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Organizational change in sales organizations:

A case study of SCA Packaging Germany

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"The only constant is change" Heraclitus, 535 BC - 475 BC

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1 INTRODUCTION

The introduction chapter is presented to provide the reader with a background of the study's subject and problem formulation. The chapter begins with a background presentation of the area that the thesis aims to investigate, followed by a problem discussion, which in turn leads to the thesis purpose and research question. The chosen predisposition will also be presented.

1.1 Background

In the modern day organizations constantly need to adapt to reign forces which put a great pressure on the organizations to manage both internal and external changes. (Chrusciel & Field, 2006) In many cases the necessity to change is a direct consequence of changes in the external environment such as, political, technological, cultural, demographic, economic and market changes. Political forces such as deregulations, liberalization in international trade or new entering technologies are common external factors. Globalisation and IT-technology have also been two external factors substantially affecting organizations. (Alvesson & Sveningsson, 2008) Another common factor affecting a firm's environment is when a new technology become disruptive i.e. a new technology that unpredictably displace an already established technology (Christensen, 2001).

Organizational change is a popular subject and a widely used concept to manage and adapt to reign and future market situations. Regardless of its popularity, the concept often has a remarkable low success rate (Kotter, 2007).

> *"About 70 to 75 percent of major organizational change efforts fail to meet the expectations of key stakeholders." (Mourier & Smith, 2001:18)*

The high failure rate is understandable as organizational change is difficult and complex to manage as well as there are no available recipes for success. But even though the odds are against organizational change there are opportunities to influence and manage change.

1.1.1 SCA Packaging

SCA Packaging is a part of the SCA Group and one of the leading suppliers of packaging in Europe. The company manufactures a large variety of cellulose products such as corrugated boards, shelf-ready packaging, displays, point-of sale packaging and other customized products. SCA Packaging (from now on SCAP) has large customers such as Kraft, Nestlé, Arla Foods, Nokia and Procter & Gamble. 2007 SCAP had an operating profit of $393 million and employed almost 34 000 people. The production takes place in more than 300 plants located in more than 30 countries, whereof 12 are located in Germany. Their products are sold in more than 50 countries all over Europe and Asia. During the last ten years SCAP has bought five other companies. SCAP acquired Stabernack in 2002, Vincor Group and Alloyd in 2003, Busto & Tema and DBA Verpakkingen in 2004. (Datamonitor, 2009)

1.1.2 The German packaging industry

The German packaging industry is the largest in Europe and is characterized by a fragmented market with several actors. (Wagner, 2009). The competition in the packaging industry is fierce and is characterized by high entry barriers, low supplier power and strong customer barraging power. Reign market forces therefore diminish the possibility for new entrants in the current market, on the other hand, packaging products are often undifferentiated which could raise the possibility for new entrants. (Datamonitor, ref 0165-2036)

The recent financial crisis and global economic down turn have had a significant impact on the German packaging industry. Earlier strong years have on the other hand generally strengthened the economy of most firms in the industry. Thus, the majority of these companies has a healthy economy and possesses a good outcome to survive despite diminishing demand. The industry is built on a few large firms and many companies with small and regional market shares. The largest actors on the German packaging market are Smurfit Kappa Group with about 25 percent of the market, SCA Packaging with 11 percent and Mondi Group with 5 percent. (Brasch, 2009)

Other characteristics of the industry are the difference in the ownership structure of the companies. Large companies like Smurfit Kappa and SCAP are noted on the stock exchange and are therefore obligated to deliver value to their shareholders, which family owned companies probably not are to that extent. Family owned businesses often come from different backgrounds and plan and execute in order to benefit the family in generations instead of focus on the next quarterly report. Companies that are listed on the stock exchange are dependent on their investors and therefore need to keep them pleased by any means necessary. Instead of giving parts of the profit to investors, family owned companies use their return on reinvest in order to provide better possibilities for future family generations. (Wagner, 2009) Family owned companies often have a less bureaucratic decision-making process and possess a direct and unlimited access to information from their companies (Marton et al, 2008). This enables a quick action to adapt to current or future market situations. SCA on the other hand with its size and more dispersed ownership could be regarded as a big and heavy oil tanker whose course and destination is difficult to change once it is set. Packaging firms are to a large extent providing the market with similar undifferentiated and standardized products and solutions. Therefore, the only way to compete is on price such as cost leadership, which leads to a market exposed to high competition. In order to reduce market rivalry and gain higher margins, packaging companies now need to focus on more advanced products and services to deliver higher value to their customers. By doing this they can create a customer lock-in effect with reduced customer bargain power as well as limiting the risk of losing the customer to another supplier. (Brasch, 2009)

1.1.3 TODAY'S PACKAGING MARKET

The current worldwide financial crisis has affected the packaging industry since it's directly dependent and correlated on other industries sales. Many of today's industries have a low order intake since people have reduced their purchasing. Due to a declining demand, the packaging industry is struck by an overcapacity of 20 - 25 percent. The current overcapacity further strengthens the customers bargaining power and the opportunity to cut prices. The price on standardized and undifferentiated packaging products correlates with the current world price on paper. If the paper price goes down, customers react and demand a lower price in size with the price fall. Another problem in the industry is the overall lack of investments in market intelligence. Many of the packaging companies give away too much for free and do not have the knowledge of charging for services. As long as any company gives service for free none of the other companies are able to charge for it. (Wagner, 2009)

1.1.2 Merge between SCA and Stabernack

SCA acquired Stabernack, a German packaging and display company in 2002. (Datamonitor, 2009) Stabernack was a family owned company and different from SCAP. They were deeply rooted in the high added value segment with large customers like Nestle and Kraft and had a very good focus on giving the customers a high level of service. They segmented the market to find the right customers and had a clear focus on fast moving consumer good. (Wagner, 2009)

At the time for the merge, SCAP had about 300 million Euro in turnover and Stabernack about 220 million, SCAP on the other had more plants and employees. Thus, it is not very clear which one that had the most successful approach. The acquisition created a line of synergies. SCAP brought their skills in engineering, expertise in production, volume thinking which resulted in higher margins due to stronger bargaining power and economy of scale. Stabernack on the other hand contributed with knowledge in value selling as well as having the best customer basis in the German packaging industry. Despite the fact that the acquisition created a line of synergies, every attempt to merge the national Stabernack with the regional SCAP sales organization have failed. (Wagner, 2009)

1.1.6 ORGANIZATIONAL CHANGE VISION

Become one strong national sales organization in order to:

- become customer orientated
- increase the sales and marketing mind-set
- attract high margin customers
- strengthen the SCAP brand
- become a total system provider
- strengthen customer lock-in
- charge for the value SCAP is creating
- streamline the organization
- make work more efficient

1.2 PROBLEM DISCUSSION

SCAP has a strong tradition of being a technical and production orientated company. The technical nature has been a part of their identity since 1930 when SCA begun its paper and pulp production. The company is efficient in their production and can offer their customers various packaging solutions. Regular corrugated products are not very complex since it contains almost 100 percent paper and the price on cellulose is not a secret. Therefore the customer always knows what has happened with the price and can force SCAP to lower their prices if there has been a recent reduction in paper price. As long as SCAP focuses on selling standardized and undifferentiated products it will be difficult to increase margins and generate larger earnings. (Wagner, 2009)

Since the merge with Stabernack in 2002 SCAP has tried to join the two companies' sales organizations without succeeding. SCAP is now fully implementing an organizational change and a restructuring of their sales organizations. The change aims to join the national and regional sales organizations together in order to establish a strong sales organization.

1.3 Research question

- Develop an understanding for the ongoing change process in the studied case company?
- Which generalizable key success factors can be identified?

1.4 Purpose

In this thesis we will analyze and evaluate the ongoing organizational restructuring in SCAP's sales organization, which includes the internal restructuring regarding the different approach to SCAP's sales efforts in general. The purpose of the thesis is, despite that the study focus on an individual case and a specific situation, to identify generalizable key success factors in order to present practical guidance in future corresponding organizational changes in sales organizations. The analysis is done with the help of existing theories about the organizational change and organizational learning, but with a strong empirical anchorage, which can further develop these theories.

1.5 Predisposition

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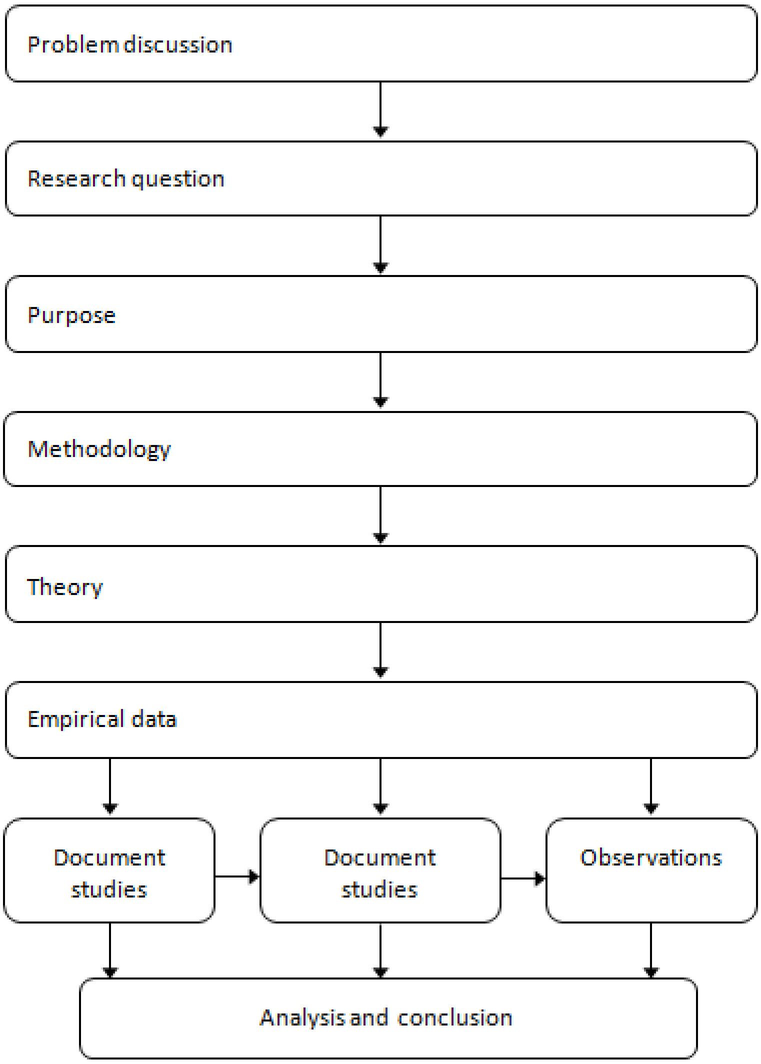

2 METHODOLOGY

The methodological and scientific approach, which we have chosen to proceed from, is presented in this chapter. Furthermore, the chapter consists of a more concrete explanation of the study. Finally, the sources we have selected are discussed from a critical perspective.

2.1 METHODOLOGICAL APPROACH

2.1.1 ADDUCTIVE APPROACH

The approach of the thesis is mainly of an inductive nature, since we begin from the reality and empirical data and then proceed to the theory. From an inductive approach the theory is the result of a research approach, where the empirical findings become the foundation for generalizable conclusions that are building new theories (Bryman & Bell, 2005). We have observed that there is a complexity regarding the implementation of the new organizational structure, which we want to build knowledge around, thus the inductive approach is used to explain the phenomena that we study.

The alternative, the deductive method, implies that the researcher, based on theoretical considerations derives or discards one or more hypotheses through empirical research. The purpose of the deductive method is to test or revise existing theory. (Bryman & Bell, 2005) The initial theoretical study creates expectations on the empirical data, this means that there also are deductive elements in the methodological approach. Our main methodological approach therefore lays in an inductive approach combined with deductive elements, which are characterized by the adductive approach. The advantage of an adductive approach is that the researcher won't be locked to a deductive or inductive approach and therefore able to adapt the research gradually as it progress. The disadvantage is that the researcher might base the study on prior experience and therefore rule out alternative interpretations. (Alvesson & Sköldberg, 1994) Because there is present relevant theory, we think it is appropriate to allow it as a reference framework for data collection, while the framework based on the empirical material may be gradually adjusted during the process.

2.1.2 Normative approach

A descriptive approach aims to explain, understand, map or to predict how something is. Normative studies are on the other hand perceptive and often aim to present practical guidance (Holme & Solvang, 1991), which can be used to avoid future pitfalls or to improve the current state. We will complement our adductive approach with a normative viewpoint since purpose of the study is to analyze the organizational change in order to present practical guidance, rather than explaining or predicting.

2.1.3 Qualitative methodology

The qualitative research strategy has a basic starting point in that the understanding of social phenomena only can be obtained by observing how people interpret the social reality. Qualitative research is often characterized by a few investigated units that are studied from an intensive setup and with interest for individual unit's individuality. (Jacobsen, 2002) By collecting and analyzing information based on the qualitative method, we can study phenomena that are complex to measure. Because we want to get a nuanced picture of the organizational change together with an in-depth insight into the practical field of application, a qualitative approach therefore suits our problem. The design is also more flexible than a quantitative approach since the data collection can be adapted to the reality that the object is in.

2.2 Grounded theory

Grounded theory is a common approach within the qualitative methodology and is developed by the two sociologists Strauss and Glaser (Bryman & Bell, 2005). A grounded theory is induced from the collected data and analyzed as the research process is progressing. The purpose of this method is to discover ideas and relationships in the empiric data, which then can be processed. Ideally, theory is to be formed directly from what is observed in reality. Selection and data are driven by ideas that are generated from and are grounded in the data. It is also important to have few preconceived ideas for the research process and to possess sensitivity in the presence of the empirical data. (Strauss & Corbin, 1990) Inspiration from the grounded theory allows us to adjust our research question during the research process, as we cannot foresee every possible angle of incidence from the beginning of the study.

As the empirical material is analyzed new theoretical ideas arise and affect our continued collection and selection of data. The meaning of using the grounded theory is that the research question is emerging as the empiric data increases. According to Strauss and Corbin (1990) the data selection expands until no new relevant data is obtained within a particular category, when the extent of the category has been determined and when the relations between the various categories have been established. When we made our selection of interview persons, we have worked on the supposition on theoretical saturation. In a relatively early stage, we could see that the responses from the interviewees were similar, however, there were some variations and a few peculiar responses. Since the majority of the interviewees had similar views, we refrained from interviewing people that we initially had been in contact with for possible interviews, as that felt redundant.

The purpose of this study is not to generate new theory in its traditional sense, but rather identify general key success factors within structural changes in sales organizations to present practical guidance in future similar changes. Strauss and Corbin (1990) accentuate specifically that grounded theory is a method that can be used even if the study does not intend to generate new theory in its traditional sense. Strauss and Corbin define the theory as a set of well-developed categories that are systematically related by relation statements and forming a theoretical framework that explains some relevant social or other forms of phenomena. (Bryman & Bell, 2005)

2.3.3 Criticism against grounded theory

There is criticism against the limitations of the grounded theory. The concept of grounded theory is that it should be unprejudiced. It has, however, been questioned whether if it is possible to withhold knowledge of relevant concepts and theories until a late stage in the analysis process as the researcher's view often is guided by previous knowledge of the social reality that is being studied. (Bryman & Bell, 2005) Seldén (2005) argues that it would mean that less experienced researchers are the most effective investigators. Further, Seldén argues that the creation of concepts do not arise from the data and are rather developed by the researcher and depends on the extent of the researcher's level of knowledge within the field. To further develop knowledge and reach a scientific level, theory is the best tool (Seldén, 2005). The researcher should therefore be open to existing concepts and explanations in order to build on previous research (Bryman & Bell, 2005). As mentioned before, we have only been inspired by the grounded theory and we therefore do not see it as a problem that we have developed prior knowledge about the subject. We have no ambition to, like the ideal, go out in the reality without any expectations. We will, however, avoid preconceived ideas about the phenomena that we investigate.

2.3 Procedure

2.3.1Collection of data

The material we have used in our investigation consists of both primary data and secondary data. Primary data is characterized by that is has been collected specifically for our study (Svenning, 2003) and consist of observations and interviews with selected key persons from SCA Packaging Germany who are involved or affected by the organizational change. Secondary data, which consists of material collected or created by others (Svenning, 2003), primary consists of market analyses conducted by Datamonitor and change studies performed by SCAP and ZS Associates.

2.3.2 Interviews

Our aim with the interviews is to provide a picture of respondent's views on the subject we intend to study. A semi-structured interview based on a qualitative approach is preferable compared to a structured interview, which instead is based on a quantitative approach. The reason is that semi-structured interviews aim the attention towards the respondent's standpoints rather than to reflect the researcher's interests as structured interviews does. Our chosen method allows for respondents to formulate answers on their own way. Further advantages of a qualitative interview approach are that we have the opportunity to conduct interviews in different directions depending on what the respondents consider to be important and significant. A semi-structured interview approach is therefore more flexible and adaptable than a structured interview. (Bryman & Bell, 2005)

2.3.4 Interview design

Since we have chosen a semi-structured interview approach, we have identified some key subjects that we intend to address during the interviews. We have structured the interview guide so that it follows a logical order in which the questions are based on each other. The questions are designed to provide answers to the thesis research question without being leading. By discussing the interview questions, we have come up with possible supplementary questions, which will help us to make them more relevant and precise. The supplementary questions are based on the interviewee's responses to deepen, clarify or justify their opinions. We have not planned to ask supplementary questions mechanically, but they function as a helping tool during the interview. The semi-structured interview approach enables us to ask supplementary questions which are not planned from the beginning. A stricter interview guide as the structured interview is characterized by can lock us in and may have the effect that it counteracts the purpose of obtaining the interview persons opinion on the issue. (Bryman & Bell, 2005)

2.3.5 INTERVIEW PROCEDURE

To obtain a broader view of the research object and to get ideas of theoretical angels a pre-study where conducted at the beginning of the study. The pre-study enabled us to visit one of SCA Packaging's production plants in Fulda Germany and meet key individuals who were responsible for the organizational change as well as to develop a deeper understanding of the company and their products. We also conducted interviews similar to discussions and attended a meeting with their management consultant firm in Frankfurt Germany.

The interviews in all cases except the ones carried out during the pre-study where performed through telephone. The interviews have in all cases been recorded and transcribed afterwards. The advantage of recording the interviews is mainly that we can be totally focused on the responses and thus be more responsive to ask relevant supplementary questions. Bryman & Bell (2005) argues that the respondent can get worried and thus not give full and honest answers if the interview is recorded. We believe that the risk is minimal in our case because of that the interviewees was informed at an early stage that their names would not appear in the thesis. Recordings and transcriptions give us empirical material that can be analyzed. It also gives us the opportunity to understand all the answers and any undertones.

2.3.6 INTERVIEWEES

As Carolyn Wagner is the one who initiated the study, it was natural to commence a pre study based on interviews with her and two of her closest colleges to develop an understanding for SCAP and the organizational change. The empirical data in the main study will be based on area sales managers and plant sales managers because they are affected by organizational change while they at the same time are involved in the change process. The five interviewees are selected randomly from a list of a total of teen plant sales managers and area sales managers.

Pre study

- Carolyn Wagner, Sales and Marketing Director
- Georg Staub, Business Support Manager
- Sebastian Brasch, Business Analyst

Main study

- Michael Lamprecht, Areas Sales Manager Region Southeast
- Thorsten Kuehn, Areas Sales Manager Region Southwest
- Ulrich Metzger, Areas Sales Manager Region North
- Martin Kraus, Plant Sales Manager Nördlingen
- Nicole Ballweg, Plant Sales Manager Pulheim

2.4 ANALYTICAL METHOD

To theorize the gathered empirical data we have gradually coded the obtained data. Three forms of encoding; open, axial and selective coding (Strauss & Corbin, 1990) has been used. Open coding is a process where data is broken down into categories and concepts, axial encoding on the other hand puts the data together in new ways by creating links between the categories. Finally, a core category is selected and systematically related to the other categories. Categories possess an analytical power through their ability to explain and predict. (Strauss & Corbin, 1990)

In the open coding process, we have broken down a large quantity of interview data that we have received during collection period. We have selected relevant terms, concepts and interpretations from the interviews and identified if they are common or rare among interviewees. Subsequently, distinct categories have been created in order to simplify the analysis of the collected data. Even though we have not discarded any unique or distinctive opinion, we have focused on frequent co-occurring opinions and interpretations, which we believe, are the most useful. The opinions of the interviewees are grouped in categories that reflect the problems and attitudes important for the study's research question. In the axial phase, links between the categories has been created (Strauss & Corbin, 1990). We have in this stage illuminated the categorization based on previous relevant research in the field of organizational change to identify causality, patterns and links. Categories can represent phenomenon comparable to problems or events that are distinguished for the empirical data. Phenomenon's obtained from the empirical data can be seen as an indication of what is happening in the reality and can therefore provide important analytical ideas. (Strauss & Corbin, 1990) The study strives for the consequences that the restructuring of the sales organization has created will be found, categorized, understood and predicted. The categories and in particular the core category must therefore represent a phenomenon in reality. The other categories functions as sub-categories integrated with the core category in order to clarify and illuminate the line of argument.

2.5 Research evaluation

2.5.1 Validity

The validity of the study implies on its ability to measure what it intends to measure (Svenning, 2003). Validity is often divided in internal and external validity. Internal validity implies that the studied observations are consistent with the theoretical ideas developed in the research. External validity is on the other hand the degree to which the results of a study can be generalized and used in other situations. (Bryman & Bell, 2005) The internal validity has been taken into account by forming the interview guide with relevant questions that cover the theoretical areas derived from the pre-study. We believe that the responses obtained from the interviews are consistent with what the questions were designed to measure. However, it is important to stress that the selected interview respondents consist of a group that is positive to the change.

2.5.2 Reliability

Reliability implies on how trustworthy the results of a study, two studies with the same purpose and method should present the same results. (Svenning, 2003) In a qualitative study, a distinction is made between external and internal reliability. External reliability is the extent to which a study can be repeated while the internal reliability refers to consistency in the interpretation of interview. (Bryman & Bell, 2005) To increase the study's external reliability, we have placed great emphasis on the use of questions that the interviewees easily can relate to. The internal reliability can be considered as relatively high as we have carried out the interviews and interpreted the answers together.

3 Theory

The theoretical framework, which we have proceeded from, is presented and motivated in this chapter. Moreover, previous research is introduced as a basis for answering the thesis research question.

3.1 Theoretical Framework

The theoretical chapter is divided into three parts in order to structure and get a clear classification between the theories. To develop a broad perspective it is essential to discuss some more fundamental theories about organizational structures, which at first sight may be seen as less relevant. This theoretical approach is although a crucial perspective as change in one part of an organization can affect the whole organization. Organizations are structured to manage flows and interrelationships that are part of the everyday activity (Mintzberg, 1983). These structures, activities and flows are not linear and do not follow predetermined patterns. To study organizations we have to make simplifications and even though it is not totally correct it gives us a needed point of view to work from.

To perform an analysis, we believe it is important to begin with developing knowledge about the organizational structure, since this could be seen as the backbone of the organization. Even if we accept the organizational structure as it is, the structure determines the prerequisite for change. Mintzberg (1983) will be used in order to present a broader understating of organizational structures and actors essential for developing an effective organization. Thus, help us to develop knowledge and study the sales organization fundamental actors and organizational structure. SCA Packaging's main agenda is to successfully implement an organizational change in their sales organization. We therefore believe it is crucial to develop understanding of previous research of key success factors in order to achieve organizational change. One part of organizational change is to identity and to explain errors that occur in the organization. Argyris and Schön (1978) describe this process as organizational learning. Organizational learning emphasizes the continuous change process in organizations. In order to identity generalizable key success factors within the change process of SCAP's sales organization it will be important to develop an understanding for organizational learning within this specific organization. Although organizational learning is an essential theory in order to understand organizational change, we will also expand the perspective by involve theories that are more specific and focus on particular parts of organizational learning, such as core competence (Leonard-Barton, 1992) and dominant logics (Prahalad & Bettis, 1986).

3.2 ORGANIZATIONAL STRUCTURES

Designing an effective organization is important for the organizations survival. With a starting point in essential organizational parts we are following Mintzberg (1983) through his collaboration mechanisms, power distribution and structural issues. Through discussing the basic elements of an organization's design, Mintzberg (1983) is building a foundation of key factors. He states that all variables depend on something else and there is no variable that is either dependent or independent of its own system. A change in each of the elements could generate massive changes in the rest of the organization. Mintzberg (1983) begins his theory by dividing the organization into five different basic parts that break up a company after assignments and issues. He continues with discussing how to coordinate, design, control and finally build a superstructure. (Mintzberg, 1983)

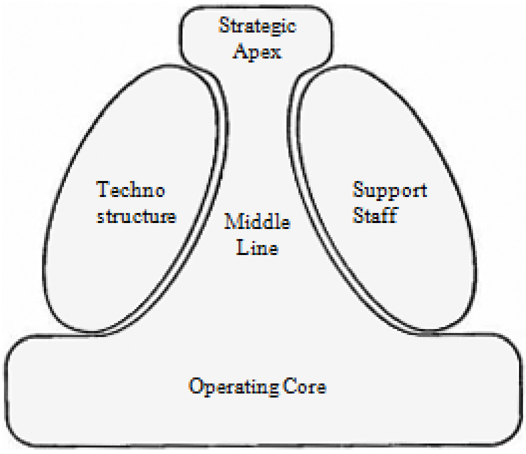

Figure. X The five basic parts of the organization (Mintzberg, 1993:11)

3.2.1 Strategic Apex

The strategic apex is located at the top of an organization and consists of managers and employees with an overall responsibility for the organization. This implies that they need to satisfy their stakeholders, government, employee unions, employees and anyone that will come in contact with the organization in order to maximize return on investment and to gain goodwill. The CEO, CFO, executives and employees who directly support these managers belong to the strategic apex. Employees who conduct direct support to top management can be administrative staff. The mission of the members of the strategic apex is to act as the brain of the organization and to ensure its sustainability by supporting in the most effective ways possible. (Mintzberg, 1983)

3.2.2 Middle Line

The middle line functions as a link connecting various departments in the organizational structure. The primary task of the middle line is to communicate both downwards and upwards in the organization, between the strategic apex and the operating core as well with each other to enable an optimal usage of the organization's resources to attain a lean production. The middle line often consists of middle managers, which are responsible for their own department or departments. Hence, top management provides the middle line with strategic targets and operative goals, which should be delivered on time. Middle line managers not only have to be responsible towards top management, they also have to motivate and engage lower ranked employees in order to reach predetermined goals given by the top management. The easiest way to accomplish these goals is to supervise the workers of the operating core as well as to provide the top management with feedback on their performance. A strong communication between the strategic apex and the middle line is important to maintain control over the work processes in the organization. The size of the organization determines the levels and responsibility of middle line managers. A large organization may consist of several hierarchal levels, whereas a smaller organization may only house one level middle line managers. (Mintzberg, 1983)

3.2.3 Operating Core

The fundamental work and production are performed in the operating core of the organization. This level in the structure is often characterized by standardized work tasks and where the majority of a firm's value creation is created. The operating core is often compared with the heart of an organization since the essential output is produced here. (Mintzberg, 1983)

3.2.4 Technostructure

The technostructure consists of analysts and specialists who determine which techniques and tools to be used by the organization's operating core. Specialists often have a background in the production and have therefore developed great knowledge over the years on the production floor. The members of the technostructure do not execute any production work themselves, instead they supports and utilize the work of others by standardizing processes, designing new ways of working, improve current techniques and provide essential training. The technostructure is effective when it contributes with knowledge that increases the efficiency of the organization. Therefore, the more standardized processes an organization utilize, the more it depends on the technostructure. In a well-developed organization, the technostructure may operate on all hierarchical levels. Members of this structure can then train the operating core, standardize intellectual work at the middle line and design a strategic planning system for the strategic apex. (Mintzberg, 1983)

3.2.5 THE SUPPORT STAFF

The main purpose the support staff is to provide support to the operating workflows in the organization. Pay-roll department, janitorial service and security department are examples of support staff functions. None of these functions are parts of the operating core and are not involved in creating any output. Instead these functions exist to provide indirect support to the organization. Even though these groups have different functions they may appear on various places in the organizational hierarchy. (Mintzberg, 1983)

3.2.6 COORDINATION IN FIVE

Every organization desires to complete a number of tasks to reach their predetermined goals. In order to succeed, the organization needs to coordinate the work. The following five mechanisms explain the fundamental ways of coordinating the work in an organization. These different ways of controlling can be viewed as the organization's most basic elements of structure. Mutual adjustment, direct supervision as well as standardization of work, output, and skills are according to Mintzberg five ways of coordinating an organization. (Mintzberg, 1983)

Mutual adjustments are a simple form of coordinating work to reach predetermined goals by informal communication. Coordination trough mutual adjustments allow the concerned persons to individually solve upcoming problem that prevents them from finishing their objectives. Interestingly, mutual adjustments are used both in simple organizational structures as well as in advanced ones. Two persons in a canoe who manage their way through the water by communicating can for example illustrate a simple structure of mutual adjustments. The same simple informal communication is used in advanced environments with complex goals. When inventing new techniques there are no right or wrong and no manual to consider, and therefore, experts need to talk and discuss to reach a solution. (Mintzberg, 1983)

When an organization outgrows its simplest form, the need for supervision appears. Direct supervision is a form of supervision where a person takes responsibility for the output of others by assigning instructions and controlling their performance. Therefore, every work group or employee report to one certain manager who can supervise one or several groups. (Mintzberg, 1983)

Standardization of work process is another way of coordination. The employees follow predefined rules when performing their job. Assembly line production is one example of standardized work. (Mintzberg, 1983)

Standardized output is a form to coordinate an organization's output. The output is predetermined and the output is often closely controlled. Employees working under a standardized output-form often have a salary based on a piecework contract. The employee therefore has the possibility to develop their own way of reaching the predetermined goals. This method of supervision is frequently used on high-level managers who get predetermined goals and can work, as they prefer as long as they deliver according to the expectations. (Mintzberg, 1983)

Some organizations lack the possibility to standardize work and output. Organizations, which standardize skills, often have employees who possess a certain educational degree or have gone through some sort of special training. An education certifies knowledge and serves as a receipt of the employee's ability to perform a high-quality job. Standardizing skills often conducts to the same result as standardization of work and output. But, due to the difficulty to measure the output, organizations often prefer to use standardization of skill. (Mintzberg, 1983)

3.2.7 Design Parameters

All organizations are dependent on their employees and their ability to exercise their assignments. Therefore, the job design and the employee's ability to adjust to the organization have a high impact on the whole organization. According to Mintzberg (1983) there are three design parameters used in organizational design; job specialization, behavior formalization and training and indoctrination. (Mintzberg, 1983)

3.2.7.1 Job specialization

Specialization of work can be divided in two dimensions; horizontal and vertical. Both dimensions have their own extremes due to whether they are specialized or enlarged. The horizontal dimension decides how many different tasks a job includes and how narrow or broad the tasks are. Horizontal job specialization can be exemplified with an employee that repeatedly focuses on one highly specialized task that is performed continuously. The result of this specialization is that complicated tasks are divided into simpler and smaller tasks. (Mintzberg, 1983)

"One man draws out the wire, another straights it, a third cuts it, a fourth points it, a fifth grinds it at the top for receiving the head..."
(Smith, 1910 trough Mintzberg, 1993)

Horizontal job enlargement is another horizontal dimension where the employee engages in a wide variety of tasks. Thus, a varied job that demands different kind of knowledge. The vertical dimension deals with the depth and the way to control the work. Vertical job specialization divides the performance of the job from the administration of it. The employee will just carry out the work without any deeper thoughts about why and how he or she performs the job. Vertical job enlargement enables employees to perform various tasks as well to control every aspect of the work. (Mintzberg, 1983)

3.2.7.2 Behavior formalization

Behavior formalization controls how the employees are expected to act within the organization. Behavior formalization can be obtained by job position, workflow and rules. Behavior formalized by job position, is done by attaching specifications to the job itself. Formalization by workflow means that the specification depends on the work that is attached to the job, as in the situation of a printing-order docket. Formalization by rules regulates more general behavior e.g. dress code and social code. No matter which of the above mentioned formalizations an organization uses, the effect on the employee should be to control the behavior. Behavioral control aims to reduce unpredictability and increase predictability as well as ensuring control throughout the labor force. Bureaucratic and mechanical organizations utilize behavioral formalization as coordinating mechanism in a larger extent than flat and organic organization. (Mintzberg, 1983)

3.2.7.3 Training and Indoctrination

The third design parameter stresses the importance of employee knowledge. The organization specifies the needed knowledge to perform the assigned tasks linked to a certain job position. As the world is constantly changing organizations often need to develop their employee's knowledge to adapt to current and future demands. Professionals are trained over a period of time to acquire skills desired by the organization. Training often takes place in universities, schools outside the organization as well as within the organization to meet a specific need. Training is a key design parameter for professionals and is especially important in complex job positions where particular skills are needed. (Mintzberg, 1983)

Indoctrination and socialization is a process to enable new employees to acquire required norms and values of the organization. A good way to indoctrinate new employees with the reign organizational culture is to rotate them between different positions to enable them to acquire a broader picture of the firm. Social events are another tool to establish and root the organizational culture by gathering the employees. An employee that thinks as the organization desire, possesses the right organizational culture, and from the organization's view, is able to take the best decisions. (Mintzberg, 1983)

3.2.8 Create an efficient structure

Building an organization structure to manage the employees and their skills are often difficult. A common issue is how to group employees in optimal sized groups to streamline the work processes. Unit grouping is a basic tool to efficiently manage and coordinate work processes. By forming optimal units the organization can improve control, sharing of resources, methods to measure performance and improving the encouragement of mutual adjustments. The larger a unit is the more issues it will produce and the more managers are needed to control it. Therefore, large groups are often located in the operating core where the work processes often are standardized and formalized to a large extent. (Mintzberg, 1993) There are several different ways of grouping, which are described below.

An easy way to create groups is by using the amount of knowledge and skills that the employee brings to the organization as a base for the various groups. This kind of groups is often formed by the employee's education. Another common way to form units is by work processes or function. Grouping by work processes gathers all employees who execute a certain task into a group. Most organizations are grouped by function and every group that is created is to provide a certain function. Groups can also be formed from a perspective of time. In this case employees often performs the same job task, but on different times during the day. Management form groups dependant on the shift, which facilitate the communication with a certain group. The last way of grouping is based on geographical location. There are different ways of grouping through geographic place and one example is to cover a certain area with deliveries, while another can be to place a production plant close to a raw material source. By structuring an organization in different ways synergies can be established. Other positive aspects may include improved control, improved resource sharing, common measurements and better communication. Important to know is that groups often fit into more than one category and that borders between groups can be rather invisible. (Mintzberg, 1983)

3.3 Organizational Change

Organizations are often under constant change due to changes in their internal and external environment. In order to manage change and stay competitive, a proactive way of work is required. This on the other hand increases the demand on knowledge possessed by the organization. The way an organization chooses to manage significant change often determines the outcome of the change. In order to manage change more successful usages of an action plan that address various critical parameters are needed to increases the chance of successful transformation. Awareness of the critical parameters can also lead to a more flexible organization that is able to deal with change in the future. (Chrusciel & Field, 2006)

3.3.1. Planned training & Planned change

When starting a change there is a vast need to follow a plan for the training of employees. A training plan minimizes the risks that are linked to decision-making and defines available resources. Often, current training needs to be replaced with education more linked to the change and t focused on comparing present skills with future preferred skills. In an overall change plan comparing the present state with the future wanted state is required. The planning analysis should evaluate this gap and find the means needed to reach the wanted position. The plan should concern the needed training or the overall change and state the benefits for the ones concerned. This is to strengthen their desire to participate in the training as well as strengthen their understanding of the advantages. (Chrusciel & Field, 2006)

3.3.2 Motivation & Communication

Another critical success factor is to provide reward systems that motivate the employees. The communicated plan has to involve instructions on how to perform according to the new goals. It is often crucial to motivate employees with reward systems as this often can facilitate to get them over to the critical mass of early adopters that promotes the change. Communication is another important and critical part of a change process. Communication is a central parameter in all levels of the organization. Insufficient information can on the other hand limit the success of the change. (Chrusciel & Field, 2006)

3.3.3 Top management support & Readiness for change

It is crucial to have an active and noticeable support from the top management. A good idea is to have an inspiring and popular manager that easily involves and affects others as the front figure for the change. It is also important that the organization is ready for change. Wrong perception of the readiness can either undermine or facilitate a successful change. (Chrusciel & Field, 2006)

3.3.4 Tipping Point Leadership

To successfully implement change, an organization often has to win over the critical mass, so that the persons supporting the change are more than the ones who are resistant. A successful tipping point will spread the belief and energy of the engaged mass to spread to the rest, similar to an epidemic, and thus enable a more rapid change implementation. The movement towards tipping point can often only begin with actors who make unforgettable calls for change by concentrating on the real issues, affect key players and manage the most critical naysayers. (Kim & Mauborgne, 2003)

3.3.4.1 Cognitive Hurdle

The hardest battle when turning an organization around is often to make people agree on the causes of the problem and the need for change. Manages often explain a crisis with focus on negative numbers, which on the other hand seldom open the employee's eyes. The reasons for putting little or less efforts on hard numbers are many. One example might be that employees in a well performing unit feels that the problem is not theirs while the ones in bad performing units are getting worried and may search for new jobs instead of focus on the issue. When addressing the cognitive hurdle, it is often essential to illustrate the problem. Focus has to be on putting managers face-to-face with the problem to disable any possibility to deny the current situation. By focusing on illustrating the problem the employees often tend to take it more seriously and to a greater extent be more convinced that a change is needed as well as believing that it will be possible. If the implementation needs some behavioral change, management need to function as good example and walk in the frontline. This will send a signal about how serious it is and that it is really happening. (Kim & Mauborgne, 2003)

3.3.4.2 Resource Hurdle

Even though change is needed and generally accepted, the resources allocated for organizational change are often limited. The usual way to manage limited resources is to reduce the change ambition or to fight for additional capital from shareholders and banks. Unfortunately, processes like these often take time and drive the attention away from the real problem. Managers should therefore focus on the current resources and act while the involvement is high as well as focus on where the resources can provide a noticeable payoff. (Kim & Mauborgne, 2003)

3.3.4.3 Motivational Hurdle

When alerting change with limited resources it might be necessary to reach the organizations tipping point. But in order to succeed, the employees must not only know what needs to be done, they also need to be motivated. It can be costly and take a long time to motivate the employees throughout the whole organization. The fastest and best way to motivate an organization is to find the key influencers and motivate them. Key influences are people with power both inside and outside the organization. The power often comes from a connection to the organization and their ability to persuade or block access to resources. Thus, the most important part in tipping point leadership is to involve these key influencers. Once this is done, they will continue to send out the message throughout the organization and to their employees. (Kim & Mauborgne, 2003)

"…solves the motivation problem by singling out the key influencers. They act like kingpins in bowling: When you hit them just right, all the pins topple over." (Kim & Mauborgne, 2003:8)

By motivating the key influencers in an organization, there will often be no need to motivate the rest as the large impact of key influencers will spread the change down to the last man onboard once they are on your side. A way to motivate key influencers is to put them under a spotlight so that everyone can see exactly what they are doing and not doing. Bye repeatedly having meetings with the key influencers and have them to present their progress or problems in front of the others may be one good way. Since no one desires to present a bad result in front of others, the key influencers will work hard not to. These meetings also allow managers to manage the key influencers and monitor their focus and motivation. This could foster a culture of performance as responsibilities and results are understandable. By having the presentations in the presence of other key influencers disables the possible to blame someone else and if the results are good, it can be a way to earn either a promotion or a good reputation. A motivated key influencer and department leader that knows that he or she might have to stand up and present next month figures becomes eager to motivate his or her employees to perform better. The most important in motivating employees is to show them that the task is possible. The easiest way of doing this is to break down the big picture into small parts and hand out concrete and possible tasks. (Kim & Mauborgne, 2003)

3.3.4.4 Political Hurdle

There is a large importance in understanding plotting, intrigues and political involvement during a change. During change powerful interests both inside and outside of the organization will work against the process. The closer an organization are to a tipping point, the harder ones resistant to change will fight to protect their positions and their resistance can seriously damage the change process. Thus, it is important to manage resistant key influences on an early stage before they have the chance of inhibit the change process. If possible, change initiators should align with people that know the organization's political game and that have worked there for many years so that they can listen to what is said behind closed doors. There are also political hurdles outside the organization that might have to be taken care of. The theory says that you should eliminate internal political hurdles and isolate the ones on the outside by building a broad coalition with the other independent powers. (Kim & Mauborgne, 2003)

3.4 Organizational Learning

Effective learning enables organizations to be more successful in managing problems. Learning occurs when an organization interact with its environment. By observing the results of their actions, organization's can enhance their knowledge of reality. Actions are often experimental but organizations also learn by imitating or adopting other organizations behaviors or picture about the surrounding environment. (Hedberg, 1978) March and Olsen (1976) describe organizational learning as a cycle where individual actions lead to organizational actions which in turn generate environmental responses. The environmental responses are thereafter communicated back to the organization, where they in turn, influence individual's beliefs and thus affect future actions. (March & Olsen: 1976)

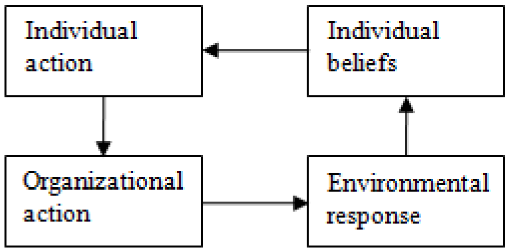

Figure. ***X*** *The cycle of organizational learning (March & Olsen, 1976:59)*

The individuals are the ones who act and the ones learning, while the organizations merely function as places for action to be taken. Experiences developed from prior executed actions are stored in the individual's heads where they alter the organization's future behavior. (March & Olsen, 1976) Other scholars have also emphasized the importance of the individual. Cyert and March (1963) explains that an organization may be in a different state of a set of states. At any period of time an organization chooses some of these states in favor of others dependant on the combination of external uncontrollable shocks and internal decision rules. Every combination alters the state of an organization. Hence, the next state is based on the prior state, internal decisions and external shocks. Decisions that have led the organization to a preferred state are more likely to be used in the future. (Cyert & March, 1963)

Organization's environments are often changing, which implies that the knowledge will increase but will become outdated at the same time as the environment change. In order to develop understanding for the new state, learning new knowledge as well as abandoning outdated and misleading knowledge is needed. Abandoning knowledge i.e. unlearning, is as vital as adding new knowledge in order to develop an understanding. By acting within their environment, organizations learn defensive and offensive knowledge. Organizational learning contains both types of knowledge. Organizations use defensive knowledge to adapt themselves to the reality whereas offensive knowledge is used to improve the fit between the organization and its environment. (Hedberg, 1978) Even though the theory of scientific experimenting presumes that knowledge and beliefs originates from observations of the outcome of actions (see figure x), organizational learning may also occur when reality and beliefs are slightly, if at all, connected together. Cognitive limitations may impede organizations understanding of experiments to the extent where learning cycles are blocked and remain incomplete. (March & Olsen, 1976)

3.4.1 Single Loop & Double Loop Learning

Single and double loop learning is two ways to describe learning. Single loop learning is a basic model to react on error. Organizations respond to changes in the surrounding environment by first discovering errors, and then correct these errors to maintain the stability. Therefore, the single loop-learning model preserves the stability and keeps the values constant. Single loop learning solves existing problems without the consideration of finding the source of the problem. Even though the method can function well and seem rather intelligent, the system lacks the ability to create its own standards and cannot change behavior. If a single loop system is programmed with wrong goals it will keep this unwanted state. The most acknowledged example of single loop learning is a thermostat that reacts when it is either to warm or to cold by turning itself on or off. Single loop primly concern effectiveness i.e. the best way to succeed the existing goals. This also works in a constant framework of norms and goals. (Argyris & Schön, 1978; Hedberg, 1978) Organizations that are working under budgets are an example of single loop learning. If the results do not correspond with the budgeted, the organization has the chance to react before it is too late and thereafter return to the normal state. (Hatch, 2002)

All organizations are frequently reacting to their internal and external environment. Thus, organizations have to learn to survive and to be a player in the future market. (Argyris & Schön, 1978) Double loop learning is an active form of learning, which leads to insight (Hedberg, 1978) and functions as a system that supervises, corrects and determines suitable behavior. Double loop learning demands the system to question its own underlying causes and develop the ability to change its own rules and conditions. This leads to an organization that can learn. Due to the spreading of double loop learning, the organizational stability is replaced by chaos and new order is created from the intern dynamic of the organization. (Argyris & Schön, 1978) Thus, in order to understand environments that change, outdated mental interpretations and behaviors need to be abandoned and unlearned in order to learn new ones. (Starbuck & Dutton, 1973; Hedberg, 1978)

3.4.2 Core competence

The characteristic of a core competence compared to a competence in a general sense is that core competencies are of considerable strategic importance for the company. Being unique, hard to imitate and superior to competitor capabilities usually characterize a core competence. Core competencies are traditionally considered to consist of distinct technical systems, employee skills, leadership as well as a company's advantages in production and market knowledge. (Leonard-Barton, 1992) Core competencies can be seen as collective learning in an organization, coordination of production proficiency and integration of different technologies. (Prahalad & Hamel, 1990) Core competencies are not products or features in themselves, rather networks of skills and knowledge rooted in the organization. Flexibility and long-term characteristics of core competencies have an ability to adapt to changing circumstances over time. Core competencies are considered to increase customer value which enables the firm to influence their surrounding value-chain, to obtain a dominant market-position in the areas where it outperform competitors due to its core competencies. (Quinn & Hilmer, 1994)

At any given time, a firm's core competencies are constantly evolving, and corporate survival is dependent on the ability to manage that evolution. Core competence is often seen as a given organizational asset, formed by previous decisions and behaviors reflecting the firm's past. Historical success creates confidence and reliance on the firm's ability as well as in the strength of the core competence. (Leonard-Barton, 1992) Firms can acquire valuable technical skills and assets, without for that matter develops these competencies to gain and maintain competitive advantage in a changing environment. (Davies & Brady, 2000) In order to react on reign or future environmental changes the firm is forced to choose to preserve and renew the traditional core competencies or to replace iys existing core competencies. Product and market development require innovation, which can lead to a paradox between preserving older core competencies or to engage in a renewal process. Institutionalized skills can lead to slow reactions as a response to changes in the company environment. An example would be a new technology that completely changes the conditions of deeply rooted and traditional knowledge. However, it is relatively unusual that a company's core competencies are changed by a single project. In contrast, a project can highlight rigidity and the need to develop existing skills, and thus, prepare for an organizational change. (Leonard-Barton, 1992)

3.4.2.1 Dimensions of core competence

As mentioned before there are many descriptions of core competencies and according to Leonard-Barton (1992) who has addressed the issue from a knowledge-based perspective of the firm, the definition of the core capability will be a set of knowledge that distinguishes a competitive advantage. The knowledge set consists of four dimensions: (1) employee knowledge and skills which are rooted in (2) technical systems. Further, the knowledge creation and control are lead by (3) managerial systems. The fourth and last dimension, (4) values and norms are linked together with dimensions 1-3. (Leonard-Barton, 1992)

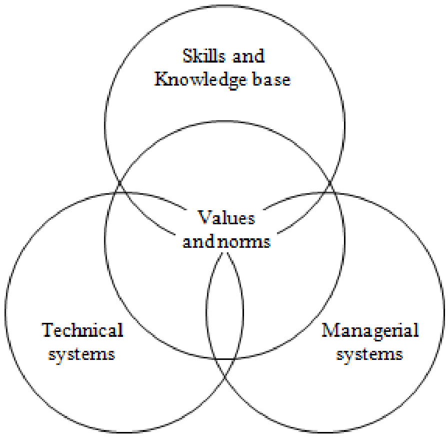

Figure. *X The four dimensions of a core capability (Leonard-Barton, 1992:114)*

Despite the linkage between the dimensions, the fourth dimension is often separated from the others or even disregarded in managerial literature (Barney, 1986; Leonard-Barton, 1992). However, understanding the concept is vital in order to manage development in new products and processes as well as core competencies. The first dimension, knowledge and skills, has the largest impact on new product development and thus, is often directly associated with core competence. The second, knowledge within technical systems, is the outcome of accumulated, codified and structured tacit knowledge possessed by the firm's employees. The third, managerial systems, is characterized by formal and informal knowledge creation trough for example apprenticeship programs, networks and sabbaticals as well as knowledge control trough for example reporting structures and incentive systems. Thoroughgoing these three dimensions is the fourth and last dimension, values and norms, which is assigned within the firm to the content and structure of knowledge, means of collecting knowledge and how to control knowledge. The four dimensions all reflect accumulated beliefs and behaviors built on the firm's early success. Thus, core competence is based on a unique heritage difficult to imitate. (Leonard-Barton, 1992)

Development projects interact with the firm's competencies over a period of time, from months to years dependant on how aligned the needed skills, managerial and technical systems are with the firms current competencies. All new development projects begin from the existing competencies. Thus, to some extent there will always be an imbalance between needed and current competencies. However, the amount and type of competence dimensions that are challenged by a new project determine the extent of interaction and if the project will enable change. Thus, the more dimensions involved, the greater the misalignment will be. A strong link between current and needed skills has a greater chance to enable change than a weaker one. As mentioned before, development projects obtain considerable support from core competencies. On the other hand, the same competencies can be dysfunctional and therefore obstruct product and process development. (Leonard-Barton, 1992)

The four dimensions of core competence all vary in ease of change, the more tangible, visible and explicitly codified the easier a change will be. The technical system dimension is considerably easy to change, as these systems are often located locally. Managerial systems often have a wider organizational scope as it concerns more units than technical systems, and therefore require a greater acceptance. The skills and knowledge dimension is even more difficult to change due to the fact that skills are built over period of time as well as many will stay tacit. The value and norm demission is the one least open for change, (Leonard-Barton, 1992) due to its near link to culture, which is hard to change in a short period of time (Zucker, 1977; Leonard-Barton, 1992) or even if they can be altered at all (Barney, 1986; Leonard-Barton, 1992) Even tough competencies are not usually dramatically changed by a single project, some will be exchanged over a period of time when the dysfunctional parts limit and inhibit too many projects. (Leonard-Barton, 1992)

3.4.2.2 Skills and knowledge dimension

One of the most important elements in a core capability is excellence in professional and technical skills and in the knowledge base. Thus, attracting highly competent and technically skilled personnel is crucial since the skills and knowledge dimension is the dominant discipline. Highly competent and technically skilled personnel enable the firm to create and form new products with skilled criticism. Any organization's resources are limited, and thus, a strong focus on one discipline naturally makes the firm to some extent less attractive for high skilled people in a non-dominant discipline. A highly competent marketing person will therefore represent a minority discipline in a firm with a strong engineering discipline, which may result in a lower level of expertise among colleges due to the firm's limited attractiveness. (Leonard-Barton, 1992)

3.4.2.3 TECHNICAL SYSTEMS DIMENSION

Technical systems can create corporate resources by embodying skills from talented employees in an accessible form. Knowledge embedded in technical systems can provide the organization and its members with data to gain advantage over its competitors. Knowledge can on the other hand captured and stuck in a technical system since hardware and software easily become outdated. (Leonard-Barton, 1992)

3.4.2.4 THE MANAGEMENT SYSTEMS DIMENSION

Management systems constitute a part of a core competence when it contains an unusual mix of skills and/or if it fosters advantageous behaviors not observed in other competitive corporations. Incentive and education systems that foster and encourage innovation activities are crucial components for some core competencies. Management systems are to some extent even harder to change than physical ones, since it is difficult to engage a new position when a new project needs leadership in former unused role. (Leonard-Barton, 1992)

3.4.2.5 VALUES AND NORMS DIMENSION

The values chosen to enable knowledge creation are constantly reinforced by managers and rooted in management practices, and thus, influence all developments projects. There are two sub-dimensions, which are crucial, the extent in which project members are empowered and the status of the different disciplines on the project team. By empowering its employees the firm believes in the individual potential to meaningful contribution without managerial interference regarding individual contribution. A downside with empowerment is that individuals may interpret their empowerment as a psychological contract with its employer, and thus, their boundaries and responsibilities are not always clear as well as they expect rewards, recognition and freedom to act. (Leonard-Barton, 1992)

3.4.3 Dominant logic

Top managers can influence the strategic decisions made by lower managers by emphasizing the organizational structures and systems. Thus, top management can use administrative tools to alter the strategic course of an organization. Top management can be regarded as a dominant coalition of key individuals who posse's considerable influence over the way the organization is managed. The dominant coalition seldom regard organizational event as unique which require a deeper understanding in order to be managed successfully. Instead, organizational events are more often not processed by pre-existing knowledge schemas based on former personal experience. (Prahalad & Bettis, 1986)

> *"Managers operate on mental representations of the world and those representations are likely to be of historical environments rather than of current ones." (Prahalad & Bettis, 1986:490)*

Schemas allow managers to rapidly and often efficiently categorize, evaluate and apply appropriate actions to upcoming organizational events. Without schemas a manager, his or her organization would become paralyzed due to an enormous amount of events to analyze scientifically. Schemas are on the other hand not infallible or universal guides on how to manage an organization and its environment, as some are rather inaccurate, especially when conditions change. (Prahalad & Bettis, 1986)

Competitive structure, technology and customers of a specific business determine the strategic variety i.e. strategic characteristics of business in a diversified organization. The larger the differences are in the strategic characteristics within a business portfolio, the more complex it is to mange. Organizations within similar businesses can be managed by a single general dominant logic whereas an organization with strategic diverse businesses may need several in order to be successfully managed. A dominant coalition's ability to manage a diverse organization is limited by their current dominant general logic, which often is influenced by the core business. (Prahalad & Bettis, 1986)

Figure. ***X*** *Dominant general management logic (Prahalad & Bettis 1986:491)*

3.4.3.1 The sources of a dominant logic

Prahalad and Bettis (1986) define the dominant logic as a mind set, worldview, conceptualization of the business or a set of administrative tools to enable the dominant coalition to reach targets and make decisions in that business. Changing the dominant logic is rather difficult and in order to enable change it is important to understand the underlying parameters regarding the development of knowledge schemas and problem-solving behavior. Prahalad and Bettis have identified four parameters that are linked to the development of a dominant logic: operant conditioning, paradigms, cognitive biases and artificial intelligence. Operant condition refers to when top managers effectively manage the objectives that are crucial to succeed economically in a core business. This is a way to reinforce successful behavior trough developing a mindset and preferred processes to be used in resource allocation, operation control and proactive crisis management. Thus, it is hard for top management to effectively manage new businesses different from the core business by learning and using a new dominant logic in a short period of time. (Prahalad & Bettis, 1986)

The power of paradigms refers to the phenomena that a particular science can be characterized by shared beliefs about the world, i.e. a dominant paradigm. Normal science is therefore accomplished under this set of shared beliefs and a way of *"defining and managing the world and the basis for action in that world"* (Kuhn, 1970 trough Prahalad &

Bettis, 1986:492). This science analogy can be transformed into organizations because the dominant paradigm and the dominant logic are theoretically similar. When the economic rules are altered by structural changes in existing businesses or by diversification, the economic tools developed trough analogy or past experience in core business may no longer be usable. This pattern recognition process can be illustrated by chess grandmasters that base the moves on past experience and not on the basis of the best strategy. If there is a change in rules or in the design of the game-board, the knowledge possessed by the grandmaster may no longer be useful. (Prahalad & Bettis, 1986)

People sometimes make systematic errors in their decisions, which can be explained by the psychology of cognitive biases. Systematic errors are based on the fact that decision makers don't necessarily use analytical method in order to evaluate information, instead they really on a few heuristic principals. Knowledge regarding the core business will be the most significant source of information available for top managers. Managers therefore often apply this knowledge to other business areas where it may not be appropriate. (Prahalad & Bettis, 1986)

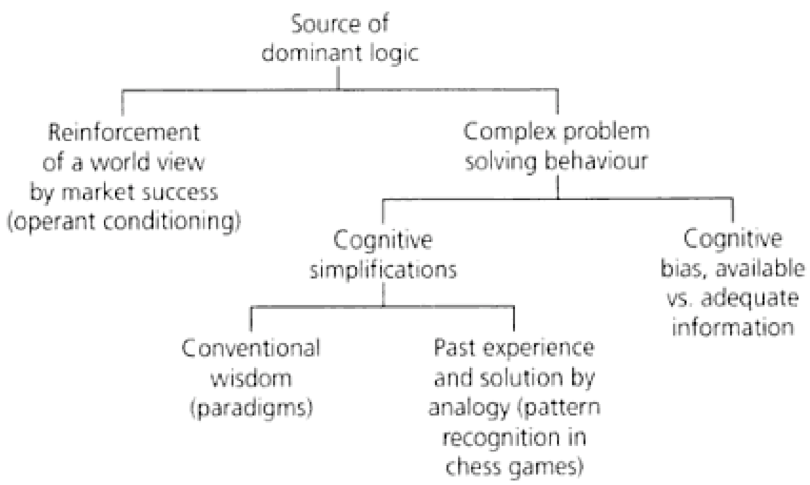

Figure. *X Conceptual foundations of dominant logic (Prahalad & Bettis 1986:492)*

3.4.3.2 STRATEGIC VARIETY

The extent of the strategic variety of a diversified organization depends on the characteristics of the mix of the organization's businesses. Top managers often tend to decrease the strategic variety of the organization's portfolio by divesting businesses misaligned from the primary business that increases the strategic variety. Another solution is to reduce the strategic variety by limiting the business mix to those with similar characteristics as they often can be grouped into sectors in order to reduce managerial activity. This method allows organizations to run diversified businesses at the same time as limit the strategic variety that top managers need to handle by creating an intermediate level of sector managers. (Prahalad & Bettis, 1986)

Over time, the strategic variety may change due to changes in the structure of the industry, such as the entry of cheap microprocessor and telecommunication. Thus, organizations, which apparently do not change their business mix, need to handle and manage an increasing strategic variety related to changes in the underlying industry structures. The incapability of top management to identify structural changes and accept the need for change in dominant logics can be an explanation why traditional businesses like steel and car manufactures experience difficulties. New businesses created through internal development or acquisitions often experiences difficulties in recognizing different structural characteristics of the new business in contrast with the current business mix. (Prahalad & Bettis, 1986)

"...major structural changes in an industry have the same effect on the strategic variety of a firm as acquiring a new business." (Prahalad & Bettis, 1986:495)

The crucial task is to create a variety in the dominant logics used by top management. This could be seen as the real diversity in managerial sense instead of a variety in technology or markets. A dominant logic depends on the other hand on the top managements experience and attitude towards learning. (Prahalad & Bettis, 1986)

The main objective for managers under different combinations of sources of strategic variety and top management orientation provides combinations as shown below.

	Sources of strategic variety		
		Addition of a new business	
Top management orientation	Significant structural changes in core business	Similar to existing business	Dissimilar from existing business
Single dominant logic	(A) Revise the dominant logic	(B) No change required	(C) Create the capacity for multiple dominant logic(s)
	(D) Revise the dominant logic applied to that business or regroup it under another sector	(E) Assign business to appropriate 'sector'	(F) Add to the variety of dominant logic(s)

Figure. *X Nature of top management tasks in diversified firms (Prahalad & Bettis 1986:496)*

Even though the structure of an organization can help to deal with an increased strategic variety, the usefulness of the organizational structure is limited. For example, decentralization cannot substitute the requirement for the corporate level to manage strategic variety. Top management has a limited level of diversity they can handle. Reducing the strategic variety in an organization by *focus* in the portfolio can extend this limit but not eliminate it. This focus can be to implement a single strategic approach on each business, for example a low coast approach across the whole organization. This method may one the other hand impose an inappropriate logic to some businesses. Organizations often strive to reduce the strategic variety, but this strive often tends to be inadequate. Instead organizations need to develop multiple dominant logics to achieve sustained performance. To achieve a high performance in a diversified organization the ability for fast response is crucial and as mentioned earlier, top managers are less likely to respond fast or even appropriate to unrecognized events where current dominant logics doesn't fit. (Prahalad & Bettis, 1986)

3.4.3.4 Changing dominant logics

The process of changing dominant logics is crucial to organizations that face structural changes in their industry. Changing a dominant logic require that top management posses the ability to learn. A change in the way an organization solves new problems often occurs in connection with crises. Besides, the first response to a crisis will probably be improper because this response is based on the current dominant logic, which even could worsen the crisis. Thus, survival is often dependant on the ability to develop a new dominant logic. Therefore unlearning must occur in order to eliminate old logics and to create space for new logics. The more successful the firm has been, the more complex unlearning becomes. (Prahalad & Bettis, 1986)

4 EMPIRICAL FINDINGS

This chapter consists of the results from the performed interviews. The answers have been categorized in eight areas and are together providing a larger understanding for the ongoing implementation at SCAP. We are starting the discussion with the main Characteristics of the Change followed by Communication, Information & Knowledge. We then continue the discussion with Possibilities to Succeed, Grouping, Winner & Losers in Change, Former Differences, Control & Evolution and ends the empirics with Motivation. All information in this chapter comes straight from the respondents through the interviews.

4.1 CHARACTERISTICS OF THE CHANGE

In this first part of the empirics we are discussing the main characteristics of the change together with the understanding about the need for change. We are also discussing situations where the respondents have been face-to-face with different problems and whether they believe that they can affect the implementation.

This change has many different characteristics. SCAP bought Stabernack in 2002 and ever since they have tried to merge the companies two sales forces without succeeding. SCAP has worked with two separate sales forces since 2002, which have been ineffective and problematic for everyone involved. The sales force from Stabernack worked centralized while SCAP sales force worked on a regional basis for specific plants. To have a sales force that is focused on selling products from one plant is not customer oriented. By having these two sales organizations working simultaneously SCAP often had more than one employee selling to the same company, which made it hard to get an overview and complicated the communication. The implementation of the new sales force started the first of April and this new sales force is divided into five regions. The sellers now have a central employment and are not anymore working for a certain plant. Thus, their new mission is to fulfil the customer needs and offer a larger variety of products. One respondent tells that this value based selling will give SCAP various advantages. The communication will be much more effective and the information will reach the right person much faster than before. In the end it is not important where the company produces the products, important is that SCAP fulfil the needs of the customer. The new SCAP sales organization is present as one organization and places the order at the most suitable plant.

"...we have now got the organization that we should have got 2002. It is the only right organization for our company. It is nothing new for me otherwise, I came from the Stabernack organization."

Another respondent explains that the most important step is to combine the previous sales forces so that they see themselves as a team. This involves change in mindset as well as in behaviour of the people. There should be continuously teambuilding activities so people feel that they are one team in one company.

All the respondents stressed the urge for change and argued that the organization had a general understanding of the need for change. One respondent explains that especially the sales forces felt this urge after having to face the problems and thinks that the managers did not understand the magnitude of the problem. Some respondent's believes that the time for change was exactly the right, but most of them think that the optimal time for change was some years ago before the down turn in the economy.

"It could not have waited, it was more to late than to early. It would have been much easier to do such change in a healthy economic environment then to do it now, but if we do not do it now I am convinced that the crisis would hit us much much harder."

Another respondent says that it is never the right time for changing and imply that there are always reasons to wait. This is absolutely the right time for change and the main resistance for change is among the plant managers due to the fact that they will lose power. The respondents have all been face-to-face with different problems and all of them knew that something had to be done. The worst problem was to deal with two different sales forces that competed about the same customer. One sales manager tells us that he had what felt like a twin that was responsible for the national sales force in the same area. It was therefore difficult to decide who should do what with which customer, where the future potential was and how the company should grasp upcoming opportunities. The sellers were competing about the same customer even though they worked for the same company.

"We lost a lot of time discussing about who is responsible for this certain customer. Endless, horrible and ineffective discussions."

Another respondent tells us about complaining customers and too many persons involved in every deal. By having different sellers from different sales organizations no one saw the whole picture and took the overall responsibility.

All respondents feel that their thoughts are being taken into consideration and that SCAP and ZS have respected their opinions when developing the plan for change. Long discussions about the topics have been made where both good and bad experiences have been brought to the table. This knowledge added with wishes about the new system has been the base for creating the new sales force. The respondents are involved in the change process and sense that they are important and can make a difference. But even if all respondents feel that they are a part of the change, one wondered if the management has listened to all of them or just some?

4.2 COMMUNICATION, INFORMATION & KNOWLEDGE

In this part of the chapter we are discussion the importance of information in a situation of change and how the sellers are communicating with both their manager and among each other. We are also discussion whether the sellers possess the necessary knowledge to perform in selling value, how the organization work to recruit highly competent people and if there is any problem with working like they do.

All respondents are satisfied with the amount of information that they have received regarding the change. Some have attended workshops concerning the implementation and all have got information on the sales manager meetings. Thus, they always feel well prepared concerning the next step in the change process. One of the respondents is questioning whether the others have got enough information and if everything is clear. It has not been very easy to get all the information.

There seems to be various ways of communicating between the sales managers and the sellers. The daily contact is accomplished through phone even though problems are discussed and solved there is a need for deeper understanding. The respondents are all having their way of understanding and coaching their sellers and face-to-face meetings are held in various ways. One respondent tells us that even with access to all the numbers these one-by-one meetings provide the most information. All respondents says that the sellers are acting differently alone than they do in groups and the best way to get information and see behind them is therefore to meet them alone. Another respondent meets his sellers once every two months for a face-to-face review and thinks that this is enough. Of cause SCAP also have large meetings with the whole sales force when there is new information that concerns all of them.

All the respondents are satisfied with this way of communicating but explain that the way of working differs between regions. They think that one-by-one meetings are important. Half of the respondents say that the sellers do not communicate with each other concerning customers and they do not want them to. The only communication between them should be telling success stories and the rest should be dealt with their sales manager.

"They should not play with the cards. It is our responsibility to decide which one should have each customer."

The other half of the respondents believes that most of the sellers use each other's knowledge to discuss different problems. They think that it is a good behaviour and that it may provide an overview of the customers. By asking their partners instead of calling the manager, these respondents assumes many problems to be solved before even reaching them. Some sellers are doing everything on their own and are only communicating with their sales manager, and only if he phones.

Two out of five respondents are rather satisfied with the level of knowledge on their sellers and one says that they possess the accurate knowledge to deliver the right customer value. The other respondents are not that sure about the needed level of knowledge and thinks that there is need for training. One tell us that SCAP now have organized training sessions on different plants to educate seller in the areas needed. Three of them agree on the importance of combining the sales force so that they together can sell the whole product portfolio. One manager states the importance of having experts on the different areas so that the sales force can go together with an expert to sell certain products.

"You will always have sales persons who are good in the brown box territory and transport as well as in the display section. You will only have a few that are good in both or every section."

Another respondent is not quite sure about the need for providing everybody with the same level of knowledge and thinks that it may be better to provide training on value based selling and how to solve the needs of a customer in a better way. The participation on the training sessions regarding value based selling should of cause be mandatory.

Most people without connection to SCAP do not know either the brand or what we do. Today SCAP has no collaboration with universities, three of the respondents mention that collaboration would a good future method. Other ways of attracting competent people could be to become more modern and continue to focus on sustainability, development of people and letting people build a career within the company.

If they are recruiting today SCAP often uses some kind of head-hunter to get hold of the right persons. Building culture from the inside and make the employees proud of working for SCAP is one way to go. Three of the respondents believe that SCAP already have a positive reputation even though it might be a good idea to raise the awareness of the brand. But this brand building activities has to come from the marketing department so that SCAP communicates with one voice. The marketing department has a plan on how to raise the awareness through future communication.

4.3 POSSIBILITIES TO SUCCEED

This part of the chapter is set out to discuss the possibility to succeed with implementing the change. First we are looking at the need for resources, then the general feeling about the change and if the goals are reachable before we end this part with discussing resistance.

Most of the respondents are satisfied with their given resources and do not require anything so far. Even though the change process started some six weeks ago a lot is happening. So far the only resource wanted is more time due to the new way of working simultaneously as doing the daily work that is not part of the change. One of the respondents says that he really needs to delegate more responsibility to his employees. Even with a well-planned schedule there is always things coming up that needs to be dealt with. Thus, the respondents now feel that they themselves have to struggle and convince the sales force by any means necessary. One respondent would like new staff that can organize and think differently as well as electronic common databases that can provide a quick overview of the progress in the project.

All respondents are convinced that this change will be a success. One of them says that it is a tight time schedule for the new reward system, but expects no particular difficulty and has no concerns at all. The other respondents are even more positive and have huge faith in the implementation. One says that he has been in contact with a plant and they already feels the difference and notices that the work flow increases due to orders from new sellers. Another says that it might take some time to convince the sellers about the other way of selling but that it will be successful.

"…if people think that the gaols are unachievable you could feel the frustration and I do not feel that."

There is no general plan to deal with resistance and one respondent says that there should be no such plan due to the differences in people. Convincing should be done one-by-one through discussions and understanding. To solve resistance the focus should be to find out what the problem are and providing a solution. First by doing this, we can get to the bottom and help. Another says that they all know how to handle resistance and elucidates the importance of the managers understanding. The managers have to step back, look at the whole picture and check so everybody is onboard. It may also be efficient to discuss the process to see how convinced they are and how hard they are trying.

"I think that it is the only way, you can make a lot of presentations, power points and print a lot of brochures and anything but that will not convince them so it is up to the area sales managers to convince."

If someone cannot adapt to the new structure they will have to go, but the managers should train them, talk to them and help them through continuously support as long as possible. In the end we have to really put pressure on them to see if they can deliver.

Very few of the respondents have met any resistance during this first six weeks of the change and they claim to have the negative feelings under control. It is a positive change for the sellers cause now they have their own customer, which gives them opportunity to sell without competition. The external sales force was convinced about the need for change even if there might be different opinions about the new structure.

Change is never easy and can be both positive and negative depending on the employee's capability to change. According to the respondents, the external sales people have a large understanding and needed this change. They faced the problems every day in difference to the internal sales and other positions within SCAP.

One respondent says that there were twelve area sales managers before the change and now there are just five left. Two of the old managers left the company and it is very hard to know how anyone feel. Another example is the supply chain managers who lost their control and responsibility over the internal sale to the plant managers and of cause these guys have problem with the structure. Plant managers that lost their kingdom are resistant due to their loss of power over their previous so independent plants. It has also been made clear that the tendency for resistance have no correlation to age. The respondents have met resistance from employees in all ages.

4.4 GROUPING

In this part we are going to discuss how different groups are made. We are also discussing the sales peoples belonging and previous belonging to a certain plant.

The new external sales organization in Germany is divided in five areas: North, West, East, South East and South West. In every one of these regions the sellers have been divided in small groups. Even though these new clusters are created on geography and location it is just a way to separate Germany in large pieces. But if we have a new customer in an area, the belonging to a group is not done by zip code; it is decided through plotting the customer needs and then match the result against a seller that have the right knowledge. We are also trying to have experts in every area to help customers with special demands. It can be an expert on display in one area and a wine expert in another. Thus, some sellers are in a group due to their special skills and some sellers belong to a group due to region.

One large characteristic of change is that all the sellers now belong to the national sales force and no one works for a certain plants anymore. Previously these regional sellers worked for specific plants and tried to sell the products that this particular plant manufactured. Now, that should be the past and the order should be placed at the plant that is closest, most suitable and can deliver the best value. Today the sales people work for the central organization and will get the same salary in despite of where they put the order. By working like this, the customers gets the best service, the different plant gets to manufacture what they know best witch leads to a good price and a good margin. Even though different plants have different specialities, the sellers should know where to place their order. The respondent all agrees on that the sellers already should know what the twelve different plants are manufacturing. If they have doubts, they should ask their sales manager to find the most suitable plant. The change has also increased the collaboration between the plants. The cooperation is important if a plant receives an order that can be produced in a better and more efficient way in another plant or needs help with some part of an order. That is when we will se how well the change is implemented.

4.5 WINNERS & LOSERS IN CHANGE

In this part of the chapter we are discussing the ones that wins power and status in this change versus the ones who loses. We are also providing information about how the respondents are affected by the change and if the colleagues will benefit or loose during the process.

This implementation and restructuring has changed the positions and tasks for some of the involved employees. Before the change started it was common with two sellers on almost the same position and now there is only one place left. All the sellers losing their positions are of cause loosing status and two of the employees have already chosen to quit. Others are still with us but without knowing what their future position will be. Even the plants are affected by the change and they have lost their faithful sellers from the former regional sales force. Instead they should get orders from other sellers and it should not affect the volume of the plant in a negative way.

One respondent thinks that no one will lose power even though the General Managers might feel that way. The Plant Managers have often seen their plants as their little kingdom and kept as much production as they could inside the plant. Due to the change, these manages have now lost their power over the previous regional sales force and are afraid of losing on the plants turnover. One respondent agrees on that the plant managers definitely have lost power, but wonders how they are feeling about it. Some of them might see it as a loss while others takes it like change for the better.

"I have talked to my boss, he is quite open. He also said about himself that before he tried to keep everything within his plant, which did not always make sense. So he understood."

One respondent do not think that plant managers have lost power in the same sense as the others. A plant manager has more to do now and is responsible for the whole plant. Therefore, their new focus should be to offer the best service possible to the customers.

All our respondents have got changes in their positions. Some of them still have some old functions while others got totally new positions. As mentioned, the two previous sales organizations are now merged and one central is created with five regions. Thus, there are five new positions in managing these teams while some of the old sales managers have to find new jobs to do. In a change of position like this there is no way of making everything fair. Some employees will gain power while others will lose.

The respondents think that the change will be positive for SCAP and that they will benefit from the new sales system and the improved communication. For the moment, everyone are very focused on the new functions and do not have time to think of their status and power change one respondent states. Another says that the benefits will come from the improved communication, which makes it easier to become effective. I think everybody will gain because now we have a modern way of selling which is crucial to survive the competition of tomorrow. The sellers will grow their knowledge and get more efficient in the interactions. So all respondents thinks that the change will be positive improvement for SCAP and many involved.

4.6 Former differences

We are now discussing the significant differences in the way of working between former Stabernack and SCAP. We are also asking the respondent how the sales force should work after the change so that the differences can be compared on a later stage.

There are clear differences when comparing former Stabernack and former SCAP way of working. These differences play an important role when merging the two organizations. The sales persons in SCAP only worked for one plant, got their salary from this plant and had to bring turnover to this particular plant. The plants often has a limited portfolio so the sellers was out on the market searching for companies in need of exactly the products their plant could manufacture. Meanwhile the sellers for Stabernack worked totally different and in a national sales force. They sold the whole product portfolio and were able to provide the customers with total solutions that gave larger value. Stabernacks sales force worked like an organization instead of separate plants and was much more customer oriented and had a large focus on providing value. One respondent says that Stabernack behaved in a different way. They sold more to the premium segment while former SCAP was more commodities. They can definitely merge together, but it will take time and might not work for everybody a respondent tells us.

Another difference is that the sales managers at Stabernack were the best sellers, key account managers and they coached between two and four sellers. The former SCAP managers were neither the best sellers nor the best key account but coached more employees and had more total responsibility. Even the sellers also used totally different approach when selling to customers. Stabernacks sellers often walked through the front door of the building and asked for the responsible manager while SCAP sellers often took the backdoor into the production and than talked to the workers on the floor instead.

A large difference and the goal with implementing this change is to educate the sales force to ask questions, find what the customer really needs and provide an extra value. If SCAP can succeed with selling service and value instead of a certain type of products from more or less only one plant they can raise the price and get a better margin even within hard competition. Another difference in working is the territory alignment. Before the sellers sometimes drove around in the region and looked for new demands by just going into a factory and ask if they needed anything. Today it is more organized with a plan over predetermined accounts that need to be worked at over a certain period of time. The communication is going to be improved and a seller in the new organization should only report to the sales manager. By improving the communication the organization is going to become more effective with faster decision making. That will make the responsibility very clear between different positions.

4.7 Control & Evaluation

The control and evaluation part starts with discussing how the respondents evaluates the sellers performance before we examine how the organization absorbs and stores knowledge in different systems and databases. The last part discusses how the respondents are controlling the behaviour of the sales organization.

There are many different ways for a respondent to control their sellers. One large part of the new system is to change the reward system to provide the sales force with incentives to work according to the new strategy. If a seller provides a large value for the customer, the margin can be increased and the seller should earn more. It is very logic and easy. Collaboration between the new reward system and the database providing potential business would do this if used the right way.

Unfortunately there are no exact ways of measuring the margin and the new reward system has not yet been implemented. Therefore the different respondents are using their own way of evaluating performance of their employees. Most of them use contribution through considering the number of accounts, the turnover, development of prices and how successful they are with different customers and projects. Even profit is used as a measurement and some respondents are considering the customer development, the weight in the portfolio and the number of new customers in the area.

There are just one of the respondents that stresses the importance of looking at numbers and figures while the others are more interested in the behaviour and the ability to solve problems. They agree on the importance of talking to the seller's one-by-one and listens to what other people thinks about their behaviour. The managers for internal sales have the possibility to meet the employees every day and are evaluating their performance through discussions and while working with them. SCAP are trying to absorb and store the seller's knowledge in different systems. One system made to show the future potential of a customer is implemented and the sellers had three weeks to enter information about their customers.

"We are just building up a new customer data centre. It came up from the customer potential. All the different parts in Germany had three week to bring their parts of knowledge into the database system. It is a base for our future development."

This system is meant to be the new base for information about different customers. The purpose is to help the sellers with their positioning against customer with large future potential. By using this system sellers should be able to focus on the best customers with high potential and ignore the rest. SCAP also uses their intranet to collect knowledge about the sales activities. This system stores good and bad news, experiments and interesting stories. Unfortunately the majority of the sellers has their own notes and do not care about this particular system. One respondent talks about this problem as the challenge for the moment and means that this central system provides a better overview so once they have used it, they will become positive and continue to use it. Another respondent would like a customer relationship management system that could help building strong relation to the customers.

The managers control the performance of their employees without using any numbers but with a large focus on the personal contact. All respondents agree on the importance of personal meetings and discussion. Through personal communication they notices whether the right thinking has been implemented and are used. Feedback from others about the progress of a person is used and one respondent often asks the seller about different customer and their problems. If they do not know the answer they have not asked questions and have not done a good enough job. Then it is impossible to provide the best solution for solving this problem.

4.8 Motivation

The last part of this chapter takes action in the motivation of the sales force, the desirable behaviour of the sellers and how this behaviour is today.

Most respondents feel that this new way of working motivates the employees. The new reward system gives them different areas where they can be successful and the communication through the face-to-face meetings is continuously giving them feedback. SCAP are using success stories to motivate other sellers and show that it is possible. One respondent stress the importance of the face-to-face meetings and explains that these meetings together with all other contact shows that the change is for real and the importance of the sellers. It shows that both SCAP and the managers care about the sellers. One respondent think that it is early to draw any conclusion about whether it is motivating or not even though there have been great feedback.

"At the moment they are not motivated by it, they are more or less waiting to se what the others will do. If the others will use the new tools and the way of working, then they will be convinced."

The ability to sell is the first thing that comes to the respondents mind when asking them for desirable behaviour in a seller. A seller should also have an open mind, search for potential and manage to change their behaviour if needed. They have to be good communicators and creative to solve problems for customers. It is also important to start a customer relation with listening to gain an understanding for the demand.

"So not just try to sell one of our standard products, we can do that sometimes but it might help much more and sometimes we can save costs for the costumer and for us if we listen."

With this information it may be possible to provide a much better service and hopefully save costs for both customers and SCAP. The seller has to be both friendly and creative so the right questions can be asked. All respondents believe in the possibility to change the behaviour of the sellers and sell more on value with a wider variety of the market portfolio. Little more than half of the respondents are sure on their influence and ability to change behaviour while the rest are having small doubts. They are all satisfied with their sales force even if they have some trouble with the most resistant ones. One of the respondents means that as long as the change makes sense it is possible to show the sellers how to work according to the new strategy.

By showing the possibilities and how to become even more successful we can change their behaviour. Another respondent says that the importance is to develop the employees in right direction, coach them and work together in the field. Provide them with feedback on what is good and what is not so good while showing how to work. To change a behaviour we have to communicate, discuss and coach. One respondent stresses the importance of communicating and that this change is not just something that SCA wants to do, it is done to meet the customer needs. It is also essential that the leaders live the way they learn and shows the employees how convinced they are. Why just tell them how to act, when we can show them.

"But I think that it is continuous training that you need and the mind setting to change this behaviour from selling a product to selling a complete service including a product."

5 ANALYSIS

5.1 ORGANIZATIONAL STRUCTURES

Designing an effective organizational structure is important to survive the competition. Mintzberg states that no variable inside an organization is either totally dependent or independent of its own system and all variables depend on others. A change in a certain element can therefore generate massive change in other parts of the organization why the outcome of a change is very hard to predict.

5.1.1 THE FIVE PARTS OF THE ORGANIZATION

Mintzberg starts with discussing organizational structure and "the five basic parts" of the organization. SCAP´s strategic apex consists of managers and employees with large overall responsibility for the organizations performance. They strategic apex have to satisfy all the stakeholders on the outside while maximize return on investment for shareholders and gain goodwill. The top management acts as the brain of the organization and should ensure the future sustainability. Awareness about the need for change were high in the external sales force while one respondent have doubts in whether the managers in the strategic apex understood the importance of solving the problem. A change without understanding in the strategic apex will be impossible to carry through due to the need of their support. This may be the reason for that the first real attempts to merge the sales forces takes place seven years after the acquisition. The middle line often consists of middle managers with the main task to communicate and spread information between the different departments. The interviewed respondents are all middle line managers and should communicate and implement the plans during this change. The middle line managers are often responsible for their own department and should motivate their employees to work so that the goals can be met. They should also deliver both result and information to the managers so that they can follow what is happening in the organization. This change at SCAP has led to large restructuring in the middle level and many employees have lost their old positions. SCAP have motivated the sales force in several ways during the implementation of this change. The middle line managers are used as key influences to spread information and involvement down the organization to the employees in their departments.

Having a strong communication between strategic apex and the middle line is important to maintain control over the work processes in the organization and in this case the progress of the implementation. Satisfactory information has been given to the middle line managers through workshops and sales manager meetings. Communication between middle line managers and the operating core are on a daily basis handled by phone but also through face-to-face meeting on regular occasions. All middle line managers feels that these one-by-one meetings are important in the process of coaching and often discusses the change process with the sellers. The fundamental production and work are always performed at an organizations operating core. This part of the organizational structure is often characterized by standardized work even though the sales force of SCAP belongs to the group. According to Mintzbergs structure the change starts in the strategic apex that decides and then affects the middle line managers or the respondents with their ideas. Then the middle line manager’s works like key influences and should carry the change down through the organization into their departments. By studying the five basic parts we can conclude that the sellers or operating core has little or nothing to say when it comes to decisions. The have very low power and are forced to change due to them being at the bottom of the structural pyramid. A large part of this change is to succeed with combining the two previously separated sales forces into one so that they can work together as a team. One way is to have continuously teambuilding activities among the sellers in the operating core until they works together.

5.1.2 Coordination in Five

It is very important for SCAP to control that this change is being implemented the right way so that customer satisfaction can be ensured while the company builds a foundation for being competitive in the future. Mintzberg discusses different mechanisms that can explain the fundamental way of controlling an organization and can be viewed as the most basic elements of the structure. Large organizations like SCAP often use different ways of controlling the outcome simultaneously.

The sales managers are responsible for the performance of the sellers by controlling their output and performance. Thus, every person or workgroup reports direct to a certain manager who can be responsible for many groups or individuals. After collecting the information, the sales manager reports to the strategic apex in the higher level of the organization. This way of controlling an organization is called direct supervision and is used at SCAP when the sales managers are controlling their sellers. After implementing the new reward system in the beginning of 2010, some kind of standardization of output also will be used to control the seller's performance. One aim with the change is for SCAP to raise their margin but unfortunately there are no exact ways of measuring. Therefore, the respondents are using different way of evaluating the employee's performance. Most of them use contribution through considering the number of accounts, the turnover, development of prices and how successful they are with different customers and projects. Even profit is used as a measurement and some sales managers consider the ability to develop a customer, the weight in the portfolio and the number of new customers in the area. Due to the variety in way of measuring the contribution, the sellers have the possibility to develop their own ways of reaching the predetermined goals. There are no doubts about the use of mutual adjustments when the managers control their sellers. They are often communicating through phone to solve upcoming problems that prevents them from completing their objectives. Mutual adjustments are used in both simple and advanced organizational structures. Therefore this way of controlling is used at several different levels at SCAP and in problem solving between sellers and their managers. All sellers and employees are individuals and reacts differently to the change. When implementing a new way of selling there is no right way. Every seller has to find their own way of satisfying the customers and use their abilities. To persuade, involve, convince and solve upcoming problem the sellers needs to communicate with their manager on an informal level. Some manager's uses the communication to understand and control the level of involvement possessed by the seller. Interesting is that only one respondent pays attentions to the figures when evaluating the employees work, while all the others are more interested in the behavior and the ability to change. They agree on the importance of talking to the seller's one-by-one and listens to what other people thinks about their behaviour.

5.1.3 Design Parameters

Organizations depend on their employee's ability to exercise their assignments. Therefore both job design and the employee's ability to adjust have a large impact on the whole organization. Behavioral formalization is a way of controlling the employee's behavior that aims to reduce unpredictability as well as ensuring control throughout the labor force. At SCAP the managers controls the behaviour of their employees with a large focus on the personal contact. All respondents agree on the importance of personal meetings and discussion and believe that they can change the seller's behaviour. Through one-by-one communication they notices whether the right thinking is implemented and if they are involved or resistant. The managers are also convinced about the importance of themselves living as role models and shows the right way to perform.

Training and indoctrination stresses the importance of employees that possess the needed knowledge to behave the right way. The world is constantly changing and there is a vast need of continuously educating the employees so they always acquire the desired skills. The implementation of change at SCAP is executed to meet the customer's new demand. The sales force have to learn how to sell on value in order to gain better margins and get more satisfied customers. The respondents state the most desirable characteristics of a good seller. They should be open minded, creative in problem solving, manage to change, be good communicators and see the potential in different businesses. A seller should also have knowledge about as many products as possible in SCAP´s product portfolio. Therefore the employee's needs continuously training to stay on their toes and be prepared for the future. Even thought the sellers seems to have a rather good level of knowledge the managers agrees on that there are need for further training. All sellers have different focus and it is a very long way to educate all of them within all products, if even possible. SCAP have started internal training in different plants and the sellers should attend training within the product categories that the lacks knowledge about. By working this way, the knowledge about SCAP´s product portfolio will increase. Everybody should go mandatory courses about value based selling while the special training should be for the ones that needs more knowledge within a special area.

5.1.4 Create an efficient structure

It is difficult to build the ultimate structure in an organization and create optimal groups to streamlines the work processes. But if succeeding the organization can gain control, share resources in a better way, measure performances and improve the encouragement of mutual funds. The most common way to structure an organization is by function and SCAP uses this way of grouping in different parts of the organization. The external sales forces are divided after five regions based on geography and within these regions there are smaller groups. SCAP strives towards having experts on every product area in all the smaller groups to satisfy the needs of their customers and be able to sell the whole variety of products. It can be one expert on display and one expert on wine packaging. Thus, some sellers are grouped due to their special skill and some due to region. The members in the group should help each other sell advanced products so that they together cover the whole product portfolio. By structuring the organization in different ways synergies can be established. Borders between different groups can be rather invisible and a group often fits into more than one category.

5.2 ORGANIZATIONAL CHANGE

Organizations undergo constant change due to internal and external influences in the environment. Therefore understanding for critical success factors becomes important in order to manage organizational change. The way an organization handles significant change often determines their future competitiveness and success. “Tipping point leadership” (Kim & Mauborgne, 2003) and “Success factors in significant change” (Chrusciel & Field, 2006) are two theories that will be analyzed to increase the chance of successful transformation as SCAP. Awareness of critical parameters also conducts to a more flexible organization ready for future change.

5.2.1 COGNITIVE HURDLE & TOP MANAGEMENT SUPPORT

Since SCAP purchased Stabernack in 2002 several attempts to merge the different sales organization have been made without success. Two simultaneously working sales forces without structure concerning the customer activities have lead to inefficiency and problems for everyone involved. The cognitive hurdle describes the vast need for awareness within a change process. SCAP´s external sales force possesses this understanding after working under these circumstances for several years and all knew that something had to happen. Theory shows that wrong perception of the readiness can either undermine or facilitate a successful change. Whether the awareness among managers reached the same level can be argued due to this restructuring taking place seven years after the actual merge. All respondent have been facing this unworkable situation on a daily basis and have waited for the change, which can disable the possibility to denial the problem.

“We lost a lot of time discussing about who is responsible for this certain customer. Endless, horrible and ineffective discussions.”

Theory stresses the danger of relying on numbers to obtain awareness of the need for change. One respondent agrees by stating the sales managers importance in convincing the employees without power points or charts on the results. The sales managers functions as key influences in this implementation and empirics shows that communication and coaching are accomplished without any focus on figures. In behavioural change, theory explains the magnitude of management serving as role models. Other theory agrees and explains that it is crucial to have an active and noticeable support from top management. By walking in front the credibility will be strengthening and determination stated in a clear way. A good idea is to have an inspiring and popular manager that easily involves and affects others as the front figure for the change. All respondents believe in their ability to influence the behaviour of the sales force even though there are small doubts.

The respondents can be seen as key influences and role models for the sellers and believes they can affect behaviour. Another example on good leadership and behaviour is the sales director who is deeply involved in this implementation and according to other employee's works around the clock.

5.2.1.1 Resource Hurdle

Successful changes often demand different kinds of resources and needs to be prepared to succeed. The process of attracting needed resources takes time and drives attention from the problem so an organization in change should not lack and kind of resources. Theory therefore stresses the importance of striving towards a fast payoff while involvement and focus is high. Most respondents consider the resources to be sufficient, but one expresses the need for more time and two others question the attained level of knowledge. Even though some resources may be needed, the progress of change seems to be unthreatened.

5.2.1.2 Motivational Hurdle & Communication

To succeed implementing a new organizational structure, the sales force must not only possess awareness and identify what should be done, they also have to be motivated to do it. Motivating employees costs a lot and requires time why theory recommends motivating an organization through key influences. They are powerful and influences people on inside as well as outside the organization. By involving and persuading key influences the change will spread throughout the organization. The respondents are key influences that all feels involved and important within this change process. By listening, discussing, and considering their thoughts SCAP have accomplished to motivate them and currently they are executing the change. The theory describes communication as a central parameter in all levels of the organization throughout a change process. Insufficient information can limit the success of change and even if all the respondents feel well informed one believes that “the others” might lack information while explaining that it has not been easy to get information. Communication between respondents and their sellers seems to be quite good and as the theory suggests the key influence affects their sales teams.

Other incentives to motivate the sales force are a reward system that SCAP will implement the 1 of January 2010. Theories describe the importance of reward systems in motivating employees and facilitate winning the critical mass and reward system also contributes to turn early adopters into promoters for change. SCAP´s system will encourage value-selling activities through determine the salary on new parameters and motivate a change in behaviour. All respondents are convinced about the change being a future success and the plants have already noticed the difference in workflow provided by other sellers. Motivation can also be achieved through breaking down visions into tasks that are possible to attain. One respondent exemplifies value based selling through joining the sellers on their sell meetings with customers and showing how it is supposed to be done. Most respondents feels that the new sales structure motivates the sellers but one raises doubts and believes that the sellers will evaluate others progress before acting. According to information from the respondents SCAP seems to have managed to motivate through key influences, without any focus on numbers and with an upcoming reward system.

5.2.1.3 Planned training

To succeed with implementing change every organization needs a plan concerning training of the employees. SCAP have struggled to merge the external sales in more than seven years without success, which gives us doubts about their ability for organizational change. But the ongoing attempt feels more considered even though a training plan has not been designed. Theory explains that a training plan minimizes the risks for failure and should compare present skills with the ideal future state. Analyzing and evaluating this gap could produce a proper training plan as a working guide. Positive is that key influences at SCAP have been consulted in an early stage and strategic advices have been taken with the base in their experiences. The respondent's thinks they have got adequate information regarding the change through workshops and sales manager meetings and have always felt prepared concerning the next step in the change process. Simultaneously one respondent questions whether the other employees have got enough information that can raise doubts about the accessibility of the information.

About half of the respondents are rather satisfied with the present knowledge in their sales forces while the other half are more doubtful and think there should be more training. SCAP have arranged training sessions in different plants to educate and develop understanding for the different products in the portfolio. Respondents have stressed the necessity for every sales team to have experts so that the whole SCAP portfolio can be sold. One of the respondents desires training and workshops in value based selling to be prioritized. Sales forces should be educated in business understanding and problem solving to provide customer orientated solutions. If succeeding SCAP can offer a lower customer costs together with higher received value and a better margin for SCAP.

5.2.1.4 Political Hurdle

Powerful vested interests influences ongoing change and theory demonstrates the importance of understanding and controlling these forces. As the tipping point approaches, resistance will become stronger to protect the previous positions. Resistance can seriously damage the process of change why it is absolutely crucial to isolate or eliminate these threats as soon as possible. Theory suggests that internal threats should be eliminated and respondents have informed us about their method of working. First there should be a large focus on discussing, providing training and support the resistant employee to convert the key influences. If no change is observed, the sales managers will putt large pressure on them or finally get rid of them. Many employees have lost power and no one knows how they feel. As an example, the plant managers previously controlled and saw their plant as their little kingdom and kept all production possible inside the plant. Today, their control over external sales is gone and of cause they have problems with the new structure why overcoming the politic hurdle may be tough. One respondent asserts that new functions and positions demand such huge focus that no time for evaluating issues about power and status is available. This statement sounds unrealistic why we believe that SCAP have much resistance under the surface that they have to be prepared to deal with.

5.3 ORGANIZATIONAL LEARNING

Merging the two organizations can foster organizational learning by imitating of adopting successful parts of the organizations. One respondent explains that it is important to form the two sales organizations into one team. The former national sales organization with its sales and marketing orientation can together with the more technical orientated regional sales organizations foster an organization with a better fit against its environment (Hedberg, 1978). The majority of the respondents believe that the organizational change within the sales organizations will be more difficult to implement during the worldwide financial crisis as well as that the change should have been performed during 2002 when SCAP acquired Stabernack. As learning occurs when an organization interact with their environment (March & Olsen, 1976), the financial crisis may on the other hand strengthen the reason for change and therefore increased the organizational learning because of the individuals and their organization need to respond to changes in their environment.

5.3.1 Core competence

SCAPs underlying intention to merge the two sales organizations is to create a unique and hard to imitate core competence by combining technical and sales competences into one organization. According to Leonard-Barton (1992) core competences can be divided in four dimensions, technical systems, skills and knowledge, managerial systems and values and norms. SCAP have initiated a new technical system in order to obtain, codify, store and share the sales persons knowledge about customers and possible future business. Interestingly the respondents imply there are no incentive available for the sales persons to use this technology.

Leonard-Barton (1992) imply that the skills and knowledge demission is most important discipline. According to the majority of the respondents SCAP has difficulties to attract highly competent personnel and do not have any plan for the near future to change this. Some of the respondents imply that a part of the sales force posses to little skill and knowledge to successfully meet the customers need and demands. SCAP do not manage the knowledge question centrally, instead, the sales person's manager are responsible for the education.

5.3.2 Dominant logic

6 CONCLUSION

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