to external changes. Below, the research question is presented:

How does a company adapt its business strategy in order to sustain its competitive advantages under changing external conditions?

The Danish route is an interesting example of how external changes forces a company to change its strategy. Before the external changes took place, the Danish route's strategy was in connection to Porter's basic view of strategy, defined as a planned process. The Danish route had for a long time relied on the same strategy, based on selling items free of tax; getting people on-board in order to shop. Due to the external changes, the Danish route lost its advantage, selling items free of tax, and it became obvious that they needed to change its strategy to remain competitive.

The Danish route was forced to reposition itself in order to meet new market-conditions and to remain competitive. The new way of positioning required new demands on working with strategy, foremost since the new positioning was based on taking trends in the society and peoples' behaviour in to account. This new positioning also forced the company in becoming more flexible and starting to analyze substitutes and other threats.

Further, the Danish route has kept its VRIN- resources that they were in possession of before the external changes occurred, such as being a part of a large sphere with many competencies. To sustain its competitive advantages, the Danish route has utilized its resources in a more effective way by developing new dynamic capabilities. Development of dynamic capabilities was crucial, since the Danish route was forced to be more cost-effective, since it was suffering in terms of decreasing profitability. The maritime experience was another resource fulfilling the VRIN-condition that the Danish route held before, but due to new conditions, they adapted its strategy to utilize this resource in a more effective and commercialized way.

6.2 Discussion

The authors have during the work with the thesis found several interesting areas for discussion. One interesting area is regarding the preparation of the abolition of tax-free. All of the selected respondents stated that no one within Stena Line thought that the tax-free would be abolished. The first decision of the abolition of tax-free was taken in 1991, but there was a political debate until the final decision was set. An interesting point is that it seems as the upper management of Stena Line had a better perception of what actually was going to happen. This is, due to that the reorganization started around one year before the abolition, partly made because of the threat of the abolition of tax-free. Another interesting point in this context is based on the study presented in Section 1.6, made in 1991. This study shows that the majority of those interviewed thought that the tax-free actually would be abolished. How could those respondents have had a much better perception in 1991, than what the employees of Stena Line, had in the later 90's? By not being as unprepared, the Danish route could have met the external changes at an earlier stage, and therefore might avoid the major decrease of profitability under the years during the external changes.

From the same study as above, the respondents did not see any possibilities for shipping companies to compensate for the expected big loss that the possible abolition of tax-free would imply. However, the Danish route has after the external changes took place moved towards a better profitability. This indicates that the Danish route has met the changes in a good way. As mentioned previously the years when the changes occurred, profitability decreased extensively, and the company was in a deep crisis, but as the Danish route changed its strategy-process, repositioned itself and developed new capabilities, they managed to turn the negative trend, and became more profitable. The external changes were perhaps an awakening leading to the Danish route to go from unprofitable to profitable due to their adaption to the environment better than before.

6.3 Suggestions for further studies

Studying companies' adaption to external changes is an interesting and current topic. Since the world becomes more globalized, the demands on companies to adapt to external changes rise. In this section, the authors presents suggestions for further studies within the topic of adaptive strategy, and suggestions of further studies concerning the case company, Stena Line and the Danish route.

* It seems, as there is a concern within the Danish route whether Denmark as a destination will keep being attractive. If the attractiveness of Denmark as a destination will drop in the future, it would be interesting to analyze how the Danish route should position itself to remain competitive.

* The abolition of tax-free within the EU has affected many companies. It would therefore be interesting in studying how other companies have been affected by the abolition of tax-free, and how these companies have adapted its strategy and changed its positioning.

* In this thesis, the authors found it interesting why the Danish route do not position itself as a party-organizer, as they did in the 70's and the 80's. At that time, the company were successful in attracting the younger crowd. Within this topic, it would be interesting to analyze how the Danish route today should attract the younger crowd in travelling with them.

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7.3 Interviews

Charlotte Ljunggren, Route director, Stena Line (Danish route)

Date of interview: 2010-11-29

Time of interview: 120 minutes

Sven Rudholm, Controller, Stena Line (Danish route)

Date of interview: 2010-12-01

Time of interview: 90 minutes

Tommy Gustavsson, Revenue manager, Stena Line (Danish route)

Date of interview: 2010-12-07

Time of interview: 90 minutes

Olle Melin, Project manager, Stena Line

Date of interview: 2012-12-09

Time of interview: 120 minutes

7.4 Internet sources

Homepage of the Öresund Bridge: <http://se.oresundsbron.com/page/326>

Article about critique of Stena Line's terminals:

<http://gt.expressen.se/nyheter/1.2179878/stena-line-kan-tvingas-bort-fran-goteborg>

Homepage of Ryanair: <http://www.ryanair.com/se/about>

Homepage Stena sphere: www.stena.com

Historiy about the Stena sphere:

<http://www.stena.com/sv/Sphere/About+stena+sphere/Historik.htm>

Homepage Sveriges Redareförening: www.sweship.se

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Homepage Stena Line: www.stenaline.com

History about Stena Line: <http://www.stenaline.com/en/stena-line/corporate/about-stena-line/historik/>

Information about the company: <http://www.stenaline.se/farja/om-stena/>

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Appendix 1

Interview questions

- What is your profession within Stena Line?
- How long have you been working for Stena Line?
- How was the Danish route affected by the external changes (1999-2001)?
- How did the Danish route prepare ahead the external changes?
- What was the Danish route's overall-strategy before the external changes?
- Describe the Danish route's strategy-process and how the process has changed since the external changes occurred?
- Who are involved in the strategy-formation process?
- After how long time is the Danish route's strategies revised or totally renewed?
- Is the Danish route's strategy created from an original plan or does it emerge over time?
- How is the Danish route positioned, and was the positioning changed due to the external changes?
- How have the Danish route reached its market position?
- Are you taking changes in the surroundings to a greater extent after the external changes than before?
- How would you describe the industry where the Danish route participates?
- Who are "your" main competitors and how would you describe them?
- Do you believe that there is a high threat of new entrants in "your" industry?
- What are the alternatives for customers to travel with the Danish route?
- Has the competition in the industry changed since the external changes occurred?
- Do you work more to attract customers today than you did before?
- Which are the Danish route's competitive resources?
- What are the Danish route's unique capabilities? Have you developed any new capabilities since the external changes occurred?

