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Business Case for Indirect Sales

- *How a business case can work as a tool for generating support for a change project*

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Lund, June 2012



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* The company is referred to as Company X due to confidentiality reasons. Information sources coming from the company are confidential throughout this report.

Abstract

Title

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Background and the Situation at Company X

To remain competitive, it is essential for companies to take advantage of new business opportunities. However, seizing new opportunities often imply changes within the organization, and projects associated with change are bound to encounter resistance. To efficiently manage change and thereby avoid resistance and engage in measures that generate support for change, is therefore important in order to successfully address an opportunity. As change is always unique, no generic tools for managing change exist. However, in order to generate support it is essential to clearly communicate the impact and benefits of a project, which a business case (BC) is a common tool for.

Company X has identified the indirect sales channel, where products are sold through partners, as an opportunity to increase sales. Certain regions within Company X utilize an indirect sales channel today, however the majority of the regions solely sell products directly to end customers. Increasing the use of partners as an extended sales force is a way of reaching new customers and broadening the customer base. In order to address this opportunity the Indirect Sales Program (IS Program) has been formed. The IS Program aims at establishing and expanding indirect sales in all regions, and the program is currently developing a new indirect sales

model including tools and processes that enable regions to efficiently sell products via partners.

Problem Discussion

All regions within Company X are responsible for their own business decisions, and to make the decision of establishing indirect sales would imply many changes for the regional organization. Also, most regions lack a general understanding of the IS Program, the indirect sales model, and the benefits of establishing an indirect sales channel. There is an uncertainty of which processes to put in place, what personnel to involve, and the amount of resources to allocate. In order to successfully establish indirect sales, the IS program therefore needs to convince the regions to actively support and implement the indirect sales model. A business case that communicates the opportunity of the indirect sales channel as well as its associated benefits and costs is consequently needed.

Purpose

The purpose of this study was to explore how a business case can work as a tool for generating support for a change project. In order to achieve the purpose, a business case concerning indirect sales was developed for the IS Program. The business case was implemented in collaboration with a region and its ability to generate support was analyzed.

Methodology

The project started with a literature study. Thereafter a regional business case concerning the indirect sales channel at Company X was developed through adherence to the literature study. The business case was created as two parts; a guide and a financial model. The business case's ability to generate support was tested through a regional implementation, and analyzed in a theoretical context. Thereafter conclusions were drawn.

Frame of Reference

The frame of reference introduces three theoretical fields. The first field grants the reader an understanding of different sales channels, and more specifically the indirect sales channel. The second field discusses business

cases in general and emphasizes the business case format. This field was used to structure the empirics and the business case development. The third field concerns resistance to change and underlines what initiators of a change project should do to generate support for a project. This field was primarily used when analyzing the indirect sales business case's ability to generate support, however it also served as inspiration when developing the business case. The frame of reference ends with a framework illustrating how the theoretical fields are applied.

Conclusions and Recommendations

A business case can work as an efficient tool for generating support for a change project, as the indirect sales business case had a good ability to generate support from decision makers and implementers. However, a business case's ability to generate support is limited by the capabilities of those developing and implementing it. They have to convey its message in a convincing way and communicate the business case appropriately. When using a business case as a tool for generating support for a change project it is essential to identify possible uncertainties associated with the change project, and to define if and how the business case can clarify these uncertainties. It is also crucial to devote time to communicate its content, and involve stakeholders and implementers in the business case development.

The indirect sales business case's ability to generate organizational wide support could be enhanced by incorporating more information concerning employees' roles in the indirect sales business. The business case can be improved with regards to risk assessments, investment alternatives, and performance appraisal systems. The business case was intended to be generic. It has however been concluded that it can never be truly generic since all regional circumstances could not be accounted for.

As a recommendation to Company X, the implementation process should be a collaborative process involving the IS Program and regional representatives. The implementation should be an iterative process where the implementation process and the business case are continuously improved.

Sammanfattning

Titel

Business case för indirekt försäljning

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Bakgrund och situationen på Företag X

För att förbli konkurrenskraftiga är det viktigt för dagens företag att ta till vara på nya affärsmöjligheter. Dock innebär nya affärsmöjligheter ofta förändringar inom organisationen, och projekt som medför förändringar möter ofta motstånd. Att undvika motstånd och arbeta för att skapa stöd för förändringar är därmed avgörande för att på ett framgångsrikt sätt kunna ta till vara på nya affärsmöjligheter. Då förändringar alltid är unika finns inga generella verktyg för att hantera förändring. Det är dock viktigt att tydligt kommunicera fördelarna med ett projekt samt dess påverkan på organisationen för att skapa stöd för en förändring, vilket ett BC är ett vanligt verktyg för.

Företag X har identifierat den indirekta försäljningskanalen, där produkterna säljs via partners, som en möjlighet att öka sin försäljning. Vissa av företagets regioner använder en indirekt försäljningskanal idag, dock använder majoriteten endast en traditionell kanal som innebär försäljning direkt till slutkund. Att bedriva försäljning via partners och därmed använda dessa som en utökad försäljningsstyrka har visat sig vara ett fördelaktigt sätt att nå nya kunder. IS programmet har nyligen skapats för att tillvarata denna möjlighet. Syftet med programmet är att etablera och expandera indirekt försäljning inom samtliga regioner. För närvarande utvecklar programmet en indirekt försäljningsmodell. Modellen inkluderar nya verktyg och

processer som möjliggör för regionerna att sälja företagets produkter via partners på ett effektivt sätt.

Problemformulering

Samtliga regioner inom företaget ansvarar för sina egna affärsbeslut, och ett beslut angående en investering i indirekt försäljning skulle innebära många förändringar för en region. Regionernas kunskap om IS Programmet, vad modellen innebär samt fördelarna förknippade med etablering av en indirekt försäljningskanal är idag bristfällig. Det råder en osäkerhet angående vilka processer som behövs, vilken personal som bör tillsättas samt hur mycket resurser varje region behöver. För att kunna etablera indirekt försäljning måste IS programmet därmed övertyga regionerna att aktivt stödja och implementera den indirekta försäljningsmodellen. Ett BC som belyser den indirekta försäljningskanalen, dess fördelar samt kostnader är följaktligen efterfrågad.

Syfte

Syftet med denna studie var att undersöka hur ett BC kan användas som verktyg för att skapa stöd för ett förändringsprojekt. För att uppnå detta syfte skapades ett BC som avser den indirekta försäljningskanalen på Företag X. BC implementerades i samarbete med en region och dess förmåga att skapa stöd analyserades.

Metod

Arbetet inleddes med en litteraturstudie. Med hjälp av litteraturstudien utvecklades därefter ett BC för den indirekta försäljningskanalen på Företag X. Det utvecklade BC består av två delar; en guide och en finansiell modell. Efter att BC färdigställts testades det genom en regional implementering. Slutligen analyserades dess förmåga att generera stöd och slutsatser drogs.

Teoretisk referensram

Den teoretiska referensramen introducerar tre teoretiska områden. Det första området skapar förståelse för olika försäljningskanaler och diskuterar framförallt indirekt försäljning. Det andra området beskriver BC i generella termer och betonar dess format. Denna teori användes för att strukturera den

empiriska datainsamlingen och för att vägleda BC utvecklingen. Det tredje området behandlar motstånd till förändringar och belyser vad initiativtagare av ett förändringsprojekt bör göra för att generera stöd för ett projekt. Detta område användes framförallt för att analysera det utvecklade BC förmåga att skapa stöd, men det fungerade även som inspirationskälla under BC utvecklingen. Den teoretiska referensramen avslutas med ett ramverk som illustrerar hur de teoretiska områdena appliceras.

Slutsats

BC kan fungera som ett effektivt verktyg för att skapa stöd för ett förändringsprojekt. Dock begränsas denna förmåga av dem som utvecklar och implementerar caset, Dessa bör ha förmågan att kommunicera och förmedla budskapet på ett övertygande sätt. Då ett BC används för att skapa stöd för ett förändringsprojekt är det viktigt att identifiera potentiella osäkerheter associerade med projektet och avgöra om och hur BC kan förtydliga dessa osäkerheter. Tid ska även ägnas åt att kommunicera BC och intressenter samt de som ska implementera BC bör involveras i BC utvecklingen.

BC utvecklat för Företag X kan förstärkas med avseende på dess förmåga att skapa stöd hos anställda genom att inkludera förtydligande information angående deras roll i den indirekta försäljningen. Eventuella förbättringar gällande riskbedömningar, alternativa investeringar samt belöningssystem kan även göras. Det utvecklade BC var menat som generiskt, dock kan det aldrig bli fullständigt generiskt då samtliga regionala omständigheter ej kan beaktas.

Rekommendationen till Företag X är att implementeringsprocessen bör vara en samverkande process som involverar IS Programmet och regionala representanter. Tillämpningen ska ses som en iterativ process där kontinuerliga förbättringar gällande implementeringsprocessen samt BC verkställs efter varje implementering.

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1 Introduction

This chapter provides the background of the study and depicts the situation and problem at hand. It describes what the study aims to achieve by presenting the purpose. The chapter also specifies the target audience as well as the delimitations. The chapter ends with the disposition of the thesis.

1.1 Background

Change is constant for companies today, and the rate of change is escalating (Lorenzi and Riley 2000). It can take place at any level within an organization and there are countless reasons and rationales why organizations change (Hughes, 2010). Uncertainties and opportunities are major triggering factors for change and can be found both externally and internally in the organization (Tichy in Hughes, 2010). Seizing new business opportunities as well as tackling challenges such as poor performance can be essential in order to remain competitive. Companies are however often heavily set in their existing processes and change can be a painstakingly slow process associated with obstacles and resistance (Kotter, 1995). To manage change and thereby avoid resistance and engage in measures to generate support for change, is therefore important in order to successfully address an opportunity and incorporate changes in an organization. Managing change is however challenging as change is always unique, and a result of this is that no generic tools to apply for situations within change management exists (Hughes, 2010).

Gaining support requires careful navigation by change project initiators. The initiators must gather support from a number of key stakeholders, i.e. decision makers or employees (Lester, 2006) affected by the change. Convincing these key stakeholders can be a great challenge (Cummings & Worley, 2005). The level of support needed will differ depending on the stage of the change project (Kotter 1995). In order to efficiently generate support at any stage and make sure that stakeholders throughout the organization are convinced that the project is beneficial, initiators should efficiently communicate its impact and benefits.

A business case can be a tool for communicating the opportunity, the benefits, and the impact of a change project. According to Lester (2006), a business case is a document that emphasizes parameters such as revenue, costs, service, location, personnel and resource requirements. It answers why a project is required as well as what the project team wants to achieve and what the deliverables are. Moreover, it should consider the success criteria, what the main risks imply, and the project timeframe. As a business case communicates the significance of a project, a business case could be used as a tool for convincing stakeholders of the project value and thereby generate support for a change project.

1.1.1 New Sales Channels in the Industry

Company X competes in an industry that is subject to fierce competition, and the rate of technological development as well as the demand from end customers is continuously increasing (Company X, 2010). This puts pressure on all companies within the industry, and in order to remain competitive it is essential to keep healthy margins by continuously finding new ways to become more cost efficient and increase sales. One method of improving profit margins is to explore new go-to-market models to either complement or replace the existing sales channels (Friedman, 1999).

The traditional sales channel within the industry is a direct sales channel where products are sold directly to large end customers (Company X, 2010). A common complementary sales channel is the indirect sales channel, where products are sold to a partner who in turn sells the products to end customers (Friedman, 1999). Conducting sales via partners enable companies to reach new market segments that are not accessible through the direct channel. Some companies within the industry utilize the direct and indirect channel parallel, and some have entirely switched to an indirect sales channel to improve their business (Company X, 2010). However, developing, implementing, and expanding an indirect sales channel is not an easy task for an established business.

1.2 The Situation at Company X

Company X is divided into several independent regions that are responsible for regional operations including the development and maintenance of

customer relationships, and the maximization of sales and profit. The maturity of using an indirect sales channel varies in the regions. Some regions have previously engaged in indirect sales through an unplanned approach, capturing opportunities as they emerge. These regions sell products via partners as a result of Company X acquiring companies using an indirect sales channel. The general notion is however that the indirect sales business is in an early development stage. Due to a lack of guidelines from the company's central functions, the regions apply processes inherited from the acquired companies and indirect sales is usually handled on an ad-hoc basis. Therefore, the allocated resources for indirect sales vary considerably amongst the regions, and Company X utilizes the channel inefficiently.

Company X has identified the indirect sales channel as a new business opportunity. In order to address this opportunity the Indirect Sales Program (IS Program) has been formed by a cross-functional set-up of middle managers. The IS Program aims at establishing and expanding indirect sales in all regions, and they are currently developing an indirect sales model including tools and processes that enable regions to efficiently sell products via partners. The indirect sales model is currently being implemented on a smaller scale.

1.3 Problem Discussion

All regions within Company X are responsible for their business decisions, and making the decision of investing in indirect sales would imply several changes for the regional organization. Also, most regions lack a general understanding of the indirect sales model and the IS Program. There is an uncertainty of which processes to put in place, what personnel to involve, and the amount of resources that needs to be allocated. This uncertainty could create an apprehension towards the indirect sales model and thereby limit its expansion. It is therefore vital that key regional stakeholders gain a good understanding of why they should invest in the channel and what it entails. In order to establish indirect sales and the IS Program as parts of the business processes at Company X, the program therefore needs to convince the regions to actively support and implement the indirect sales model. Consequently, the IS Program is in need of a business case that conveys

why a region should invest in the channel as well as the associated regional resource and financial requirements.

1.4 Purpose

The purpose of this study is to explore how a business case can work as a tool for generating support for a change project.

In order to achieve the purpose, a business case concerning the indirect sales channel will be developed for the IS Program. The business case will be implemented in collaboration with a region and its ability to generate support will be analyzed.

1.5 Target Audience

The intended audience for this study is academia and representatives at Company X. It may be of interest to researchers involved in academic fields related to change management, project management, sales channels, and business cases. The study is relevant for central as well as regional employees at Company X as it describes and explores an opportunity that is of interest to the entire company. It may also be of interest to employees engaged in the development of business cases or other sales related material, since the study contains lessons on how to gain support for change by developing and implementing a business case.

1.6 Focus and Delimitation

The change project considered in this study is defined as the project initiated to establish and expand indirect sales according to the indirect sales model. The business case will be developed in two parts that illustrate what indirect sales entails for a region. The first part will be a guide and the second part will be a financial model. The financial model will include the financial parameters a region needs to consider in regards to their individual investment. The authors of this thesis will only provide the financial model with input that is generic for all regions. This includes costs for partner handling, supply chain, human resources as well as support. A region will need to derive and insert regional specific data when applying the financial model. The financial model will illustrate and not optimize its parameters. The business case will be implemented in collaboration with one region.

1.7 Disposition

Chapters	Content of the Chapter
<i>Chapter 1 Introduction</i>	The background of the study, explanation of the situation and problem at hand. The purpose of the thesis project, delimitations, and target audience.
<i>Chapter 2 Sales Channels at Company X</i>	An introduction of the IS Program as well as the direct and indirect sales models.
<i>Chapter 3 Methodology</i>	The methodology applied and illustration of the research procedure.
<i>Chapter 4 Frame of Reference</i>	The frame of reference, which explores the theoretical areas of sales channels, business cases, and how to gain support for a change project.
<i>Chapter 5 Business Case Data Collection</i>	The empirical data that is used as input to the indirect sales business case.
<i>Chapter 6 The Indirect Sales Business Case</i>	The two parts of the business case, the guide and the financial tool, are presented and described.
<i>Chapter 7 Validation of the Indirect Sales Business Case</i>	Guide evaluation and financial model validation. Discussion on continuous improvements and generic business cases.
<i>Chapter 8 BC Implementation -Testing the BC's Ability to Generate Support</i>	Discussion about the business case's ability to generate support with regards to the business case implementation.
<i>Chapter 9 Theoretical Analysis - Discussing the BC's Ability to Generate Support</i>	Discussion about the business case's ability to generate support with regards to theory about how to generate support for a change project.
<i>Chapter 10 Conclusions and Recommendation</i>	Conclusions of the study and discussions of the fulfillment of the purpose. Recommendations to Company X, contribution to academia, and the suggestions for future research. The chapter ends with reflections on the thesis development.

2 Sales Channels at Company X

This chapter provides an understanding of Company X and introduces the IS Program as well as the direct and indirect sales channels utilized by the company.

2.1 The Organization

The company's organization is divided into Research, Business Units and several regions, which are supported by the CEO and group functions such as Finance, HR, and Sales (Company X, 2011). The organization structure is illustrated in Figure 2.1.

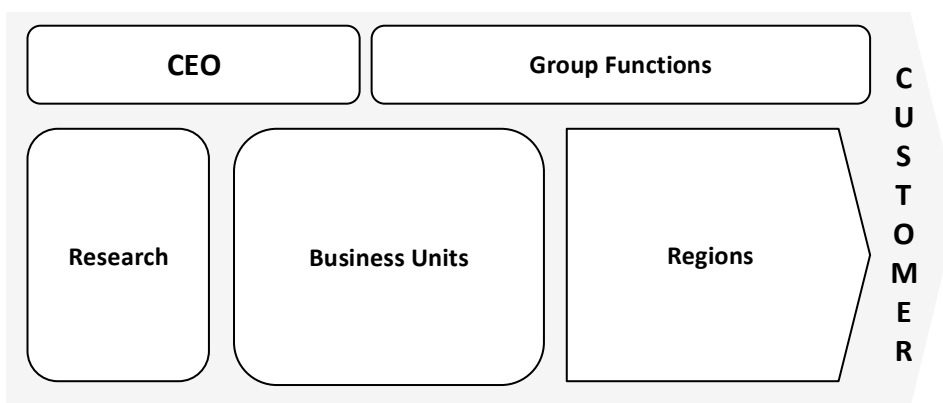


Figure 2.1 The organizational structure of Company X

2.2 Customers

Company X serves a multitude of customers and their main customers are large-scale multinational corporations. The business is highly dependent on long-term relationships and the ten largest customers accounted for the majority of net sales during 2011 (Company X, 2011). The company promotes close customer collaboration by maintaining local competence and utilizing the company's ability to offer end-to-end solutions.

2.3 The Direct Sales Channel

The main sales channel at Company X is the traditional direct sales channel, where products are sold directly to the end customer as illustrated in Figure 2.2. The direct sales channel is decentralized and the local company handles

customer relations and signs contracts. The regions coordinate a set of local companies and ensure that they commit to and reach determined goals.

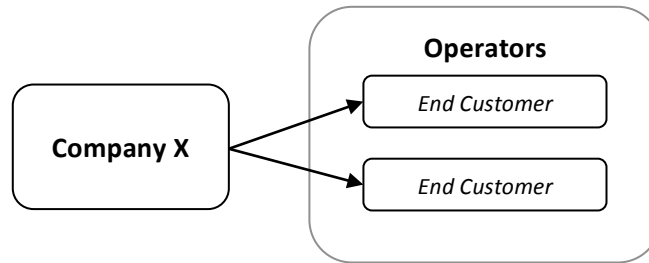


Figure 2.2 The direct sales model at Company X

Employees from local companies, regions as well as the central organization are involved when a customer places an order. The central organization receives and distributes orders placed by local companies.

2.4 The Indirect Sales Channel

The indirect sales channel is based on a go-to market model where Company X sells its products to partners who in turn sell the products to a wide range of end customers as illustrated in Figure 2.3. A partner usually sells products from several different companies and the partners' size range from being small with limited sales capabilities to multi-national system integrators. Partners often combine products from different companies to offer tailored customer solutions.

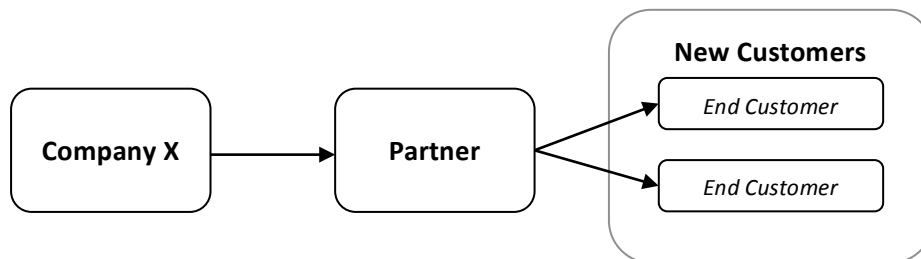


Figure 2.3 The indirect sales model at Company X

The indirect sales channel is a complement to the direct sales channel. Using partners as an extended sales force enables the company to reach new market segments. The end customers within these new segments purchase

considerably smaller volumes compared to the customers targeted by the direct sales channel. To serve these customers through the direct sales channels would therefore be unprofitable. In addition to reaching a broader customer base, the indirect sales business offers healthy margins making it an important complement to the direct sales channel.

2.5 The IS Program

The IS Program was established in order to address the opportunity that the indirect sales business represents. The program team is a set-up of middle managers from group functions and business units. The IS Program has recently developed an indirect sales model, and the goal of the program is to establish and expand the indirect sales channel according to the model. Furthermore, the program aims at attracting and recruiting partners, developing sales in new segments, as well as providing a toolbox. The program also supports partners by providing information on possible end customers.

2.5.1 The New Indirect Sales Model

The new indirect sales model is designed to improve the company's capability to handle partner sales. The indirect sales model consists of standardized business tools and processes that enable regions to efficiently handle partner sales, and partners to efficiently sell the company's products to end customers. The model consists of a number of elements including a partner program, a web-based portal comprising an eShop, a new centralized supply chain, an indirect sales product portfolio, a new price model, and global support service. The roles of the IS Program team members are closely linked to the elements of the indirect sales model. The elements are further presented and explained in the empirical chapter.

3 Methodology

This chapter presents the methodology applied in this study. Choices regarding scientific approach and research methods are justified and presented. The research procedure including data collection, business case development, and a validation model is explained. The chapter ends with a discussion on credibility.

3.1 The Importance of Methodology

A research depends on the researcher's basic notions, the chosen scientific approach, and the area of study (Arbnor & Bjerke, 1994). All humans have basic notions of what their reality looks like and their role in it. These notions are collectively referred to as a paradigm. A paradigm is reflected through the researcher's chosen scientific approach, which also steers and provides prerequisites for the work paradigm as illustrated in Figure 3.1.

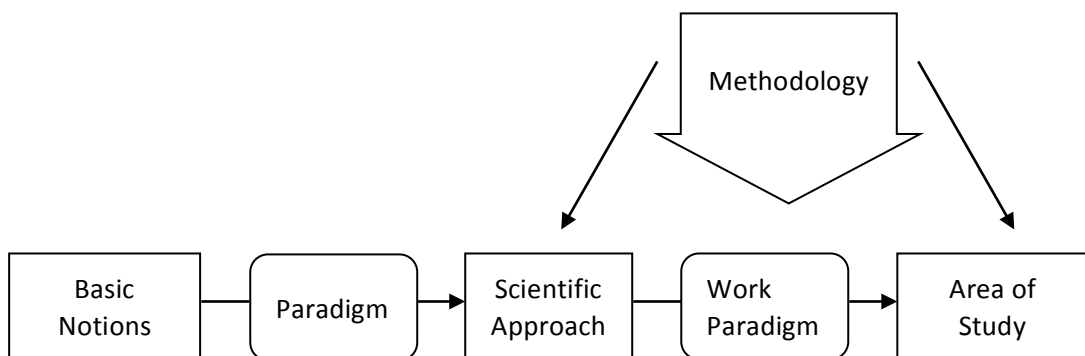


Figure 3.1 The connection between basic notions, scientific approach and area of study, (Arbnor & Bjerke, 1994, p.31)

The methodology reflects the scientific approach, work paradigm, and area of study (Arbnor & Bjerke, 1994). Methodology is the understanding of how a scientific approach relates to the specific study area and how the work paradigm is developed. The work paradigm consists of methodical procedures and methods, which are the guiding principles of the research. In order for them to be efficient and not contradict the research, they have to be consistent with each other, the problem at hand and the researcher's basic notions. A methodical procedure is how the researcher incorporates and develops certain study techniques and adapts them to the scientific

approach. These techniques can for example be data collection or analysis of results. Methods refer to when methodical techniques are being applied.

3.2 Scientific Approaches

It is important to clarify which scientific approach a research aims to pursue since the researcher's basic view of reality and knowledge will affect the study (Björklund & Paulsson, 2003). There are three scientific approaches; the analytical, the systems, and the actors approach. Each approach is described below and the approach of this thesis project is justified.

3.2.1 The Analytical Approach

The analytical approach is based on the assumption that reality consists of components that have a total value that equals the sum of its individual parts (Björklund & Paulsson, 2003). With an analytical approach, the researcher aims at explaining a situation as thorough and objectively as possible and sees knowledge as independent of the observer (Arbnor & Bjerke, 1994). The researcher aims at finding explanations; wants to catch the truth, and searches for relations between cause and effect. When trying to come up with generalizable explanations hypotheses are usually formulated and tested with the purpose of being rejected or confirmed as the study proceeds. The results are often presented as cause-effect relations or representative cases.

3.2.2 The Systems Approach

A researcher with a systems approach also aims at describing a situation as thorough as possible (Björklund & Paulsson, 2003). However, reality is explained as a system that consists of components that influence each other (Arbnor & Bjerke, 1994). Reality is viewed as summative and the system as a whole is often valued higher than the sum of its individual parts. It is assumed that the right combinations of elements will deliver the solution, and the researcher places what she studies in a broader context where relations are to be identified. The result of a systems approach is usually unique to the study, but it can provide an understanding relevant to others.

3.2.3 The Actors Approach

Within the actors approach it is believed that reality is socially constructed, that humans can affect it and that the observer's description of reality is affected by his or her experiences (Björklund & Paulsson, 2003). The researcher with an actors approach is not searching for a general explanation but for an understanding of what is unique for the subject (Arbnor & Bjerke, 1994). Within the actors approach the solution is not provided by statistical methods, but through dialogues which are believed to approach reality in the right sense. Methods are worked out as the study proceeds and results are often presented as reflections and interpretations.

3.2.4 The Scientific Approach of this Study

The systems approach is aligned with the authors' view of this study. The indirect sales business case that was developed for this study covers the different elements of the indirect sales channel at Company X. How these individual elements relate to each other is believed to be of importance, and the authors suspect that when summarized synergies will appear. Therefore, the systems approach has been chosen as the scientific approach. The following paragraphs describe the system of this thesis.

The System of this Study

The system of this thesis is defined as the elements of the indirect channel model at Company X, as illustrated in Figure 3.2.

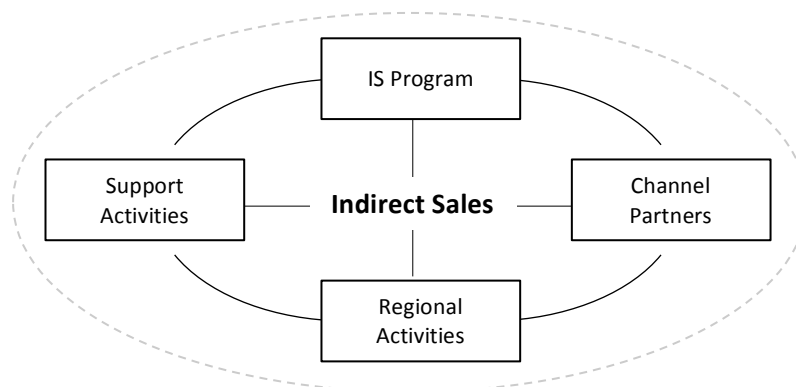


Figure 3.2 The indirect sales channel that constitutes the system of this thesis project

The system is explained using five aspects that Churchman (1968) expresses as important to keep in mind when defining a system. These are the objective and performance measures, the systems environment, the systems resources, the components of the system, and the system management.

The objective of the total system is described as specific measures of performance, which expresses how well the system is doing. The system environment is defined as the elements that lie outside its boundaries, and can be considered as things and people that are “fixed” or “given”. It plays a role in the systems performance and the researcher can do little to influence it. The system resources exist on the inside of the system and are used to conduct business, and are aspects the system can use to its own advantage. The system is divided into components in order to provide the analyst with sufficient information regarding whether the system is performing adequately and what to do next. The components represent the activities, missions or jobs performed by the system. System management is responsible for determining the component’s goals, allocating resources, and controlling the systems performance.

The overall objective of the studied system is to increase the profit by increasing sales, target new customer segments, and lowering costs. Since the researcher can do little to influence the environment, it is not further explored in this thesis project. The resources of the system are identified as monetary resources, involving personnel work-hours, supporting activities, and the tools that enable the indirect sales business provided by the IS Program. The main components of the studied system are defined as the support activities, regional activities, the IS Program, and the channel partners. The management of the system consists of the IS Program team, each with a specific area of responsibility. These areas are all assigned key performance indicators, which allows for performance measurements and the identification of areas of improvements.

3.3 Quantitative and Qualitative Research Methods

A research can be either quantitative or qualitative depending on the information that is to be gathered, which is determined by the overall purpose of the study (Björklund & Paulsson, 2003). The main difference

between the methods is how numbers and statistics are used. A quantitative study collects information that can be measured and evaluated numerically. The data is usually collected through surveys, and statistical methods play a central role in the analysis (Höst et al., 2006). Qualitative studies are used to get a deeper understanding of a specific subject, event or situation, and where the information cannot be quantified. Qualitative data is far more detailed and can be gathered through interviews and observations.

3.3.1 The Choice of Research method

The business case developed for the IS Program will be based on both quantitative and qualitative data. The study will mainly take a qualitative approach since the aim of the empirical data collection is to gain a deep understanding of the studied system in order to create the business case, and to understand the business case ability to generate support for the indirect sales business by gathering qualitative information. A limited amount of quantitative data will be gathered for the financial model to show the financial aspects of the indirect sales business. The reason for collecting quantitative data is not to find statistical relations but to illustrate the investment. Therefore statistical conclusions will not be drawn with regard to the numerical data itself.

3.4 Research Strategy

3.4.1 Case Study

There are four different types of case studies (Yin, 2003). A case study can either be designed as a single-case or a multiple-case study, and be either holistic (single unit of analysis) or embedded (multiple units of analysis). The single case study is appropriate to show a typical or representative case, for investigating relatively unknown areas, or for testing existing theory. It is also common to perform a single case study when the case has a unique character and when investigating patterns previously not explored. A multiple-case design involves more than one case object. Since this design includes more objects its possible to test a theory several times, and it is therefore argued that the multiple-case study is more robust. However, it is not always possible to identify more than one case to study.

When attention is given to a number of subunits within a single case study the design is referred to as an embedded case study design (Yin 2003). These subunits could be, for example, different operational units of a large organization. The embedded case study then analyzes the outcome of the company as well as the operational units. A holistic case study design is applied when the case study explores the global nature of the organization.

This study has primarily focused on a qualitative research method and it explores contemporary events, why the case study strategy has been chosen. Since the study is of unique character and only explores the one case at Company X, this study will be a single-case study. Furthermore, this study will be based on a single-case study with a holistic design, where the system defined as the indirect sales channel will be studied.

3.5 Work Procedure of This Study

In order to achieve the purpose of this study, a BC concerning the indirect sales channel was developed. The BC's ability to generate support was explored through an implementation and by placing the BC in a theoretical context. The work procedure illustrated in Figure 3.3 was designed to address these objectives. Each phase, the data collection, as well as the BC development is described in the following paragraphs.

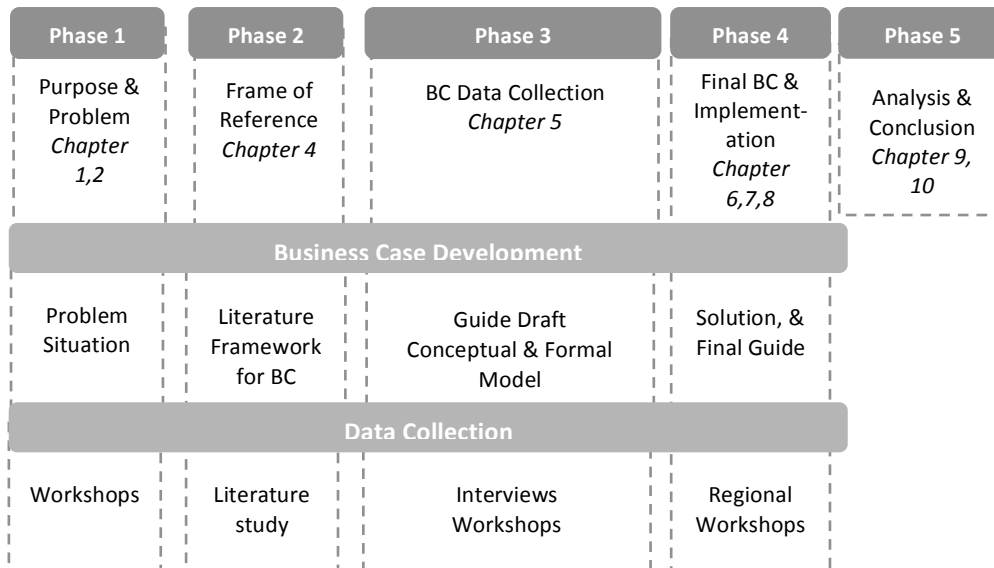


Figure 3.3 The work procedure of this thesis project

3.5.1 The Five Phases

Phase 1- Purpose and Problem Specification

In an early stage the authors specified the problem situation. The challenges that the IS Program faced, the reasons for why the business case was to be developed, and why it was of great importance to gain support for the indirect sales business was clarified.

Phase 2- Frame of Reference Development

The frame of reference was developed in order to gain a broad understanding of existing theory. It helped to set a framework for how to structure the empirics, develop the business case, and analyze the business case's ability to generate support.

Phase 3- Empirical Data Collection

During phase three, empirical data was collected. The data was used as input for the business case.

Phase 4- Business Case Completion

During phase four the business case was completed. The business case was then implemented in collaboration with a region in order to evaluate its ability to generate support for the indirect sales business. The business case was also validated.

Phase 5- Analysis and Conclusions

During phase 5 the process of developing the BC and the final BC was analyzed in order to address the purpose. A deeper understanding of the BC's ability to generate support was gained through a theoretical discussion, and conclusions regarding how a BC could work as a tool for generating support for a change project were drawn.

3.5.2 Developing the Business Case

When choosing the length and detail of a business case, consideration should be taken to the recipient and impact of the project (Melton et al., 2008). A brief business case is most appropriate when the project has limited impact outside the project group. Developing a longer business case with more detailed descriptions is appropriate when the project will affect

areas and people outside the immediate group, and when decision makers have a limited understanding of the project. Since the indirect sales BC affects different types of internal stakeholders both centrally and regionally, it was early on decided that the business case was to be a detailed description containing two robust parts. The first part was to be a written guide structured as a value argumentation emphasizing why a region should invest in the model. The second part was a financial model that would illustrate the economic outcome of investing in the model on a regional level. The guide and the financial model were developed simultaneously throughout phase one to four.

Workshops with the IS Program were held to specify questions the business case had to answer. The requirements from Company X were regarded since organizations usually have specific formats they require project teams to follow when building business cases (Melton et al., 2008). Also, interviews with regional representatives were held to collect primary data regarding questions they needed the business case to clarify. A workshop was conducted to decide how to adapt the business case to regional requirements. This approach enabled the business case to be developed in a way that reflected requirements from both central and regional representatives.

Building a business case is often a tough process. Issuing draft reports and getting feedback is therefore essential (McLaughlin, 2004). To develop a comprehensive case, people with great knowledge concerning the needed information has to be involved. This is especially important when it comes to the financial assessment where errors can cause considerable consequences. To carefully address this issue, drafts of the guide were continuously written and distributed, and feedback from employees with key knowledge was repetitively received. Also, the implementation of the BC allowed for evaluation of the business case, and it provided important final input.

The Model-Validation Process

To minimize the risk of errors and ensure high quality and validity of the financial model, the choice of constructing the model according to the Modeling-Validation Process was made. This process ensures high validity

by regarding validity throughout the whole model building process (Landry et al., 1983). The Modeling-Validation process is illustrated in Figure 3.4.

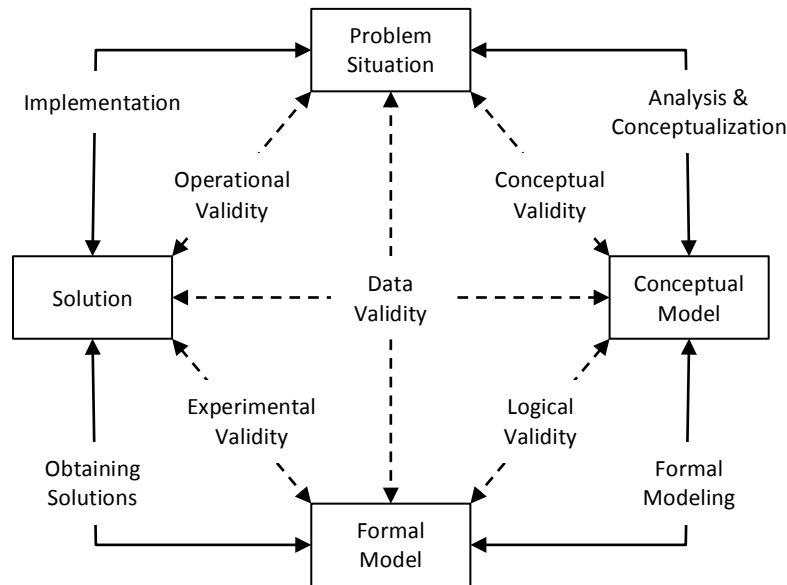


Figure 3.4 The modeling-validation process, (Landry et al., 1983, p. 212)

The Modeling-Validation Process and how it was applied is described in the following paragraphs.

Modeling Process of the Financial Model

The first stage of the process is the problem situation and it entails defining and determining the problem that outlines the reason for developing the model. The second step is to develop a conceptual model, which is described as a mental image of the problem situation. The conceptual model specifies the objective, what to include or exclude, for whom and why the model is developed, as well as the importance and relation between included elements. The third step is to develop a formal model. The formal model is essentially a translation of the conceptual model into mathematical symbols, and/or into computer language. The solution is obtained by applying available solution techniques on the formal model and it represents the final output of the complete process. The solution aims at resolving the problem and is thus the basis of the recommendation.

The problem situation was defined during phase 1 and was concluded to be that regions within Company X do not have a clear understanding of the financial aspects of investing in indirect sales. The purpose defined in Phase 1, the literature explored in Phase 2 and the data gathered in Phase 3, was used to construct the conceptual model. When the conceptual model was finalized, numerical data collected in phase 3 was assigned to each element and mathematical calculations were formed to create the formal model. By implementing the financial model during Phase 4 the solution was obtained.

Validation Process of the Financial Model

The following paragraph describes the validation process and the validation of the financial model is presented in chapter 7.

The aim of conceptual validation is to determine if the problem situation is viewed from the right perspective, if this perspective generates appropriate solutions, and how well the model corresponds to the actors' perception of the situation. Logical validation is related to the formal model's ability to properly and accurately describe the problem situation that the conceptual model defined. It verifies that no relevant variables and relationships has been left out, as well as that the formal model has been constructed as intended and described in the conceptual model. There are different solution techniques and mechanisms related to formal models, and the quality and efficiency of such solution mechanisms is assured by experimental validity. The experimental validity refers to the type of solutions attainable from the model, the efficiency by which the solutions are attained, and the solutions sensitivity to value changes of the models parameters. Operational validation determines the quality and applicability of the solutions and recommendations. This validation should be done with the intended users, the formal model, and the problem situation in mind. The operational validation should provide decision-makers with information to help them accept or reject the solutions and recommendations. The data validation concerns the data's sufficiency, accuracy, appropriateness and availability, and evaluates the appropriateness of the sources in the modeling-validation process.

3.5.3 Data Collection

Primary and Secondary Data

It is important to make a clear distinction between different types of information used when conducting research (Lekvall & Wahlbin, 2001). Information can be based on either primary data or secondary data, or a combination of both. Primary data is master data collected by the researcher directly from the original source. Secondary data is information that has been gathered and compiled for reason other than the study in mind, for example existing literature. It is very rare to only utilize primary resources of information. Most often researchers also use secondary data to develop a deeper understanding of the field and to support their own research (Lekvall & Wahlbin, 2001).

Literature Study

Literature studies are conducted by searching information in books, journals and brochures (Björklund & Paulsson, 2003). The information gathered through a literature study is secondary data, and it is thus important to be aware that the information can be biased and untrustworthy. To avoid misleading material, a researcher should be aware of her search routines, carefully choose databases, and question the reliability of the information source.

Interviews

An interview can be done in person, over phone or email, and can be of either quantitative or a qualitative nature (Höst et al., 2006). The information collected from interviews is mainly primary data, which means that the data is collected for the purpose of the study being conducted. The information received can however also be secondary if the interviewee refers to another source. Different types of interviews offer different advantages; a personal interview enables the researcher to ask a great amount of diverse questions, a telephone interview requires less time to complete and an interview via email is an efficient method but faces the risk of a high drop off (Lekvall & Wahlbin, 2001). The questions can be structured, semi-structured or unstructured. A structured interview has predefined questions, a semi-structured interview has a defined topic but undecided questions, and the unstructured interview is held as a

conversation where the questions evolve during the interview (Björklund & Paulsson, 2003). The appropriate interview structure depends on the aim and the desired outcome of the interview. A structured interview should be conducted when the researcher seeks knowledge of relationships between notions, and unstructured interviews should be used when the researcher is interested in how the interviewee apprehends a certain phenomenon (Höst et al., 2006).

Data Collection of This Study

The Literature Study

When developing the frame of reference in phase two, a literature study based on secondary data was done. To ensure the trustworthiness of the information sources, literature was searched through published articles and academic textbooks located through university databases. Since the authors were to explore the business case topic, literature regarding business cases was studied. Since the business case had the specific aim of gaining active support for a change project, the authors found it important to incorporate aspects that facilitate support from affected stakeholders. Therefore, reasons to why apprehension or resistance towards change occurs were explored as well as how to overcome this resistance and thereby gain support for a project. The theory on support for change was then used to analyze the BC's ability to generate support.

The literature search was conducted using the databases LiBHub, LOVISA, LIBRIS, and Google Scholar. The literature search began with using the keyword *Business Case*. It was found that business cases most often are discussed within the field of Project Management why this became another keyword that guided the literature search. The main part of the business case theory came to originate from this field. Keywords such as *change management*, *resistance to change*, and *support for change* were also used.

The Empirical Data Collection

The main part of the empirics consists of data that outlines the input for the indirect sales BC. Initially, secondary data was collected through Company X's internal database to gain a broad understanding of the system. To create an even deeper understanding, primary data was collected through

interviews with appropriate representatives within the IS Program and the regions. Interviews with Business Case Developers and Key Account Managers were held to gather an understanding of the common view of a business case within the company. A limited amount of employees could be interviewed with regards to the indirect sales business due to its small scale. To consciously select interviewees was therefore relevant. The decision regarding whom to interview was taken with assistance from the thesis supervisors within the IS Program. The interviews were held as both personal and telephone interviews. Personal interviews were held with employees within the central organization, and telephone interviews were held with regional representatives. Semi-structured interviews were held when the aim was to gain a broad understanding of the topic. Structured interviews were held when detailed information regarding specific elements of the system and numerical data for the financial model was gathered. Prearranged questions were used to ensure that the different regions encountered the same questions. Also, to avoid incorrect answers, interview questions were sent in beforehand. Summarizations of the interview answers were returned, which enabled feedback and possible corrections.

Workshops

In Phase 1, a workshop was held with IS Program representatives to determine what the indirect sales BC should achieve, what questions it should answer, and how it could be designed. The workshop also specified the problem situation and the background to the thesis. The workshop was held as a semi-structured discussion with predetermined topics.

Several workshops were also held with regional representatives during Phase 3 and 4. The workshops during Phase 3 were held to discuss what type of data the regions should gather as well as to gain a better understanding of how to structure the guide and financial model. During Phase 4 the BC was finalized and implemented in collaboration with a region to test its ability to generate support. Details regarding the implementation can be found in chapter 8.

Observations

Data has also been collected through observations during the development and implementation of the indirect sales BC. These observations were documented and the data can be found in chapter 5 as well as in chapter 8. The data collected through observations, as well as the final indirect sales BC itself, was used to analyze the BC's ability to generate support in chapter 9.

3.5.4 Analysis of Data Collected

The data gathered through Company X's internal database and interviews were combined to form a unifying comprehension of the indirect sales business. This was done through creating a storyline from one of the interviews and then complementing it with findings from further interviews. If there were expressions of diverging viewpoints or differences between the interviewees in how they described matters, the authors returned to them to ask for further details and clarified the divergences. The data was codified according to the regional set-up illustrated in the empirics.

3.5.5 BC Implementation and Theoretical Analysis

The analysis of this thesis project discusses findings from theory, empirics, and the development process. The business case was first analyzed by implementing it and by discussing how the business case fulfills its aim, as seen in chapter 8. To gain a greater understanding, the business case ability to generate support was also assessed through a theoretical discussion by relating theory to the indirect sales BC, as seen in chapter 9. In this analysis the development, implementation and the final indirect sales BC was analyzed using the support for change theory.

3.6 Credibility

It is important to make sure that the results of a study are trustworthy and of high quality. To ensure this and guarantee credibility, the researcher must consider and construct validity as well as reliability (Björklund & Paulsson, 2004).

3.6.1 Validity

Validity is the extent to which the researcher measures what is intended to measure (Höst et al., 2006). The systems approach does not have strong connections between theory, definitions, and reality because of the low level of generality (Arbnor & Bjerke, 1994). Therefore, validity within the systems approach is regarded as the possibility to decide if the measures are correctly done and whether the results are reasonable and correct. A common approach to determine if the measures are correct is to use as many angles as possible to reflect the system. To ensure this, the researcher should spend as much time as possible in the system during the study, engage many people within in the system, and study and extensive amount of secondary information. The authors of this thesis project has spent a good amount of time in the system and engaged a number of relevant stakeholders to gain a broad understanding of the system. Also existing secondary information related to the indirect sales channel and the IS Program was studied. Furthermore, following the Modeling-Validation Process throughout the construction ensured validity of the financial model.

3.6.2 Reliability

Reliability is the degree of accuracy of the data collected. In other words, to what extent the same measure is reached over repeated measurements. If the results of different and independent measures are the same, the study has high reliability. High reliability can be achieved by developing clear routines to work after (Holme & Solvang, 1997).

This study is to a great extent based on primary information, which has minimized the risk for misinterpretation. Furthermore, to ensure high reliability all interviews and observations were documented and answers were returned to interviewees in order to confirm that they were not misunderstood.

4 Frame of reference

This chapter presents the frame of reference and explores three theoretical fields. The first field explores sales channels and provides the reader with an understanding of the indirect sales channel. The second field explores theory about business cases and how a business case should be designed. The third field explores support for change theory to understand how to gain support for a change project.

4.1 Chapter Structure

This chapter consists of the three sections illustrated in Figure 4.1. The chapter ends with gathering the sections into a framework that illustrates how the theory has been applied.

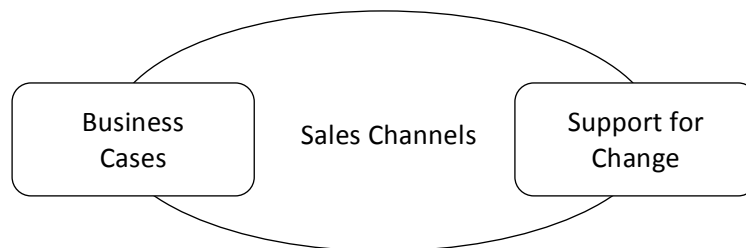


Figure 4.1 The three theoretical fields explored in the frame of reference

The Sales Channels section intends to create an understanding of indirect sales channels in order for the reader to better comprehend the IS Program and the indirect sales model. The Business Cases section provides a detailed comprehension about the usage and format of a business case. It explores the motives of developing a BC and its key elements. The Support for Change section aims at identifying important factors to consider when designing and implementing a business case as a tool for convincing stakeholders to support a change project. How organizations respond to change is first explored by discussing reasons for resistance, how it can be identified and its advantages. Next, aspects that influence the ability to generate support for a change project are explored.

4.2 Sales Channels

This section explores theory regarding sales channels according to the structure illustrated in Figure 4.2.

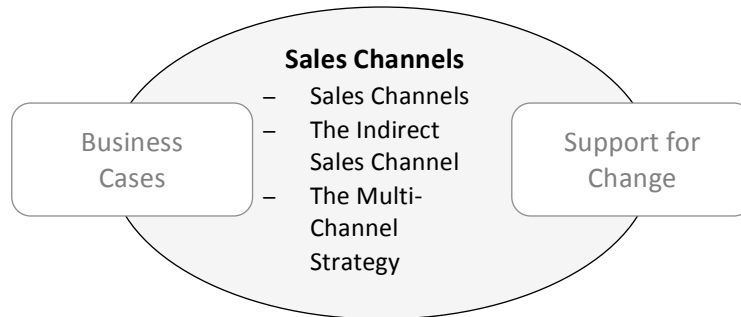


Figure 4.2 The structure of the Sales Channels section in the frame of reference

Companies traditionally sell their products through a direct sales channel (Friedman, 1999). Today a majority of companies do however go to market through a various set of channels. A reason for this shift is that many companies serve several types of customers with diverse needs. Customers' motives for purchasing a product, choice of product type and volume, as well as purchase timing can differ considerably. To be able to address these various purchasing situations and reach all customers, it can be vital for companies to offer multiple sales channels. For this reason companies replace traditional customer relationships with networks of interrelated firms and relationships (Möller & Halinen, 1999).

The types of sales channels a company can engage in can be divided into direct, indirect, and direct marketing channels as illustrated in Figure 4.3 (Friedman, 1999). In direct sales channels products are sold directly to end customers through the manufacturer's sales force. In indirect sales channels products are sold through intermediaries who can be value-added partners, distributors as well as retail stores. The marketing channels connect the manufacturer with end customers in a direct way without the use of a sales force.

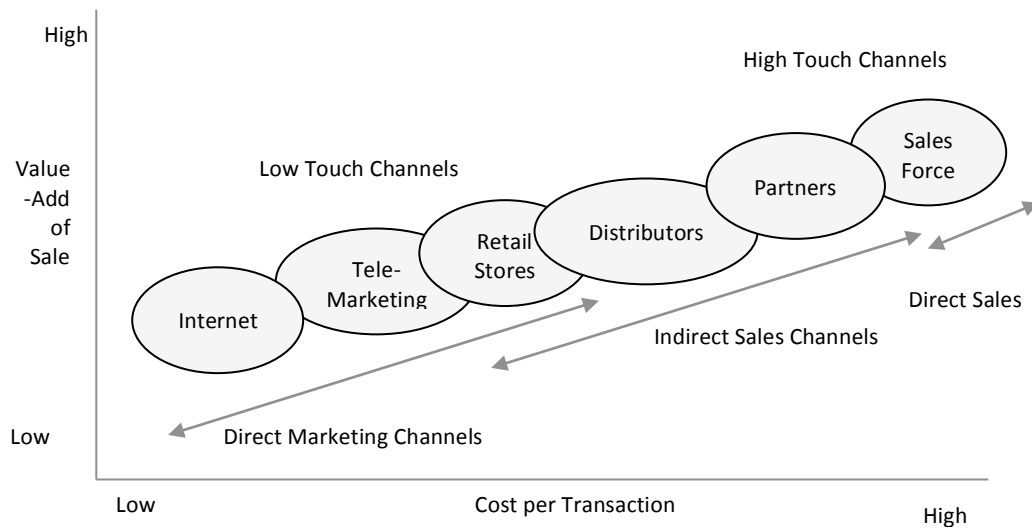


Figure 4.3 Different types of Sales Channels (Friedman, 1999, p. 46)

Different sales channels offer different amounts of customer interaction, support and service (Friedman, 1999). Using the sales force, the direct channel offers extensive customer relations and often provides pre-sales negotiations, training, and post-sales service. The direct channel interacts with, i.e. touches, customers frequently and is therefore a “high-touch” channel. The indirect sales channels and especially direct marketing channels offer limited end customer interactions and are therefore “low-touch” channels. Due to less customer interaction, it is often less expensive to operate an indirect channel than a direct channel.

When making the decision of which sales channel to use it is essential to consider the need and behavior of the customers (Coelho et al. 2003). Friedman (1999) states that products are a key aspect and a company must therefore regard product-channel fit. When evaluating product-channel fit a company should consider the level of product complexity, customization in the sales process, and the level of customer education the product requires. It is also important to address whether the product is a part of a larger solution, if it is mature and easily substituted, and poses risks to the customer. Channel profitability is also essential when choosing channel since the cost of going to market can be a major expense for a company.

Also, the channel capacity needs to be evaluated to ensure that the channel can bear the desired level of sales.

4.2.1 The Indirect Sales Channel

Having an indirect sales channel implies that a manufacturer sells its products via intermediaries, i.e. channel partners (Friedman, 1999). A channel partner can be of differing sizes and be characterized as a large multi-national company as well as a local storeowner.

One of the main reasons for engaging in partner sales is that partners can access a broad customer base and thereby increase sales and market shares of the manufacturer (Friedman, 1999). It is often less expensive to maintain a partner than the sales force associated with direct sales, and partners can offer local support for end customers. A partner's ability to combine products from several manufacturers and thereby offer solutions a single manufacturer cannot is also a central motive.

When initiating partner sales it is vital to evaluate the risks and benefits of forming the relationship, and to identify factors that could influence the potential success of the relationship (Möller & Halinen, 1999). Engaging in partner sales implies loss of sales control. A partner is often not as loyal to the manufacturer's products as the internal sales force is, and can easily substitute the products with competitor's offerings (Friedman, 1999). A partner can combine products in incorrect ways, promote offerings poorly, and provide customers with misleading information, which can damage the manufacturer's reputation and attractiveness. A company's relationship with a channel partner is therefore a vital aspect for competitive survival, and a company should make cautious decisions on how to foster its partner relationships (Ford & McDowell, 1999).

Partner Channel Design

When initiating partner sales there are several best practices a company can follow to ensure a robust partner channel, see Table 4.1 (Friedman, 1999).

Table 4.1 The seven steps of building a robust partner channel (Friedman, 1999, p.108)

Building A Partner Channel

1. Define The Scope Of The Channel
2. Define Partners' Roles in The Sales Process
3. Develop Robust and Attractive Channel Policies
4. Build A Strong Base of Partners
5. Build A Strong Channel Support Infrastructure
6. Measure and Manage Channel Performance
7. Get Channel Feedback

The first step of the building process is to define the scope of the channel, in other words identify the number of channel partners the company needs in order to serve the market and revenue level in mind. The second step is to define the partner's role in the sales process, which can include lead generation, selling, support and service. If a partner's role is solely lead generation then it does not take part in sales, distribution or support. Their function is to route customers to the company's sales transaction, i.e. to solely promote the products. Selling partners are distributors and brokers who sell products on behalf of the manufacturer. Selling partners can create their own leads but should be carefully monitored to ensure that sales opportunities are seized appropriately. Support and service partners support the existing customer base. When engaging in this type of relationship, the manufacturer should make sure that customer problems are actually solved. The third step of building a partner channel is to develop robust and attractive channel policies, which are terms and conditions partners are to follow. These can include directives concerning sales, compensation, inventory and restrictions. The fourth step is to build a strong base of partners. Good recruiting processes is essential for channel performance and the manufacturer should set criteria for what an ideal partner is and then choose partners accordingly. The fifth step is to build a channel support infrastructure. The company should assists its partners with tools and programs that help them succeed. Amongst other things, this infrastructure should contain training and support for marketing, sales and technical issues. The sixth step is to measure and manage channel performance. Channel partners can have objectives conflicting with the objectives of the manufacturer, and to ensure that partners run their business properly a performance management system is often necessary. The seventh and last

step of building a partner channel is to get good channel feedback. Channel feedback is essential as partners will have extensive customer knowledge and possess information about customer needs and preferences, which is very useful for the manufacturer.

4.2.2 The Multi-Channel Strategy

To use a combination of several sales channels can be advantageous when serving different types of customers (Kabadayi, 2008). In the last decades multi-channel strategies have become a necessity for many companies to stay competitive. Even though the trend is to use low-touch channels and these channels are less expensive than the direct, the sales force within the direct channel can still play a critical role in companies with complex products and solutions (Friedman, 1999). With multiple channels, companies can focus their direct channel sales force on larger customer accounts and let customers with smaller purchasing levels and less complex deals use alternative channels. This strategy enables the company to distribute its products and serve all its customers in an efficient way. Also, it gives the sales force leverage as it frees up time and money and enables them to concentrate on the most important market opportunities.

Even though a multi-channel strategy has many valuable advantages, it is also associated with several difficulties. Serving the same customers through more than one channel can result in channel conflicts (Vinhas & Anderson, 2005), and several channels can lead to customer confusion if a company's offerings are available at different prices and service levels (Coelho et al., 2003). To differentiate the offerings of each channel or to solely use one channel in a certain geographical area can be solutions to such conflicts. The choice of sales channel is often associated with heavy investments and they hard to redeploy. A multi-channel strategy can therefore result in high costs if the company is not able to combine the channels in a proper way.

4.3 Business Cases

The business case is the single most important document in a project as it clarifies why a change is important for the organization (Lester, 2006) and explains the success in terms of measurable benefits (Roberts, 2007).

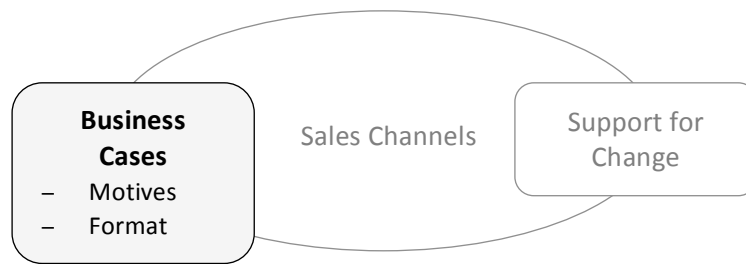


Figure 4.4 The structure of the Business Cases section in the frame of reference

Furthermore, it serves as a reference that guides activities during the implementation phase (Reddington et al., 2010). The areas that are covered in this section are illustrated in Figure 4.4.

Many perceive a business case as a pure investment calculation with the sole purpose of illustrating the financial aspects of a change project. However, literature search has demonstrated that a business case has a greater meaning. A business case answers why a specific undertaking should be realized now, and serves as a well-evidenced argument.

4.3.1 The Motives for Developing a Business Case

A business case that is accurately built and presented will convince the organization that the proposed change is essential, engage people, and build commitment (Stanford, 2005). Lester (2006) states that the purpose of a business case is to give a decision-maker all the information he or she needs in order to be able to accept or reject a proposed investment. Desouza (2010) explains that the aim of a business case is to convince internal or external stakeholders of the merits of a proposed change project. Furthermore, a business case justifies why a project should be realized and explains how it will lead to acceptable profit margins (Roberts, 2007). Developing a business case is a way of making sure that an idea is a wise investment, and the BC itself is a valuable tool for supporting the decision-making process (Heerkens, 2011).

Reddington et al. (2010) describe the business case as a way of communicating how change will benefit an organization and its overall goals, as well as a way to obtain funding and approval. The business case is an important part of enabling change and to realize expected benefits. It is an effective tool for illustrating rationales for change and for convincing organizational members of its positive outcome. Communicating the business case in an appropriate way is therefore necessary, and also a way to assess stakeholder's mindset towards the change.

4.3.2 The Business Case Format

The business case is efficient when outlined as a persuasive story and when it provides the recipient with a clear understanding of the project, its value proposition and the budget. It should provide confidence in the project team and in the high-level project plan (Desouza 2010) and articulate a future vision (Reddington et al., 2010).

Heerkens (2011) explains that a business case should discuss historical data, future predictions, assumptions, financial considerations as well as information about affected personnel and resources. Roberts (2007) emphasizes that the case must raise compelling arguments, based on both words and numbers that encourage stakeholders to invest, face risks, and assess the likely return of investment. Furthermore, Reddington et al (2010) state that the business case should deliver a vision of the proposed change and not only be outlined as a financial analysis.

Different stakeholders will have various requirements on which issues they prioritize in a business case (Lester, 2006). Often, all issues cannot be discussed and the decision of inclusion can be based on cost, time and performance factors. Once the issues are agreed upon, they need to be analyzed, prioritized and documented. Thereafter they become the benchmark on which the success of the business case is measured.

Table 4.2 stresses the main areas that a business case should cover. The areas have repetitively been found in literature, and are thus perceived as

academia's view of the most important aspects to consider. Each area is described below.

Table 4.2 The main areas that a business case should cover according to business case theory

Executive Summary	Outlines a succinct argument to why someone should invest in the specific change project. The section should be written as a short summary of the aspects covered in the case, and not go into any details but emphasize the most persuasive arguments (McLaughlin, 2004).
Description of the Change Project	Brief description of the change project and the opportunity or problem addressed.
Strategic Fit	Illustration of how the project contributes to the organization's overall strategic goals and direction.
Alternatives	Exploration of different solutions and outline of the solution that has the greatest chance of succeeding.
Benefits	Description of the benefits associated with the change project, both tangible and intangible.
Costs	Description of the costs associated with the change project.
Financial Analysis	Analysis to demonstrate that the project will deliver a successful outcome.
Risks	Assessment of the possible future risks.
Deliverables	Description of the key deliverables of the project and their expected due dates.
Organizational Set-up	Explanation of what resources is needed to implement the change project.
Assumptions	Clarification of the assumptions made to increase the understanding of the development process.

Description of the Change Project and the Opportunity/Problem

Following the executive summary, the business case should give a concise description of the change project and explain the organization's need for it

by illustrating the opportunity or problem it addresses (Melton, 2007). The possible commercial gains of the opportunity or the undesired business outcomes the problem gives rise to should be described in this section (Roberts 2007). If the business case is to tackle a problem, an in-depth root cause analysis should be done to not confuse the real problem with the symptoms it generates (Melton, 2007). When describing the change project, aspects such as size, function, timing and stakeholders should be considered (McLaughlin, 2004).

Ward et al. (2008) recommend that identifying business drivers and investment objectives should constitute the basis for this section. Business drivers are current issues facing the organization and investment objectives explain what the organization wants to achieve when addressing the business drivers. In this way, the investment objectives outline the overall goals of the investment.

Strategic Fit

The strategic fit illustrates how the project contributes to the organization's overall strategic goals and direction, which can help to justify its value. Demonstrating how the project supports and relates to the organizational goals is an important first step of defining the benefits of the proposed project (Reddington et al., 2010). As an example, discussing critical dependencies it might have with other initiatives and whether it is a part of a wider program, can be of value (Roberts, 2007).

Alternatives to the Suggested Action

There are often a number of possible solutions to how to respond to a problem or how to seize an opportunity. It is thus important to explore different solutions within a business case and outline the solution that has the greatest chance of succeeding. This solution should then be selected for further investigation (Roberts, 2007). To discuss the impact of not doing the project and building "what-if" scenarios can be a useful way of convincing others that doing nothing is not a good option (Melton, 2007).

Benefits

One of the main elements of a business case is a description of the benefits that the project will generate, and it is necessary to communicate these

before initiating the project (Lester, 2006). Ward et al. (2008) suggest that one should identify benefits, measure them in financial terms, appoint each benefit an owner and structure them to allow comparison with other projects. Benefits are advantages specific groups and individuals are provided with when the overall goals are met, and they can favor managers, employees as well as customers. Appointing a benefit owner implies identifying either someone who personally gain from the benefit or a person who represents a group of stakeholders who gain from the advantage. Identifying owners is a way of creating commitment. It is important for a project team to establish appropriate financial targets for the benefits (Reddington et al. 2007) and to guarantee that they can be tracked and realized (Roberts 2007).

Roberts (2007) also stresses that it is essential to include the incentives the project offers to implementers when achieving desired results. Additionally, benefits should be structured according to the business change that gives rise to them and according to how well the value of a benefit can be determined in advance. A business change can either be characterized by doing new things, doing things better or by stop doing things. This structure provides a clear understanding and allows the organization to make comparisons across various projects and investments (Ward et al., 2008).

Tangible and Intangible Benefits

Tangible benefits are benefits that can be easily measured (Melton et al., 2008). Intangible benefits are harder to measure in monetary terms and associate a distinct value to. Examples of intangible benefits are changes in culture, improved health or safety, reduced risk, and time saving. Reddington et al. (2007) state that tangible benefits are important because they enable a profit and loss analysis, and that intangible benefits are as important due to the impact they can have on stakeholders' perception of the change project. Intangible and tangible benefits are thus equally important to justify the project.

Ward et al. (2008) has performed thorough studies on business cases for IT investments and concluded that a business case will be more effective if both financial and non-financial benefits are taken into account. Many organizations focuses entirely on the financial returns and this exclusive

focus can result in misleading information due to unrealistic assumptions and poorly performed calculations. The financial focus is for the most part chosen because it lies within the main interest of senior managers. However, other stakeholders such as staff are usually more interested in subjective benefits, and by incorporating non-financial benefits an organization can gain a greater commitment from the ones making the investment possible.

The Value of the Benefits

Tangible benefits can be quantified in terms of an increase in revenues, a reduction in overhead or mitigation of risks (Roberts, 2007). When determining the explicit value of benefits, Ward et al. (2008) suggests that the benefits should be classified as observable, measurable, quantifiable or financial. These categories represent the amount of evidence that exists about the value of a benefit before an investment is made.

Observable benefits are intangible benefits that are measured by judgment and thus they are of qualitative characteristic (Ward et al. 2008). The assessment has to be done by interviewing relevant people, and this method is usually the only way to appoint a value to an intangible benefit. Measurable benefits are those that can be easily measured and where existing information can be used. How the performance of measurable benefits will progress after implementation is however hard to determine. Quantifiable benefits also allow existing measures to be used, and in addition the size of the benefit can be determined. This involves future forecasts, which can be a challenge to develop in accurate ways. Financial benefits exist when plenty of evidence shows that the stated value is likely to be achieved. These values can be used when conducting different financial assessments.

Costs

Benefits need to be balanced by costs in order to create a complete business case. Spending time on determining costs will create credibility and a baseline for financial assessment (Reddington et al., 2007). All costs associated with a project, including operational, maintenance, and support costs should be identified and quantified. In addition to being able to make the financial case, understanding costs is important since the realization of benefits might incur after the project is finished (Roberts, 2007).

According to Reddington et al. (2007) it is very important to consider both ongoing and one-off costs, Wards et al. (2008) also argue that it is necessary to consider the recurring costs that will occur as long as the investment is in place.

Financial Analysis

The financial analysis is an important part of a business case as it shows whether the project will deliver a successful outcome. Because of competition for scarce resources, it is common that business cases are used as a tool for comparing different projects on a financial basis.

Monetary payoffs can be demonstrated through a profit and loss analysis where benefits and costs are quantified and weighed in comparison to each other (Desouza 2010). A profit and loss analysis provides a single view of the financial payoff and it shows the required investments and intended returns over time (Roberts, 2007). When conducting a financial analysis, widely used methods such as Net Present Value, Return on Investment, internal rate on return, and Payback can be valuable to apply (Reddington et al. 2007). The business case should also show how attained payoffs would help the organization to move towards its overall objectives (Desouza 2010).

Risks

A business case should include a rudimentary assessment of the possible future risks (Roberts, 2007). Every risk should be assessed with regards to likelihood and impact, enabling the development of proper mitigation plans. By identifying risks, the robustness of the business case increases and an understanding of how the project might affect other projects in the portfolio is created. Reddington et al. (2007) also describes a risk analysis as an important element. He suggests that after all risks are identified, plans on how to manage and prevent them as well as assessments regarding their probability of occurring should be established.

When conducting a financial analysis, several variables can be difficult to forecast why a sensitivity analysis can be important to include. Uncertain variables are estimated as a range with high and low indicators in a

sensitivity analysis. Using this range shows how the variable affects the project's success and how sensitive the investment outcome is to changes in the variable (McLaughlin, 2004). By increasing awareness of the sensitivity to changes the risk associated with incorrect forecasts is lowered.

Deliverables

Roberts (2007) advocates that the business case should describe the key deliverables of the project and their expected due dates. Deliverables can be identified by listening to all stakeholders' requirements of the project, which should be incorporated as deliverables. Some requirement will be common for most stakeholders and should thus be prioritized and become the benchmark on which the success of the project is measured (Lester, 2006).

Organizational Setup

Several sections discussed in a business case justifies why an investment should be done. However, it is also important to explain how the investment will be implemented by giving an indication of the resources needed (Melton, 2007).

If the project implies new ways of working and a new organizational setup, this can be communicated by developing an operational model (Reddington et al., 2007). An operational model explains how organizational functions will be organized, their future size and structure as well as how the new service will be delivered. The model identifies activities within each function and whether they will be outsourced or moved to another function. In this way the model serves as a way of identifying the changes that need to be made when it comes to people and processes.

Assumptions

Another important part of the business case is the section that considers assumptions, which clarifies how the business case was constructed (Roberts 2007). It includes a complete list of all the assumptions that were made while developing the business case and when making financial calculations.

4.4 Support for Change

Change can be defined as development, transformation, revolution, and innovation of some sort (Hughes, 2010) as well as adding, integrating, removing or exchanging things (Palmer et al., 2009). The authors of this study support the notion that change is constant, as suggested by Lorenzi and Riley (2000), rather than deterministic. This implies that the desired future state will continually change and that managing change is a continuous process. Academia describes management of change as a structured approach to working with organizational change. Kotter (2011) defines management of change as a set of tools or structures intended to control any change effort. One of the more general notions is that management of change entails shifting an organization, or a part of an organization, from a certain state to a new desired future state (Palmer et al., 2009). Change is subject to the organization's unique circumstances in terms of organizational size, strategy, and geographical location (Hughes, 2010). Hence, the challenges and practice of managing change vary, and for that reason, no generic models, techniques or tools for managing change exist.

The areas covered in this section are illustrated in Figure 4.5.

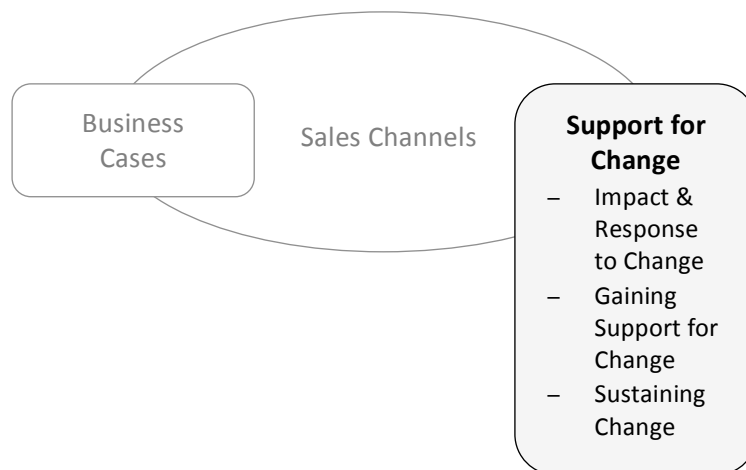


Figure 4.5 The structure of the Support for Change section in the frame of reference

The impact of change and how organizations respond to change is discussed below. The section emphasizes key measures for how to generate support for change, and ends with exploring how change is sustained.

4.4.1 The Impact and Response to Change

Change can have a great impact on an organization and its members. In academia, it is common to discuss the impact of change, and the organizations response to change, in terms of resistance to change. Kurt Lewin, the originator of the term resistance to change, viewed resistance as a force affecting both managers and employees equally (Dent & Goldberg, 1999). Resistance to change has a significant influence on the success of a change project (Sohal & Waddell, 1998). Furthermore, it is argued that when working with change it is inevitable to come across some level of resistance (Kotter & Schlesinger, 2008). Resistance to change must therefore be accounted for by understanding its origins, what it entails, and how it can be effectively managed. In doing so, support a change project can be generated and the likelihood of a successful outcome can improve significantly.

There are several researchers who challenge the notion that people naturally resist change. Lorenzi and Riley (2000) suggest that people do not automatically resist change, they resist having change imposed on them, or as stated by Sohal & Waddell (1998), they resist the uncertainties and potential outcomes that change entails. Research done by Dent & Goldberg's (1999) implies that resistance to change needs to be separated from people resisting loss of status, loss of pay, and loss of comfort.

According to Kotter (1995) employees often understand the vision of a major change and want to enable it, but different obstacles hinder execution. Obstacles often derive from employees having to choose between the vision and their own self-interest as a result of organizational structures or performance appraisal systems. Organizational structures can hinder people from being able to take action and aspects such as compensation programs can make it unbeneficial to adapt to the new strategy. Kotter (1995) states that personal resistance towards change is very rare. Some researchers advocate that new models or definitions of *resistance to change* should be developed. Dent and Goldberg (1999, p.26) suggest that a more appropriate label would be "employees are not wholeheartedly embracing a change that management wants to implement".

Reasons for Resistance

Sohal & Waddell (1998) conclude that resistance is a complex and multi-faceted phenomenon, and that it is a function of a number of social factors. These factors are defined as rational factors, non-rational factors, political factors, and management factors. The rational factors occur when employees' rational assessment of the consequences of a proposed change diverge from the consequences envisioned by management. The employee may then choose to oppose the change or point out weaknesses. The non-rational factors from a business perspective involve the individual's preferences, and how it affects employees' reactions to a proposed change. This might simply be a preference in office location or other issues related to comfort, which are not based on economic factors. Political factors can create resistance through aspects such as favoritism. Management factors relate to how bad or inappropriate management styles can lead to resistance.

According to Kotter & Schlesinger (2008), the most common reasons for resistance are self-interests, misunderstandings, a lack of trust, beliefs that the change is not right for the organization, as well as low tolerance for change. The issue with self-interests occurs when people are afraid of losing something of value and therefore focuses on their own interests rather than on what is best for the organization. Another reason for resisting change is that the impact of the change is not clearly communicated and employees perceive the costs of making a change to outweigh the benefits. This can arise when mistrust exists between the one initiating change and other stakeholders. Furthermore, a common explanation to why employees resist change is because they assess the situation in a different way compared to the change initiators. Low tolerance can develop through fear of not being able to cope as well as an inability to change as fast as the change requires. Even though everyone understands that a change will lead to positive outcomes and thus support the process, it can be difficult for people to give up current relationships and activities and develop new skills.

Advantages of Resistance

In contrast to the view of resistance to change as being an obstacle that must be overcome, some authors suggest that it can be of high value in a change project (Sohal & Waddell, 1998). These argue that there can be a danger in

considering change itself as inherently good. As Hultman (1979) describes, the only way to evaluate change is by its outcome, which cannot be known before the completion of the change project and enough time has passed (cited by Sohal & Waddell, 1998). Consequently resistance to change can act as a balancing factor between the environment's pressure for change and the organization's need for stability and consistency, which in turn allows for a certain level of predictability and control.

Resistance to change can be of help when identifying possible flaws in the change project, pointing out weak spots and areas not thoroughly investigated (Sohal & Waddell, 1998). Resistance is also an important part of generating a motivation for change and creating a sense that change is necessary to improve the business. In addition, resistance in the form of rivalry can generate an influx of energy. When resistance exists, the energy or motivation needed to more thoroughly scrutinize the change project rises, increasing the change projects momentum. Resistance in a change process can also play an important role as a source of innovation, as it forces an organization to identify and evaluate alternative approaches and consequences. This is referred to as an integration of conflicting opinions.

4.4.2 Gaining Support for Change

A majority of theory regarding management of change is based on the notions that a change project consists of a number of key phases. These phases are often related to breaking the steady state of the current business, transforming the organization, and making sure that changes persist. During these three phases the organization faces a wide range of challenges that are closely associated with resistance to change. They impact the level of support gained, and thus the success of the change project. Therefore, these challenges need to be efficiently managed. This coming paragraphs explore five key measures that change management theory emphasizes as important for change project initiators to regard, see table 4.3. These measures generate support by addressing the challenges associated with resistance.

Table 4.3 Five measures to regard when generating support for a change project

Five measures to regard when generating support for a change project

1. Disrupting the Status Quo
2. Creating a Shared Vision
3. Hard and Soft Values
4. Effective Communication
5. Engage Key Stakeholders and Implementers

Disrupting the Status Quo

It is argued that change needs to be initiated by disrupting the status quo in order for people to see the necessity of change, embrace it and commit to action. This is particularly important when the change project will affect many people and when their cooperation and help is essential for the change project (Kotter, 1995). Phillips (1983) argues that the first step should be to create a sense of concern, which is similar to Kotters (1995) *eight-step model for effective change management* where the first step is to create a sense of urgency. The sense of concern creates a felt need for change, which comes from understandings how the industry is changing and how the company needs to adapt, as well as identifying organizational inadequacies (Phillips, 1983). According to Kotter (1995), the purpose of creating a sense of urgency is to make the status-quo seem like a worse option than making a change, thereby triggering employees to take action and make improvements.

In order to create this sense of concern or urgency, a sufficient level of dissatisfaction must be reached, where people feel inclined to align themselves with the change and adapt to new processes, technologies and behavior (Phillips, 1983). Revealing the divergences between the present and the desired future state can generate dissatisfaction and therefore be used as a method to motivate organizational members to make the necessary changes (Cummings & Worley, 2005). People generally seek to preserve the status quo wherefore motivation is vital in order to achieve successful change management. A willingness to change will only become apparent if there is convincing evidence of the change being necessary (Cummings & Worley, 2005), which is also endorsed by Bell and French (1999) who state that people will become motivated if they see the necessity of committing to a new course of action.

Creating a Shared Vision

A shared vision is considered to be a powerful tool for gaining organizational wide support and generating commitment from key stakeholders (Phillips, 1983). The vision outlines where the organization wants to go and the new skills that are needed when acting on the vision. The vision should provide a background and purpose to the change (Cummings & Worley 2005) and explain how competitive advantage can be reached (Phillips, 1983). It should provide a clear description of what direction and strategy for where and how the organization should move in order to reach a desired future state (Kotter, 1995). Creating a vision that illustrates the beneficial aspects of the future and demonstrates that goals are achievable, energizes the organization and reduces uncertainty (Bell & French, 1999).

Creating a shared vision is important as command and hierarchical authority is reduced when people share common goals, a common view of what needs to be done and how to accomplish it (Pfeffer, 1992). Also, it provides the company with answers on how they will attain competitive advantages and what necessary skills they need to acquire, which results in top management and organizational wide commitment (Phillips, 1983). For the change to occur, people who have to ability to drive the process needs to be fully committed to the vision and development of new skills (Cummings & Worley, 2005).

Hard and soft values

In order to accomplish a successful change project, companies must pay attention to both soft and hard sides of change management (Jackson et al., 2005). Examples of softer values are culture, leadership, and motivation. Hard values are characterized by being measurable, easily communicated, and easy for the company to quickly influence. The expected financial result, the time of completion, and the number of people needed to accomplish the change, are hard factors that affect the outcome of a change project and are highly important to consider (Jackson et al., 2005). Measurement is key to successful change and quantifying an organization's goals and linking them to personal achievements and performance, leads to more sustainable changes (Moran & Brightman, 2001). According to

research by Maurer (1996), around 60 percent of all major change projects fail to achieve their objectives. It is therefore argued that in order for a change project to be successful, a structured approach that considers both soft and hard aspects needs to be applied.

Effective Communication

Communication can be expressed as both words and action, and the more various communication channels one use; the more efficient the delivery of the message will become (Kotter, 1995). Communication channels can include different approaches such as presentations, individual meetings, reports, and workshops. The importance of communication spans the entire change process and needs to be consciously managed to achieve successful change. Lewis et al. (2006) explain that in order to generate organizational support and efficiently manage resistance to change it is vital for change agents to continuously communicate the change. Kotter and Schlesinger (2008) endorse this view by explaining that communicating the need for change and educating people about it, are efficient ways of minimizing resistance. Already in the initial stage when the opportunity or area of improvement is spotted, communicate should be used broadly (Phillips, 1983). According to Kotter (1995) the transformation process will be difficult to implement if stakeholders are not provided with enough information.

It is important for managers to communicate the nature and impact of the change in an active way, involving parties affected by the change, and showing employees that the organization will consider them and provide an equivalent position after the change has taken place (Burnes, 2004). The communication of credible expectations can act as a driver for creating motivation for change (Cummings & Worley, 2005). Also, effective communication of what the change entails is important since people are often provided with misleading rumors and information. Research suggests that communicating the reasons for change, the organizational benefits related to the change project, and how people will be affected and involved in the design and implementation phases is beneficial. Furthermore, information about roles, responsibilities and tasks should be disseminated throughout the organization (Lewis et al, 2006).

When using communication in change implementation, specific communicative tactics can be applied. These tactics can for example include asking for input, which allows stakeholders to participate in the change process (Lewis et al, 2006). Kotter (1995) suggests that communicating a new direction is not enough for gaining support; organizations have to remove obstacles as well.

Engage Key Stakeholders & Involve Implementers

Key to a successful change projects is to involve the right people and groups (Bell & French, 1999). It is often middle managers that are familiar with organizational shortcomings and identify the need for change. They are the ones who advocate the change project, but without support from top managers it will be difficult to move forward (Phillips, 1983). To engage key stakeholders such as staff groups, unions, and department managers, is of great importance (Cummings & Worley, 2005). Engaging key stakeholders, such as managers and employees at different levels, minimizes the risk of one group blocking the proposed change (Kotter, 1995).

There are at least three major strategies for influencing others: playing it straight, using social networks and going around the formal system (Greiner & Schein cited in Cummings & Worley, 2005). The use of social networks and going around the formal system focuses on the change agents' social ability, credibility, and reputation. Using change agents' social networks and power base, alliances with powerful groups and individuals can be formed to gain support. Playing it straight is based on the idea that people can be persuaded by the use of information and knowledge. It involves identifying the needs of particular stakeholders and using different methods to illustrate how the change benefits them.

Resistance can be minimized by actively involving the ones who will be affected by the change and those who are obliged to take a part in the implementation of the change project (Kotter & Schlesinger, 2008). The initiator of change should listen to the opinions of the people necessary in the implementation phase, clarify uncertainties, and use their advice. Most often involvement results in commitment. Different participate processes and tools can be used to involve and engage people in the organization (Levasseur, 2001). Being supportive is also advantageous (Kotter &

Schlesinger, 2008). Being supportive can include training and responding to the needs of employees. Negotiations and new agreements such as an increase in wages can also be helpful when making a change. Also, manipulation as a way of influencing others by using selective information or by giving employees desirable roles in the implementation can be useful (Kotter & Schlesinger, 2008).

4.4.3 Sustaining the Change

Kotter (1995) emphasizes the importance of not declaring victory as soon as improvements are apparent but to make sure that the change gets a foothold in the organization. He explains that new behavior should be rooted in the corporate culture making the new approach the way of doing things. A way for making this happen is to clearly show how the new approach has led to performance improvements and thereby diminishing the risk of employees going back to old ways of doing things. The new system should also be continuously tested to enable improvements and prevent reversion of the new behavior (Levasseur, 2001).

The change is sustained by providing sufficient resources for change, creating support systems for change agents, developing new competencies and skills, and constant reinforcement of new behaviors (Bell & French, 1999). People tend to fall back to old habits unless they receive continuous support and reinforcement. Furthermore, when problems concerning new ways of working appear, support diminishes. Therefore, energy needs to be directed towards securing the level of commitment needed throughout the change process (Cummings & Worley, 2005).

4.4.4 Theoretical Framework

The theory provides an understanding of sales channels, business cases, why people resist change and how support can be gained. The theoretical fields are gathered into the framework illustrated in Figure 4.6. The framework demonstrates how the theoretical fields are applied and how they relate to the BC data collection, the development of the indirect sales business case, the BC validation, the BC implementation, and the theoretical analysis. The framework enables the reader to better understand the structure of the following chapters.

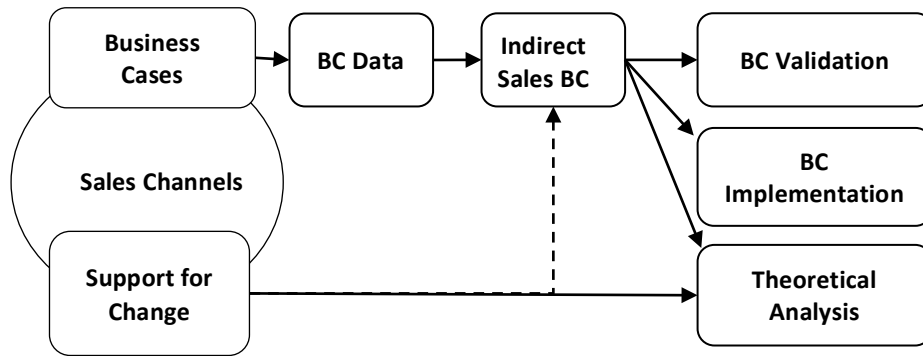


Figure 4.6 Framework illustrating how the three theoretical sections are related to the following chapters

The Sales Channel section solely serves as a knowledge platform, which provides an understanding of what the indirect sales BC will cover. The section on business cases serves as a guideline for how to structure the empirical chapter and the indirect sales BC. The Support for Change section is used as inspiration during the BC development process. After its completion, the BC is implemented and validated. To gain a deeper understanding of the BC's ability to generate support, the BC is placed in a theoretical context. The theoretical discussion assesses the BC's ability to generate support with regards to the theoretical section about support for change.

5 Business Case Data Collection

This chapter presents the empirical data gathered for the indirect sales business case. The first section of the chapter presents the information that was used as input for the business case. The second part of the chapter describes aspects Company X regard when building business cases. The empirical chapter has been constricted due to confidentiality reasons and the information presented only represents parts of the empirics gathered.

5.1 Chapter Structure

The theoretical section on business cases set the structure for the empirics, as illustrated in Figure 5.1.

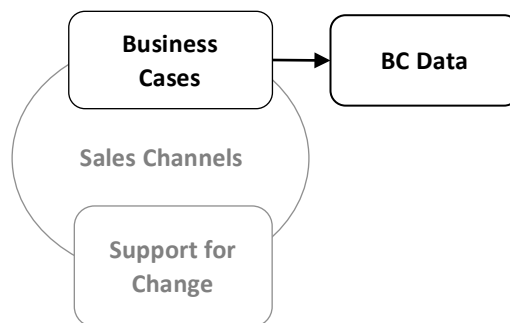


Figure 5.1 Framework illustrating the relationship between theory and the empirics

The areas of the BC format discussed in the frame of reference served as a guideline for what information to gather for the indirect sales business case. How the information gathered for each area corresponds to the sections of this chapter, as well as the sources of information is illustrated in Table 5.1. The section regarding the indirect sales channel serves as input for the BC. The section regarding business case development at Company X was used throughout the BC development in order to adhere to BC requirements at Company X.

Table 5.1 The sections of the empirical chapter, how the information was used, and the information sources

The Chapter Sections	Usage of the Information	Sources of Information
5.2 The Indirect Sales Channel	Input to indirect sales BC	
5.2.1 The Opportunity 5.2.2 The IS Program	- <i>Description of the opportunity</i> - <i>Strategic fit</i> - <i>Benefits</i>	<i>IS Program, internal databases</i>
5.2.3 Regional Set-Up for Indirect Sales	- <i>Organizational Set- up</i>	<i>IS Program, regional representatives</i>
5.2.4 Regional Revenue and Cost Structure for Indirect Sales	- <i>Costs</i> - <i>Financial analysis</i> - <i>Deliverables</i>	<i>Regional representatives, central representatives outside the IS Program</i>
5.2.5 Risks	- <i>Risks</i>	<i>IS Program</i>
5.2.6 Alternatives to Indirect Sales	- <i>Alternatives</i>	<i>IS Program</i>
5.3 Business Case Development at Company X	Adherence to Company X requirements on BCs	Internal BC developer, key account managers

5.2 The Indirect Sales Channel

5.2.1 The Opportunity

A consultancy firm on behalf of Company X recently investigated the indirect sales opportunity. It was discovered that several competitors to Company X already had established an indirect sales channel and that the potential market was substantial. It was therefore determined that indirect sales represented a major opportunity.

5.2.2 The IS Program

The IS Program is established to provide an indirect sales model that enables a more streamlined way of working with indirect sales. The elements of the indirect sales model and how they are related to each other as well as the organizational structure is illustrated in Figure 5.2. The elements of the indirect sales model are described one by one below.

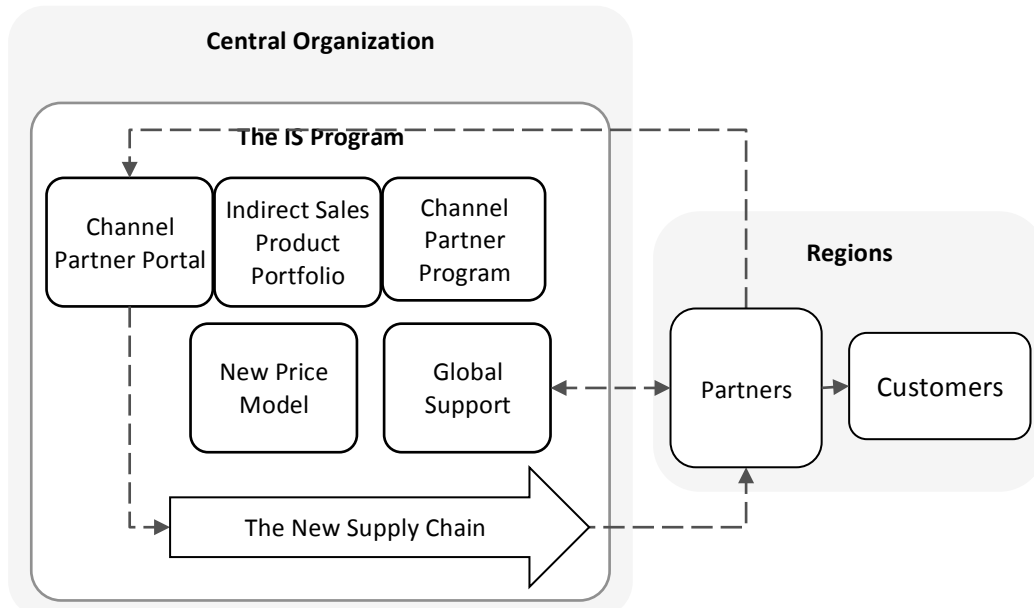


Figure 5.2 The elements of the indirect sales model and how the elements relate to each other and the organizational structure

The Partner Program

The Partner Program is currently a pilot and will eventually outline an important aspect of the indirect sales business. It constitutes how channel partners and Company X will work together and it aspires to divide channel partners according to their expected sales volume and categorize them as Bronze, Silver, or Gold. The participation levels are defined in terms of benefits and commitments.

A channel partner within the program receives special benefits and needs to fulfill certain requirements depending on the partner category. The Bronze category reflects a modest commitment to Company X and includes basic benefits. The Silver category means that the partner invests somewhat more in the relationship and promotes the Company X products in an efficient way. A Gold channel partner shows a great commitment and have extensive sales capabilities. The benefits generate incentives for channel partners to increase their sales of Company X products. If a channel partner's revenue level increases to the limit of the next category, the channel partner will gain a higher rank, and thus additional benefits and increased requirements on their commitment.

The Channel Partner Portal

All channel partners have the possibility to use a web-based Channel Partner Portal, granting them access to an extensive e-business environment. Through the Channel Partner Portal, channel partners have access to updated information as well as the ability to purchase Company X products through an eShop.

The purpose of the channel partner portal is to make the channel partners highly self-sufficient. This allows the partner to sell Company X products with little interaction with the regions, meaning that as channel partners become more self-sufficient the requirements for regional resources are reduced, and the more efficient the regional organization can become.

eShop

The eShop is a part of the Channel Partner Portal, and channel partners connected to the eShop can purchase products directly from the portal. The partners can view the product portfolio they are entitled to purchase and are able to place orders for desired products without dealing with sales representatives. The eShop is connected to the new supply chain later described. Purchases via the eShop are associated with short lead times and can therefore create an essential competitive advantage and free up resources both centrally and regionally.

Partner Training

The Channel Partner Portal also includes a partner training section, which offers partners pre-sales, sales and technical training. The partners have access to an internal website containing an individual view of their available training options. These training modules as well as information of the partner's training progress are available through the internal training system.

A New Supply Chain

When a customer orders products within the traditional supply chain, they keep close contact with Company X's local companies throughout the process discussing and negotiating what to order, and pricing. The customer is provided with extensive help and service, and to place an order involves thorough planning and involvement of both locally and centrally placed personnel.

In order to fully utilize and support the eShop as well as enabling partners to act independently, a new supply chain has been developed. Its purpose is to create a fully automated supply chain governed by the customer with as little interference of Company X personnel as possible. This means that it operates with a minimum of points of human touches.

The new supply chain is connected to the eShop, enabling channel partners to manage their own purchases. It is based on a centralized solution with all goods being picked from stock and distributed from a central warehouse. When a partner places an order in the eShop the order is automatically received at the warehouse, where it is handled and then distributed. The new supply chain enables shorter lead-times compared to the traditional supply chain. This implies improved customer service and high customer satisfaction, two important aspects in a competitive environment. The new supply chain implies lower supply chain costs compared to traditional supply chain because of the high automation.

The Indirect Sales Product Portfolio

All products for indirect sales are standardized and already developed for and sold through the direct sales channel. The development of a new product is done with the direct sales channel in mind, meaning that the product will be brought to market only if it implies a healthy business when sold to traditional operator customers. Thereafter, the product manager can evaluate whether the product could suit other go-to-market models. If selling the product through the indirect sales channel is appropriate, the product is added to the indirect sales Product Portfolio. The whole indirect sales portfolio is not offered through the eShop since some products are unsuitable for sales through an eShop and the new supply chain.

The Indirect Sales Price Model

Company X's traditional customers buy large volumes and are often entitled to volume discounts. Most channel partners are however expected to buy smaller volumes and will therefore experience a lower bargaining power. This implies that the product prices applied to channel partners could be set higher than the price offered to operators, which yields improved margins.

Currently most of the indirect sales are managed using manual pricing. A new pricing process for the eShop is being developed and it will be an automated calculation allowing simple and rapid pricing processes.

Global Support

Global support is a support service that covers simple as well as complicated issues. It is assumed that all channel partners within the three categories will have access to global support. As larger channel partners often have their own established support function, it is expected that smaller channel partner will demand a greater amount of support. Additionally, channel partners have access to self-support services through the Channel Partner Portal, enabling them to solve basic issues on their own. The global support as well as the administration of the self-support are handled centrally and not by the local Company X company.

Future expectations

High-level Project Plan

The aim is to establish the indirect sales model within all regions. As regions realize the potential benefits of onboarding, the amount of channel partners as well as sales from channel partners are expected to increase. As more regions join the program, indirect sales can come to be a part of the business processes and thus established in Company X's way of doing business.

Expansions of the eShop

All products that can be sold through channel partners are not available in the eShop today. Expectations are that the product range and functions within the eShop will expand and evaluation of what to include is an ongoing process.

Further standardizations

The new Indirect Sales price-model is for the moment set but not yet implemented. However, the price-model will be automatized.

5.2.3 Regional Set-Up for Indirect Sales

Information regarding regional organizations and resource requirements has been gathered, and a recommendation of how to structure the regional set-

up for indirect sales has been developed by the authors. This recommendation is included in the report to Company X. It is however sensitive information, why the set-up is only briefly described in this chapter.

Certain personnel functions and activities are needed to support the indirect sales business within each region. The type of resources needed and time allocated on each resource will however differ as the regions differ in size, amount of countries and structure. When deciding on the organizational set-up for the indirect sales business, each region should therefore adjust the structure according to their unique circumstances. The regional set-up is illustrated in Figure 5.3.

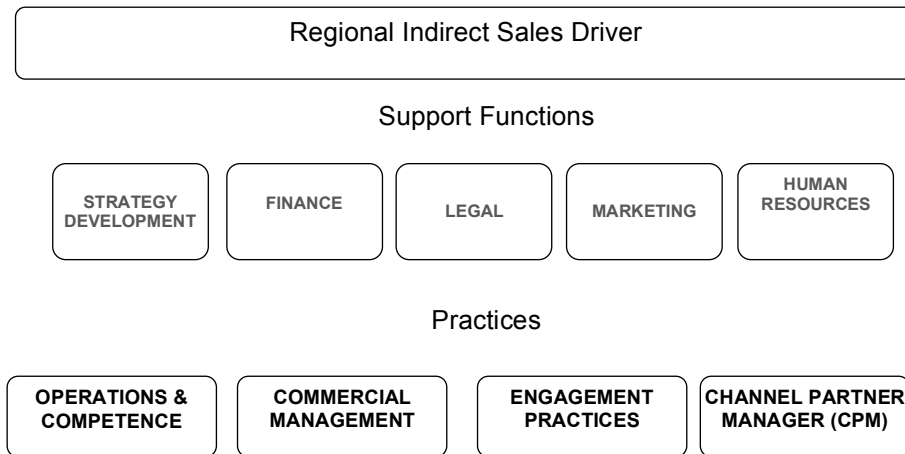


Figure 5.3 The recommended regional structure for indirect sales

The set-up describes the roles and responsibilities a region should assign to the indirect sales model. The regional indirect sales driver coordinates the regions indirect sales business. The indirect sales model will use the existing set-up of the support functions. The majority of the resources will need to be allocated to the four practices.

5.2.4 Regional Revenue and Cost Structure for Indirect Sales

Regional Revenue from Indirect Sales

The revenue attained from partner sales will differ significantly depending on the region and its specific circumstances. The market opportunity of partner sales differ between regions, and the pace of which regions recruit new partners will also vary. Furthermore, some regions have several established partners, as a result of acquisitions of firms already engaged in partner sales.

Regional Costs for Indirect Sales

The regional costs associated with indirect sales will vary depending on the size of the region's partners and the estimated revenue per product family. All costs are based on predefined intervals of the partner categories.

Partner Recruitment

Boarding a channel partner to the Partner Program is associated with extra costs within a limited period of time, often during the first year of doing business. These costs include aspects such as training and eShop implementation. When recruiting a channel partner more resources should be allocated to partners within higher partner categories.

eShop Investment

Indirect sales can be done through new supply chain and through the traditional supply chain. Once the choice of utilizing the new supply chain and the eShop has been taken, the rollout that implies adaption of the IT-environment can be initiated. The eShop rollout takes place once per country. As channel partners are recruited to the program, further eShop implementation activities, that are individually adapted to each partner, have to be performed as well.

Recurring Costs

Recurring costs are the activities needed to handle sales once a partner has been recruited and established, and are thus costs that will occur as long as the partner is a customer of Company X. The costs will vary depending on the size of partner.

Product Costs

Regions are charged with the product costs associated with the products a partner purchases. The products that pass through the new supply chain imply lower product costs than the traditional supply chain. These can however vary between different regions and even markets. Therefore it has to be derived specifically for each business case.

5.2.5 Risks

Risks with investing in the indirect sales business are for the main part the same as those associated with the direct sales channel. A risk, exclusive for the indirect sales business, is if a channel partner lacks essential training and is not able to sell Company X products in an efficient and knowledgeable way. This can lead to end customers associating Company X products with unfortunate experiences, which can create an unwanted reputation. Additional risks are outlined by unfulfilled sales, lower margins than expected, and an inability to recruit the desired number of channel partners.

5.2.6 Alternatives to Indirect Sales

An alternative to the indirect sales business is the direct model. This means that sales to channel partners are excluded and that the region targets the end customer directly. This approach demands a greater amount of resources and implies additional risks, as a greater amount of customers has to be targeted and handled.

Another alternative is to do nothing and thereby not invest in indirect sales and solely focus on large end customers.

An alternative to selling via the new supply chain and the eShop is to exclusively sell product to partners through the traditional supply chain. This implies that the new market segments can be reached but that the efficiency gains from using the new supply chain and the eShop would not be leveraged. This approach would imply higher costs and less self-sufficient channel partners and would thus be a less profitable alternative.

5.3 Business Case Development at Company X

When Company X develops a business case it is usually to show that a proposed investment is superior to alternative investments and to justify

expenditures. A business case is important since it gathers all the benefits, costs, and motives for a decision in one place. The significance of a business case does however vary depending on the return on investment.

Business cases at Company X are mainly developed for communicating with external customers, and convincing them that they have a need for a specific technical solution and that purchasing it from Company X is the most superior choice. Business cases with a financial focus and with the aim to convince customers, can however only function as a tool for generating interest and act as an indicator of the value of the investment. In order to create a proof of legitimacy of the business case and its assessment, Company X also recommends the customer to develop their own business cases. Additionally, Company X uses BCs to request funding from management, justify spending to stakeholders, document decision processes, as a basis for making investment decisions, and to prioritize expenditure. Even though Company X most often creates business cases to convince external parties, a majority of the questions that Company X considers the BC should answer are highly relevant to this study.

5.3.1 The Format

The elements of a business case within Company X depend on the specific decision situation and the purpose of the investment. However, the main focus is the financial assessment of the opportunity. To illustrate its accuracy, the financial assessment is accompanied by material that illustrates all relationships described. As an example, a relationship can be evidence of customers preferring a certain solution.

Questions that the Business Case Should Answer

According to representatives within the company, the business case should answer the questions illustrated in table 5.2. These questions are mainly answered when developing BCs for convincing external customers, to answer all of these questions are however relevant in this study as well.

Table 5.2 Questions that the business case should cover according to Company X representatives

Questions a Business Case Should Answer

- What is the size of the needed investment?
 - What are the tangible and intangible benefits associated with the investment?
 - What is the estimated payback time of the investment?
 - What is the real cost of the investment over a longer period, including ongoing costs, interest rates, lost opportunity costs?
 - What are the alternatives to the investment?
 - What is recommended, and why?
-

5.3.2 Building the Case

The process of building a business case for new sales intended for external customers contains four key questions to answer in order to guarantee accuracy, see table 5.3. All of the illustrated questions are of importance in the BC of this study as well, and the regions will be regarded as the customer.

Table 5.3 Key questions that the business case should answer in order to guarantee accuracy according to Company X representatives

Key Questions

What are we selling?

- What is the customer’s alternative to buying this solution, and which are the sales arguments that the model shall highlight? Alternatives to highlight are:
 - Not to buy anything
 - Improve the existing solution (from existing supplier)
 - Buy the same solution from a competitor

Who shall use the business case?

- This aspect should be discussed on an early basis since both requirements on the business case and level of complexity should be determined according to the receiver. The answer should include whether the user is in the steering or project group, what they want and how they will use it.

Which customer will we try the model on first?

Who will support the model and who is responsible for updates and training?

5.3.3 Accompanying Material

The financial assessment and proof of profitability is usually developed in an early stage, which is then followed by an evaluation of other factors that

may influence the customer's final decision. The employee responsible for the customer evaluates and collects material believed to be necessary in order to close a deal. This material can include descriptions of non-financial benefits related products and the investment as a whole. Non-financial benefits may include the environmental impact of the investment, details of possible financing options, or associated risks. As stated by an account manager at Company X, the importance of non-financial benefits is sometimes superior to the financial benefits.

6 The Indirect Sales Business Case

This chapter presents the indirect sales business case that was developed for the IS Program at Company X. The business case was developed with the frame of reference as inspiration, and the empirical data as input parameters. The two parts of the business case, the guide and the financial model, are described.

The theoretical section about business cases provided the structure for the indirect sales business case, and the empirics served as input. The aspects emphasized as important to regard when generating support for a change project in the support for change theory, also influenced the business case development as illustrated in Figure 6.1.

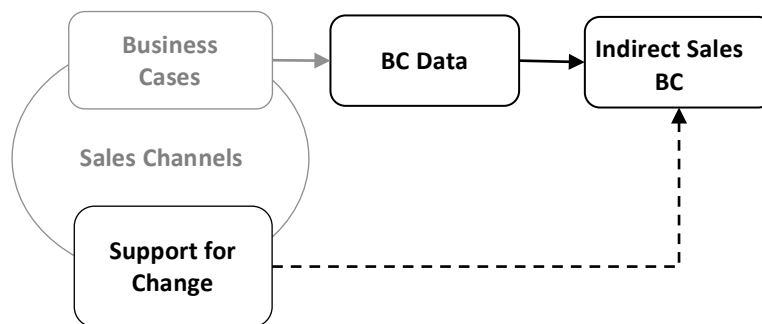


Figure 6.1 Framework illustrating the relationship between the indirect sales BC, the empirics and the support for change theory

6.1 Introducing the Indirect Sales BC

The business case was developed with the objective to illustrate what an investment in the indirect sales model entails for the regions within Company X. The aspiration of the IS Program was that the business case would encourage all regions to support and actively establish and expand the indirect sales business. In order to achieve this, the business case consists of a guide and a financial model as illustrated in Figure 6.2.

The Indirect sales BC

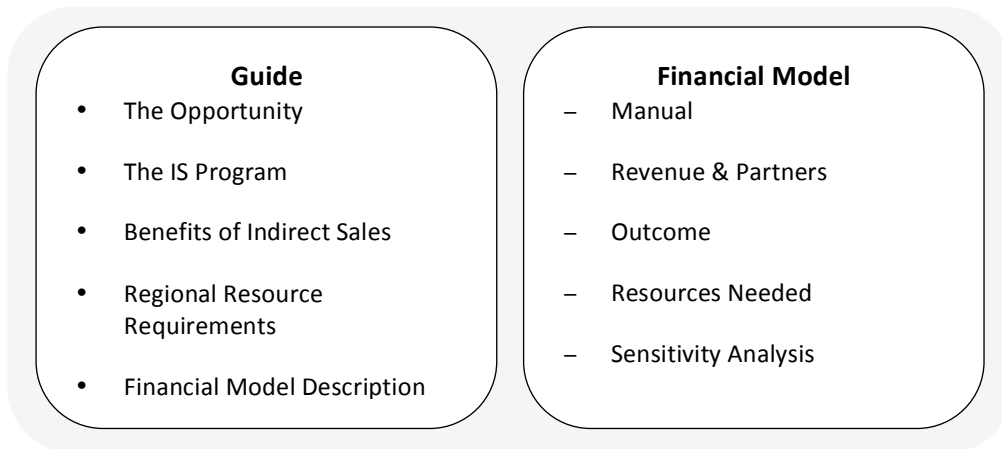


Figure 6.2 The structure of the indirect sales BC

The guide was written as a value argumentation emphasizing why a region should invest in partner sales. It explains the opportunity that the indirect sales model addresses, all the elements of the IS Program, the regional versus central responsibility, and which resources a region needs to involve. It includes both soft and hard values to create a solid argumentation and it aspires to disrupt the status quo as well as establish a shared vision. The financial model reflects the financial aspects of establishing and expanding indirect sales according to the indirect sales model. The aim was to make the business case generic and thereby applicable for all regions regardless of differences in organizational structure and regional circumstances.

The guide and the financial model are closely related. To fully understand the financial model and its deliverables it is essential to have a solid understanding of the indirect sales model. To have an understanding of all the aspects described in the guide is therefore a prerequisite for applying the financial model. The financial model in turn serves as a proof of concept, illustrating that the argumentation is valid.

6.2 The Guide

The guide is a 20-page long document structured according to Figure 6.2. It is an informative document that thoroughly explains all its parts.

The guide starts with describing the indirect sales market opportunity that Company X could grasp. The purpose of this section is to catch the reader's interest and create a sense of urgency, and a feeling that Company X have to be present in these markets. The opportunity description is followed by a presentation of the IS Program, how the program is governed, the purpose of the program, and how they support the regional sales via channel partners. The main components of the IS Program and how they assist regions and their channel partners are illustrated and described one by one. The aim of this section is to provide the reader with a broad understanding of the processes and tools a region can apply in order to leverage the advantages associated with partner sales. Next, the tangible and intangible benefits associated with the investment are presented.

The aim of the section about regional resource requirements is to advise regions on how to structure roles and responsibilities in the regional organization, and which human resources they need to devote the channel. An illustrative scheme is presented, which shows the required functions and accompanying activities, how they relate to each other and what their main tasks are. Apart from new roles and tasks, the organizational structure for the indirect sales model is fairly similar to the one of the direct sales model. This shows that the establishment of an indirect sales model does not require an extensive resource restructuring. Next, the financial model is presented. Why a region should apply the model, what it can deliver as well as its different sections and incorporated parameters are presented. How costs and other resource estimations have been derived are specified in order to create an understanding of the model and its input.

The guide ends with explaining possible risks, alternatives to the investment, and future expectations. Possible risks concern the trustworthiness and actions of channel partners, and alternatives consider the consequences of not investing in the channel. Future expectations discuss how partner sales can become an essential revenue stream for Company X, and how the tools and processes of the sales model will improve.

6.3 The Financial Model

The financial model was created in Microsoft Excel, the robustness of the model is illustrated in appendix 1. The model illustrates the financial aspects associated with a regional investment in the indirect sales model at Company X. The financial model was created in a generic way making it applicable for all regions. It can address several issues depending on the user's needs and interests. The output and its usage areas are illustrated in Table 6.1.

Table 6.1 Illustration of the output and usage areas of the financial model

Out-put	Usage Areas
Annual Cash Flow	Investment calculation
NPV	Investigate Costs
Margin Improvement	Sensitivity Analysis
Humans Resources Needed	

The model can be used as a pure investment calculation illustrating the annual cash flows and whether the investment has a positive Net Present Value (NPV). It can also be used to illustrate the cost of utilizing different supply chains, and how the amount of channel partners, and the distribution of partners between different partner categories affect the investment. Furthermore, the model can be used to calculate the amount of human resources a region needs to allocate to indirect sales, and perform a sensitivity analysis that illustrates how differences in product prices and sales volumes affect the investment. The number of resources per function could also be used as a starting point for developing a performance appraisal system suitable for the region. This is however not communicated in the business case.

The first section of the financial model is a manual. The manual is inserted as an introduction sheet allowing the user to understand the components and set-up of the model as well as how it can be applied. The following section is where the user has to insert regional specific parameters. The model allows for insertion of forecasts of up to five years. These parameters are prerequisites and needs to be derived by the region before applying the model. The remaining sections are outcome statements and cost centers with

pre-inserted estimations. The costs centers are structured according to Table 6.2.

Table 6.2 Cost Centers included in the financial model

Costs

The initial investment related to adapting the IT environment

Recurring operating costs for handling existing partners

Costs for recruiting a channel partner

Product costs related to supply chain activities

7 Validation of the Indirect Sales Business Case

This chapter evaluates the indirect sales business case. It starts with a discussion regarding generic business cases. The guide is then evaluated, and the financial model is validated using the model-validation process. The chapter ends with a discussion on continuous improvements.

Following the development of the indirect sales BC the business case was evaluated, as illustrated in Figure 7.1. The aim of the evaluation was to verify the accuracy of the indirect sales BC and to identify possible improvements.

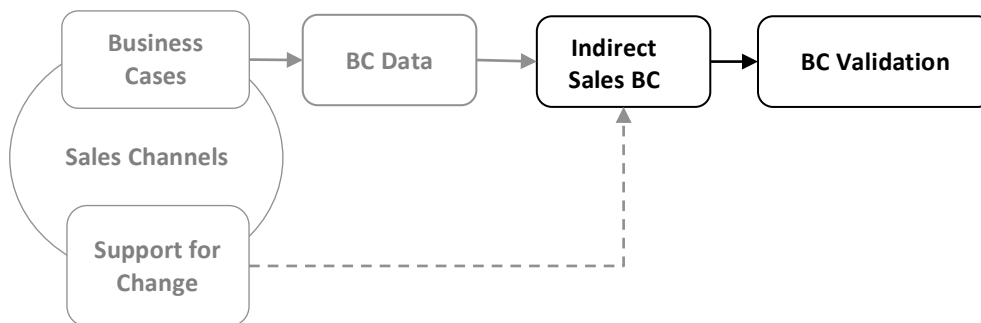


Figure 7.1 Framework illustrating the relationship between the BC evaluation and the indirect sales BC

7.1 Can a Business Case be Truly Generic?

As stated by Hughes (2010) organizations are subject to their unique circumstances. The same can be said about the regions within Company X who operate independently. Developing a generic tool adaptable to regional circumstances can therefore be problematic. A business case developed with the intention of being generic runs the risk of becoming incomplete and less accurate than if it was developed specifically for a region. In the case with Company X, it is important to take into account that the regions cover continents that consist of numerous markets with great diversity. Furthermore, the organizational structure may vary between the regions. Therefore, the restructuring effort needed will depend on how much a region's structure diverges from the set-up guidelines, as well as their previous experience with indirect sales. Due to these differences, the regions

will most likely have diverse requirements on what information they need in order to make a decision regarding the establishment of an indirect sales channel.

As the information presented in the guide had to be useful for all regions, the material takes a holistic view and regional specific information is excluded. This implies that all questions regions have concerning the new sales model might not be answered and some argumentation that would be efficient in certain regions is left out. The parameters used in the financial model also reflect a holistic view. However, the financial model is highly adaptable since it allows the regions to insert individual estimations of revenue, costs, and to include additional parameters if suitable.

The business case is thus limited by the regions' differences in information requirements, culture, organizational structure, and experience from managing indirect sales. One can therefore argue that this indicates that the business case cannot be completely generic, which is true in the sense that all local circumstances can never be accounted for.

7.2 Guide Evaluation

The guide was written with several objectives; to serve as an informative package, to serve as a value argumentation, and to generate support for the indirect sales channel at Company X. The aim was that it would be useful for regional representatives regarding an establishment and expansion of the channel, and for employees interested in the indirect sales channel in general.

When creating the guide the authors used an iterative process. Data collection, feedback gathering and guide revisions were done simultaneously and repeated on several occasions. Data was extracted from the internal database at Company X as well as from interviews with appropriate employees. Feedback was provided from several employees with extensive experience of the indirect sales channel. Each section of the material was revised continuously, and after the last revision of the guide the IS Program concluded that it fulfilled its reason for development.

There are however parts of the guide that could be improved. The guide includes a risk assessment based on input from the IS Program team. These risks are closely associated with sales through partners and they do not pose a serious threat to the performance of the indirect sales model. Therefore, no mitigation of the risks has been identified. By consulting a greater number of regional representatives regarding their perception of possible risks and how they would mitigate these, this section could be improved. However, since the business case cannot be made completely generic all regions should be encouraged to complement the risk section based on their specific circumstances.

The alternatives presented in the guide are to engage the end customers targeted by partners directly, or to only utilize the traditional supply chain without using the eShop for partner sales. This investigation is brief, and the quality of the business case could be improved by a more thorough alternative investigation. Furthermore, other alternatives could possibly be explored. For example, the theory presents distributors as a possible sales channel. By exploring and including further alternatives to the indirect sales model in the business case, the reader can better assess the merits of using the indirect sales model. This thesis project has however excluded this further investigation due to the limited time frame and study delimitation.

7.3 Financial Model Evaluation

7.3.1 Validation of the Financial Model

This section presents how the financial model was validated during its development by applying the five validation steps of the Modeling-Validation Process as illustrated in Figure 7.2. How each step was fulfilled and where the strengths and weaknesses of the model lies are discussed.

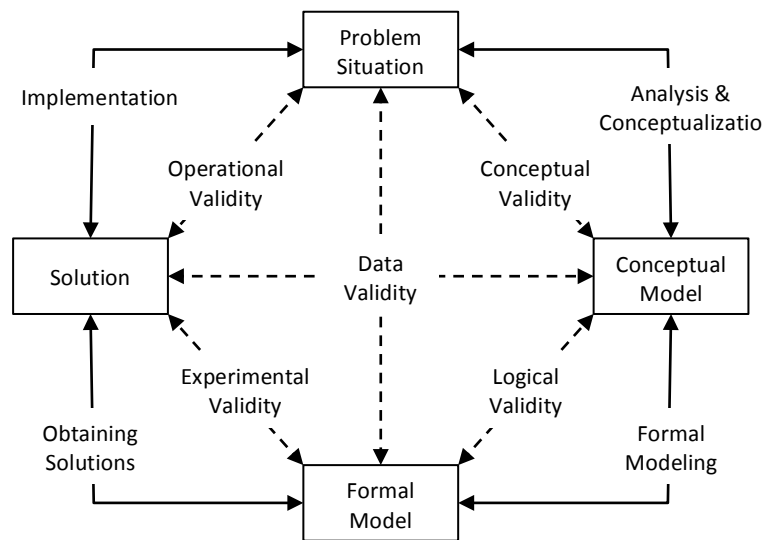


Figure 7.2 The modeling-validation process, (Landry et al., 1983, p. 212)

Conceptual validation

The purpose of this validation step was to determine that the problem situation was viewed from the right perspective, that this perspective generated an appropriate solution, and that the model would correspond to the situational perception of the stakeholders involved.

To ensure conceptual validity, stakeholders within the IS Program and regional representatives who were to use the model were interviewed. Through these interviews, different perspectives of why the financial model should be developed, what questions it should answer, what it should contain, and how it should be used were gained. The validation step ensured that the financial model reflected the real problem and that it would generate a solution appropriate for both central and regional representatives.

After information from the IS Program and regional stakeholders had been gathered, the conceptual model was created. The conceptual model consisted of a written draft presenting the agreed upon view of the model. It outlined a model that would show a region whether investing and expanding sales through the indirect channel would be profitable, and what resources a region needed to devote. It explained all parameters and the type of outcome stakeholders had expressed as important to illustrate. Centrally located stakeholders mainly wished to emphasize the benefits associated with the indirect channel, such as the ability to charge higher product prices, and that the investment would result in positive outcomes. Whereas regional representatives were more interested in understanding the regional resources the channel would require, and how the number of partners and sales levels

would influence the investment. The conceptual model was revised through workshops with appropriate representatives to ensure that it corresponded to the real situation.

All regions were not involved in the model development process. As a result of this, all possible requirements may not have been identified. However, the regions that were included in the development process provided a coherent list of questions that they needed the business case to answer and aspects it should contain.

Logical Validation

The second validation step was to ensure that the formal model properly and accurately described the problem situation defined in the conceptual model. An important step was to verify that relevant variables and relationships had not been excluded due to the language being translated into computer languages and mathematics.

When the formal model, i.e. the Excel-model, was created and the information in the written conceptual model was transformed into numbers, input and opinions from several stakeholders were incorporated. Important relationships, for example higher product prices in relation to the indirect sales channel, was thoroughly discussed and evaluated. Also, as the formal model was developed, it was continuously compared to the conceptual model to ensure that essential aspects were not left out. These actions confirmed that the model included all important variables and relationships.

Experimental Validation

The aim of the experimental validation step was to ensure high quality and efficiency of the solution mechanism of the formal model. This was reached by combining the author's prior knowledge of how to perform investment calculations with the knowledge of a Business Controller at Company X who was not affected by the financial model development. Workshops with regional representatives also provided useful information regarding how to structure the solution mechanism. The model was revised several times to ensure an efficient solution mechanism and that the model could answer several questions in a clear way. However, to compare the solution mechanism with a frame of reference, or to review the solution mechanism

in collaboration with an expert could have been beneficial but could not be realized due to a lack of access and time.

Operational Validation

In the operational validation step the quality and applicability of the solution and recommendations were confirmed. The aim of the validation was to provide decision-makers with information to help them accept or reject the recommendations. The validation was done with respect to the users in mind, the formal model, and the problem situation.

The quality of the solution and recommendations were evaluated during a pilot implementation. The model was implemented with real-world forecasts, and regional representatives assessed the solution by comparing it to their perception of a realistic representation. The solution was determined to be realistic and therefore highly applicable. The solution was communicated to decision-makers in the region and their feedback was used to increase the quality even further. For the model to become more applicable, assumptions and clarifications regarding the model structure were inserted and explained in the manual.

The feedback gathered from the implementation greatly improved the business case quality. It helped to verify that the structure of the business case was valid. The feedback ensured that the BC was in accordance to what was needed for the regions to fully understand the value of the indirect sales model and what it required from the regions. It also verified that all the data a region needs in order to decide to invest or not was available.

Data Validation

Throughout the model building process, the sufficiency and accuracy of the gathered data was verified. Much data was collected from employees in the central organization and input considering regional aspects were estimated with the help of regional representatives.

Identifying which regional representatives to involve in the development process was at times difficult. Since most regions were not involved in indirect sales it was hard to identify employees who had appropriate knowledge of what partner sales entails. The regional representatives

involved in the development process of this thesis were all engaged in some sort of indirect sales today, although not according to the new indirect sales model. This ensured that they had a sufficient understanding of the indirect sales business. The quality of the data collected from the regions and the accuracy of their feedback was therefore considered to be high.

The aim was to collect regional input from four different regions, and the choice of using these specific regions was based on them having the appropriate knowledge and experience. However, due to time constraints and unplanned occurrences in one of the regions, only three regions were able to provide monetary estimations. When gathering input from employees within the central organization difficulties also appeared. Initially the intention was to extract parts of the necessary parameters from the Enterprise Resource System at Company X by inquiring employees with the right access. However, the parameters in mind were not always expressed in ways appropriate for the model, and in some cases employees had to contribute with numbers based on personal experiences. The accuracy of these parameters therefore depends on the knowledge and legitimacy of these employees. Due to the mentioned happenings, some data in the model is considered to be less accurate than intended. If considered necessary, Company X can increase the accuracy of the data by revising the data and by investigating further information sources. Since the majority of the parameters in the financial model are adaptable the improved data can easily be inserted into the model. If regions that are to implement the business case have a good understanding of their own cost structure and find the provided costs to be misleading, they can adjust these to more appropriate levels.

7.4 Continuous Improvement of the Business Case

Since the indirect sales model was implemented quite recently it will be continuously improved and adapted in accordance to specific circumstances of each region. The same applies for the business case, which should be updated according to updates within the model. Therefore, to fully exploit the business case it should be implemented as a collaboration between the IS program and regional representatives, and regional feedback should continuously be used to improve the business case.

Since not all regions were involved in its development, not all stakeholders or implementers have been engaged. This could mean that the business case is not applicable to all regions, and that it might be harder for the IS Program to encourage the remaining regions to endorse the business case. Using the implementation process will involve the remaining regions in the development of their specific business case and thus engage the regions in the expansion of the indirect sales business. The feedback from the regions should then be used to point out weaknesses in the business case and improve its quality and accuracy.

8 Business Case Implementation - Testing the BC's Ability to Generate Support

This chapter presents the BC implementation that was conducted in collaboration with one of company X's regions. The chapter discusses the business case's ability to generate support for indirect sales with regards to the implementation.

The business case was implemented in collaboration with one of Company X's regions in order to test its ability to generate support for indirect sales, i.e. a change project, as illustrated in Figure 8.1.

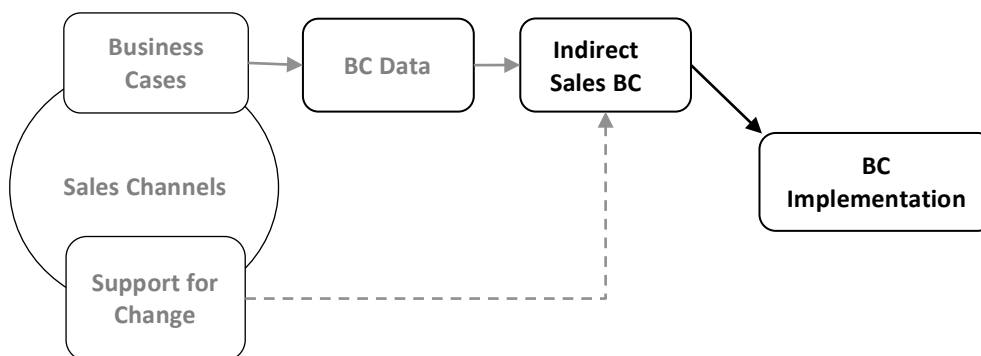


Figure 8.1 Illustration of the indirect sales business case relation the test of the BC's ability to generate support

The implementation provided an understanding of whether the business case communicated appropriate information and efficiently generated support. Also, lessons learnt from the implementation served as a basis for developing an implementation process to be used for the remaining regional implementations, see appendix 2.

8.1 Initiating the Implementation

Several regional representatives with differing roles were involved in the implementation. Most of them would become involved in the implementation of indirect sales of the decision of making an investment in the channel would become positive. Prior to the implementation, the regional representatives that were to take part possessed a good understanding of indirect sales. However, they lacked an awareness of the financial impact of conducting indirect sales, and how the central

organization would support the establishment of the model. They also lacked an understanding of the tools and processes that the new indirect sales model includes.

The implementation was initiated by sending the guide to the participants and a meeting including regional as well as IS Program representatives was held. During this meeting, questions regarding the guide content were raised and several ambiguities were clarified. The meeting clearly showed that it was of great importance to send the guide in beforehand, and that the guide played an important role for providing the participants with a greater understanding of indirect sales and the changes it would imply.

During a second meeting with the regional representatives, the financial model was presented and the forecasts that the region had to develop as a part of the pre-requisites were explained. This presentation and explanation was discovered to be important as it provided the participants with a confidence of the model accuracy. Thereafter, the regional representatives could with assistance from the IS Program develop credible sales and channel partner forecasts, as well as product costs related to supply chain activities. In this stage it was determined that entirely accurate forecasts were not of significant importance and that reasonable forecasts were satisfactory.

8.2 Inserting the Figures

The financial model was applied during a one-day long workshop with central participants and several regional employees who had an interest in the decision regarding the establishment of the new sales model. The financial model was presented and thoroughly explained for all participants, and the forecasts were inserted.

The outcome of the financial model was evaluated as a part of the workshop. A sensitivity analysis was conducted, and strengths as well as weaknesses of the model and the investment as a whole were examined. It was concluded that information about resource requirements and the sensitivity analysis were of great interest and provided useful information.

The outcome indicated that the investment was positive for the region, demonstrating good profit and reasonable resource requirements.

8.3 Learning From the Implementation

After the workshop, the financial model and its outcome were delivered to the regional implementation participants. The region later expressed further questions that were addressed. The outcome was thereafter communicated within the region, and acted as a key document when the region made the decision of whether to invest in the indirect sales channel. The final decision in the region was positive, and the region has now initiated an establishment of the indirect sales model.

During the implementation, it became clear that it was of great importance for the region to be able to evaluate the how many human resources the regions would have to add, which costs that were associated with the investment and where different costs and revenue centers were to be allocated was essential for the region. The regional representatives highly emphasized the financial model and its outcome.

Furthermore it was also important for them to thoroughly understand the indirect sales business. The non-financial aspects that the guide included were appealing to the participants. The participants expressed that the illustration of the opportunity, the market potential, and information about tangible and intangible benefits based on both words and numbers was something they had a need for. To gain an understanding of the new organizational set-up was also important for them as it communicated how the change project would affect the structure of their region.

During the implementation it also became clear that the competence and communication skills of the developers and the ones implementing the business case influenced its ability to convince the participants of the value of the project. A high competence increased the perceived trustworthiness of the case and good communications skills helped to convey the message clearly. Apart from the developers, it was also important that everyone who participated in the implementation from the IS program were able to

communicate the business case appropriately, in order to avoid confusion and to avoid doubts regarding the legitimacy of the business case.

9 Theoretical Analysis - Discussing the BC's Ability to Generate Support

To complement the lessons learnt from the business case implementation, this chapter aims at creating an even deeper understanding of how a business case can work as a tool for generating support for a change project. The chapter places the business case in a theoretical context by discussing its ability to generate support with regards to the support for change theory in chapter 4.

The theory about support for change was used to assess the indirect sales business case's ability to generate support, as illustrated in Figure 9.1.

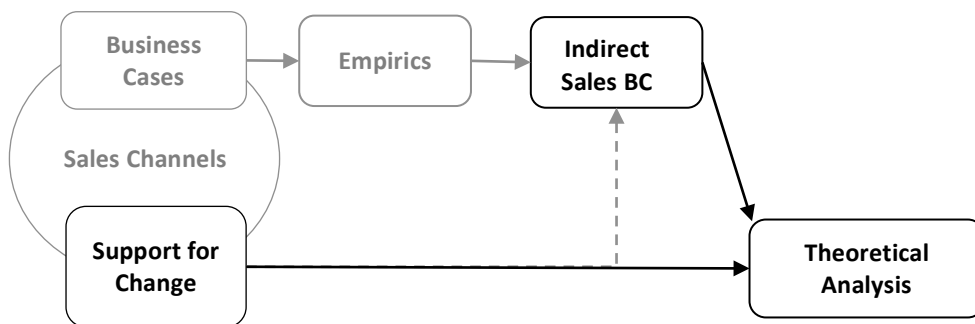


Figure 9.1 Framework illustrating the relationship between the theoretical discussion, the indirect sales BC, and the support for change theory.

9.1 The Indirect Sales BC's Ability to Generate Support

Projects associated with change are bound to encounter resistance, and the level of resistance has a great influence on the success of the project. Kotter (1995) explains that obstacles can hinder the execution of a change even though employees often understand the vision of a change and want to enable it. These obstacles often derive from employees having to choose between the vision and their own self-interest as a result of organizational structures or performance appraisal systems. Therefore, it is of great importance that initiators of a change project are aware of the reasons for resistance and actively engage in efforts to generate support for the project.

An establishment and expansion of an indirect sales channel according to the indirect sales model will effect the regional organizations in various ways. It implies changes to the regional structures in the sense that new roles and responsibilities should be appointed. Resources also need to be allocated to indirect sales, which will affect the regions overall budget. The indirect sales model involves new processes and ways of working with partner sales. Certain regions have engaged in some form of partner sales previously and applied best practices and processes inherited from acquired companies. This means that these regions are used to handling partners. If the regions are not convinced of the benefits of the indirect sales model and uncertainties arise, then changes in their established approach might cause resistance. The IS Program needs to develop tools that enables them to actively engage in measures to generate support for change, thereby managing possible resistance.

In the frame of reference five key measures of how to generate support and succeed with a change project were identified. These key measures are disrupting the status quo, creating a shared vision, the inclusion of both hard and soft values, effective communication, and involving key stakeholders and implementers. To explore the business case's ability to generate support, the following discussion analyzes the business case with regards to if and how it realizes each measure. Also, suggestions on how the business case can be complemented if it does not fulfill a measure are given. The discussion is based on the content of the business case as well as on empirical data gathered through observations during the business case development and implementation.

9.1.1 Disrupting the Status Quo

As discussed in the frame of reference, a change project should be initiated by disrupting the status quo. This is particularly important when the project will affect many people and when their cooperation is essential for the project realization (Kotter, 1995). The status quo is disrupted by creating a felt need for the change project, and by convincing stakeholders that keeping the status quo is a worse option than to support and actively engage in the project.

The business case manages to disrupt the status quo to some extent. The first section of the business case communicates the opportunity that the indirect sales model addresses, and illustrating the opportunity is a way of explaining the organization's need for a change project (Melton, 2007). The opportunity description within the indirect sales business case reveals divergences between the present state and the future desired state. It also clearly states that competitors are currently seizing the opportunity, and if Company X does not act now, a great opportunity will be lost. Therefore, the business case creates a sense of urgency and need for the project. Furthermore, the value argumentation that state all the benefits a region will experience once they implement the sales model can create a felt need for change. However, even though these aspects are convincing and shows that indirect sales is a good business, they do not explicitly express that keeping the status quo is an unwanted option. The business case does not convince the user that ignoring indirect sales will lead to undesired outcomes. The business case convinces the user that if and when the user decides to invest in indirect sales the region will experience beneficial outcomes. This focus became clear in the pilot implementation where the discussion was concentrated on what the region would experience if they invested in the indirect sales channel and not what they would encounter if they chose not to. Consequently, the business case does not fully reach the ability to disrupt the status quo.

In order to disrupt the status quo to a greater extent, the business case could be complemented in several ways. Detailed descriptions of the regional consequences of not investing in the indirect sales channel as well as why it is important for each region to invest in the indirect channel right now can be added. Also, when implementing the business case the IS Program can initially put a greater emphasis on this part and communicate the regional consequences of not investing. They should make sure that all regional representatives engaged in the implementation feel a strong need for the channel.

9.1.2 Creating a Shared vision

According to theory, creating a shared vision is vital to generate support for a change project. The vision should provide a background and purpose to

the change (Cummings & Worley 2005), and explain how competitive advantage can be reached (Phillips, 1983). Furthermore, an efficient vision provides a clear description of a strategy for where and how the organization should change, it demonstrates that the goals are achievable, energizes the organization, and reduces uncertainty. The vision should also include the new skills that are needed and an illustration of the beneficial aspects of the future.

The business case incorporates many of the aspects that a vision should include. A background and purpose of the change as well as where the organization wants to go is communicated through the opportunity description. The opportunity description discusses the global market opportunity, and it clearly states that the aim is to enter and grasp new markets in order to increase net sales and competitiveness. The purpose of the change thereby becomes obvious. The financial analysis, which is an important part of a business case (Desouza, 2010), also helps to create a shared vision. It demonstrates beneficial aspects in monetary terms and proves that goals are achievable since the regions can set up sales targets and gain a clear understanding of the needed resources.

It is common that a BC explains changes that need to be made and how to implement an investment by indicating the resources needed and by developing an organizational model (Reddington et al., 2007, Melton, 2007). The indirect sales BC illustrate how the organization should change by describing new roles and responsibilities and thereby the skills that a region needs to acquire. The BC provides guidelines for how to engage in indirect sales as well as how to set up the organizational structure. Additional resources and new skills that the regions will need are thereby explained.

Apart from incorporating many of the aspects that a vision should include, the business case communicates consistent information and value argumentations to all regions. The regions will thereby gain similar perceptions of the opportunity and the investment, which can enable the establishment of a common vision.

The indirect sales business case helps to create a shared vision in several ways, but to fully reach a shared vision further additions should be made. The business case lacks a strategy formulation explaining how regions should evolve the indirect sales business once it is implemented and which actions they should take in order to reach a certain future state. One can however question if the business case should strive towards achieving this or if it should focus on the implementation of indirect sales. Nonetheless, when implementing the BC in collaboration with the regions, the IS Program can devote time to discuss the vision. It is important to make sure that the vision and self-interests are not in conflict. This to ensure that regional and centrally located representatives view the opportunity, the project and the desired future state in the same way and that they share the same goals.

9.1.3 Including Both Hard and Soft Values

In order to accomplish a successful change project, companies must pay equal attention to soft and hard sides of the change (Jackson et al., 2005) and base arguments on both. As explained in theory, measurement is often key to successful change and it is therefore important to quantify an organization's goals and linking them to personal achievements and performance. Soft values are often needed to influence how stakeholders view a project. Including soft and hard values thus leads to more sustainable changes.

The indirect sales business case includes both soft and hard values. The opportunity and benefits are described in monetary terms, and the financial analysis thoroughly describes the financial aspects of the indirect sales channel. As the BC mainly focuses on financial values it does not fully achieve with incorporating soft values. However, some of the benefits touch on softer values as well. For example, the new tools and processes that the IS Program has developed implies timesaving for employees and more efficient ways for handling partners. The new supply chain requires less employee involvement than the traditional supply chain and ensures shorter lead times. This can result in high partner satisfaction and thereby a more satisfying work environment. Also, the organizational set-up illustrates how roles and responsibilities are to be divided and shows that the new channel

does not affect the organization's view on leadership and hierarchical structures. However such soft values are not explicitly expressed.

For the BC to equally include soft and hard values, it should be complemented with further data that improves its discussion on soft values. Discussions that could be added are whether engaging in indirect sales influences how employees should view customers, responsibilities, perform work tasks, as well as what personal achievements are linked to.

As discussed in theory quantifying an organization's goals and linking them to personal achievements and performance, leads to more sustainable changes. Uncertainties regarding the performance appraisal system and the purpose of specific employees in an organizational structure are a common source of resistance. The business case attempts to address this by providing guidelines for how the regions should structure their indirect sales model, what units that needs to be involved, and the financial model calculates the amount of resources needed per unit. However, it lacks guidelines regarding performance appraisal systems and clear instructions for how employees engaging in indirect sales should be compensated. It can therefore be argued that the business case could be strengthened if it also provided a guideline for performance appraisal.

9.1.4 Effective Communication

Communication is highly important throughout the entire change process and providing stakeholders with enough information is essential for successful change. As stated by Lewis et al. (2006) it is vital to continuously communicate the change in order to generate organizational support and efficiently manage resistance to change. Theory states communication is essential to gain an understanding and support for change, and managers should communicate the nature and impact of the change in an active way. This is especially important since people are often provided with misleading rumors and information. This can be achieved by involving parties affected by the change and provide information about roles, responsibilities and tasks.

The BC for indirect sales accomplishes with being an effective communication tool for the change project. It provides a great understanding of the sales channel and the opportunity by describing its different components, how to set-up the channel and the tools and processes a region can use when working with the channel. The impact, what the change entails as well as roles and responsibilities are also described through the financial analysis and organizational set-up. However, the BC cannot communicate itself, and it is vital that representatives from the IS Program distribute and communicate the BC appropriately. They should ensure that users of the BC are able to clarify any questions to avoid misunderstandings, and they should communicate the BC to employees at different levels within the organization and not only to decision makers and other high-level employees.

9.1.5 Involve Key Stakeholders & Implementers

Involving the right people and groups in a change project is key to success (Bell & French, 1999). As stated in the frame of reference, engaging key stakeholders minimizes the risk of one group blocking the proposed change. An important method for minimizing resistance is to involve individuals who will implement the change in the project development process. Initiators of a change project should adhere to and use the advice from implementers to clarify uncertainties.

The regions is identified as an important group that could block the expansion of the indirect sales model, and the IS Program therefore needs to involve these in the change project. The regions are more likely to support and promote the indirect sales model if they feel that they have been a part of its development and that their input is important to its success. Encouraging stakeholders to take part in the BC development was an efficient way of involving regional stakeholders in the change project. Involving the regions helped to reduce the likelihood of the implementers feeling that the change is being imposed on them and thereby increased the possibility of success. During the process they gained a greater understanding of the indirect sales channel and at the same time their input regarding structure and cost estimations were incorporated, which helped to create a certain commitment. Furthermore, involving regional stakeholders

in the development made the BC more reliable in the eyes of the other regions. This became apparent during the implementation. It was also evident that implementing the BC in collaboration with regional employees was beneficial. The BC engaged stakeholders and it helped to create change agents that were willing to promote the indirect sales model.

After the BC is implemented, regional representatives can use the BC as a tool for communicating the investment throughout the region. Since the business case consists of a written document and excel-model it is easily distributed. The BC can illustrate the financial benefits implementers will receive and it can also communicate their role in the project, ensuring that all key implementers are onboard prior to the introduction of the indirect sales model in the region. However, for the BC to be truly efficient in this case it should be complemented with further material. To add more detailed descriptions of what working with the indirect sales channel will imply in the specific region and how it will benefit the implementers is a suggestion.

Even though the BC works as a good tool for involving stakeholders and implementers in the change project, it is not the content and the BC itself that involves stakeholders. It is the process of developing, implementing, and using the BC as a communication tool in a correct manner that will lead to involvement. Ensuring that the BC is communicated and applied appropriately is therefore a key concern for the IS Program. Furthermore, as stated by Bell & French (1999), people tend to fall back to old habits unless they receive continuous support and reinforcement. Therefore, energy needs to be directed towards securing the level of commitment needed throughout the entire change process (Cummings & Worley, 2005). This implies that the IS Program should follow up all engagements with stakeholders to ensure that they stay committed. This can be done throughout and following the implementation of the BC by encouraging the regions to provide feedback.

10 Conclusions and Recommendation

This chapter concludes the study and discusses the fulfillment of the thesis purpose. Conclusions from analyzing the business case and recommendations to Company X are presented. The contribution to academia and industry in general as well as suggestions for future research are presented. The chapter ends with final reflections.

10.1 Fulfillment of the Purpose

The purpose of this study was to explore how a business case can work as a tool for generating support for a change project. To achieve this purpose, a business case concerning the indirect sales channel at Company X was developed. Thereafter, the business case was implemented in collaboration with one region, and placed in a theoretical context. Conclusions about the indirect sales business case and a business case's ability to generate support for a change project are described in the following paragraphs.

Developing a business case that has the ability to generate support in all levels of an organization is a time consuming and complex task. A business case can work as an efficient tool for generating support for a change project, as the indirect sales business case had a good ability to generate support from decision makers and implementers. A business case is however a tool that might not be very effective on its own. A business case's ability to generate support is limited by the capabilities of those developing and implementing it. They have to be able to convey its message in a convincing way and communicate the business case appropriately. There is a need for strong change agents to explain the argumentation stated in the business case and engage stakeholders in the implementation. The result of this is that the business case and change agents together produce synergies that lead to an increased ability to generate support for a change project.

When using a business case as a tool for generating support for a change project it is essential to identify possible uncertainties associated with the change project, and to define if and how the BC can clarify these uncertainties. It is also crucial to devote time to communicate its content,

and involve stakeholders and implementers in the business case development.

The indirect sales business case's ability to generate organizational wide support could be enhanced by incorporating more precise information concerning employees' role in the indirect sales business. Also descriptions of the regional consequences of not investing, how regions should evolve the business as well as more soft values could be added. The business case was intended to be generic. However, it has been concluded that it can never be truly generic since all regional circumstances can never be accounted for.

During the development and implementation of the indirect sales business case, the authors of this thesis found that some factors were more important to include than others. These were key to generating support in this specific case, and they could therefore be interesting to regard in similar change projects. First, in order for the business case to be accepted by the regions it had to convey a convincing story, and it had to illustrate more aspects than a positive cash flow. The story in this specific case was initiated by illustrating the opportunity that indirect sales represent by describing the market potential, and by using tangible and intangible benefits based on both words and numbers. It was also essential to include a value argumentation and a financial analysis that illustrated these benefits, and how the investment would respond to alternations of financial parameters. The organizational set-up was an efficient way of communicating how the change project will affect the structure of the company, and was appreciated by the regions. A financial model therefore plays a key role, and a sound business description covering non-financial aspects should however not be overlooked.

10.2 Recommendation to Company X

In order for the business case to be an efficient tool for generating support for indirect sales, the implementation should be viewed as a collaborative process. The IS Program is encouraged to utilize the business case implementation process presented in appendix. Involving the regional stakeholders and engaging them in the implementation of the business case

aids in the creation of regional change agents and limits possible resistance to change.

The implementation process should be viewed as an iterative process. The implementation process, the guide, and the financial model should be refined after each implementation. This ensures that the accuracy of the BC is continuously improved and that it is communicated in the most proficient way. The region's suggestions on improvements should be considered and added if they are applicable to other regions. To review the business case in collaboration with an external party could also be beneficial. For each revision the business case will become more reliable.

The robustness of the parameters within the financial model should be communicated to illustrate further characteristics of the indirect sales business. How price reductions, different types of costs, and the amount of partners, effect the profit is important to understand in order to establish and expand an efficient indirect sales business.

As the guide is likely to be distributed as an introduction material in the initial step of the implementation, it is highly important that it is comprehensive and raises no major doubts. The risk assessment section is currently quite limited and contains no mitigation of the risks. This section should be more thoroughly investigated to ensure that the complete picture of the indirect sales business is conveyed. It is also important for the IS Program to illustrate that they have accounted for other alternatives. Further alternatives should therefore be included to allow the reader to better assess the merits of using the indirect sales model. Furthermore, the BC lacks a description of the performance appraisal system in the new model, and this can raise questions since the indirect sales model stipulates that more resources and a slightly different organizational structure is needed. The IS Program should consider if it is appropriate for them to provide guidelines for compensation of employees involved in indirect sales. The financial model can be used to determine what functions a region will need to allocate resources to. This can provide an understanding of how employees within the functions should be compensated.

10.3 Contribution to Academia and Industry

The development, implementation and analysis of the indirect sales business case was guided by insights from theory about business cases and how to generate support for a change project. The analysis of the BC's ability to generate support provides a deeper understanding of why and how a BC can work as a tool for generating support for a change project. It emphasizes what a business case can achieve and its limitations. This can be of great importance for those developing and implementing a BC in practice. Furthermore, knowledge about how a business case can involve and engage stakeholders in a change project was created. This aspect is rarely discussed in literature and can therefore be relevant for academia.

Business case literature often emphasizes reasons for developing a business case and the format of the business case. The implementation process is however seldom included, and the reason for this could be that all implementations are more or less unique. However, the recommended implementation process for Company X provides a suggestion of necessary steps to include and can therefore be of interest to academia.

The discussion about the BC's ability to generate support can be of value to industry. It provides a deeper understanding of how a business case can be of help when convincing stakeholders of the merits of a project. Furthermore, the success factors identified can be used as inspiration for BC developers working with similar projects and give guidance on what to incorporate. The recommended implementation process can be applicable in other projects as well and can therefore be of interest to industry.

10.4 Suggestions for Future Research

Since BC implementation processes are absent in the literature studied for this thesis the implementation process developed by the authors is solely based on previous knowledge and experience from the pilot implementation. A suggestion is therefore to conduct further research regarding business case implementation processes. By incorporating a greater number of experiences a more solid implementation process applicable to a wider range of circumstances could be developed.

A business case is always developed with the purpose of generating support for some sort of project or investment, and these projects are most often associated with changes. Depending on the characteristics of the change, the amount of support needed varies. Expanding the indirect sales model in the regions stipulates many changes why the need for support is essential. It would be interesting to compare the success factors for generating support in this specific case with other cases. Both for business cases developed in similar situations and in situations where the change is smaller or greater. Comparing different BC development processes could yield further insights on how a business case should be structured to generate support.

10.5 Final Reflections

The IS Program and their efforts to generate support for the indirect sales model is a good example of a change project that struggles with hesitations towards change. It has been very interesting to develop this business case and see how people responded to the case itself and to the indirect sales model. After the implementation it was clear that the business case truly generated support. The region that we implemented the business case together with had a fairly good understanding of what indirect sales imply. However, they lacked a general comprehension of the tools and processes facilitated by the indirect sales model and the financial aspects of establishing and expanding the model. The region expressed that a sound understanding of the financial aspects and a positive investment outcome were crucial factors when making the decision to invest. The guide and the implementation provided the regional representatives with a complete understanding of the indirect sales model and its establishment. The financial model addressed their financial requirements by clarifying all financial uncertainties and justifying the value of the investment. After the implementation, the regional representatives brought the BC to regional decision makers. During this meeting the region decided to invest in the indirect sales model. After the meeting the regional portfolio manager stated, “the business case was fundamental to drive the discussion and the decision”. In the end the regional representatives themselves became change agents and promoted the business case. It is likely that the region would have made the same investment choice without the guide as its contents could have been communicated through other mediums. However, to

communicate the financial aspects without a complete investment calculation would not have been convincing. It is therefore argued that the positive investment decision would not have been realized without the financial model.

It is interesting to reflect upon what actually convinces stakeholders to accept and support a change. Illustrating the financial aspects of investing in a change provides a concrete picture of what the change entails. One can however question whether this is enough to convince stakeholders. The pilot implementation showed that a thorough understanding of the change project, and how the change affect employees and organizational structures, was equally important. However, during the pilot implementation the region put much emphasis on the fact that estimates were based on other regions' experience of indirect sales. According to them this indicated that the business case was realistic and accurate. In turn, it is likely that other regions will emphasize the importance of the business case being implemented in reality. Perhaps words and numbers are not enough to generate acceptance and active support for a change. A proof of concept might be the final push needed.

Since it is likely that a business case cannot be truly generic in its effort to generate support it was a challenge to create a business case that correctly depicted the regional investment. In the end the business case came close to becoming generic in the sense that its structure allowed for adaptation to regional circumstances. In most instances, you would probably not develop a generic financial model and instead develop unique business cases for each opportunity on a lower level. However, if the situation is similar to that of the IS Program where ten similar cases need to be developed, a generic model can save time. The hard part is to ensure that the model includes the correct adaptable parameters and that it illustrates all aspects needed to make an investment decision.

To ensure validity of the business case, the authors of this study gathered data from several sources. A great amount of time was spent in the system, an extensive number of relevant stakeholders were engaged, and secondary information was studied to gain a correct understanding of the studied

system. The financial model was validated through the modeling-validation process. The region found the financial model to be valid during the business case implementation. Incorporating data from further regions can however enhance its validity. Due to time constraints the number of regions involved in this study was limited. Furthermore, the credibility of the theory gathered in this study is considered high since it is based on published articles and academic textbooks. The credibility of the overall conclusions regarding the business case's ability to work as a tool for generating support in the implementation of indirect sales was ensured through the implementation and by placing the business case in a theoretical context.

If we would perform this study again, we would try to include more regions when gathering empirical data. The data was gathered from several regions that were already involved in indirect sales in some way. There is a great chance that more regions and employees are familiar with the indirect sales channel and possess knowledge that could have been of use in this thesis. Also, the financial model could have benefited from being reviewed by additional appropriate employees. This would have provided an external point of view allowing more weak spots to be identified and improved.

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Interview Subjects at Company X

All the individuals interviewed at Company X as a part of the data collection had a clear connection to the thesis purpose. The IS program members provided a good understanding of the system, valuable financial data, and how to generate support through a BC. The business case developer and the financial controller provided valuable input during the development process regarding the structure of the BC. The regional representatives provided input regarding financial estimates, regional structures, as well as how to develop a BC's, and how well the BC generated support for the indirect sales business.

Role	Responsibilities
Business Case Developer	Responsible for developing business cases for new sales opportunities
Financial Controller	Ensuring that financial aspects of the business run smoothly
IS Program- Project Manager	Responsible for the IS program
IS Program- Driver	Responsible for driving the program and coordinating the team
IS Program- Partner Program Owner	Responsible for the partner program and developing processes for handling partners
IS Program- Legal Manager	Handles the legal aspects of partner sales
IS Program- Pricing Manager	Handles the price levels of the product portfolio and the pricing model
IS Program- Portal Manager	Responsible for the channel partner portal and the it- environment
IS Program- Portfolio Manager	Responsible for the indirect sales product portfolio
IS Program- Roll-out Manager	Responsible for the regional roll-out efforts
IS Program- Support Services Manager	Responsible for the global support service
IS Program- Supply Chain Manager	Responsible for the new supply chain
Regional Representatives from region 1	Provided input about BC development, regional organizational data, as well as regional financial data
Regional Representatives from region 2	Provided financial data
Regional Representatives from region 3	Provided financial data
Regional Representatives from region 4	Implemented the BC in collaboration with the authors, and provided information about how well the BC generated support for indirect sales

Appendix 1 - The Robustness of Model Parameters

This data has been altered in order to avoid leakage of sensitive information.

Price Adjustments

One of the main advantages of the indirect sales model is the price premium that yields improved margins. The level of the price premium varies between different products, channel partners, and markets. It is therefore not possible to determine a generic price premium level. The financial model allows for variation of the price level to illustrate how it affects the investment. A price variation influences the margin and thereby also the investment profit. The figure below illustrates how the profit from year 0 in the pilot implementation is affected by variations in price level.

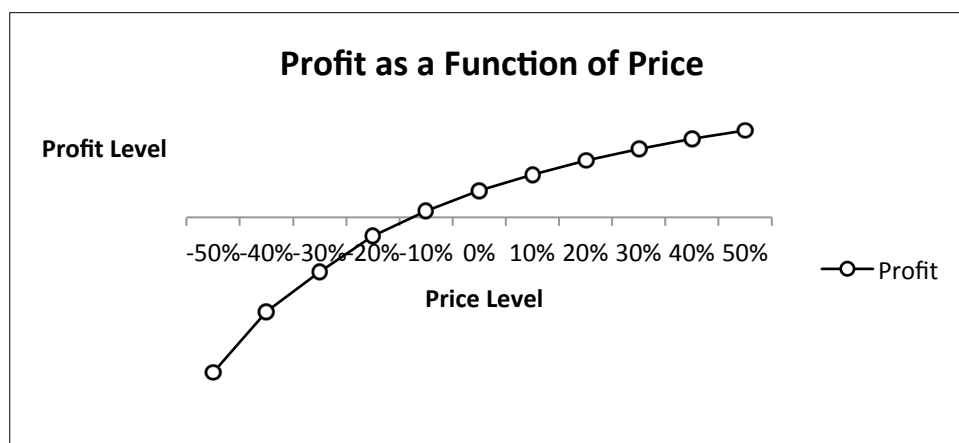


Figure 0.1 Illustration of the effect on profit when the price level varies

The price level of 0 percent represents the standard price level within the indirect sales channel. The profit reaches zero when the price is set to about 10 percent less of the standard price level. If a discount of 10 percent is applied, then the profit for the investment is reduced by approximately 76 percent compared to when the standard price is applied. This illustrates that the profit parameter is relatively sensitive to a price variation.

Costs

The main costs associated with the indirect sales model for the regions are partner related costs (recruitment and recurring costs) and product costs. How sensitive the profit is to cost variations, is shown in the figure below.

This relationship is important to illustrate since the regions have limited understanding of the costs associated with the indirect sales model.

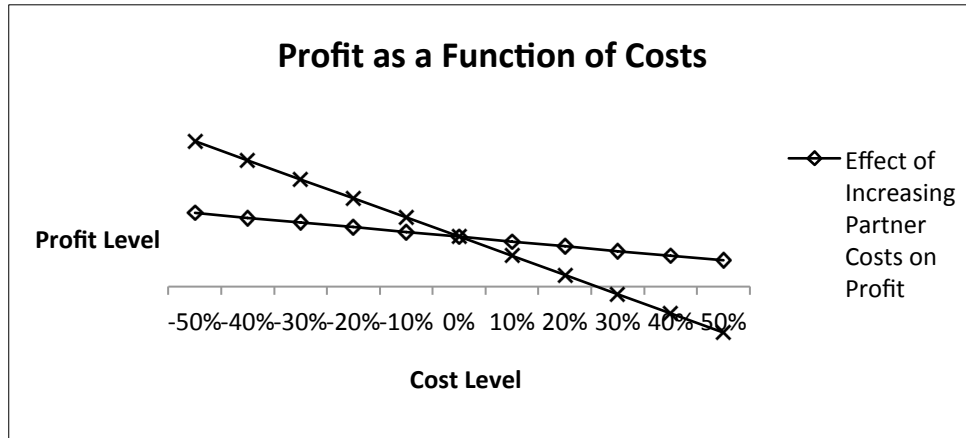


Figure 0.2 Illustration of the effect on profit when costs vary

The partner costs have been gathered from several regions based on the regional set-up presented in the empirical chapter. The figure illustrates that an increase in partners have a minor impact on the overall profit. This is an interesting aspect since the regions may choose to structure their indirect sales organization in different ways. Regions might allocate more or less resources to certain activities than suggested in the financial model. The slow profit decline in relation to the increase in partner costs indicates that the regions can invest a great amount of resources before the profit is greatly affected.

The products costs include the supply chain costs that occur when a partner purchases a product. This is the single largest cost element for the indirect sales model and it has therefore a great impact on the profit. The regions do however have limited influence over these costs. They may simply choose to sell or not to sell certain products, depending on their costs.

The Number of Partners

A question raised by regional representatives involved in the pilot implementation was whether a region should focus on a large number of bronze partners, a medium number of silver partners, or a limited number of gold partners to cover their estimated market potential. The financial model

is not designed to find the optimal number of partners to reach the highest profit. This would not be applicable in reality since the regions differ in market structure and availability of partners. The financial model can however be used to illustrate cost differences of recruiting and maintaining a certain number of partners of different categories. An example of cost variations between different partner strategies is illustrated in the table below. In this illustration it is assumed that 15 bronze, 10 silver and 5 gold partners will generate the same revenue level. The costs in the table have been altered to avoid leakage of sensitive information.

Table 0.1 The costs for recruiting and maintaining a certain number of partners per partner category (MSEK)

	Number of Partners		
	15 Bronze	10 Silver	5 Gold
Recruitment Cost (one time)	11,15	23,05	16,2
- Increase compared to bronze level		106,7%	45,3%
Cost for Maintaining a Partner (per year)	21,4	26,5	22,8
- Increase compared to bronze level		23,8%	6,5%

According to the table, using the 10 silver partners implies a 106,7 percent higher recruitment cost and 23,8 percent higher cost for maintaining a partner than the bronze strategy. Using 5 gold partners implies a 45,3 percent higher recruitment cost and a 6,5 percent higher cost for maintaining a partner than the bronze strategy. The cheapest strategy is therefore to use 15 bronze partners, closely followed by the strategy of using 5 gold partners, and the most expensive strategy is to use 10 silver partners.

Using 10 silver channel partners can be viewed as the worst alternative as this is the most expensive one, and that a region should aim at using few silver partners if possible and focus their effort on bronze or gold partners. It is important for the regions to consider other benefits associated with the different partner categories. As an example, compared to the other partner types, gold partners can have a significantly larger market reach, a more extensive ability to sell Company X products, and have a higher level of

self-sufficiency. Therefore it could be advantageous to recruit gold partners even though the costs of using 5 gold partners is slightly higher than the cost of using 15 bronze partners.

Appendix 2 - Recommended BC Implementation Process

Business Case Implementation Process

By using the lessons learnt from the BC implementation, an implementation process applicable for the remaining regions was developed according to Figure 0.3. The IS Program is encouraged to follow the five steps in order to convince additional decision makers to invest in the indirect sales business. The implementation process should be viewed as a collaborative process involving both central and regional representatives. How the IS program should address each step is described in the coming paragraphs.

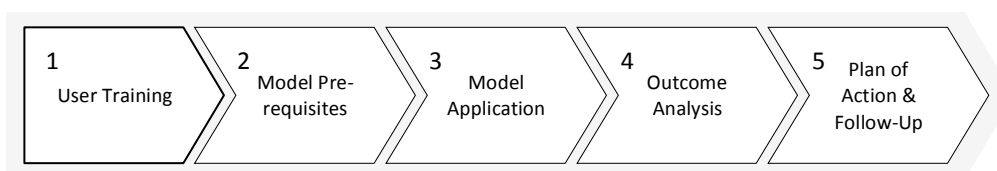


Figure 0.3 The BC Implementation process developed

Step 1. User Training

The first step of implementing the business case is to educate the user in order to provide a comprehensive understanding of the indirect sales model and its components. This is necessary to ensure an efficient implementation. The components are described in the guide and the guide should be sent out to everyone taking part in the implementation. If any uncertainties concerning the contents of the guide arise, a meeting with appropriate employees should be appointed. Information regarding contact persons is available in the guide appendix.

Step 2. Model Pre-Requisites

Step two should be undertaken when all stakeholders involved in the implementation has gained an extensive understanding of what the indirect sales model implies. The second step requires the implementers to fulfill the prerequisites demanded by the financial model, i.e. sales volume forecast, number of partners forecast, as well as product costs related to supply chain

activities. These prerequisites should be clearly communicated by the IS Program to ensure that the correct data is considered.

As revenue levels of the indirect sales channel will differ significantly between the regions this forecast is a pre-requisite. Therefore, a market research has to be completed. The research should regard the market potential of the products that can be sold via the indirect channel, and investigate regional market actors that could be potential channel partners. An estimation of how many partners the region believes it can and will recruit during the coming five years, and estimations of the sales volumes that these partners represent has to be completed. It is important for the regional implementers to have an accurate understanding of their markets, cost structure, and ability to handle partners as the output of the model only becomes as good as the input.

Step 3. Financial Model Application

The third step of implementing the BC is to apply the financial model. This should be done according to a work procedure of the five (A-E) steps described in the manual and illustrated in the table below. The IS Program should perform these steps.

Table 0.2 The steps included in the model application step of the BC implementation process

Model Application Steps

- A. Enter the estimated sales revenue
- B. Enter the estimated number of new partners
- C. Enter the estimated number of local companies connected to the indirect sales channel
- D. Enter the average cost for a full time employee (FTE)
- E. Enter Price Adjustment

All application steps are completed in the same sheet within the financial model. It is therefore easy for the user to locate the cells where inputs are to be inserted. Step A and B concerns the forecasts within the model pre-requisites, and should be inserted in appropriate cells. A region can consist of several countries, and the number of countries that are to be involved in the indirect sales channel will affect the investment. Therefore, this input needs to be inserted in step C. Some cost centers in the model are based on

human resources and expressed as man-hours. This way of expression was chosen as the cost for human resources can differ significantly depending on region but the time effort associated with certain activities does not necessarily differ. In order for time efforts to be expressed monetarily, the cost for human resources has to be inserted by the user. This is done in step D where the user inserts the average cost for a full time employee. The last step of the model application is to enter price adjustments. When selling products via the indirect sales channel Company X can charge a higher price than when selling via the direct channel. This price adjustment can vary due to market circumstances hence the user has to estimate what the price adjustment should be within the region in mind.

Step 4. Outcome Analysis

After all pre-requisites are completed and the model has been applied, the outcome of the financial model needs to be analyzed in order for implementers to evaluate the investment. The analysis should be done in collaboration with the regions, preferably in a workshop. This approach ensures that the figures are interpreted as intended and that any ambiguities are clarified.

The outcome sheet provides the investment's market contribution, net present value, margin improvement, as well as a summarization of annual cash flows and initial investment costs. Also, the model calculates the number of full-time employees that are required within each personnel function within the regional organization structure. Graphs and diagrams based on cash flow and resource requirements are additionally available to demonstrate what an investment in the indirect sales model entails. The outcome statement should be discussed and compared to the requirements and expectations of the region.

The robustness of the investment should be tested through a sensitivity analysis. Price level and sales volume levels can be altered, illustrating worst and best case scenarios. Additionally, if the user disagrees with any of the beforehand provided input these can be adjusted to more appropriate estimations.

Step 5. Plan of Action and Follow-up

When the outcome of the investment has been analyzed, the participants of the implementation should structure a plan of action. If it was concluded that the investment did not fulfill regional requirements, an action plan for how to tackle this issue should be formed by the IS Program. They might want to revise the model, its assumptions, calculations and input to make sure that no misleading aspects are present. Also, they should look outside the financial model and see whether aspects other than the financial ones counterbalances the outcome and strengthens the investment. If the regional implementers are satisfied with the outcome and the robustness of the investment, an action plan on how to proceed with the investment and establish the indirect sales model in the regional organization should be prepared. The action plan should be followed-up by both the IS Program and regional representatives to ensure that the region is on track and sufficiently supported by the IS Program.

Improving the Implementation Process

To ensure an efficient implementation process it is important to refine the process after further implementations. Each implementation offers an opportunity to better understand how to best communicate the business case, and using the region's input will improve the BC's ability to generate support.