

# **How does restructuring of enterprises influence business-to-business customer relationships?**

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Abstract <p>Finland's economical structures were shaken due to the international depression that started in 2008. World economy plays a significant role in the success of Finnish industries, because acquiring sufficient funding becomes harder and at the same time export trade reduces. These facts combined drive many companies into a crisis situation. Approximately 300 companies apply into restructuring of enterprises in a yearly basis. Because customer relationships are vital condition to any company, the objective of the study was to identify how restructuring of enterprises influences business-to-business customer relationships.</p> <p>Given the nature of the research objectives, a qualitative research approach was selected by utilizing case study method. Existing theories about building customer relationships from business-to-business point of view were used to develop the theoretical framework. The case company was a Finnish mechanical engineering workshop that filed into restructuring of enterprises in 2013 and was bankrupt in 2015. Five persons who were in charge of customer relationships and three biggest customers were interviewed. Also document sources from the same time period were used to increase the reliability of the research.</p> <p>The research suggests that restructuring of enterprises creates uncertainty among the customers and causes them to find alternatives. Personnel changes cause communication breakdowns and essential information to disappear. Production faces many problems. The recommendations encourage managers to make development plans early on and to ensure that important information is kept in the company during changes. Several future research avenues, such as economical situations affect on the restructuring of enterprises and positive consequences from restructuring of enterprises were also recognized.</p>		
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<p>Tiivistelmä</p> <p>Suomen talouden rakenteet järkkäyivät vuonna 2008 alkaneen kansainvälisen taantuman myötä. Maailmantalouden tilanne on merkittävässä roolissa suomalaisten teollisuusyritysten menestyksessä, sillä rahoituksen saatavuus vaikeutuu ja vientikaupan määrä supistuu. Nämä tekijät yhdessä ajavat monet yritykset kiiristilaan. Vuosittain yritysaneeraukseen hakeutuu noin 300 yritystä. Koska asiakassuhteet ovat yrityksen elinehto, tutkimuksen tavoite oli tunnistaa, miten yritysaneeraus vaikuttaa business-to-business asiakassuhteisiin.</p> <p>Tutkimustavoitteiden luonne huomioiden tutkimukseen valittiin kvalitatiivinen lähetysmistapa hyödyntäen tapausyritys metodia. Teoreettisena runkona käytettiin olemassa olevaa tietoa asiakassuhteiden rakentamisesta business-to-business näkökulmasta. Tapausyritys oli suomalainen alihankintakonepaja, joka hakeutui yritysaneeraukseen 2013 ja konkurssiin 2015. Haastatteluissa haastateltiin viittä tapausyrityksen asiakkuuksista vastannutta henkilöä sekä kolmea suurinta asiakasta. Tutkimuksen luotettavuutta lisättiin käyttämällä hyödyksi myös dokumenttilähteitä.</p> <p>Saadut tulokset osoittavat, että yritysaneeraus luo epävarmuutta ja vaihtoehtojen etsimistä asiakkaissa. Tutkimus paljasti myös, että henkilöstövaihdokset myötävaikuttavat oleellisen tiedon katoamiseen yrityksestä. Tuotanto kärsii myös monista vaikeuksista yritysaneerauksen myötä. Tutkimuksen perusteella annettiin useita toimenpide-ehdotuksia, joiden mukaan yrityksen johdon tulisi laatia kehittämissuunnitelma varhaisessa vaiheessa sekä varmistaa oleellisen tiedon pysyminen yrityksen sisällä muutostilanteissa. Jatkotutkimukseksi ehdotettiin mm. maailmantalouden vaikutuksia yritysaneerauksiin sekä saneerauksien positiivisten vaikutuksien selvittämistä.</p>		
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## 1 INTRODUCTION

Every municipality needs successful enterprises because the vitality of the municipalities is based on the actions of enterprises. Enterprises are in charge of creating jobs and through those jobs they generate a major portion of the municipal taxes. Enterprises are also involved in several basic infrastructural jobs and create multiple services for the citizens. (Kujala, 2012.)

Finnish enterprises are facing tough times. The revenues of large enterprises have been declining constantly; in November 2014 the revenue declined by 4.2 %, in December 2014 by 0.9 % and in January 2015 the decline ratio was 0.2 %. At the same time the stock value has increased and the number of companies that have quit has also increased. All of these facts together indicate that the Finnish business and enterprises are not doing too well. (Suomen tilastokeskus: yritykset, 2014a.)

Statistics Finland states that in the first three quarters of 2014, the number of new enterprises decreased by 9.1 % when compared to the same period in 2013. At the same time the number of enterprises that had closed down their businesses in the second quarter of 2014 increased by 28.5 % when compared to the same period in 2013. The percentage is huge and it has remarkable influences on the Finnish economy without a doubt. (Aloittaneet ja lopettaneet yritykset, 2014b.) The most recent statistics show that bankruptcies increased in January to February 2016 by 2.7 %. The number of bankruptcy petitions was 455. (Suomen tilastokeskus: konkurssit, 2016b.)

Reynolds emphasizes that a company's success is in a direct relation to how well it maintains its customer relationships. If a company is well aware of its customers' needs, it enables it to utilize the resources better towards a better outcome for everyone. (Reynolds 2002, 1.)

In the 1990s, companies realized that they can make more profit, if they put more effort into getting the right customers. Customer and market knowledge, identifying customers, targeting actions and customer relationship follow-up became the success factory. Today customer relationships are seen as an asset of the company which

enables the company to make more profit and increase its value and establish a better market positioning. (Hellman, Peuhkurinen & Raulas 2005, 9.)

An economical depression has a direct correlation to the number of companies struggling with their finances. In the 1992 depression 7391 companies filed for bankruptcy whereas in 2006 the number was 2285 applications (Suomen tilastokeskus: konkurssit, 2016b.) In addition 572 companies filed for restructuring of enterprises in 1993 (Suomen tilastokeskus: vuosikirja 1994.) A link between an economical depression and serious financial problems and the existence of companies can be seen in the history.

Restructuring of enterprises is a legal process that aims to ensure the survival of companies that are facing financial problems and would otherwise be bankrupt. The restructuring of enterprises Act was legislated in 8.2.1993 when Finland was facing financial problems that led to a rapid economical recession and the country desperately needed an alternative to bankruptcy. The law was widely renewed in 2007 in order to raise the quality of the applications and to make it easier for the companies to apply for restructuring of enterprises earlier. (Pinomaa 2009, 11, 13.) It needs to be acknowledged that the terminology around restructuring of enterprises varies from country to country; in Canada the process is called Bankruptcy Act, in Australia Voluntary Administration law and in the US it can be Chapter 11. In Finland several different terms can be used to describe the process, such as restructuring of enterprises, corporate restructuring and financial restructuring.

According to statistics Finland the number of applications for restructuring of enterprises was highest when the law was legislated (in 1993 there were 572 applications) and after that the trend was continuously decreasing until the year of 1998 (in 1998 there were 194 applications). After that the yearly number has been on average 300. The year 2009 was another turning point, and by the end of March there had already been 132 applications. (ibid., 38.) See figure 1.



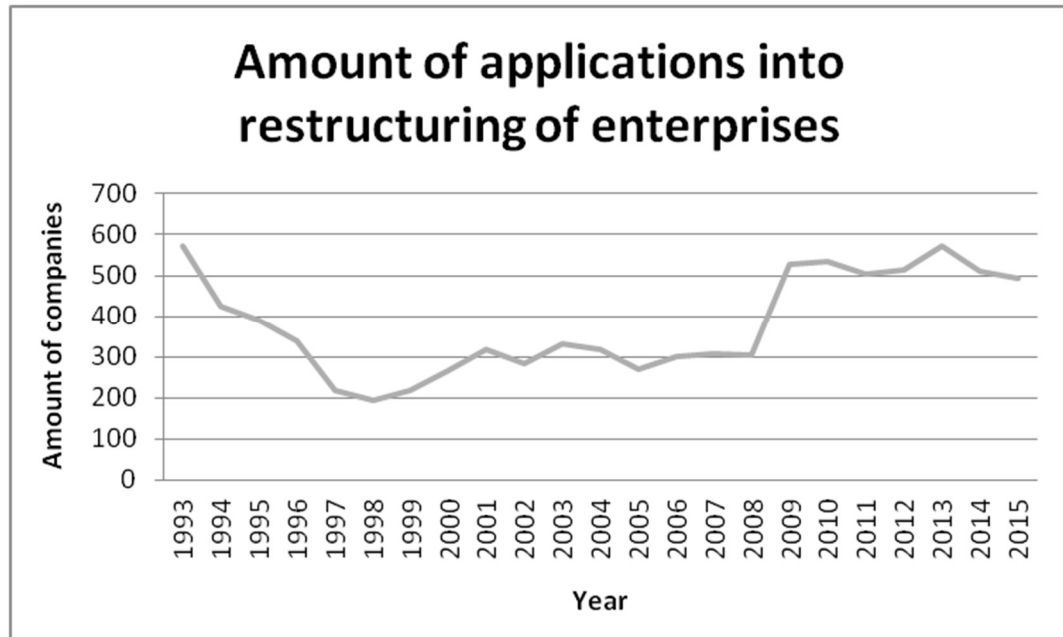


Figure 1. The yearly number of companies that applied for restructuring of enterprises. (Modified from: Suomen virallinen tilasto: Yrityssaneeraukset 2016a.)

Restructuring of enterprises can be applied to private enterprisers, general partnerships, limited partnerships, and joint - stock companies, co-operatives, housing cooperatives or unions that are involved in financial actions. (Pinomaa 2009, 17.)

This research studied the effects that restructuring of enterprises has on business-to-business customer relationships. This research is focusing only on joint-stock companies point of view, as the case company in question is a joint-stock company. Legislation and procedure varies depending on the form of the company. *This topic hasn't been studied from this perspective and especially not in Finland.* Most studies related to restructuring of enterprises focuses on the human resources side of things. Downsizing and the effects of it however has been studied (for example Lewin 2009; Lewin, Biemans, and Ulaga 2010; McElroy, Morrow, and Rude 2001) and that can be used to benefit this study. Also one study (Bachelor's Thesis made in Finland) was found about the success of reorganizations among the customers of Finnvera plc and the reasons for failures with reorganization programs. One doctoral thesis was found about the success of restructuring of enterprises in Finland during the years of 1996-

2002. Furthermore another Master's Thesis was found about corporate restructuring: an empirical analysis of a successful turnaround, which was done in Finland in the 2012. Also several researches were found that were related to the practical matters of restructuring of enterprises or the financial issues in a company that is going through the restructuring of enterprises process (for example Kärkkäinen 1994; Salmenautio and Toikkanen 2003; Mähönen 1997; Lintunen 2014). In faculty of law restructuring of enterprises has been studied but mainly from law perspective. None of the researchers found were about customer influences. Studies made about chapter 11 can be used as a source if extra caution is used because chapter 11 often means bankruptcy and not restructuring of enterprises. In some cases chapter 11 can mean restructuring of enterprises but the context needs to be looked carefully.

Studies about how successful chapter 11 has been made in the US (for example studies made by Jensen & Conklin 1992, Hotchkiss 1993, LoPucki & Doherty 2002, Hotchkiss & Mooradian 2004, Denis & Rodgers 2007, Kaley et al. 2007). In Canada similar studies have been made (by example Martel 1994, Fisher & Martel 1996 & 2003 and Barthélemy et al. 2004). In Australia success of a chapter 11 has been studied (for example by Routledge & Gadenne 2000 & 2004 & 2005) and in Britain (for example Cook et. al 2001). Some studies were also found about how good of a tool chapter 11 is (for example study made by Aivazian & Zhou 2012). It is important to acknowledge that restructuring of enterprises is a legal procedure here so it is not entirely the same thing as downsizing, layoffs, outsourcing, cost cuts, mergers and acquisitions and voluntary changes in a company. It is also vital to know that legal procedures are not the same in all countries. When comparing information between different countries, the content of the legal procedure may not be the same, and different terms mean different things in different countries. Due to this fact criticism and extra caution was placed when observing and studying previous studies made around Chapter 11. As mentioned, Chapter 11 has been studied quite a lot, but this sometimes means bankruptcy and not restructuring of enterprises and these two procedures are not the same at all, even though they are often placed in the same category.

The topic of this research is very current in Finland as we are hearing news about restructuring of enterprises in a weekly basis. This research has true importance

because it is focusing on the customer relationships which are always at the very essence of a business relationship. Also customer relationship is one major factor that influences the success of a company. Suhonen (2015, 38) studied companies that have either succeeded or failed in restructuring of enterprises and concluded that one of the reasons why restructuring of enterprises doesn't work is that important customer relationships have ended. This fact, however, has not been studied as an individual topic itself.

### 1.1 Background

The case company is a subcontracting engineering workshop working in a metal industry area and it is focusing its core business into demanding business fields such as offshore industry and pulp-and paper industry. It is a supplier of known global and domestic companies. It is located in Finland only and in 2013 it had facilities in several different cities such as a welding-, machining-, and surface treatment factories, engineering office and it employed over 120 people. Case company applied and was accepted for restructuring of enterprises on January 2013. Due to this, welding and machining factories in one city were closed. Also engineering office and small administrative office in another city were closed too. Over 50 people were fired, including almost all of the existing top management. Most recent situation is that case company filed for bankruptcy on February 2015.

Customer base is heavily relied on few big customers. The case company doesn't have any products of its own so customer base has a big role in their business. The case company has 3 customers who are responsible of about 75 % of their revenue. (Chief Executive Officer 1 of the case company, 2016.)

Metal industry is important for domestic operators but the importance of exporting has increased. The entire industry is unstable and has been in difficulties since the year of 2008. Productivity decreased heavily during the years of 2008 – 2012 and finally in the 2014 some small increase was seen. The industry never really recovered from the depression. Generally metal industry production is expected to grow about 1.0% in the year of 2016 due to general boost up in the euro zone. However, when looking at the

segments inside the metal industry, the manufacturing of metal products is still in a bad situation; in the 2014 production decreased by 1.0% (Metalliliitto 2015, 3, 7.)

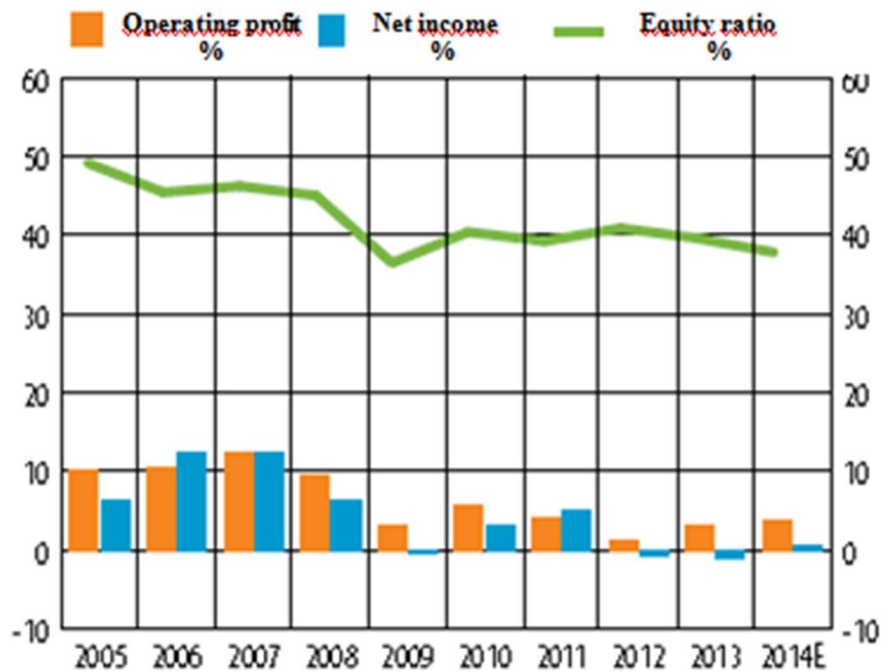


Figure 2. Profitability of the metal industry and equity ratio (Metalliliitto 2015, 28.)

## 1.2 Motivation for the research

The key personal motivation for this research has been the growing concern about the economical situation of Finland and the rest of Europe and the affects this has.

According to the Bank of Finland, the difficulties will continue and the growth is extremely small and noticeably smaller than in any other euro zone. In recent years the development in the foreign trade remains more modest than what was expected. The growth rate is only 0.7 % in the year of 2016 and 1.0 % in the year of 2017. Such a small growth rate is due to the fact that the growth is depended almost solely on domestic demand. China's and Russia's economic growth has slowed down and the

situation is predicted to remain the same in the 2016 – 2017. Some light can be luckily seen in Europe and United States and this might boost up the exporting in Finland too. However, there is no quick fix for the foreign trade in Finland in sight. One major reason for this is the cost competitiveness. In the 2015 some signs of the increase in investments was seen and this progress continues in the time period 2016 – 2017. Even though positive marks can be seen, it is noticeable that Finland is one of the weakest countries in the euro zone when looked at the growth rate. In Finland the overall production is predicted to increase in the 2015 - 2017 totally by 1.6 % whereas in the euro zone the increase is 5.1 %. (Suomen talouden tilanne edelleen hankala, 2015.)

Confederation of Finnish Industries states that Finland is facing several problems at this moment and on top of that the industries (paper- and electronic industries) which have been in a leading role since the 1990s depression are now in a turning point. Since the depression in the 1990s there was a long period of growth in Finland in many industries but the economical situation was shaken after the international depression in the 2008 that started from the United States. In the future the change in the economical structure will surely open up new possibilities, but the focus should be in hard work, cost control and by focusing on high value added products. (Perustietoja Suomen taloudesta, 2015)

When looking at the economic surveys from the year 2015 to 2016 drafted by the Confederation of Finnish Industries the common situation seems to be that the production growth in manufacturing has slowly increased, but has not reached the level that can be considered to be normal. Also the utilization rate has constantly been in a lower level than it normally should be. Variation can be seen in the profitability expectations from company to company but the general level stays the same. (Confederation of Finnish Industries, 2015a. Confederation of Finnish Industries, 2015b. Confederation of Finnish Industries, 2015c. Confederation of Finnish Industries, 2015d. )

Jaakkola emphasizes that the profitability of the company is depended on several factors and there's no one general road to success. It could be stated, however, that the better a company can utilize its resources (for example customer understanding) the more it can influence its profitability and success. (Jaakkola 2012.)

This topic was chosen because when looking at the very cornerstones of a successful company customer oriented approach is without a doubt in a big role. According to Neilimo the safest way to build-up the success strategy is to rely on cost effectiveness, high quality of the products and services and customer oriented business model. Best result is gained by combining these factors. (Neilimo 2001.)

There seems to be a gap in the literature and studies made around restructuring of enterprises and that has been one motivating factor when choosing this topic.

Literature and studies usually circulate around financial matters, the success of a restructuring of enterprises in general, management or downsizing. This topic is also very current and interesting because it hasn't been studied from the customers' point of view at all and in that sense it could be argued that this research is groundbreaking and unique. It can be also argued that this research has wider social meaning as approximately 300 companies' files for restructuring of enterprises in a yearly basis. From those companies only half make it from the process (puolet yrityssaneerauksista epäonnistuu 2009). To open up the meaningfulness more, all of the persons who work for the company that's going through a restructuring of enterprises are directly affected by it. It must be clarified that on top of those persons also the customers, interest groups, suppliers, municipals, societies and all other parties involved in the company's business are in some way affected by the process.

The reason for looking at this topic from this point of view comes also from personal interest and my own personal working life. I have done my career in the field of finances but customer relationships have always been in a big role too. I see that these two link together and that a company's success is always dependent on its customers. One cannot exist without the other. It felt only natural to combine these two elements and study them both in a context that is very current in Finland and globally too. I also see some similarities in the 1990s depression and the 2008 depression and in the 1990 - 1993 there was a high peak in the number of companies that applied for restructuring of enterprises and similar progress can be seen in current era.

### 1.3 Research questions

As described earlier, Finland is facing tough times in business field and many companies are facing serious financial problems. These problems have serious domestic influences on municipals', individuals, other companies, banks, officials, customers and the entire economical life of Finland. It would be interesting to find out what kind of influences restructuring of enterprises has on their customer relationships and whether there is something that companies can do to make their survival more likely. The research is continued by presenting the following research question: **How does restructuring of enterprises influence business-to-business customer relationships?**

This research is a case study which is focusing on the incidents that occurred in the case company during January 2013 to February 2015. This time period is the timeline from the beginning of restructuring of enterprises all the way to bankruptcy. "The primary purpose for undertaking a case study is to explore the particularity, the uniqueness, of the single case. Reference may be made to other cases – how else would we know what is unique?" (Simons 2009, 3.)

The choice to use case study method arises from the research question. Case study method is the preferred method when "how" or "why" questions need to be answered, such as in this research. Case study is favoured when there's the need to identify factors involved in organization, behaviour or specific departments in an organization. One characteristic of case study method is also the lack of control over events; in case study method the focus is placed on current phenomenon in a real-life context. (Ghauri & Grønhaug 2002, 172-173.)

Case study method was also chosen because it enables the usage of different sub-methods. These sub-methods can be interviews, observations, documents, records and other data. Data which is accumulated from different sources but have a same goal is called multi-method approach. (Gillham 2010, 13.)

Data is collected by analyzing internal and external documents such as magazine articles, press releases, letters to the customers, board memos, auditing reports and by conducting semi-structured interviews to old managers who have dealt with customers

during that time period. Three former CEO's, Key Account Manager and Production Manager of the case company were interviewed in order to gain more knowledge on the general situation of the company and also to gain knowledge on the customer effects. Interviews were theme interviews conducted in a semi-structured way. Interviews were transcribed and analyzed right after the interview took place. Former CEO's, Key Account Manager and Production Manager were asked to give recommendations about which customers should be interviewed and 3 interviews were conducted on the customers from that basis.

This research is expected to be of interest to any managers who are dealing with customer relationships in a company that's going through a restructuring of enterprises or planning to apply to the procedure. It is hoped that this study will give out information about the challenges that a company will face when going through restructuring of enterprises from customers point of view. It is also hoped that this study will give out tools to minimize the possible obstacles this procedure may cause to a company. Thirdly it is hoped that this study will give out some ideas about how to make the survival from the procedure more likely by keeping the existing customers and through them ensuring the existence of the company. Finally, it is aspired that also policy makers, managers, administrators and any other parties in the customer relationship or turnaround field will find this present thesis useful and it may provide useful tools to companies that are pondering with their customer relationships.

#### 1.4 Structure of the thesis

The present thesis consists of five main parts. After the introduction in chapter 1 the research is continued by a literature review in chapter 2. The literary review presents firstly what business-to-business is all about and covers sections about customer relationship management, building customer relationships and aspects of the customer life cycle. This part also covers theories about the problems of the customer relationships and tools to build it up. Secondly, after the elements of the customer relationship have been covered, the literature part focuses on restructuring of enterprises and covers the purpose and influences of the procedure. This section also covers the 5 different stages of restructuring of enterprises. The target in chapter 2 is



to provide significant background information about business-to-business, reconstructing of enterprises and customer relationships. Thirdly, the theoretical framework for the research is presented in order to link business-to-business, reconstructing of enterprises and customer relationships together. Chapter 3 deals with the research methodology. The chapter describes what has been the research approach and context. Chapter 3 also covers the details of how data was collected and analyzed. This chapter also includes the verification of the results. Chapter 4 covers the results of the research presented in the same orders as the literature review. Interviews were conducted to 5 persons within the case company and 3 of its customers. Document were also analysed and the results are presented together with the results gained from the interviews. Documents were used to give more depth to the interviews and give out wider vision. Chapter 5 includes discussion about the research overall. The first chapter 5.1 answers to the research question and it is followed by managerial implications. Assessment of the results in the light of literature can be found from chapter 5.3. This is followed by the limitations of the research and recommendations for future research.

## **2 LITERATURE REVIEW**

### **2.1 Business-to-business**

Business-to-business means exchange of transactions between two companies. The exchange of transactions between them can be products or services. Traditional business-to-business is often materials, components or parts which are manufactured or sold to derive profits from. One example of typical business-to-business is the automobile manufacturing where vehicle components are manufactured by different companies and the manufacturer purchases the needed components independently. The core idea in business-to-business is that the product themselves don't end up in

the hands of the consumer although the actual end product can at some point. (Arline 2015a.)

According to Ojasalo and Ojasalo, interactions between the buyer and seller can be exchange of products and services, information, economical and social exchange. At the very core is, however, the exchange of products and services. Informational exchange is most commonly related to technical, economical and administrative issues. Social exchange is important because it helps to decrease the uncertainty between the two parties. This comes more vital when there's significant physical or cultural difference between the two companies. The most important part of this is creating mutual trust. Building trust is a long process and it requires also success in delivering the services, products, information and money exchange. (Ojasalo & Ojasalo 2010, 135.)

The case company is solely focused on business-to-business transactions. All of the materials and components are bought from other manufacturing companies and all of the end products will end up in the hands of another company. In this case company the end product doesn't end up in the hands of the private consumer at any point in time.

## 2.2 Customer Relationship Management

Customer relationship management as a term is widely used and it can mean several different things as there are several translations for the term. In literature customer relationship management has been described as a *concept* for procedures and information systems which can be used to manage customers. It can also mean a *process* which is used to dominate customer relationship encounters or *approach* to identify customers and to maintain them. It can also mean *information system* used to manage marketing and sales actions or *business strategy* used to maximize the profitability of the customers. (Oksanen 2010, 22.)

According to Parvatiyar customer relationship management is a process that is focusing on acquiring, retaining and partnering with customers that have been selected. The aim is to create value for the customer and for the company. Customer

relationship management involves the integration of sales, marketing and customer service and supply-chain functions. With these the organization can achieve bigger efficiency in creating value for the customer. The overall purpose of customer relationship management is to improve productivity. (Parvatiyar 2001, 5.)

According to Bose (2002), Foss et al., (2008) and Becker et al., (2009) customer relationship management can be seen as the integration between people, technologies and business processes that aim to satisfy the needs of the customers and also to improve interactions with clients. Customer relationship management has become very important subject for businesses in the last two decades and it is not depended on the size or the field of expertise. Miri-Nargesi states that top five factors that will lead to customer relationship management project failures are top management commitment, project management capability, managing IT infrastructure, customer-oriented culture and clearly defined customer relationship management processes. (Miri-Nargesi 2011, 409.)

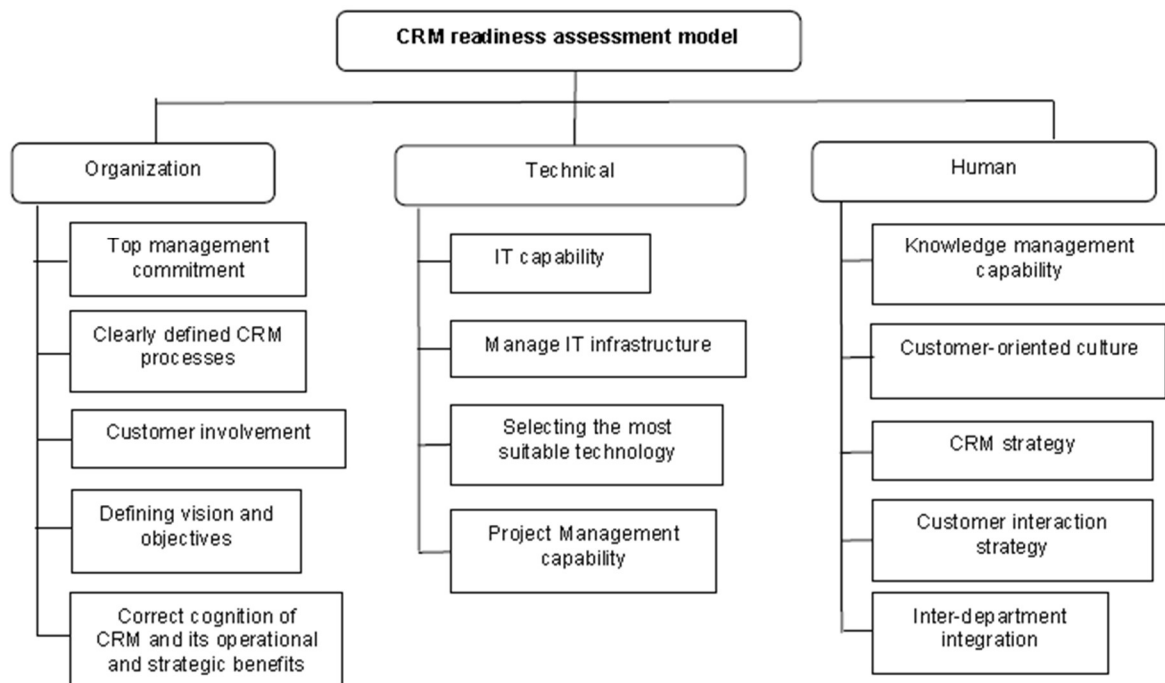


Figure 3. Customer relationship management readiness assessment model (Miri-Nargesi 2011, 411.)

According to Richard, there's no one common definition for customer relationship management; it means different things to different people. The very first definitions focused on getting valuable customers who would also be long-term relationships as opposite to more recent definitions where customer relationship management is viewed more holistic way as a business strategy which will provide integration of every area of business. (Richard 2007b, 423–424.)

Customer relationship management strategies fall into three different categories: continuity marketing, one-to-one marketing and partnering programs. These can, however, take on several forms, depending on who they are meant for (end-consumers, distributor consumers or business-to-business consumers. (Parvatiyar 2001, 11.)

Implementing customer relationship management is done in today's companies through a variety of channels such as sales people, service personnel, internet websites, marketing departments, call centres and so forth. The key is to share information about individual customers and their interactions with the company for all the parties that are participating in the customer relationship management process. Each of these different units could operate in many cases independently, but their common need for real-time basis information links them together. (ibid., 18.)

Oksanen (2010) emphasizes that in order for the customer relationship management implementation to work properly, there needs to be union between business and information technology. One can't work properly without the other. From the business side the goals need to be clear and there has to be the people in the company that have the ability to lead the change and to achieve the goals. From the information technology side there has to be tools that work. (11.)

When it comes to databases; a customer relationship management system is at the core of the organization's knowledge management and it is the source of base information, account plans, customer requirements, purchase intentions and future sales leads. It is used by customers, sales personnel, suppliers and top management in order to add input or gain knowledge. (Lancioni 2009, 61.)

### 2.3 Customer relationships in business-to-business

According to Reynolds (2002) a loyal customer base is a good starting point in becoming a market leader and obtaining several benefits such as reduce in costs and increase in sales and the outcome is less price competition. (67.)

Customer relationships that are based on right choices and long term relationships are beneficial to both parties. Especially in the eyes of the seller it helps to increase profitability, increases purchases and lowers costs. It also helps to decrease customers' eagerness to price bargains, increases learning and creates new competence and decreases personnel turnover rate. (Ojasalo & Ojasalo 2010, 126.)

Successful relationship development and enhancement is heavily linked to trust as it is commonly considered to be a primary requirement. Several studies (such as Morgan & Hunt, 1994; Narayandas & Rangan, 2004; Sako, 1992) have focused on investigating the outcomes of trust with respect to business relationships. (Richard 2007a, 930.)

Richard points out that trust is a core element in relationship development, maintenance and enhancement. Trust is basically the willingness to rely on the chosen partner and having confidence in partners' reliability and integrity. Trust is built through non-stopping two-way communication. In business-to-business trust can also be divided into three different types of trust; contractual trust, goodwill trust and competence trust. Commitment in a business-to-business is the desire to build a stable relationship and to make calculative commitment. Similar division has been used by others too (such as Reina & Reina 1999) (Richard 2007b, 427–428.)

Trust and performance are linked together. In companies where the level of trust is low and people feel disengaged people are more affected by inner problems and that eats away the overall profitability of the company. It also causes the company to miss out on opportunities and diverts the resources available. Furthermore trust issues amongst customer's causes damages to the reputation of the company and affects directly into the sales. Trust can be built by using several different ways. It starts by individual qualities and extends to individual relationships and spreads into the entire

organization and out to the market place and finally into the wider society. Therefore building trust must be started from creating confidence on individuals and this is done by increasing credibility, integrity, intent, capabilities and results. Integrity and intent are related to the person itself and capabilities and results are related to the competence of the person. Trust is grown when people act according to their values and their motives are straightforward and show that they care about the people they serve. Trust keeps on growing when capabilities are being used in a way that shows results and creates confidence and also by having accomplished what was expected to accomplish in the first place. (Vaughan-Smith 2013, 3-4.)

General mistrust causes people to doubt everyone and anything within their organization and have a critical outlook on everything whereas specific mistrust is focused on singular persons such as managers or directors. Furthermore mistrust causes people to withhold information, to spread out rumours and gossips, prevent people from fulfilling their plans, to use their resources into useless purposes and to exclude others from social networks. (Harisalo & Miettinen 2010, 46-47.)

Researches, such as (Geyskens et al., 1998; Morgan & Hunt, 1994) consider commitment as the second most commonly needed factor when building and maintaining relationships. Commitment can be divided into affective commitment and calculative commitment. In affective commitment there's a desire to continue a relationship because of an attachment or a bond where as in calculative commitment is purely based on cost-benefit analysis and it is separated from the relationship context. (ibid., 930-931.)

Business relationships include specific elements including trust, commitment, conflict, social bonds, communications quality and customer satisfaction and information flow. Most crucial elements are trust, commitment and communication. These elements affect relationship development and performance the most. (ibid., 427.)

A company needs to fulfil customer needs in a way that none of the rivals can in relation to the context it competes in. This is called as a strategic sweet spot. The sweet spot is not permanent as it may change over time due to the changes in the markets, technologies, customers, rivals, people's talents and organizational changes.

Therefore the strategic sweet spot must be assessed and redefined constantly. Strategic sweet spot can simply be determined as customers needs fit with what is special about the company. Strategic sweet spot can be seen as a customer segmenting model as well as Paul O’Dea (Hitting the sweet spot, 2009) concluded that strategic sweet spot is based on 80:20 rules; 20 % of the customers create 80 % of the company’s profit and therefore resources shouldn’t be wasted to wrong customers. (Find your strategic sweet spot – its makes a business different: great companies always know their sweet spot 2015.) See figure 4.

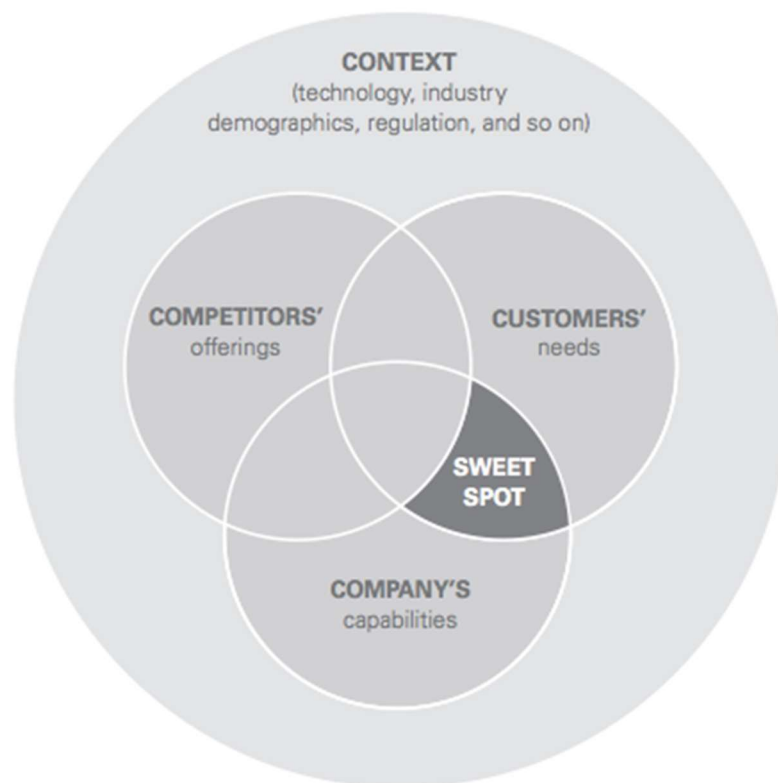


Figure 4. The strategic sweet spot (Collins & Rukstad 2008, 89.)

### 2.3.1 Building up the customer relationship

More and more companies are realizing that in order to build close cooperative and partnering relationships with their customers they need to adopt customer-centric strategies, programs, tools and technology. These help in order to achieve efficient and effective customer relationship management. The usage of these new channels and technologies is altering how companies interface with their customers and makes it easier to integrate between different functions such as marketing, sales and customer service functions. (Parvatiyar 2001, 1.)

Customers should be segmented in some way because it leads to a better planning and more sufficient usage of marketing resources. Segmenting means that the company is able to identify customer groups that have homogeneous needs. (Rangan, Moriarty & Swartz 1992, 72.)

Segmenting also makes it possible to prioritize segments and through that actions can be more accurately targeted towards customers. Segmenting can be done in three ways; first way is not to segment customers at all and treat them all as equals. In marketing terms this is called mass marketing. The second way is to treat each segment differently and serve them each in a unique way. This is called as differentiation. The third way is to focus actions towards the customers where the company has best resources to create competitive edge. (Lehtonen 2004, 167.)

Besides segmenting, customer relationships can and should be categorized in some way. One way is to divide them into short-term relationships and long-term relationships. Customer relationships change due to incidents that occur in the relationship such as each sale and their results. Business relationships undergo constant change and therefore they can be described as stabile but not static. Business relationships are seen as relatively durable but they change over time because inner factors and outer factors influence them. Each interaction between customer and supplier influences the long-term customer relationship (ibid., 170-171.)

In most companies customer relationships needs to be segmented in some way. Segmenting the customers into clusters or groups helps to target actions into them.



According to Lehtonen (2004, 216) Bruce Henderson from the Boston Consulting Group developed in the early 1970's a Matrix model that is based on product life cycle theory and this model is being used to identify what priorities should be given in the product portfolio and to identify the growth opportunities. This model can also be used to segment customers into four main categories; stars, cows, dogs and question marks to determine the actions for each segment. The idea behind the matrix is that company can fund its growth via cash cows which creates cash flow into the company without having to spend the profit. If Boston Consulting Group Matrix seems to be inadequate there's also GE/McKinsey Matrix that could be used instead because this model provides more categorized options. (Arline 2015b.) See figure 5.

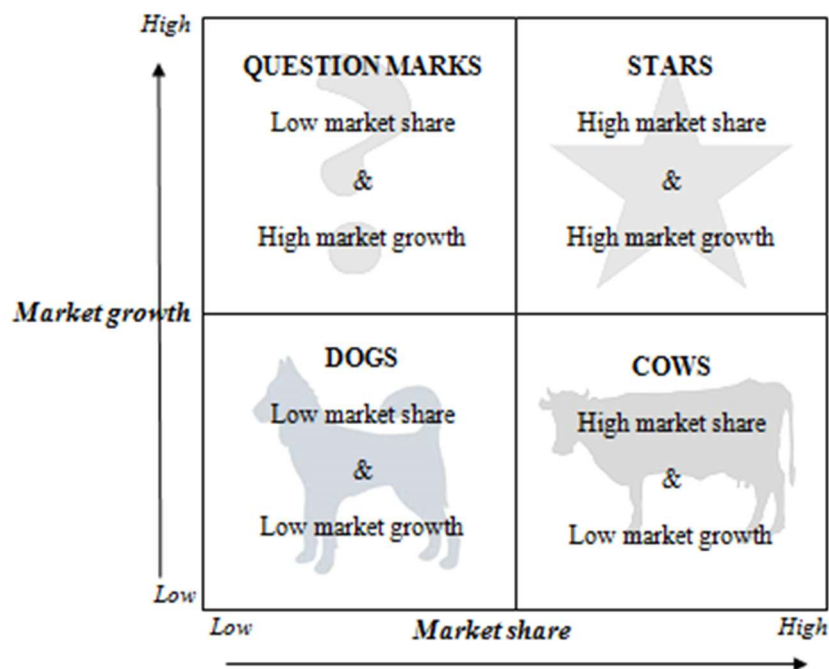


Figure 5. Customer segmenting matrix. Modified from Boston Consulting Group Matrix

In recent years the growing usages of computer and communication technologies have made it possible for companies to interact with their end-customers. The end result of

it all is that it is making marketing and relationship marketing more popular. New tools make it easier to individualize marketing efforts. With these new tools in some business segments customers are more willing to even take on some of the responsibilities of the supplier such as direct ordering. (Parvatiyar 2001, 6.)

Herranen emphasizes that a customer relationship can never be appended only on one person. It is important that the customer is not only a customer of a certain person but rather a customer of the entire company. The same can be applied the other way around too; it is dangerous if you only know one person from the customers company and the customer relationship is based on that. The risk of having only one contact person is that if the person leaves the company you may lose the entire customer relationship with it. Another risk is that information received only through one person may be filtered and you may not get to know all the different needs that the customer may have because you only see the needs of the one person. A good way to strengthen the customer relationship and better your own position in the market field is to name a team that is focusing on the certain customer relationship. This also makes the customer feel more appreciated. (Herranen 2011, 112-113.)

Companies have been focusing on improving the quality and they have adopted so called Total Quality Management philosophy. The aim is to reduce costs and improve quality. This drives the suppliers, customers and other members of the marketing infrastructure more closely together and they are forming partnerships to practise total quality management at all levels of the value chain. (Parvatiyar 2001, 7.)

Johnson argues that a company should not raise the general level of its customer service level towards each customer but it should rather provide better service to those customers who are higher in adding the life-time value. Life-time value is gained by looking at the revenue minus operating expenses (margin), percentage of customers who keep on doing business with the company (retention rate) and cost of capital (discount rate). This model is challenging the more conventional models where growth rate and market share are being used as a metrics. (Johnson 2002, 14.)

One study made within the case company in 2008 was found about the reasons why companies prefer to use certain suppliers and what elements influence the purchasing

process in business-to-business transactions. The research in that particular company showed that **quality is the single most important thing**. 100% of the companies that answered to this study in the year of 2008 said that quality is either very important or important to them when they choose their suppliers. **The second most crucial element was delivery accuracy / fast deliveries**. 98% of the respondents saw delivery accuracy as very important or important element to them. **Third most crucial element was customer service** as 91% of the companies saw this as very important or important element when choosing their suppliers. See table 1.

Table 1. Factors that influence the purchase process and reasons for choosing a particular supplier (Case company study, 2008.)

FACTOR	Very important 5 %	Important 4 %	Medium level 3 %	Less important 2 %	Not important 1 %
Pice	29	49	20	2	0
Delivery accuracy / Fast deliveries	70	28	2	0	0
Quality	84	16	0	0	0
Location	29	39	25	7	0
Delivery services / Term of delivery	19	41	26	13	2
That the supplier is known before hand	7	30	35	24	4
Efficient marketing	4	13	42	31	11
Other services that are available	13	19	28	28	13
Getting updates about the proceedings of the order	15	27	33	22	4
Good customer service	38	53	9	0	0
Term of payment	15	38	34	9	4
Environmental-friendly	13	45	31	9	2
Something else	1.69	0	0	3.38	3.38

### 2.3.2 Lifecycle of the customer relationship

Customer relationships go through several stages as they mature and many changes such as acquisitions and mergers may influence the relationship. Customer relationship management programs also face changes, when senior leaders or executives move away from the company. (Parvatiyar 2001, 18.)

Hellman, Peuhkurinen and Raulas (2005, 42) divide the customer lifecycle into four different stages that are: new customer acquisition, starting up the new customer relationship, strengthening the customer relationship and preventing the customer relationship from ending where as Lehtonen (2004, 171) divides the customer relationship into three stages that are exchange, adaption and coordination. The first stage is more general one where as the two later ones are related to more long-term customer relationships. In the first stage products, money, technology and information are being changed and in adaption procedures, skills, attitudes and values are adapted. In coordination stage formal and informal decisions are being made. Ojasalo and Ojasalo (2010, 138) divide the customer relationship into six different stages. According to Ojasalo and Ojasalo the stages are: experimental stage, basic stage, collaboration stage, mutual correlation stage, integration stage and finally the relationship dismissal stage. All customer relationships may not go through all of these stages and only few of them will reach the integration stage, which is the highest commitment that can exist between the two companies. It is also possible for the relationship to go back to lower stages from higher stages and the relationship can also end at any of the stages. See table 2 from the next page.

Table 2. Stages of the customer relationship (Modified from Hellman, Peuhkurinen & Raulas 2005, 42.)

Stage	Key elements of the relationship
1. Experimental stage	<ul style="list-style-type: none"> <li>* Sourcing out for the possibilities</li> <li>* Communicating about the importance of the collaboration</li> <li>* Image is important</li> <li>* Seller has to patient and ready to invest in the relationship</li> <li>* Confidential information not yet exchanged</li> <li>* Usually only 1 person from each side doing the communication</li> </ul>
2. Basic stage	<ul style="list-style-type: none"> <li>* Price and efficiency are important; measures success</li> <li>* Collaboration is limited only on single projects or purchases</li> <li>* Customer uses other companies too and the relationship can be ended easily</li> <li>* Relationship is based purely on business and not in persons</li> <li>* Not much information flow and no trust yet</li> <li>* Common intrests are small</li> </ul>
3. Collaboration stage	<ul style="list-style-type: none"> <li>* The risk is being redused</li> <li>* Predicting the future is easier</li> <li>* Trust increases</li> <li>* More people start to participate in the relationship</li> <li>* Confidential information starts to flow at some level</li> <li>* Relationship can be strenthened by making taylored services or products</li> <li>* Ending the relationship is still easy</li> <li>* Buyer is still using others too</li> </ul>
4. Mutual correlation stage	<ul style="list-style-type: none"> <li>* Trust and stability prevail in the relationship</li> <li>* Relationship maintained by both</li> <li>* Seller may come the only supplier</li> <li>* Confidential information is being changed</li> <li>* win-win-collaboration</li> <li>* wide projects and innovation activities together</li> <li>* Processes are altered to better serve the collaboration</li> <li>* Ending the relationship comes more harder</li> </ul>
5. Integration stage	<ul style="list-style-type: none"> <li>* Potential of both companies are being used</li> <li>* Barriers for ending the relationship are big and cause majour trauma</li> <li>* Customer no longer constantly bidders the seller</li> <li>* Trust in all levels</li> <li>* Information exchange is open and confidential</li> <li>* Seller needs to keep innovating and developing its processes</li> <li>* Seller needs to remember that it has no automatic rights to the buyers business</li> <li>* Collaboration is based on long term strategic planning</li> </ul>
6. Relationship dismissal stage  <i>The customer relationship can end at any stage. This stage covers all 5 stages mentioned abow and applies to them all.</i>	<ul style="list-style-type: none"> <li>* Several reasons can cause the relationship to end</li> <li>* Keypersonnel exchange, quality issues, decrease in trust</li> <li>* Bad customer relationship management skills</li> <li>* Price is not often the reason</li> <li>* Corporate culture changes</li> <li>* Organizational or personnel changes</li> <li>* Before the relationship ends there's usually some "fading phase"</li> <li>* "fading" relationship can be salvaged</li> <li>* The reason for ending the relationship may not be the same that caused "fading"</li> <li>* If the relationship can't be salvaged, make a plan for controlled dismissal</li> </ul>

### 2.3.3 Customer loyalty

Customer loyalty is a complex and multidimensional issue and it contains emotional bonds that are not easy to measure. Customer loyalty is also dependent on the industry and the needs of the company. Due to these factors, there's no one generally approved way to measure or evaluate loyalty, instead each company should define their own criteria's for customer loyalty. Hellman & others point out that loyalty can also be divided into behaviour related loyalty and attitude related loyalty. These two dimensions of loyalty can be in contradiction, for example, when a customer actively favours the company, but doesn't feel loyalty towards it. This sort of a customer is ready to switch a company or product immediately when a better offer is presented. The best scenario is when a customer acts loyally and also feels loyalty towards the company. This usually takes a long time to build and requires long term positive experiences with the company. (Hellman et al. 2005, 38-39.)

Ojasalo and Ojasalo points out that a loyal customer tends to buy more because they can be sure of the quality that the seller has. Also long term customer relationships bring down the costs of acquiring new customers and spending valuable time to get to know the new customer. It is also likely that a happy customer passes the information forward to other potential customers and by doing so, gives free marketing to the selling company. This is extremely important in the business-to-business markets where the products can be demanding and customers seek for references and user experiences. Sometimes it is even possible that the seller can benefit from the buyers network. This is especially important for the global companies where well handled customer relationship with a domestic corporation can lead up to business with its global units or networks. This is especially important for the small or medium sized companies that simply need this kind of connections. (Ojasalo & Ojasalo 2010, 127-129.)

Loyal customer relationships often create new competences which help the seller to achieve new customers and serve the old ones better. New competence can be related to the products, services or managerial aspects and they can be born through collaboration or by the demand of the customer. (ibid., 128.)

Reiccheld states that customer loyalty has to be earned every single day because the customer usually has little emotional and/or financial capital invested in the company and that makes it easy for them to switch to another company with very little effort from their side. This fact is very important because all of the company's money originates from the customers wallet and companies should attract only customers they are able to earn and keep. Reiccheld also points out that even satisfied customers may not be loyal because these two things don't necessarily go hand in hand. Actually in most businesses 60–80 % of the customers said they were satisfied or very satisfied in the latest survey done before they defected. (Reiccheld 1995, 13.)

Customer loyalty and commitment can be strengthened by segmenting customers and anticipating the different needs they have and by personalizing their offerings. The aim is to partner up and enter new markets and develop new products and through that redefine the competitive playing field. (Parvatiyar 2001, 10.)

Long-term customer relationships help to predict the business and create general stability. However the seller still has to keep an eye on the environment because there's no guarantee that the relationship will continue forever. (Ojasalo & Ojasalo 2010, 129.)

#### 2.4 Problems and challenges of the customer relationship

Parvatiyar describes this current era as a hyper-competition era, which has resulted in increasing competition and companies are more concerned with customer loyalty. The fact that it costs more to acquire new customers than to keep the existing ones, is what the companies are now facing with as they pursue sustainable competitive edge. (Parvatiyar 2001, 7.)

In the last two decades customer expectations have been changing very rapidly and this is due to the new technology. Customers are familiarized with advanced product features and services making the willingness to compromise more unlikely. The best way to keep in track of customers changing expectations is to build cooperative

relationships. This can be called as customer relationship management process, which is presented in figure 6 below. (ibid., 8.)

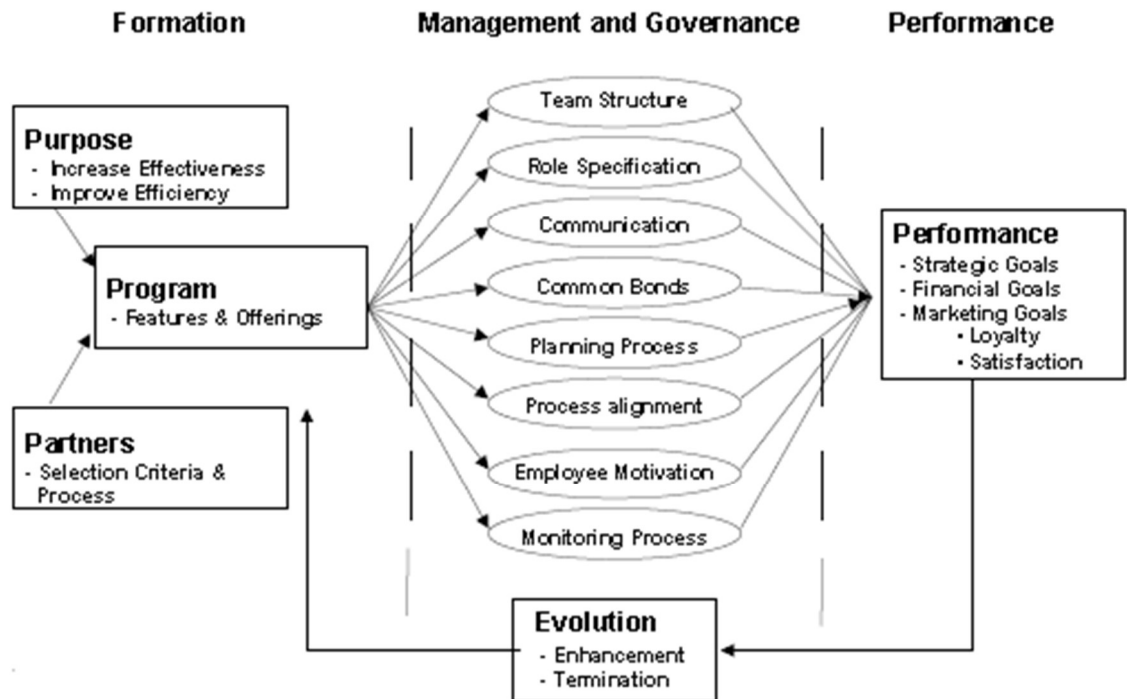


Figure 6. Customer relationship management process framework (Parvatiyar 2001, 9.)

Companies should have a proper monitoring process to manage conflicts in relationship and to avoid possible failure. This process should include periodic evaluation of goals and results and to create a system for discussing problems and solve problems. Monitoring process would also initiate changes in the relationship structure and customer relationship management in the right track. (ibid., 15.)

Reynolds thinks that customer relationships are facing break downs usually at the very beginning, where the customer is at the very first time passed on from marketing department into the sales department. This is a result from disconnection between marketing and sales. Reynolds emphasizes that these two departments should work in very close collaboration. The second break down is at the beginning of the life cycle



where the sales personnel aren't quick enough to respond to the inquiries. Third breakdown often occur when the quote is being prepared. The forth break down phase is the most worrisome. It occurs after the quote has been approved and the customer is placing an order. This phase often needs several manual steps if the proper systems aren't in place. (Reynolds 2002, 123.)

According to Ojasalo and Ojasalo most common reasons why companies fail in the customer relationships are that companies see customer relationships only as a process done with information management. Often customers are not in the core and attention is not being paid into the lifecycle of the customer relationship. Customer relationships can also fail because they lack the support of the management or processes can't be changed or the company underestimates the challenges of information integration which is scattered in the company. (Ojasalo & Ojasalo 2010, 133.)

According to Reichheld, customer satisfaction is hard to measure because it focuses on measuring state of mind where as only the behaviour itself is what matters. Companies should ask themselves whether the actions of the customers show that they are convinced to keep their stake in the firm. Satisfaction scores are not nearly as good of an indicator as whether the customers are coming back for more or not. (Reichheld 1995, 13.)

#### 2.4.1 Communication

According to Anderson and Narus (1990, 44) communication can be defined as sharing meaningful and timely information between firms. Emphasis should be rather in efficiency of information than quantity. In literature this kind of definition has been used extensively, for example Lewin and Johnston, 1997; Sharma and Patterson, 1999. Communications quality is seen as important factor in relationship development and maintaining relationships. Key dimensions include accuracy, openness, frequency and timeliness. (Richard 2007a, 931.)

Communication with customers helps to develop the relationship and it fosters the trust between supplier and customer. Communication also provides the needed information to undertake the cooperative activities. Company can enhance its relationship with their customers by establishing proper communication channels for which they can use to share information. Common bonds have a more sustaining impact on the relationship and these are created with conscious efforts. In business-to-business these social bonds are created through interactions. (Parvatiyar 2001, 14.)

Communication reduces uncertainty, but the correlation between these two is more complex and communication can even be a source of uncertainty. This is because messages entail more than their actual content. Messages can be interpreted in a wrong way and there can be misunderstandings. If the relevance and interpretations are not clear the receiver will look for interpretations and establish relevance. (Homburg, Klarmann & Staritz 2012, 114.)

Communication can be described as the glue that holds the relationship together or it can be simply called as information exchange between the buyer and seller. Key is that it is timely and meaningful, rather than purely the amount of information. (Richard 2007b, 428.)

#### 2.4.2 Organizational changes and customer uncertainty

Radical changes in many organizations lead to uncertainty among the employees and this makes more room for the rumours to appear and fuels up the job insecurity. Downsizing is one of those radical changes. Researchers have studied downsizing from the shareholders and employees point of view but there's a gap in the literature when it comes to customer reactions. Correlation between customer satisfaction and key contact personnel's stability is often overlooked despite the fact that customers may feel uncertainty due to downsizing. Open communication may reduce uncertainty, but on the other hand it may also draw attention to changes that the customer would not have noticed otherwise and this may increase uncertainty, even though the attempt was to reduce uncertainty. (Homburg, Klarmann & Staritz 2012, 112.)

Customer uncertainty often shows as a doubt for the long-term viability of the supplier company and the relationship itself. The result from this is that the customer will adopt a short-term orientation when dealing with such company. The customer strives for more independence, is reluctant to recommend the supplier to others and there is often a change in the ordering behaviour. The change can be in the form of a smaller order at a higher frequency. Usually this sort of behaviour is likely to hurt the overall performance of the company. (ibid., 115.)

## 2.5 Restructuring of enterprises

Economic depression from the 1930's made its marks on legislation. Since then the healing process of the companies has been one ground stone for the restructuring of enterprises in Finland and elsewhere too. In USA Bankruptcy Code was made in 1979 which was heavily based on the experiences from the economic depression in the 1930's. The restructuring of enterprises Act in Finland got influences from the Chapter 11 legislation that was made in the USA in the 1979. (Laakso, Laitinen & Vento 2010, 147.) The yearly number of companies that have applied for restructuring of enterprises has been on average 300 and one third of these have been verified in the Court of Law. The number of applications rose heavily after the depression in 2008.

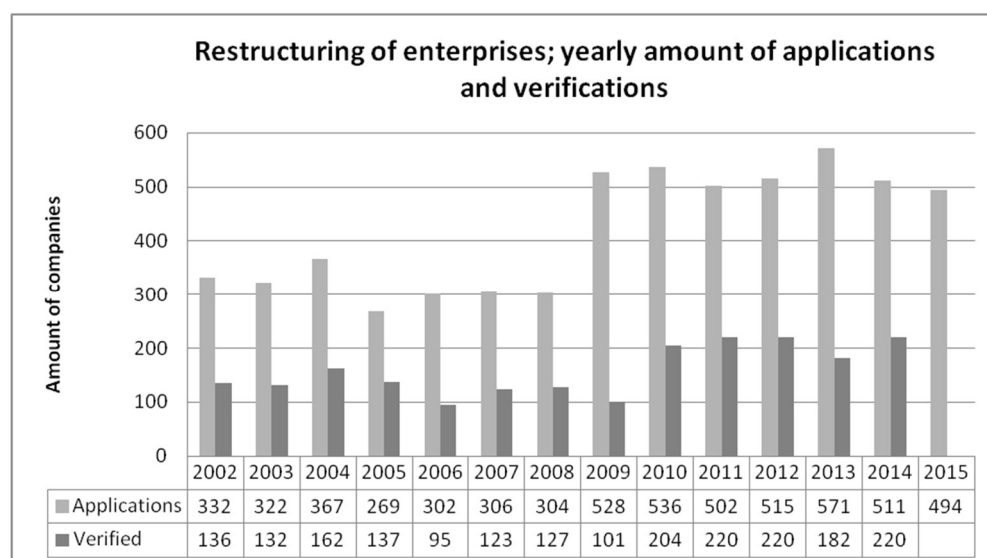


Figure 7. Restructuring of enterprises; yearly number of applications and verifications (Suomen virallinen tilasto [SVT]: Yrityssaneeraukset 2016a.)

Restructuring of enterprises is an expensive process because it acquires the company to improve its efficiency, which often means investments into machines, equipments, staff trainings and external consultants. Each case is unique and there are no two cases that are exactly the same so they cannot all be treated as the same. There are, however, some elements that will apply to all of the companies; choosing the areas to be reconstructed, discovering the weaknesses, identifying the manner of liquidation, developing medium and long-term plans with details, adapting short-term corrective actions where bigger changes are not applicable, evaluation and possible external funding and finally the stage of actual restructuring. (Kalowski & Wysocki 2014, 116.)

The classic approach to reconstructing of enterprises is to ensure that the company will overcome its financial problems. According to Kalowski and Wysocki (2014) this approach doesn't work in the dynamic and turbulent markets and it will not bring the company success. They criticize the classic approach for being too narrow, and the process should and be viewed more as a long-term process with several sub-objects instead. The best results are gained by maintaining the balance between cost-cuts that supports the current activities of the company and investments in the areas where they are needed. (ibid., 117-118.)

### 2.5.1 Purpose of the reconstructing of enterprises

Bankruptcy Act aims to end the business due to insolvency. This procedure makes it possible to eliminate the companies that are not vital anymore or they don't have any requirements to exist. Bankruptcy Act is, however, insufficient when a company is not permanently viable but is only facing temporary financial problems. This is why restructuring of enterprises Act was legislated in the first place. It is an *alternative* that aims to ensure the survival of the companies that have a genuine possibility to turn around their business and make it more vital and profitable, or simply to help the company to overcome temporary financial problems. (Pinomaa 2009, 13.)

Especially in the US there has been a long time lasting debate among legal scholars and financial economists about how successful restructuring of enterprises really is. Critics are placed on the fact that it is debtor-friendly procedure which will allow

insufficient managers too much controlling power and it rehabilitates nonviable firms. (Aivazian & Zhou, 2012, 229.)

In the year of 2000 problems that have lead to restructuring of enterprises have been studied and usually there are 2 reasons that have lead to the procedure. Some of these reasons are: long term spiral, changes in the product markets, management, investments and other external factors, such as: changes in the finance markets, private life or private finances. (Laakso, Laitinen & Vento 2010, 206-207.)

Pinomaa emphasizes that restructuring of enterprises is not meant to resuscitate businesses that no longer have business economical requirements to continue business. The purpose is to create legal grounding to give possibilities to find the problems in the company and to mend them. Almost always the value of the company is higher if they stay in business as opposite to liquidating the company through bankruptcy. (2009, 16.)

Restructuring of enterprises Act overrides all other legislations about the creditors' right to payment, debt collections or actions to ensure the payment of the debt. Normal rules about how and when the credit should be paid subsides. Autonomy of the creditors prevails during the procedure and the creditors will decide the content of the restructuring programme. (ibid., 16.)

### 2.5.2 Influences of the Restructuring of enterprises

When a company has received the ruling to start the restructuring of enterprises, interest rates and other late penalties stop from accumulating to the debt that can be considered as a restructuring debt. At the same time debt collection and all other collateral payments are banned. In order for the restructuring of enterprises to work, it calls for the company to continue its business as usually throughout the whole procedure and this usually means that the CEO and Board of Directors continue their work. According to the restructuring of enterprises Act all new debts must be paid on time, or otherwise the procedure is in jeopardy. The regulations about the restructuring debt do not apply to the debt accumulated after the date of the ruling. (Ojajärvi & Vainio 2002, 238-240.)

Changing the top management in the company in restructuring of enterprises procedure has very mixed results. Study made by Hotchkiss, 1995; Barniv et al, 2002 show that the process can benefit if the top management is indented instead. (Laakso, Laitinen & Vento 2010, 150.)

Restructuring of enterprises can be divided into 3 different strategies, which are: reducing personnel, re-organizing tasks and systematic streamlining. The difference between these 3 strategies is what is being reduced and how long it is expected to take time. (Ranki 2001, 67.)

Laakso, Laitinen and Vento have made a statistics from the restructuring programs and listed the different procedures and their effect for the companies succeeding. Typically companies have mentioned three procedures in their program in order to turn around their business and cutting costs is the most popular one where as only 8 % mentioned that they will be changing the management as opposite to studies made in the US (Hotchkiss 1995, Bogan & Sandler 2012) however shows that changing the management has a positive influence in the success of a restructuring of enterprises and 70 % of the companies chose to do this. The effect in the table presented below comes from the correlation between the means and success. Plus means a weak positive result whereas minus means weak negative result. Two plusses mean statistically meaningful positive correlation. Amount means the amount of companies.

Table 3. Procedures in restructuring of enterprises and their effects in succeeding (Laakso, Laitinen & Vento 2010, 185.)

Procedure	Effect	Amount	%
1. Cutting costs	-	37	44
2. Enhance the production		33	39
3. Marketing efforts	++	27	32
4. Developing monitoring systems	+	24	28
5. Developing engineering systems	++	20	24
6. Revenue growth		19	22
7. Focusing on core business	+	14	16
8. Obtaining external financing		14	16
9. Partly realization funds		12	14
10. Organizational changes	+	10	12
11. Changing management		8	9

As a side effect of restructuring of enterprises is, according to Ranki, that the company is often too much focused in inner problems and therefore not enough focus is placed on competitors or in the quality of customer service. Also the customer relationship can be problematic. Cost cuts may lead to price competition and this may lead to reduction in the quality. Cost cuts don't directly produce any value to the customers. (Ranki 2001, 132, 161.)

Laakso, Laitinen and Vento (2010) emphasizes that the turnaround of the company based on the expectations of increase in the revenue is deceitful. First it is vitally important to get the business into profitable grounds without any increase in the revenue and accumulate capital, and only after this the company has true conditions to utilize its' growth potential. In many programmes, the growth expectations have been unrealistic and this may lead to unsatisfied end results. (226-227.)

In joint-stock companies the process starts when shareholders' meeting or board of directors decides to make an application to apply for restructuring of enterprises. Usually this is done by the shareholders' meeting but in urgent cases also the board of directors can make this decision, but they will have to summon up the shareholders' meeting to get official decision to continue the process. Creditor or creditors together can also start the process, if their debt is clear. Also so called likely creditor can leave the application. These are often loan warrantors or state as a tax receiver and they would suffer economical losses due to the insolvency of the debtor. (Pinomaa 2009, 17, 40.)

## 2.6 Phases of the restructuring of enterprises

Restructuring of enterprises has many different tasks that the company will go through before the procedure is carried out. The application is being carried out and detailed plans are made about the reorganization itself. (Jory & Madura 2010, 1146.)

Restructuring of enterprises can be divided into five different phases and those phases are starting phase, planning phase, decision making phase, verifying phase and implementing phase. All of the phases are described below in a logical order starting from the first stage; starting phase.

### 2.6.1 Starting phase

The process starts when written application is delivered to the court, after which the court decides whether the proceedings can be started or not. If the decision is positive, an Administrator is appointed. The process varies a little, depending on who has submitted the application to the court. When a debtor has filed the application, all the creditors are justified to be heard. If the application is done by a creditor, the debtor has the same right to be heard. In this case the biggest creditors can also be heard. (Pinomaa 2009, 34, 41.)

Since 1.6.2007 there have been 14 District Courts that handle applications about restructuring of enterprises and the application must be submitted to the District Court which is the most local one related to the administration of the company. All the changes will also be made in the same District Court. (ibid., 35–36.)

According to restructuring of enterprises Act (L7.1 §) there are 6 possible obstacles to start the process. The process can't be started if:

1. The debtor is permanently unable to pay its debts and it is likely that the situation will not change due to this proceeding
2. It is likely that the debtors' funds are not sufficient enough to pay the costs that reside from starting the restructuring of enterprises (Administrators fee)
3. It is likely that the debtor is unable to pay debt accumulated during the procedure
4. It is likely to assume that the reason for applying to restructuring of enterprises is only to avoid debt collection
5. There is a reason to believe that there are no requirements to verify the restructuring programme
6. Debtors bookkeeping can be considered essentially insufficient, unless it can be shown that it can be put in order

Pinomaa states that District Court is responsible for assigning the Administrator according to creditors or debtors' proposal. If they haven't made any proposal, the court will assign applicable and willing person. In simplified restructuring of



enterprises the Administrator can be exceptionally left out. However, in such cases if later on anyone demands, the Administrator needs to be assigned. (ibid., 56.)

Administrator needs to have proper knowledge of financing and legal issues, needed skills, expertise and experience in order to perform the job efficiently, but also expert help can be used if the case needs it. Process can vary from case to case. Because one of the main tasks of an Administrator is to act as a representative of the creditors and ensure the equal treatment of them, there can't be any personal ties to the debtor or any of the creditors. Sometimes even more than one person can be assigned as an Administrator and their tasks can be divided according to their personal knowledge. Division between several Administrators can be also arranged to ensure the appropriate promotion of interests between different creditor groups. (ibid., 62-63.)

According to restructuring of enterprises Act (YSL 77.4§) Administrators work continues until the restructuring programme has been verified in the District Court. This is one of the key missions in the verifying phase.

The District Court will also assign committee of creditors, unless the number of the creditors can be considered small. In such cases committee of creditors can be also left unsigned. There might also be other reasons not to assign the committee of creditors, such as the small size of the company or no one has claimed the court to assign the committee of creditors. Committee must have at least three members and different creditor groups should be equally represented. Rule of thumb is that central operators would be involved in this procedure because this proceeding might have very centric role in their own businesses too. The main task of the committee of creditors is to guide the Administrator and to help draft the restructuring programme and also to monitor Administrators actions. The committee is also responsible for deciding on the fees of the Administrator. (ibid., 82-85.)

## 2.6.2 Planning phase

According to Pinomaa (2009, 34), in this stage the Administrator (or any other party that has legal rights to work in this position) delivers the proposal of the restructuring programme to the District Court.

The Administrator is responsible of making a proposal for the restructuring programme and it needs to be delivered to the District Court in a given timeline. Usually without any particular reason the timeline is less than four months. When drafting the programme, the Administrator needs to be in close contact with all the parties involved; debtor, committee of creditors, creditors and likely creditors. Before the programme can be verified it needs to gain approval from the creditors blocking minorities. The program must include the following information:

1. Clarification of the financial situation of the debtor (assets, debts and other engagements and creditor's collaterals and all other facts that may influence the process
2. Plan of proceedings (weather the business will be continued and in what extent, arrangements about the personnel, funding etc.)
3. Creditors division into categories
4. Possible loss of right for voting
5. Actions and income after the financial reconstructing process has started
6. Credits and their collaterals and other engagements done after the financial reconstructing process
7. Inspections about the debtor's actions about any possible bookkeeping crimes
8. Clarification about how the debtors' financial situation can be predicted to form with or without the programme
9. Clarification weather the debtor has fulfilled its responsibilities (YSL 13 §) about giving up information
10. Payment programme which includes the schedule of how the debt will be paid back

(*ibid.*, 147-150.)

### 2.6.3 Decision making phase

In decision making phase, according to Pinomaa, all claims about the debts are investigated and solved, if it is possible without creating substantial delay to the restructuring proceeding. Administrator is responsible of delivering a list of all claims to the District Court which will solve the issue during the proceeding or sets another separated court trial for the case. (ibid., 162-163.)

After all the claims about the debts have been solved, the person responsible for the drafting of the restructuring programme has the opportunity to correct, inspect or supplement the proposal and deliver the corrected and final proposal to the District Court. After that the debtors are divided into groups in order to give voting; the voting is either approval or non-approval. (ibid., 34, 165.)

### 2.6.4 Verifying phase

After the voting has been done and the results are in the court will make a ruling to verify the programme with the support of the creditors. The most common way to verify the programme is by using so called majority verifying which means that the majority of the creditors choose whether the programme will be verified or rejected. This part of the process makes the restructuring programme binding to the debtor and for all the creditors. If the proposal is rejected in the court the end result is always bankruptcy. (ibid., 34–35, 167–168.)

### 2.6.5 Implementing phase

During this stage the debtor will make the payments to the creditors according to the programme. If any disagreements occur, the judge will make a ruling by relying on the written dictums by the parties in question. Only cases that are extremely contentious are brought into the complete District Court to get a ruling. In order to avoid any extra load to the District Court, the Administrator is trusted with certain

administrative tasks such as notification documents and tasks related to voting. (ibid., 35.) See figure from the appendices 3.

## 2.7 Theoretical framework

Economical situation of the world has many consequences to companies; it creates the operating environment at least. Thus if the economical situation is hard, as it is in current era, the exporting decreases and companies have more difficulties to get sufficient funding. This leads to companies struggling with their survival and their financial capability lowers even more. Before the year of 1993 these companies didn't have any other choice than to either succeed on their own or file for bankruptcy. When Finland faced the depression in the 1990's, the government was in a hurry to create the restructuring of enterprises law because it was desperately needed but it didn't exist. The law was legislated in the 1993 and it gained immediate popularity. The number of companies that applied into restructuring of enterprises has stabilized since but a high peak can be seen again as the depression of 2008 started.

As restructuring of enterprises is always due to bad finances in the company it can be stated that financial stability of the company is very essential. In many cases the financial situation has been bad for a long period of time and the lack of funds is obvious. Financial stability of the company is also essential to the customer relationships. It affects the company's overall performance ability and that has in many cases a direct relation into its customers. If a company is lacking funds for a longer period of time, this may result in dissatisfaction in the production and profitable jobs are done first and the funds actually start to guide the production. Dissatisfaction shows directly to the customers in the form of delivery times.

Lack of funds has also severe influences in the company's ability to invest into new machines and tools that would help to improve the quality and efficiency which would influence the customer relationship positively. Ability to invest into old machines by repairing them in case of breakdowns also reflects directly into the customer relationship by causing delays in orders. If a company is unable to maintain good condition of its machines the likelihood for breakdowns increases. In industrial

companies this expense instalment is not a small one; the cost of new machine can be hundreds of thousands of Euros and repairs varies from few hundred up to tens of thousands of Euros at worst.

The lack of financial stability and restructuring of enterprises has influence on the reputation of the company as these issues are reported in the media very actively. This influences the company's interest groups such as banks and also its customers. The biggest influence is the question whether the company can be considered reliable or not. This causes a major risk for the customers because there's always the possibility that the company will be bankrupt and the customer may slide into problems in several different ways. They might have pending orders in the company that are being lost and need to be ordered from another company. The lead time of an order can be anything between few weeks to even few months or more. This causes delays to the customers because this time is lost if the company will be bankrupt. Sometimes the products can be demanding so it is not easy to find another company who is able to manufacture the products immediately; usually the know-how is gained from years of experience. Because a company that's going through restructuring of enterprises can be seen as a risk, customers may want to look for alternatives and find a "plan B" in case they need it; this is their own risk management.

Reliability and bad finances also raises the question how it effects the new customer acquisition. In many global companies or bigger domestic companies crediting policies are being used to determine whether products can be ordered from a particular company or not. If a company is in restructuring of enterprises, it will not pass any crediting policies because its financial figures are in a bad condition. The immediate influence is rejection and this can happen with the existing customers as well as with new ones. If a company is lacking funds, it is not uncommon to start to cut down from marketing expenses. This influences new customer acquisition the most. It is not easy to get new customers without any marketing efforts and if efforts are placed the results are not guaranteed and if the result is that the company is unable to get new customers, they have wasted money and tightened their finances even more.

In business-to-business in manufacturing industry the lack of funds shows the most in the purchases. After a company is filed for restructuring of enterprises the suppliers of the parts and tools all start to demand that the orders are paid up front, because they

don't want to take the risk of losing their money in case of bankruptcy. This causes a lot of extra work for the buyers, payment traffickers and production. The buyer has to inform the payments trafficker about the advanced payments, the payments trafficker has to make the payment upfront and inform the buyer and the supplier about the payment when it is done. Communication with the production is also needed because the production is reliant of the products. Without a question this process causes extra costs and tightens the finances even more because now the money is tied up in parts that may take up to 10 weeks to come in and after that they are being used in the production to make the customer orders and after that the company is able to issue invoice and after 30 to 60 days from that the company will receive its income. So in worst cases the money can be tied up for half a year. This sort of process may also lead to slower delivery of parts and that immediately influences the ability to predict the production and causes extra work and extra costs in many levels and may lead to more mistakes in delivery time confirmations and therefore affect the customer relationship. Demands to make the payments upfront also start to lead to decisions about what to buy and when and this starts to guide the production. This distortion places customers and individual orders into unequal position because "minimum effort, maximum income" - thinking starts to win and this affects the customer relationship. See figure 8 from the next page.

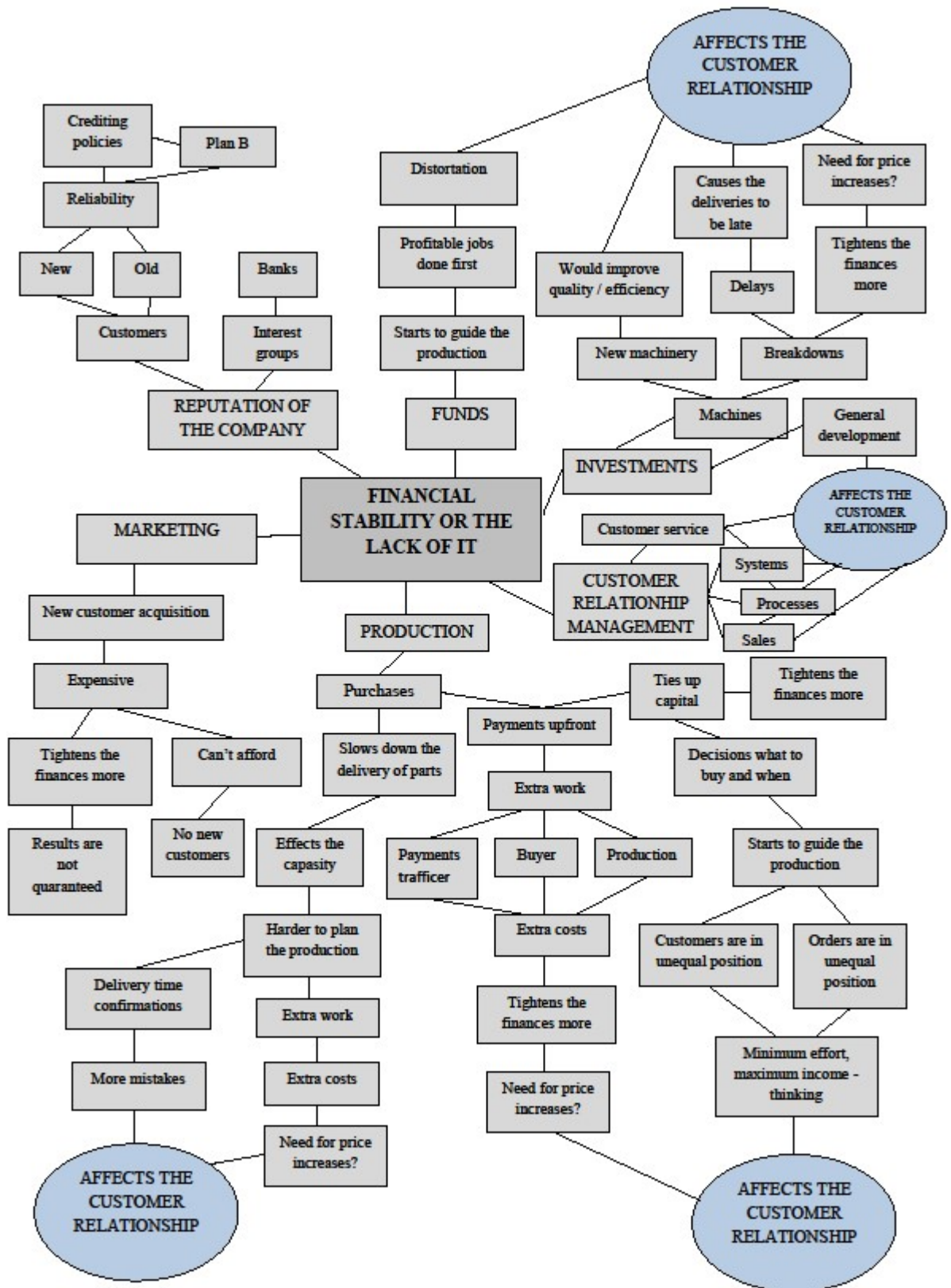


Figure 8. Financial stability and the effects on customer relationship

Figure 8 consists of six main categories that are investments, funds, reputation of the company, marketing, production and customer relationship management. These elements are broken down in the figure in details and their consequences are described more in details. These elements are used in the empirical study and this figure forms a ground for the empirical study.

Some of the elements mentioned in the figure 8 are more important than others and some of them have a direct relation into business-to-business customer relationships. In the empirical study these elements are not studied necessary as whole but individual smaller elements are studied instead. When looking at *marketing* for example; the entire concept of marketing is not being studied – since it would be impossible to grasp the entire marketing and all of its dimensions. That would not benefit this study either. Instead of studying large concepts smaller dimensions such as new customer acquisition is under supervision. *Reputation of the company* is studied by focusing on existing customers. Furthermore *production* is studied by focusing on purchases and by finding out how well the production worked during the restructuring of enterprises process and how satisfied the customers were on the production in general. *Investments* are studied by focusing on general investments such as development plans. One of the biggest elements in figure 8 is the *customer relationship management* which is studied from several angles such as general customer care, customer needs, building-up the customer relationships and segmenting customers. This element was studied the most since it helps to answer the research question and it is in the core of attention.

Some elements in the empirical study apply to several areas of the figure 8 main six categories because they are holistic elements. One example is communication – it is related to all of the six main categories since communication exists in all cooperation no matter what the element is. Another example of a holistic element is uncertainty; as it may reach all areas of the business and not just one.



### 3 METHODOLOGY

#### 3.1 Research approach

The choice to use a certain research method arises from the research questions. The more questions aim to explain present circumstance, the more relevant will case study method be. Case study method is often used when research questions entail “how” or “why” some social phenomenon works. (Yin 2014, 4.)

**Research question in this research is: how does restructuring of enterprises influence business-to-business customer relationships?** This question narrows down the possible methods into three different choices; case study, history or experiment. History method is, according to Yin, used when direct observations of the events studied are not possible and relevant persons are not alive to report on what happened. In this research this doesn't apply so history method is not appropriate. Yin points out that experiment is an obvious choice of method when the researcher can manipulate behaviour directly in a laboratory setting and the focus can be placed in one or two isolated variables. In this research such manipulation is not possible in any way. This leaves out case study as the only possible method to use in this research. According to Yin, case study uses a lot of the same techniques as the history, but in case study there are two other possible sources of evidence that can't be used in history method and those are direct observations and interviews. Both of those sources are available in this study. (ibid., 12.)

Case study method is used to investigate complex social phenomena and it is commonly used in the field of business research. Case study method allows focusing on small group behaviours, organizational and managerial processes, international relations and the maturation of industries. (ibid., 4.)

Case study method has a long history in the study of organizations. It could be argued that case studies form the cornerstone which the modern organization theory has been built on. Case study method is considered attractive because its closeness to the real

life experience in the organizations and understanding for the complexities of organizational phenomena. (Byrne & Ragin, 2009, 424.)

Simons points out that the case study method can be divided into three different types that are: intrinsic, instrumental and collective. *Intrinsic* study means that case is being studied in the sake of the case itself where as *instrumental* study type is chosen to gain understanding of something else. *Collective* type is chosen to study several cases to form a collective understanding of the issue. This research is instrumental because it is focusing on a singular case in order to gain wider understanding on how restructuring of enterprises influences customer relationships. The main focus of the study is to gain understanding on the influences it has on customer relationships. (2009, 21.)

Research design is more than just a work plan; it can be called as a “blueprint” for the entire research. Research should deal with at least four major problems that are: what are the questions studied? What data is relevant? What data to collect? Final question is how to analyze the results? (Yin 2014, 29.)

Figure 10 below illustrates the research design, which also describes how the research was conducted. At the first stage relevant literature was studied and secondly the decision was made to use case study method. Thirdly different data collection methods were used to get reliable findings. Finally the findings clarified the influences that restructuring of enterprises has on business-to-business relationships.

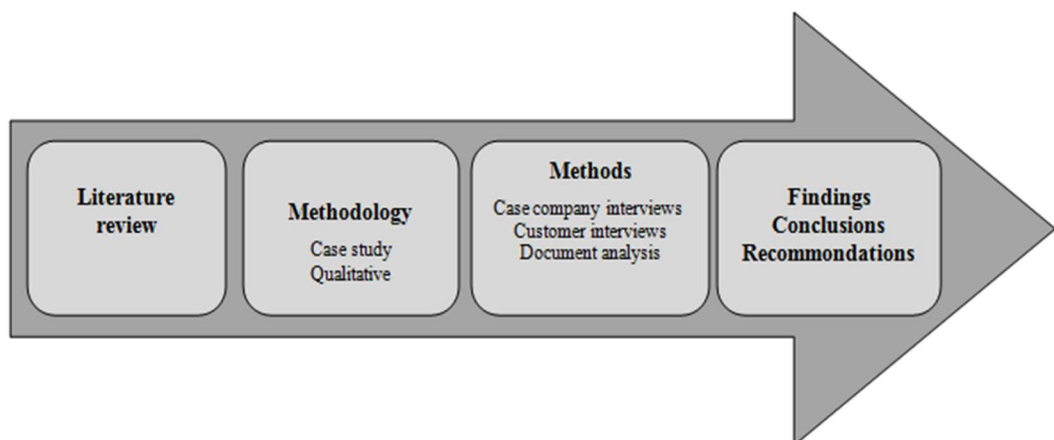


Figure 9. The research design

Yin states that if the research question is about the relationships between two companies, the question can be answered properly only by obtaining information from the other company and not only just from the one company whose point of view you are making the research from. (ibid., 29.)

This research is qualitative by its very nature due to the fact that qualitative methods focuses on the kind of information that can be used *to understand the meaning of what's going on*. This kind of information is primarily gained by what people tell you and what they do. However, case study method is not only just about qualitative methods even though they are the primary methods. Case study enables to pull all the evidence into the researcher's data collection. (Gillham 2010, 10.)

According to Gillham (2010, 10–11) qualitative methods have six advantages which make a strong argument to use qualitative methods. These advantages are:

1. To make investigations where as other methods wouldn't be justifiable
2. To investigate situations that are unfamiliar and very little is known
3. To explore complexities that is out of reach for the more controlled approaches
4. Ability to find out what really happened in a group or organization
5. To be able to view the case from inside out
6. To carry out research that deals with the process into the results

Theoretical framework means the theoretical part of the research which is needed also to understand the methodology, ethics and reliability of the research. The research theory and framework are formed by concepts and the correlation between them. Theoretical framework describes the essential concepts of the study and the correlation between them. It can be divided into two parts; the methodology which will guide the research and what is already known about the phenomenon that's being studied. (Tuomi & Sarajärvi 2009, 18-19.)

### 3.2 Research context

The case company took part on the research as anonymously and therefore the case company will simply be referred as “case company”. Interviews were conducted also to three customers of the case company and they will be referred as “customer1”, “customer2” and “customer 3” when needed, in order to ensure the anonymity of each sides. Titles of the interviewee are being used to clarify the source more detailed when necessary; for example “case company, Production Manager”. To ensure the anonymity of the case company too many details are not being given about the business, actual dates or any other information that can be considered to revile the identity of each side.

The case company has long roots in the field of traditional engineering workshop based on customer orders and the company was established several decades ago. The customer base was previously divided into different segments such as paper industry and offshore industry. There have been several mergers in the company’s history and at one point in time the company had also subsidiaries. The case company employed over 120 people when it was filed for restructuring of enterprises after several years of negative income and it had several factories in several cities in Finland. The personnel structure of the company in managerial level *prior* to the restructuring of enterprises was the following; Chief Executive Officer, Chief Financial Officer, Sales Director, Key Account Director, Production Director and Product Manager. Due to the restructuring of enterprises process the Production Manager, Sales Director and Product Manager were fired immediately and the CEO1 was fired few months after that. New management team was appointed in the company almost immediately after the restructuring of enterprises process started and the combination changed several times during January 2013 to February 2015. New CEO was appointed within the company and CEO2 started his work in spring 2013. The Chief Financial Officer was fired about 6 months after the restructuring of enterprises had begun and Key Account Manager few months after the Chief Financial Officer. In the middle of the restructuring of enterprises the CEO2 resigned from the case company and the company was left without a CEO for several months. CEO3 came into the company as

a new person in the fall of 2014 and the case company was bankrupt in February 2015.

Empirical study was conducted by starting with the analyses of written documents that were divided into external and internal documents. In second phase interviews were conducted to 8 persons entirely; 5 persons from the case company and 3 persons from the case company's customers. One interview within the case company was focused on getting the history data. Interview process is described in more details in chapters 3.3.1 and the document analyzes in chapter 3.3.2.

Influences of the restructuring of enterprises are examined by focusing on the customer relationships in business-to business. This was done by focusing on documents that address customer relationships or any elements that might be considered to influence the relationships. Interviews were themed interviews and the questions were related to customer relationships. After the documents were analyzed interviews were conducted within the case company to get more detailed information. Main source of information is the interviews and documents are used to gain deeper knowledge. Key concepts of this research (customer relationship, restructuring of enterprises) are defined in chapter 2. Hypotheses were not stated because this research is not about testing any existing theory.

### 3.3 Data collection

According to Yin (2014, 71) data collection begins with the following:

1. Desired skills and values of the case study researcher
2. Training for a certain case study
3. Making a protocol for the study
4. Screening candidate cases
5. Conducting a pilot case study

Case study method requires the ability to ask good questions, review the evidence and analyzing why events appear in a way as they do. Judgments gained from these observations may also lead to immediate need to search more evidence. Case study methodology gives room for additional questions and a good researcher knows that one answer can lead to new questions and those questions may finally lead up to end result on how or why the phenomena works as it does. (Yin 2014, 73–74.)

Yin points out that case study evidence can be gathered from multiple sources but the most commonly used are from six different sources and those are: documentation, archival records, interviews, direct observations, and participant-observation and physical artefacts. All of these sources may be relevant at the same case study research and a good study will rely on as many sources as possible. (ibid., 103–105.)

Table 4. Six sources of evidence; strengths and weaknesses (Yin 2014, 106.)

Evidence source	Strengths	Weaknesses
Documentation	<ul style="list-style-type: none"> <li>• Stable - can be reviewed repeatedly</li> <li>• Unobtrusive - not created as a result of the case study</li> <li>• Specific - can contain the exact names, references, and details of an event</li> <li>• Broad - can cover a long span of time, many events, and many settings</li> </ul>	<ul style="list-style-type: none"> <li>• Retrievability - can be difficult to find</li> <li>• Biased selectivity, if collection is incomplete</li> <li>• Reporting bias - reflects (unknown) bias of any given documents' author</li> <li>• Access - may be deliberately withheld</li> </ul>
Archival records	<ul style="list-style-type: none"> <li>• (Same as those for documentation)</li> <li>• Precise and usually quantitative</li> </ul>	<ul style="list-style-type: none"> <li>• (Same as those for documentation)</li> <li>• Accessibility due to privacy reasons</li> </ul>
Interviews	<ul style="list-style-type: none"> <li>• Targeted - focuses directly on case study topics</li> <li>• Insightful - provides explanations as well as personal views (e.g., perceptions, attitudes, and meanings)</li> </ul>	<ul style="list-style-type: none"> <li>• Bias due to poorly articulated questions</li> <li>• Response bias</li> <li>• Inaccuracies due to poor recall</li> <li>• Reflexivity - interviewee gives what interviewer wants to hear</li> </ul>
Direct observations	<ul style="list-style-type: none"> <li>• Immediacy - covers actions in real time</li> <li>• Contextual - can cover the case's context</li> </ul>	<ul style="list-style-type: none"> <li>• Time-consuming</li> <li>• Selectivity - broad coverage difficult without a team of observers</li> <li>• Reflexivity - actions may proceed differently because they are being observed</li> <li>• Cost - hours needed by human observers</li> </ul>
Participant-observation	<ul style="list-style-type: none"> <li>• (same as above for direct observations)</li> <li>• Insightful into interpersonal behavior and motives</li> </ul>	<ul style="list-style-type: none"> <li>• (same as above for direct observations)</li> <li>• Bias due to participant-observer's manipulation of events</li> </ul>
Physical artifacts	<ul style="list-style-type: none"> <li>• Insightful into cultural features</li> <li>• Insightful into technical operations</li> </ul>	<ul style="list-style-type: none"> <li>• Selectivity</li> <li>• Availability</li> </ul>

Data was collected from multiple sources because as Yin (2014, 103–105) points out good case study relies on as many sources as possible. Data used in this research can be divided into two categories: oral and written. Oral data was obtained by conducting semi-structured interviews. The main reason for making semi-structured interviews was that in a good case study there should always be room for making new questions from the issues that arise from the data gained. Written data was collected from multiple sources which can be seen from the table 5.

Table 5. Data collection process and analyzing the data

Source of data		Amount / type	Data analysing process
Internal Documentation	<i>Board of Directors meeting memos</i>	7	1. Coding 2. Analysing
	<i>Executive Managers meeting memos</i>	10	
	<i>Annual general meeting memos</i>	1	
External Documents	<i>News paper articles</i>	5	
	<i>Press releases</i>	4	
	<i>Auditing reports</i>	7	
Other documents	<i>Other memos</i>	2	
Archival records	<i>Sales-profit and production report</i>	1	1. Analysing figures
Interviews Case Company	<i>Production Manager</i>	Interview face to face	1. Semi structured interview 2. Transcribing 3. Coding 4. Analysing
	<i>CEO1</i>	Interview telephone	
	<i>CEO2</i>	Interview telephone	
	<i>CEO3</i>	Interview telephone	
	<i>Key Account Manager</i>	Interview email	1. Semi structured interview 2. Coding 3. Analysing
Interview Customers	<i>Customer 1 Director</i>	Interview face to face	1. Semi structured interview 2. Transcribing 3. Coding 4. Analysing
	<i>Customer 2 Director</i>	Interview telephone	
	<i>Customer 3 Director</i>	Interview email	1. Semi structured interview 2. Coding 3. Analysing

### 3.3.1 Interviews

Interviewing has four purposes according to Simons. One major purpose is to document the interviewee's point of view about the topic. Second purpose is that it can help the interviewer to learn new things about the issues being analyzed. Thirdly, interviewing offers flexibility to change directions according to the situation. Fourth and finally, it may lead to discovering feelings and events that are hidden and can't be observed. (Simons 2009, 43.)

Simons points out that when conducting the actual interviews it is not such a good idea to use 'icebreakers' before starting the actual interview part. It might be, however, a good idea to briefly explain the research, purpose and procedures. After a rapport is established and the actual interview part starts, it is vital to listen actively to hear the meaning of what is being said in the interview and not to rush to the next question too soon. It is also important to stay in the right tracks and not to let the interviewee dominate the interview too much. The biggest challenge is to know when to ask questions and when to listen. (ibid., 47.)

Telephone interviews are a good way to keep the costs down and they help to interview large number of people. In order to make the telephone interviews effective, you need to be fairly focused and write notes right after the interview. If you are able to record the interviews it is even better. Recording ensures more accurate data, enables you to focus on the social situation and gives more validity. Recording, however, can place you in the false sense of security if you are not careful and place attention to the current situation. (ibid., 50–52.)

The interview process in this research followed the procedure mentioned below.

1. Making the semi-structured interview questions
2. Preliminary email question for interviewees weather they are willing to participate or not
3. Interview call/email/visit as agreed upon
4. Brief explanation about what is being studied and how
5. The actual interview



6. Asking for recommendations about who else should be interviewed (if appropriate)
7. Transcribing immediately after the interview
8. Analyzing the results by using excel based coding system
9. Pondering whether the questions were good or not and if there's something more that should have been asked
10. Was there any new information received from the interviews? Is there enough cause to continue to interviews further on?

Interviews were conducted within the case company and three of its biggest customers. The interview questions can be seen in the appendices 1 and 2 but it must be acknowledged that the interview was semi-constructed so the questions were not strictly followed. Furthermore, the interview questions and the actual interviews as well were conducted in Finnish language because all of the persons who were interviewed were native Finns. Therefore, the questions and the interviews were translated into English later on. Persons were chosen from the case company in that basis that whether they were involved with customers or not. All of the persons who were interviewed have a big role in customer care, production and company strategy and they were all a part of the management team of the case company. They can all be considered as key persons in the case company and the choice to interview them was obvious. One person (CEO1) was interviewed mainly to get the background information and he was not asked to answer all of the questions mentioned in the appendices 1 because he left the company within few months after the restructuring of enterprises started. In results each question entails the information of how many persons answered the questions so this matter has been taken into account. Customer interviews were conducted to three customers – all of them were chosen based on recommendations gained from the case company interviews. These three customers also represent about 75 % of the case company's revenue so they can be considered to be essential relationships and they represent major proportion of the companies customers in that sense. All of the customers also represent different business areas in order to create variation and holistic outlook. This also justifies the choices made in this research. 2 of the interviews conducted to the customers were done in Finnish language and then translated into English and one of the interviews was done directly

in English. The main source of information was the interviews and the documents were used to get more insight information to possibly fill in any gaps and to provide support to the information received from the interviews

At the first stage former Production Manager was interviewed in a face to face meeting on 4.4.2016. This first interview was a pilot interview and the process was a little bit different than in later cases. According to Ghauri and Grønhaug (2002, 175), a pilot study is recommended to rehearse the data collection procedures and to gain knowledge on the possible issues or problems that may arise. Notes were made throughout the interview process that lasted over an hour. Everything was written down from word to word during the interview process. After the interview had been made, it was then analyzed by using excel based coding system. After this the interview questions were looked over again and the interviewer pondered if there was any need to modify the question or if something necessary was not being asked. After the first interview the rest of the interviews were conducted in a same way. Three former CEO's were interviewed by telephone and everything that the interviewees said was written down from word to word during the interview process. Key Account Manager of the case company was interviewed by email because telephone interview wasn't possible. As these interviews were written down from word to word during the interview process the transcribing process was mostly related to correcting misspellings. At the end of each interview the interviewees were asked to make recommendations about which customers and which individuals from those customers should be interviewed. From the basis of these recommendations interviews were made to 3 customers. Same protocol was used in the customer interviews as in the interviews conducted in the case company besides that customer's weren't asked for recommendations about whom to interview.

Semi-structured interviews were used because according to Gillham this is the most important form of interviewing method in case study and it can be the best source of data. The strength in semi-structured interview method is in its flexibility and naturality. (Gillham 2010, 65.) See table 6 in the next page about the interview plan used in this research.

Table 6. The interview plan; case company and customer interviews

Interviewee	Employment Co-operation	Interview type	Suggestions about who to interview	Interview time
<i>Case company</i>				
CEO1	2005 - 2013	Semi-structured 1 History data only	Not asked Background information	Phonecall 15.04.2016
CEO2	2012 - 2014	Semi-structured 1	Customer 1, Customer 2 and Customer 3, Chairman of the Board of Directors	Phonecall 07.04.2016
CEO3	2015	Semi-structured 1	Customer 1 and customer 2	Phonecall 6.4.2016
Key Account Manager	2004 - 2013	Semi- structured 1	Customer 1, Customer 2 and Customer 3	Email 4.4.2016 answers 11.4.2016
Production Manager	2006 - 2015	Semi-structured 1	Customer 1 and customer 2	Meeting 04.04.2016
<i>Customer 1</i>				
Director	about 20 years	Semi-structured 2	n/a	Meeting 13.04.2016
<i>Customer 2</i>				
Director	about 10 years	Semi-structured 2	n/a	Phonecall 11.4.2016
<i>Customer 3</i>				
Director	about 5 years	Semi- structured 2 by email	n/a	Email 11.4.2016 answers 12.4.2016

### 3.3.2 Document analysis

In case study research document analysis is less used method than interviews and observations but it can help to add depth more than it is been exploited in the past. Documents used can be formal documents, public records, annual reports, audit reports, vision statements, examination results, newspapers, memos or any other form of documents that give out clues that are essential for the case study and help to

understand the culture of the organization, values and beliefs and attitudes. (Simons 2009, 63.)

At the beginning data was searched from internet sources. Several articles were found. The researcher also had access to the company's database with no limitations, so board memos, application to the restructuring of enterprises and other documents remotely related to customer relationships were searched. All of the materials found were gathered up and analyzed by using the same excel based coding system as the one used when analyzing the interviews. All information received from oral and written sources was gathered up and analyzed by the researcher itself. In this research the following documents were analysed.

Table 7. Documents analyzed in the research

Source of data		Amount / type
<b>Internal Documentation</b>	<i>Board of Directors meeting memos</i>	7
	<i>Executive Managers meeting memos</i>	10
	<i>Annual general meeting memos</i>	1
<b>External Documents</b>	<i>News paper articles</i>	5
	<i>Press releases</i>	4
	<i>Auditing reports</i>	7
<b>Other documents</b>	<i>Other memos</i>	2
<b>Archival records</b>	<i>Sales-profit and production report</i>	1

### 3.4 Data analyses

All data was analyzed by using excel based coding system. This system was chosen because the amount of material used was relatively small so this sort of method could be used as opposite to more advanced methods. Data was analyzed by the researcher so no one else had access to the materials. Different findings were divided into 11 codes according to the following coding list. Founding's were gathered under a specific code and (code 1, code 2...) and reported in that section. The codes came from the theoretical framework presented in chapter 2.7 and the codes are also in line with the literature review as the codes are almost the same as the literature review chapters.

Table 8. The coding system of data used in the research

<b>Code</b>	<b>Elements that affect the customer relationship</b>
1	Customer Relationship Management /CRM
2	Building up the customer relationships
3	Lifecycle of the customer relationships
4	Customer loyalty
5	Problems and challenges of the customer relationship
6	Communication
7	Organizational changes and customer uncertainty
8	Restructuring of enterprises
9	Purpose of the restructuring of enterprises
10	Influences of the restructuring of enterprises
11	General economical situation

According to Ghauri and Grønhaug coding means simply that data is broken down, conceptualized and put together and then presented in an understandable way. When

collecting data, it would be idealistic to consider the data analysis too because this would influence the coding procedure as well as the data gathered. (2002, 179-180.)

### 3.5 Verification of the results

As Gillham points out in case study method the usage of different data sources is possible and desired. The usage of different data can lead to different results but this doesn't mean that any of the data is wrong. It may mean that the truth is more complicated than what was expected. One good example of this kind of "miss match" is the data gained from the interviews. A common discrepancy is between what people say and what they actually do. This fact needs to be acknowledged when analyzing the data gained from the interviews. (Gillham 2010, 14.)

The ability to read between the lines and understand the hidden meanings of the persons who are being interviewed is important in case study method. It is equally important not to let personal biases influence the results or interpretations. This is especially important when conducting a single case study as there are no other cases to compare the results with. This can be ensured by using multiple data sources. (Ghauri & Grønhaug 2002, 177.)

Triangulation in case study is collecting data from multiple sources when studying same phenomenon. Hence triangulation helps to improve the accuracy of the results and this helps to increase the validity of the research. The main benefit is that it gives more complete and holistic image of the object that's being studied. This can be considered extremely important in case study method where validation of information from various sources is needed. Sometimes triangulation may lead to contradictory results or problems may occur when trying to interpret if the results are consistent or not. (Ghauri & Grønhaug 2002, 181-182.) Three sources of data were used in this research to achieve comprehensive understanding. The sources that were used were interviews within the case company, customer interviews and external and internal documents. External auditing reports verified the findings in a neutral way as the auditors can be assumed to have unbiased intake.

## 4 RESULTS

The results of the empirical study conducted in the case company and its customers are presented in this chapter. This chapter is focusing on telling about the facts that were discovered from the empirical study in the light of the interviews and written documents. Together these results aim to shed a light to the influence that a restructuring of enterprises has on business-to-business customer relationships. Chapters 4.1 – 4.1.3 aim to give out a broad picture about the overall situation of the company, reasons why the restructuring of enterprises was needed and why it didn't happen. Therefore chapters 4.1 – 4.1.3 don't contribute directly to the research question. However, there are some elements that are covered in later chapters because of their meaningfulness to the research question.

### 4.1 General situation of the case company

The documentary analyses from the external documents suggest that the general economic situation in the business field has forced many industrial companies to make hard decisions in order to ensure their survival. Some improvement was seen in the general economic situation in the 2014 that would have opened up more possibilities for the case company but it was unable to utilize them. Bad customer project management and unprofitability resulted in restructuring of enterprises. The case company also faced difficulties in one business area and the risk accumulated. The company also suffered from problems with new customers and new products. There were also quality issues that caused extra costs and contributed in the bad situation.

The results point out several areas where influences of the restructuring of enterprises could be seen. The results indicate that the company was focusing on streamlining the production and focusing on centralizing its production into one location. Business development plans were mentioned in several connections to develop the business further but when looking at the actual development plans made in the case company during time period from January 2013 to February 2015 there was only one concrete plan made. That was done by the CEO3 at the end of year 2014. Also several smaller

singular development issues were raised on the table but those matters were not put into process. They were all related to the need of getting new machines in the production. One Executive Board memo showed that the company was doing SWOT – analyses for the Board of Directors strategy meeting but the actual strategy day was not covered later on. There was no information about it anywhere. Either the work was not finished or the end results were not put into further process. Overall development plans were not followed through and monitoring wasn't done. All indications related to development plans were merely vague expressions that business development is essential – but there was no concrete action plans before the end of year 2014.

Furthermore when looking at the general situation of the case company it was obvious that there were a lot of changes in the case company's management from January 2013 to February 2015. In that time period the company had three different CEO's and customer contact persons changed several times. This mirrored in the customer relationship management which will be covered later on in details.

Restructuring of enterprises was needed in the company due to profitability problems in one of the factories. There was also information technology related issues and sloppiness in that sector and the information that was available within the company was not accurate or it was missing entirely. Overall the core reason for applying for restructuring of enterprises was bad finances and the amount of debt accumulated. The decision to file for restructuring of enterprises was based on an assumption that there were possibilities to maintain reasonable business in the future. Individual opinions altered within the case company as one person thought that the general culture was incoherent and the company had to make compromises to satisfy all former managers. Overall reason for the bad situation was bad investment policies that were based purely on desires. It was right call to close down the other factory but it should have been done earlier according to the Production Manager of the case company. The Key Account Manager disagreed by telling that the restructuring of enterprises wasn't the accurate process; the company should have been filed for bankruptcy immediately. In conclusion; two persons out of the three interviewed from the case company saw bad finances as the core reason for the restructuring of enterprises.



Furthermore the information gained from the research suggests that the turnaround didn't happen because there wasn't any clear plan for it and the plans that were made lacked hands on proceedings. Criticism was shown towards the decisions made throughout the restructuring of enterprises process at least from one person. Generally speaking it was not clear how the company was supposed to be turned around. Customers were not being asked enough information and some information was even made to look better than what the reality was. "Future predictions were done on purpose to look better than what the reality was" (Production Manager of the case company). It was not clearly told that what were the limitations regarding ones work; what kind of things could be done and what not to do. The time period was described as "grilling time". A lot of pressure was placed on from several parties; lawyers and owners. The lack of planning is verified from multiple sources. CEO2 told that: "the plan for the turnaround was invented as we went". The general plan was to let go of two factories and sell those machines and real-estate's to pay off old debts. At the same time it was planned to streamline the production and cut off the aviation business and focus on the offshore industry were potential was seen. The case company had some sales receivables that were pending and those were supposed to use to pay off debts as well. CEO3 explained that production capacity was at a very low rate; only about 60 % of the capacity was used. The plan was to fulfil this gap with new customer acquisition. The two existing customers (customer 1 and customer 2) are big companies so it was impossible to have any influence on them no matter what the company did. Also CEO3 felt that as he didn't know customer 2 before hand and this combined into the insecurity made it clear that new customer acquisition would be the way to fulfil the capacity.

#### 4.1.1 Financial situation and problems related to it

The case company had been struggling with their finances for several years and the business desperately needed streamlining. This can be seen as one of the biggest problems and challenges in the case company. First steps were made in this direction at the very beginning of the restructuring of enterprises when several factories were closed, unprofitable business was cut out and the personnel structure was also

streamlined by firing about half of the company's employees. The main production was focused on one location only few months after the restructuring of enterprises started and this meant that some of the products that the company had previously manufactured were left out. New management team was appointed within the first few weeks after the restructuring of enterprises started and it was much more straightforward than before.

The insolvency made everything difficult. Each purchase process was hard because extra effort had to be placed into the supplier to deliver the products. "The general problem was that how honest can you be? A little bit honest, totally honest or do you choose to say nothing" (Production Manager of the case company.) Furthermore the case company was not able to collect float as planned and that made everything even harder. The case company was supposed to have more sales receivables than it actual had and there was also supposed to be more assets to liquidate than what there actually was. The result was that the case company was not able to maintain good condition of the machines and purchasing the materials was hard too. Everyone demanded the payments to be done in advanced. This all lead to more delays in the production.

The case company was able to get temporary funding (a loan) during the restructuring of enterprises and was able to pay back the loan they received. However the operating profit wasn't good and the company fell behind on every financial goal that was set. There were some periods where the financial situation was improving but soon the progress was cut short and the downhill started again. This caused problems with one of the customers because the financial figures of the case company were so poor and their finance department didn't give out permission to make any orders due to crediting policies. Furthermore not all of the orders that were taken in were profitable; there was a huge variation. Customer 1 was seen as the biggest problem in related to profitability whereas customer 2 was mainly profitable. Later on the company started to have serious financial problems and temporary payment arrangements were made with few of the customers to ensure better financial situation but it didn't seem to be enough. The company also had to deviate from the restructuring of enterprises payment programme due to insufficient funds and was able to pay only half of the payments. Due to the financial tightness special arrangements were made in the production to ensure sufficient funds. Problems related to the production caused extra

tightness into the finances as one of the customers issued a late fee invoice for the case company for delivering their orders too late. Delivery delays also caused lower cash situation at some point. Case company also liquidated a lot of its possessions during the restructuring of enterprises and this ensured the financial stability for a while but the company ran out of things to sell. At the end of 2014 the case company was slighting towards bankruptcy.

#### 4.1.2 Problems inside the case company

The results indicate that there were serious problems inside the company and that had been the situation for a long period of time. Prior to the restructuring of enterprises inner problems involved more people and the situation was described as being divided into two separated groups and both of these groups looked after their own personal interest. There was also some cross-selling and backstabbing within the case company and people were mostly scared about their own position.

*The place where the case company is located is a small place so the working environment is not the easiest. The place is such that it's difficult for an outsider to become a member of it and you get nothing for free here (Production Manager of the case company.)*

Since the case company had to streamline after the restructuring of enterprises and fired half of its employees the problems culminated into two persons during the restructuring of enterprises process; one of the CEO's and Key Account Manager and their mutual cooperation. It was clear that they were unable to work together and there were severe disagreements. There was also attitude related problems that were pointed towards one of the CEO's and some indications were found that "I know better – attitude" caused problems with the customers too. None of these problems were discussed in the case company or with their customers at all and therefore the problems were not solved in any way.

The case company *lacked the ability to plan and follow through the plans systematically* and this was acknowledged in the company. Some development plans were made but they were not monitored and they lacked objectives, budgets, target dates and responsibilities. There were also several problems in the production management. These problems were spread out to almost all of the areas of the production; resources and capacity should have been managed better to increase flexibility, there was no procedure to measure customer satisfaction and inner claims were not reported properly. There was no process to measure the delivery accuracy of material providers, root analyses from delivery delays were not being done even though the system was good for finding the delays. One external auditing report also showed that claims made by the customers were not being handled properly.

*There were a lot of problems related to the production* as well. The biggest problem was that the volume of orders was particularly low throughout the entire time period. Another major problem was the delivery accuracy. At its worst, the delivery accuracy was 55 % to the customer 1 and 40 % to the customer 2. Auditing reports verify that delivery accuracy was too low. Customer 1 even issued a late penalty fee to the case company and that had never happened before. The same customer also informed that they are not giving out any new orders to the case company because the company is unable to deliver the orders on time. “There were some periods when there were some shortages in delivery accuracy but these were corrected by good cooperation” (Director of the customer 1). These problems were gone through in the production and the case company was able to fix some of them and others not. However the cause was not clear within the company as there was confusion if the production was lacking in some parts or was the information technology to fault. There were issues that the materials didn’t come into the company on time or the customer didn’t perhaps register the order as delivered immediately and the case company took the blame from these. Orders were also taken in that had too short delivery time. There was a desperate need in the case company to invest into new machines to improve the productivity. That was seen as an important positive action towards customers. The request was denied due to bad financial situation. In one of the cases the investment plan had already been waiting for six years.

The case company suffered from general confusion about the capacity and what could have been promised in the light of pending orders. There were also some problems

with the stock management that added to the general confusion and made the predictions even harder. Even auditing reports raised the question that how can the company manage possible increase in volumes and how to better predict what needs to be outsourced. No information was found about how the delay in the production was supposed to be corrected other than one memo had markings of trying to negotiate with one of the customers to get a longer delivery times. No other improvement plans were found nor did anyone interviewed have anything to say about this matter.

As a conclusion two persons out of the four saw the insolvency as the biggest problem during the restructuring of enterprises process and one saw the state of volition as a big problem. One person said that the biggest problems were the wrong personnel choices. One person didn't answer to this question. See figure 10.

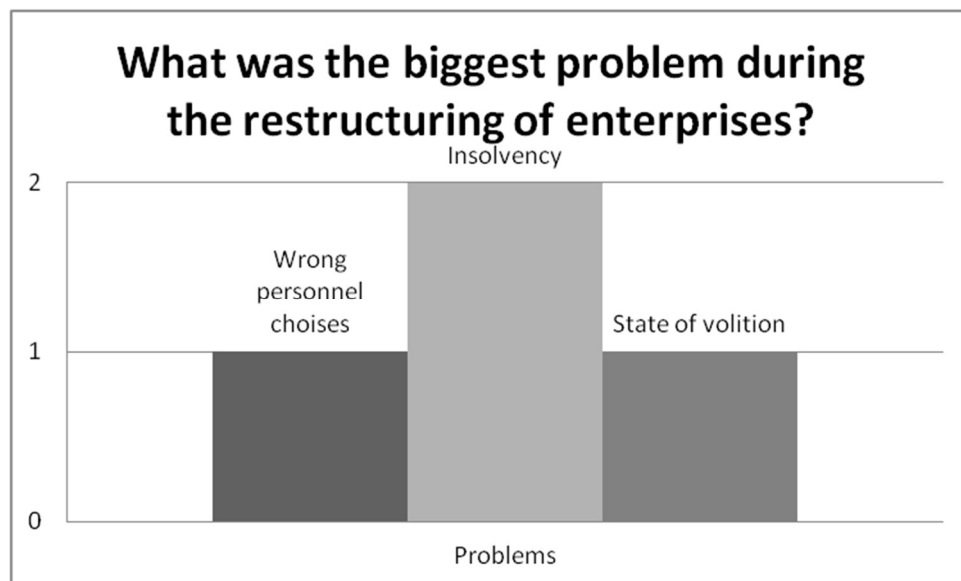


Figure 10. What was the biggest problem during the restructuring of enterprises?

#### 4.1.3 Unity in the case company

There were some indications that the personnel choices were questioned within the case company and mainly this was focused towards one of the CEO's as one interviewee felt that he already possessed a bad reputation among one of the biggest customers. The choice for a Supervisor of the restructuring of enterprises process was also questioned as one of the interviewees felt that he lacked experience in the engineering workshop cluster. Customers didn't report any direct problems related to personnel choices.

No information was found about cooperation between the existing top management, Board of Directors and shareholders. It seemed that there was no collaboration at all. CEO did participate in Board of Directors meetings but those meetings were not covered with the management team. Only indication of the shareholders having any input on the business was the annual shareholders meeting memo. It entailed very little information; mainly criticism that the case company wasn't able to maintain its market share.

*I've been involved in three restructuring of enterprises in the same cluster as the case company and what was particular about this case was the general state of volition and willingness of the owners. It seemed to be very weak. There was no desire to lead the business activity further (CEO3 of the case company.)*

The case company was relatively unified in relation to which customers should be pursued or efforts placed on. Only one person felt that there were a lot of disagreements within the case company but none of the documents shed any light on this matter. No disagreements were reported but there wasn't that much information about customers either. Information about new customer acquisition wasn't found almost at all and the interviews didn't clarify the subject deeply. Some lists about new customer acquisition were made but they weren't followed through systematically.

#### 4.1.4 Customer relationship management

Customer relationship management was in a very poor condition in the case company. It was almost impossible to get a clear picture of how and by whom the customer relationships were handled since four people interviewed from the case company said that there was no clear process of doing it where as only one person thought that the process was clear. No written documents were found anywhere related to customer relationship management that would have clarified the customer relationship management and the actual process within the case company. One excel was found that was some sort of a customer connections tool but there wasn't that much information in it. It was relatively new document (made in the spring of 2014) and it contained only very little information. External auditing reports also indicate that management system improvements were not measured or evaluated and the management of documents was not clearly defined.

The only person who said that customer relationships were handled via certain process was the CEO1. He described the process by stating that customer relationships were divided into certain persons and those persons could be described as Key Account Managers. The process was based on long-term processes and relationships and there wasn't any problem in them. The CEO1 left the company within few months after the restructuring of enterprises process was started. After that there weren't any clear guidelines or divisions about how customer relationships were handled and by whom. Important information and know-how was lost. Customer relationships were heavily based on personal relationships between the case company and its customers. The information about customer relationships was not given to other members of the management team and there was atmosphere of secrecy. Customer visit were not reported in any way and there was no information to be found about anything that was discussed in the meetings. There were also problems with the information technology side because ground information about certain customers was not received and this caused a lot of extra work for the case company and also to the customer too. Customer 2 had to hire one person to work with the obscurities that occurred in prices and other problems too.

There were three to four people in the case company that were actively involved in keeping up the communication with customers and Customer 1 was also very active themselves in communication with the case company. Relationship between case company and customer 2 was not so intense due to the fact that the Key Account Manager left the company in the middle of the process and started to work for another company and took some jobs with him. Furthermore, CEO2 admitted that *there were no clear processes of how to manage the customers*. The case company had quality certificates and the company worked according to them. There were also auditing in the company during the restructuring of enterprises period and any deviations that were reported were fixed, according to him.

*Customer care was very poor in the company and it seemed to be deeply rooted way of doing things. There was no personal touch and lack of planning was obvious. I was also amazed that the company lacked well know customers that could have been assumed to be their customers at some point in time. The amount of customers was also very small and the business relied on customer 1 too much. The sales department obviously didn't work actively (CEO3 of the case company.)*

However, despite all the inner problems related to the customer relationship management all three customers reported that the customer relationships were good and functional and they didn't report any issues. One of the customers pointed out that they have several units within their company so it is hard to say from all of their perspective. Deeper questioning however revealed that there was trust issues related to one of the CEO's. These problems started when the Key Account Manager was fired in the middle of the restructuring of enterprises process and problems related to prices started to appear. Sometimes the prices were too high or too low and sometimes against the price agreements between the two companies. This resulted that the customer had to tie up one person from their own organization into investigating and solving the prices and this had never happened before. Due to this the trust was lost quickly. Problems were handled afterwards but the customer always had to supervise and point out about it while the delivery time kept on going at the same time. There were also some problems related to order confirmations. The delivery times were not accurate; small orders were given extremely long delivery times because the case



company tried to lower the level of stock and increase their funds by doing so. This resulted into the customer ordering the small orders from elsewhere where they were able to get the delivery times more normal. In bigger orders the delivery times remained normal. These matters were solved without conflicts. The case company also tried to forcefully sell the stock they had related to customer production to them without even knowing what the stock entailed. Third customer was the most satisfied one, as according to them most of the problems were related to their own imperfections and not to the case company. The customer felt that the case company was able to maintain quality, delivery accuracy and appropriate pricing and the production worked well.

#### 4.1.5 Understanding customer needs

When discussing the customer needs opinions divided into two opposite opinions within the case company. Half of the persons interviewed from the case company thought that since the customer base was well known and the case company acted constantly with them the case company was extremely well aware of the customer needs and future projects. Meetings were held via phone calls and by visiting the customer frequently. Half of the persons however felt that customer needs were not clear at all and only one person was in close contact with certain customer so the customer relationship was based on only one person's willingness to share information and this information could have been filtered. Furthermore customer needs were not being analyzed analytically at all and they were very much based on history data and old product know-how. There wasn't any analytical touch to develop further. The company also lacked cluster knowledge and knowledge about whom else could the actions be targeted at.

Despite the different opinions within the case company all three customers thought that the case company was well aware of their needs, at least in some point in time. At the very beginning most of the persons who knew about the history data left the company and Key Account Manager left in the middle of the restructuring of enterprises process and some information and understanding was lost in that process. After that the customers had to be very active themselves to reinforce the cooperation

to make their needs more clear. This was necessary specially after the Key Account Manager left the company and he had been the contact person for them. The void was filled by a new CEO and he lacked the knowledge on some parts. He also didn't have time for anything else than ensuring the sufficient funds of the case company; he was unable to focus on anything else and due to that one of the customers had to reinforce cooperation with one of the persons in the case company's production side. One interviewee also added that they did trust the case company after doing close follow-up for the first few projects. The understandings of customer needs were seen as clear in products where the cooperation was tight whereas in single projects the needs weren't probably as clear.

#### 4.2 Building up the customer relationships

When discussing about building up the customer relationships, each interviewee from the case company had their own opinions. However delivery accuracy was mentioned several times. According to the CEO3 in engineering workshop cluster customer relationship building is based on targeting your own know-how correctly and companies' know-how should answer customer needs and they should be in correlation and this should be built as a long-term. Furthermore companies should place their core know-how only into markets where the company can work persistently. The most important thing about building customer relationships is, according to the Key Account Manager, the ability to create mutual trust and maintaining that trust where as the Production Manager emphasized that the key factors in building customer relationships in business-to-business are openness about everything. Company should tell honestly about the prices and show everything that can be shown to the customer. It is crucial that deliveries are one time and honesty is important in all situations; good and bad. CEO1 said that the most important things are price, quality and delivery accuracy and the sales people's personal qualities.

When it comes to building and maintaining good customer relationships one customer valued openness and confidentiality and through them closer relationships are built. Also similar values are important and all of the suppliers are expected to work according to the values that they themselves obey. Operation needs to be ethical, fare,

environmentally friendly, no competitive tendering, according to human rights and local labour codes. Also openness and trust are valued. One customer emphasized that it is important that companies can demonstrate to them that they will take their customers' needs seriously; have the right set-up to do the job internally with minimum sub-contracting, have skilled labour and co-operative management. Two out of three interviewees mentioned openness as a key factor when building and maintaining customer relationships.

There were indications with one of the customers that relationships were built in a good cooperation. The customer and the case company went through together the production management, volume of orders management and were able to increase the case company's own prediction and capability to give out realistic estimations about delivery times which benefitted both parties and their mutual cooperation.

In a conclusion, according to the research customer relationships should be built on focusing on the following concepts:

- Targeting your own know-how correctly
- Companies' know-how should answer customer needs
- Correlation between companies' know-how and customer needs
- Long-term build-up
- Placing your know-how only into markets where they can work persistently
- Ability to create mutual trust and maintaining that trust
- Openness about everything
- Honesty
- Delivery accuracy
- Price
- Quality
- Sales people's personal qualities
- Confidentiality
- Similar values
- Willingness to take customer needs seriously
- Have the right set-up to do the job internally with minimum sub-contracting

#### 4.2.1 Customer segmenting

Customer segmenting was done in the case company before the case company filed for restructuring of enterprises. This information and the actual process itself was lost or not utilized to its full capacity after personnel changes. Two of the five persons interviewed within the case company said that there was division according to different clusters such as pulp & paper but three persons were unaware of any segmenting (including the Production Manager, CEO2 and CEO3). Even if there were segments, there weren't any specified actions targeted to them and none of the documents reviled anything about this matter. There were no indications of any segmenting. The two persons who said that there was segmenting, didn't work for the case company anymore; one left within few months after the restructuring of enterprises started and the other one in the middle of the process.

*One of the first things that caught my eye was the lack of customer divisions. There wasn't any. The sales weren't categorized in any way and reporting systems didn't exist (CEO3 of the case company.)*

#### 4.2.2 New customer acquisition

Restructuring of enterprises influences new customer acquisition – especially in Finland. The process is seen almost as “poison” because it is still quite unfamiliar process. The case company did recognize this matter and they didn't actively bring up this matter when discussing with new potential customers. However, each time that a potential new customer would “Google up” the case company the news of the restructuring of enterprises would pop up. This was seen particularly demanding limitation when working with international customers since they use credit rating systems and that gave out very bad results from the case company. The process is long before the financial figures look better so the case company was almost like in a “loose hanging rope”. Smaller customers were easier to get because they were not so

aware of what was going on. However making business in this field was seen as very personal and personal relationships and bounds count a lot even if they shouldn't and the word spreads around quickly. One out of the four interviewees had a neutral intake on the influences that restructuring of enterprises has on new customer acquisition, one didn't see any big problems in it and two persons saw that new customer acquisition was difficult.

The case company was unified in terms of which customers should be pursued, as mentioned in chapter 4.1.3 and was able to get some new customers during the restructuring of enterprises. One interviewee felt that there was potential but the work ended due to the personnel exchange in the company but none of the documents or other sources used made any reference to which customers those were, how they were contacted and what actually happened. It is impossible to know whether these potential customers are the same ones that became the case company's customers later on. The case company suffered from lack of documents related to new customer acquisition as there were no documents or memos that would indicate how this was done in the company – until the end of 2014 when the first excel based list was made but as mentioned before it lacked information. Some plans about new customer acquisition were found but they lacked actual hands on proceedings and concrete actions. Overall there was very little information to be found related to new customer acquisition as mentioned before. In one customer acquisition document new customers were not named but they were kept anonymous even though the document was clearly meant for the Executive Board only and no one else had access to it. This gave out the impression of some inner mistrust between the management team members; why else would there be need to use codes. In this document the lack of information was obvious. There was no plan for the new customer acquisition. In the light of these documents the lack of systematic planning and follow through was obvious and it seemed to reach several areas of the business.

*“When I came into the company it was impossible to get any new customers. The company was in such a poor condition and lacked financial and emotional resources” (CEO3 of the case company.)*

Existing customers had different opinions about new customer acquisition done by the case company. One customer thought that the case company should definitely find new customers whereas one of the customers emphasized that if a company has long term customer relationships –like the case company had – the future must be build on those old relationships and the company must be scaled into those. They felt that a company shouldn't "rustle up" new customers and grow in the expense of old customers. Growth comes in later on. New customers may affect the old ones negatively and the worst scenario would have been that the old customers would have fled.

#### 4.2.3 Strengthening the customer relationships

As the case company had three customers that created about 75 % of their revenue customer relationships were strengthened mainly by focusing on these three customers and no one else. At least no indications were found related to it. Those three key customers enjoyed privilege. Customer relationships were based on personal relationships which have been covered already. Customer relationships were strengthened by everyday normal communication and personal visits about the big picture but sometimes smaller individual matters were addressed too. Relationships were also strengthened by communicating about the progress of the restructuring of enterprises process and by trying to build up trust. Future was predicted together in form of volume of orders and quality issues. The mutual spirit was based on developing matters together. Internal documents show that the existing customers were visited often by the CEO2 and one of the customers did point out that they were often visited by the CEO2. These visits were related to new orders and future predictions and they almost never were about current orders or situation. One person from the case company felt that customer relationships weren't strengthened at all and when the old shareholder's were "kicked off" from the case company they tried to complicate the case company's business.

Furthermore customer relationships were taken into consideration when the case company had to make strategic plans such as summer holidays. The case company did

try to make decisions based on customer needs and not to let such things affect the cooperation.

#### 4.3 Customer loyalty

In the beginning of the restructuring of enterprises the case company lost one big customer due to the restructuring of enterprises process when the company had to let go of some people and machinery and there just wasn't any resources to continue that business. That was mainly the case company's own decision to let go of that part of the production. Some caution was seen in the customers at the beginning of the process and each purchase needed to be discussed over the phone. The customers needed a lot of ensuring that the case company was able to deliver the orders. However, after few months the situation got easier and the situation stabilized.

Furthermore the case company didn't have any systems to measure customer loyalty or satisfaction. One person from the case company said that customer loyalty was measured in weekly basics by following up the number of new orders per customer. The results were compared into previous years. Offers that resulted into orders were also followed. No information about such measurements was found anywhere and three of the persons interviewed from the case company said that there were no measurements done. Auditing reports also verify that the company had no process to measure customer satisfaction but that the case company was able to keep its customers in a demanding financial situation. Furthermore the case company was able to keep its customers due to the relationships being so long-term and confidential. There were some disagreements within the case company related to future predictions as one of the persons felt that there was some work constantly but the trend was decreasing and the entire business was very short sided. It was also impossible to predict the future behaviour of customers. Two of the interviewees felt that it was relatively easy to get the information from the customer that existed in the first place and they couldn't remember any changes in the customer behaviour. One person had very strong opinions that it was extremely easy to predict the future behaviour of customers.

All three customers felt that they were loyal to the case company and they wanted it to succeed from the restructuring of enterprises process. Two customers even tried to help the case company to overcome the financial problems by agreeing temporarily shorter payment terms. Two out of three customers however admitted that they had already started to build a second supplier in case the case company would be bankrupt. This resulted into one of the customers starting to use another supplier beside of the case company and divided the order load to two companies to minimize their own risks. It is clear that the case company did lose some business to its competitors. This can be seen especially with customer 2.

*“Later on it was clear that customers were really on their toes and making other plans to replace the case company” (Production Manager of the case company).*

One customer pointed out that some additional supervision was placed on the case company. However they felt that the cooperation period with the case company was a success. They started to find alternatives only after the company was filed for bankruptcy.

#### 4.4 Problems and challenges in the customer relationships

As mentioned before, there were problems related to customer relationships as it was clearly stated that one of the customers had been giving orders to competitors because the case company wasn't able to deliver the orders on time and another customer started to give orders to competitors in 2014. It was also clear that the same customers were really cautious with the case company and weren't convinced of the actions it had taken. Hesitation and caution can be seen from the order amounts; volumes were lower than what was expected. Bad financial figures had also caused problems with two existing customers and the situation was expected to tighten more. This created general atmosphere of uncertainty within the case company because they weren't sure how the workload and future orders would be divided between them and the



competitors. Furthermore customer information management was insufficient; the information wasn't stored properly and the company lacked background information. There were issues related to contracts too as one of the customers wanted to establish contact based pricing and the case company didn't want to participate into this out of fear of getting unprofitable orders and no guarantees of the number of orders. There were also problems with one of the customers asking about price details and the case company refused to give out that information.

#### 4.5 Communication

Communication with the customers was done mainly personally and it was done through few people from the sales department and few people from the production department. Communication channels were monthly meetings, phone calls and personal visits. However too much of it was placed on singular persons. Each customer had a named person who was responsible from that particular customer relationship. Furthermore these persons changed several times throughout the restructuring of enterprises process due to personnel changes. Valuable information was lost in those changes. At the beginning of restructuring of enterprises customers were sent several different press releases. It was clear that the English version was confusing because the process was called as a "Chapter 11" which often means bankruptcy and not restructuring of enterprise.

There were some communication breakdowns between the case company and one of its customers and this was related to one of the CEO's. The customer felt that the CEO had forbidden anyone else from giving out any information and this caused temporary breakdown. The customer had to point out about this breakdown and that corrected the situation. The communication level was insufficient in the case company and especially inner communication was not adequate; the case company lacked inner knowledge about what sales personnel were offering. The company also didn't store customer information properly and there wasn't enough background information. Inner breakdowns occurred since information didn't pass forward from singular persons. Feedback was not gathered from customers in anyway and this was not

covered in any meetings systematically. “In Finland it’s very gentlemanly; customers don’t say negative things to your face” (CEO2 of the case company).

Despite of all the problems two customers out of three interviewed considered that communication worked fine as one of the interviewees saw some smaller problems in it. One of the interviewees mentioned that there were changes in the contact persons but it wasn’t seen as a problem; all of the persons were good. Another interviewee said that CEO2 did visit them lot but the subjects of the visits were always the same; about future orders, not the ones in the process. They would have preferred more proactive communication. Third customer thought that they were not asked any feedback but on the other hand; it wasn’t needed. They felt that it is often difficult to get the financial figures from the suppliers but the supervisor of the restructuring of enterprises process had decided to keep the customers well informed. They were also able to receive the information about the delivery times. There was one short period that apparently the CEO2 had forbidden anyone else from telling them any information and due to that time period there was a break-down in the communication. The reason for this was probably the need to the person to give out all the information but he wasn’t able to give it. The customer had to get the information via longer route. This period didn’t last more than few months because the customer had to tell the CEO2 that the process is not working. The communication by the supervisor worked well and was very honest and this helped the customer. As a conclusion two customers thought that the communication worked well and one thought there were some small problems in the communication.

One customer added that in this case the actual restructuring of enterprises was handled well; better than previous cases the interviewee had witnessed. The communication done by the operating management and Supervisor of the process was good. The entire process was handled professionally. The financial situation was discovered to be worse than what was expected; the interviewee thought that even the case company wasn’t aware of the actual situation so how could they expect to get knowledge on matters that the company itself was even unaware of.

#### 4.6 Organizational changes and customer uncertainty

When a company is accepted into restructuring of enterprises the entire company can be seen as a risk. One customer reported that the biggest problem was the uncertainty about the future. He described that there was a 100% of uncertainty and quoted: “Even a bad end result is better than the unknown” (Director of the customer 2). Customers were not convinced that the case company would survive from the restructuring of enterprises; one of them was *sure* that there was no way it could have succeeded with the volumes they had. The risk was clearly that the company would drift into bankruptcy and the customers would lose a supplier. The only way the case company could have succeeded would have been by growing with the help of the two biggest customers and by doubling their revenue with those customers but that wasn’t possible. The other customer believed at the beginning that the process will succeed because it looked like it might work if the case company would be able to get rid of one of the factories. After some passed it seemed that there was theoretical possibility to succeed but according to calculations it was more likely to not succeed. Because the case company had been such a good partner to them they tried to give the case company the possibility to turn around their business. However at the same time they tried to manage their own risks and didn’t increase their orders to the case company because they felt it was not possible for them alone to keep the company from sinking. The risk from customer’s point of view was mainly financial because the creditors can back down at any point and the company can drift into bankruptcy in one day. This will result in not getting any orders that might be in the production and if there were any down payments, those would be lost. Furthermore if a bank guarantee would be needed this wouldn’t be gotten due to the process. See figure 11 from the next page.

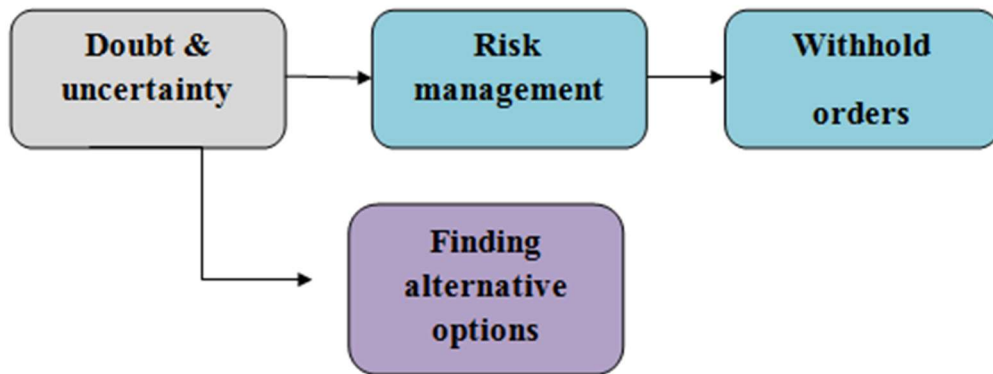


Figure 11. Chain of events caused by doubt and uncertainty

Changes and uncertainty was shown in the case company in the form of personnel change. News papers headlined immediately in January 2013 that the company will fire 50 % of its personnel. Layoffs were constantly going on in the company during the entire restructuring of enterprises process. Personnel changes were one the biggest issues that showed directly to the customers since contact persons changed several times. When the Key Account Manager left the company one of the customers was worried that cooperation would become more difficult but that wasn't the case. It didn't leave any bumps in the relationships. None of the customers gave out any negative feedback about the changes in the management or the fact that the owners didn't operatively work in the company anymore. Furthermore one of the customers even pointed out that they we were not happy about the communication done by the owners of the case company *before* the restructuring of enterprises. Besides the streamlining in personnel structure the case company streamlined its production as well. One of the customers mentioned that they were affected by the streamlining that happened in the case company. When the case company closed down one of the factories some of the products they had previously done had to be found elsewhere.

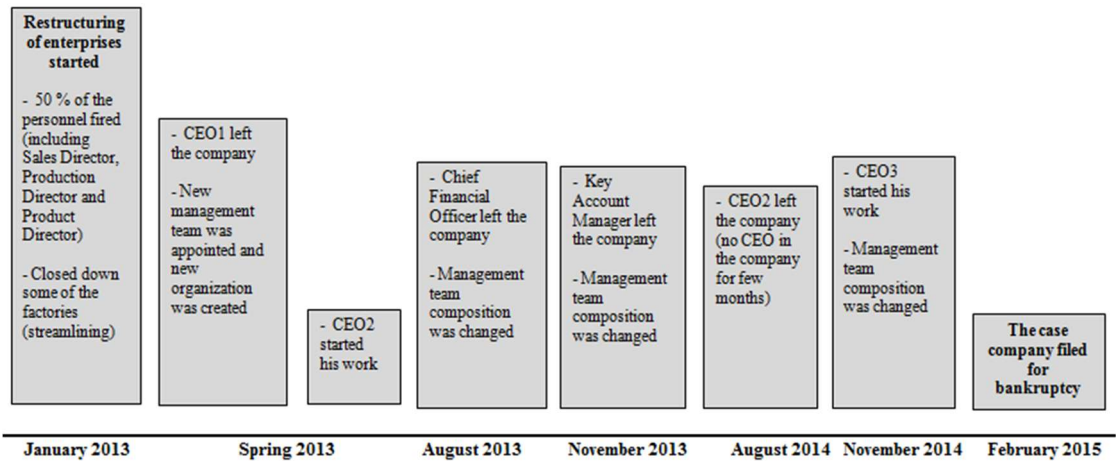


Figure 12. Personnel changes within the case company during the restructuring of enterprises process

However there were some positive outcomes as well. The restructuring of enterprises' process did cut off extra personnel and made the production more focused by cutting off one factory. Furthermore, one of the customers compared the time period 2011-2012 into the restructuring of enterprises period and concluded that the later one was better one from their point of view. In 2011-2012 there were a lot of delivery delays and this *improved* during the restructuring of enterprises period. These were the only positive results that could be found from customers point of view from the data analysed.

## 5 DISCUSSION

Taking into account the findings originated from the case company interviews and the customer interviews – including the external and internal documentary analysis – it is possible to make conclusions of this study and to discuss the meaningfulness and the appropriate use of the information gained.

The findings of this research are of interest to any company that is going through restructuring of enterprises as this research will provide more information on how this procedure will affect their customer relationships. The findings will also help Customer Relationship Managers, Managing Directors, Board of Directors and Executive Board by giving very hands on information due to being a case study. Persons working in the turnaround field may also find this research useful. For companies other than the ones working in manufacturing business in engineering workshop, the findings will apply partly. Furthermore, the findings will be partly suitable for policy makers, law legislators, bankers and general managers at least by offering valuable lessons and new thoughts.

### 5.1 Answering the research questions

The objective of this research was to find out how restructuring of enterprises influences customer relationships in business-to-business. The results indicate that restructuring of enterprises influences the customer relationships by creating general uncertainty. The existence of the company is doubted and it is not sure how the company will overcome its difficulties or whether it will be driven into bankruptcy. As the case company was seen as a financial risk the customers started to manage their own risks by making and executing alternative plans. This caused the relationship to decay even when the customers *felt* loyal. Even with all the uncertainty and doubt the restructuring of enterprises didn't cause the customer relationships to end entirely. This was most likely because the case company had such long-term relationships with its customers. If the customer relationships would have been at shaky grounds to begin with, the results might have been more severe.

Restructuring of enterprises influenced the customer relationships through several inner changes within the case company. The needs to streamline and cut off costs drove the case company into reduce its personnel and the entire management team was changed finally. This resulted into loss of know-how, loss of background information and loss of price knowledge. Because the customer relationship management was heavily based on individual persons and the management process itself was defective, this caused major gaps that could have been avoided if the

processes would have been clear. Customer contact persons were changed several times during the restructuring of enterprises process and even the CEO was changed three times.

Furthermore the restructuring of enterprises had influences on communication. There were some cases where customers reported break-downs in information exchange. Even false information was provided to the customers related to price details and delivery times. This was not deliberately done but was a result of inner confusion and problems. The case company suffered from problems related to information technology and because of that the ground information was lost or didn't exist at all in the first place and that caused gaps in the communication. As a result the case company and at least one customer had to work extra hard to fulfill the gap and clear out the problems. The communication also lacked pro-activity from the case company's direction and too much was relied on customers. It seems that the customer were more active in the communication process than the case company was. Communication also placed extra challenges to the case company because customers needed a lot of ensuring and each order needed to be discussed more. This places communication into important role.

Restructuring of enterprises drove the case company to streamline its business and cut off unprofitable business areas or areas where the company no longer had capabilities to work. This did affect the customer relationships in some parts. One customer relationship was ended entirely and another faced contracting as some of the products were no longer manufactured in the case company. The customer was forced to find another supplier.

The financial problems mirrored into the customers in several ways. One concrete consequence was the delays in the production. Financial tightness forced the case company to lower its stock level to increase its cash flow and that made the delivery times longer and it was more difficult to predict the delivery times. One reasons for the long delivery times was also the process being so tight and laborious due to the finances. Tight finances also showed to the customers when one of the CEO's tried to sell the stock the case company possessed to them. In global customer relationships tight financial situation caused temporary break-down in the relationship because the crediting system many companies use didn't give out permission to use the case

company. This resulted in almost one year period of not getting any orders from that customer and the entire relationship was tensed.

The case company suffered from several major problems related to finances and production. The case company was lucky that only small portion of its problems correlated into its customers and majority of the problems didn't even show to the customers. They were completely unaware of them. Figure 13 (below) summarizes the influences that restructuring of enterprises has on business-to-business customer relationships in the light of information gained from the interviews and documents that were used as a source of information in the research.

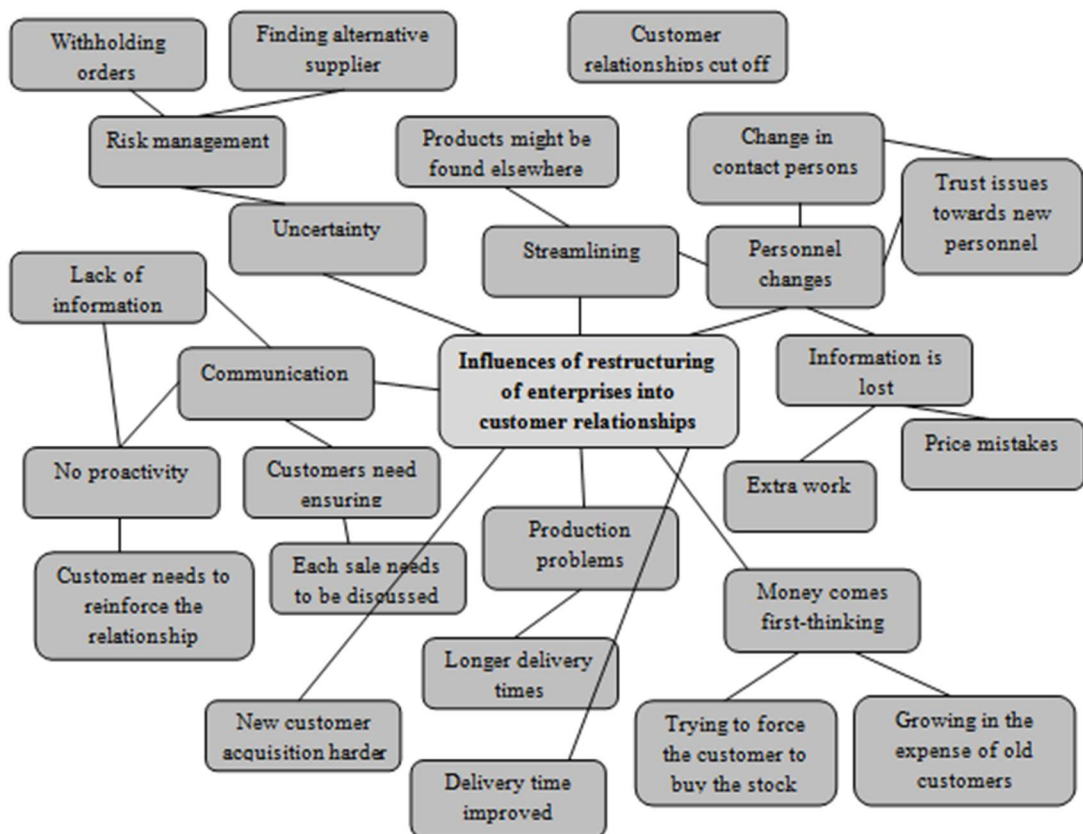


Figure 13. How does restructuring of enterprises influence business-to-business customer relationships?



## 5.2 Managerial implications

As opposite to previous composition of this research this chapter reveals the managerial implications in a logical order starting from the biggest and most crucial first stage implications followed by smaller details. Therefore this chapter could be used as a “start-up manual” when preparing for a restructuring of enterprises process in the light of the results gained from the research in relation to customer relationships.

Most crucial element to consider when a company is going through the restructuring of enterprises is the need to make a development plan. This is extremely essential to ensure the survival. *The development plan should be made as fast as possible and there should be clear steps to follow* with realistic guidelines, finances and persons who are responsible of it. This development plan should be clear to each person working in the company at a managerial level and the progress should be monitored consistently and there should be some kind of timetable. It would be important to involve all the parties in this process; the Board of Directors, managers, employees, turnaround specialities, shareholders supervisors and other interest groups. This sort of cooperation was lacking in the case company entirely which is strange as the Board of Directors is responsible for making the strategy and the top management should implement it into practise. This is not possible in any way if such cooperation doesn't exist.

Related to the development plan, the company should have the personnel needed to make the turnaround. It is impossible to say – in the light of the results from this study and previous ones – weather it is better to stick with the existing management or change the management. It must be evaluated separately in each case. The common nominator is that *the company should either hire or keep the people who have the ability to make the turnaround*. In some cases the best results are gained by keeping the existing management whereas in others change must be done. However the persons that stay in the company should have skills related to developing the company, have a vision about the business field and the general situation in it, have the courage to change old ways of doing things and have capabilities in management and customer care. *One of the most important choices is the choice for a CEO and*

special attention should be placed on that. It would be ideal that the company would have a development plan first in mind and CEO choices would be made based on the development plan and finding the right person to execute those specific plans.

Furthermore one key element when a company has been accepted for restructuring of enterprises process is to *make the business profitable with the existing resources and customer relationships*. This is the very key element in order to ensure the survival of the company and to ensure that customers are kept. The case company desired to have new machines to improve their productivity but in the light of the results it can be concluded that the processes were defective. New machinery doesn't correct the faults that are in the processes; those need to be fixed first. It would be smart to fix the processes first and make the production profitable with the existing resources and only after that to evaluate if new machines are still needed. If so, the company would already have the processes to utilize them fully. As described in this research, the financial stability has many consequences and many of them correlate into the customers either directly or indirectly. Therefore this element can't be ignored – even though it might seem that it is not directly related to the customer relationships.

As it is shown in the light of the results gained from this research, the restructuring of enterprises creates uncertainty and loss of trust. Therefore it is important to *try to disperse the uncertainty and rebuild the trust*. If a company has been able to stabilize its finances this becomes easier as there is something concrete to show. First stage of building trust is to recognise the reasons that have caused the mistrust and start by having open, honest and constructive discussions. After that it is a good idea to list the reasons that have caused the mistrust and make a plan to fix them. It is important to recognise change resistance in situations where changes occur and to try to minimize the changes related to customer relationships. If it is possible and reasonable it would be ideal that the contact persons wouldn't change throughout the process. Also good and timely communications with the customers help to disperse the uncertainty and rebuild the trust. A very profound way to increase trust and to remove uncertainty would be to invest into the business if it is needed. In many cases financial investments are not possible even though there might be a deep need for it. However there must be general need to invest by making development plans and those might not always need so much capital. At some extent companies that are facing restructuring of enterprises need to accept some loss of trust. It is impossible to

disperse the uncertainty entirely as it is a known fact that a company that is going through restructuring of enterprises is a risk.

The need for a customer relationship management process and systems was obvious as the case company had no such things. There was no process in the company about how to manage customers and by whom. There were no systems for storing ground information and updates about customers or meetings or anything related to customer relationships. No memos of meetings with the customers were found anywhere. Some individual issues related to customers were discussed in the executive board memos but not that many. This deficiency would need instant attention and major actions. *The case company should start by building a system where to store all information related to its customers; price details, history data, memos of meetings, future predictions etc.* It should be clear to all persons working for the company that they all must use this system systematically in order for it to work. This is vitally important in companies where customer relationships are based on singular persons. If the person responsible of a certain customer relationship leaves the company and there are no processes of customer relationship management, the information is lost for good.

To reduce the risk of losing valuable information about customers and customer relationships it would be good idea to think about the option to *make a team of people who are aware of what's going on with the certain customer*. This would perhaps also add value to the customer and make them feel more appreciated. It would also serve the customer better in case there are sick leaves or when the certain person is busy and unable to serve them immediately. This would also reduce the risk of information received from the customers being filtered and add reliability and general vision.

Furthermore *the company should build monitoring processes to measure elements that are important*. This should be done by firstly figuring out what are the key elements that should be measured at the first place. It is not smart to have tens of measuring systems that are not used comprehensively but rather to have few clearly thought out elements that are monitored actively and consistently and the results are used to develop the overall performance. Monitoring processes should go hand in hand with periodic evaluation to see the possible changes and act if conflicts occur. When the monitoring process with those few elements are under control the company can widen the assortment if it is needed. This case study showed that there would have been

desperate need to monitor the delivery accuracy in a more holistic way. The company did measure delivery accuracy but it lacked the ability to find the root causes and to make a change in the situation. This process was therefore done only partly. There was no clear process of how to do it and by whom. It lacked concrete actions.

Customer satisfaction monitoring was even in a worst situation as it wasn't measured at all. There had been some measurements done previously but not in a recent history. This process would perhaps help the company to identify possible problems and react to them before the customer relationships are lost or permanently damaged.

Finally, one of the biggest influential on the success of a restructuring of enterprises process is the law as all of the ground rules and regulations comes from the law. *In the light of this research it seems that the survival of the company would be enhanced if the process would be smoother and quicker* in terms of getting the financial figures to a better shape. This is something that the company itself can't influence when it comes to the process itself. The restructuring process is built in a way that it takes a lot of time and a lot of steps before the company will be in the verifying stage mentioned in the law 77.2 § and their debts are cut off according to the restructuring programme and only after that will the financial figures start to appear more normal. Usually this also means that the next financial statement *after* the programme has been verified and the debts are cut off shows the financial figures in a better light. This may mean close to two years of time from the beginning of the restructuring of enterprises process; close to one year for the process itself and another year for the yearly financial statement to appear in the official channels that customers use when making the crediting decisions. This is too long for a company that is struggling to survive. Hopefully this process will be renewed sometime in the history and this matter is taken into consideration as the process could be expedited by focusing on raising the level and requirements of the applications and perhaps having only few District Courts that are specialized on handling these matters.

### 5.3 Assessment of the results in the light of literature

On the basis of current literature reviewed in chapter 2.3 it can be concluded that customers value delivery accuracy in a very high place. A study had been made within the case company in the year of 2008 and based on that 98% of the customers said that delivery accuracy was very important or important. The case company had severe problems related to delivery accuracy based on current research and that even influenced its customer relationships. (Case company study 2008, table 1.)

Chapter 2.3 covered the crucial elements of customer relationships. Customer relationships are based on trust, communication and commitment. Even if these have been established the situation can change quickly and companies should have a proper monitoring system to evaluate periodically the status of the customer relationships and possible changes to prevent failure. Building trust is not an easy task. It takes time and it requires also success in delivering the services, products, information and money exchange. (Richard 2007, 427.) In the light of the literature it can be concluded that in companies where the general level of trust is low individuals are more affected by internal problems (Vaughan-Smith 2013, 3-4). Similar results were gained from the results as the case company did report more problems than what actually was shown to the customers. Customers valued openness, trust, delivery accuracy and understanding their needs where as the case company saw targeting their know-how into right markets as essential alongside with openness and trust. All of these elements were covered in the literature.

In order for customer relationship management to work properly there needs to be a union of different people in the company and different systems (Miri-Nargesi 2011, 409). A clear contradiction can be seen in the results gained from the case company research in relation to literature covered in chapter 2.2; such unity didn't exist in the case company.

Literature in chapter 2.2 suggest that customer relationship management has no one generally approved definition as it can be seen as a process, systems, technologies or combinations of these all (Oksanen 2010, 22). Furthermore customer relationship management is vital when obtaining new customers and maintaining existing

customer relationships. This has immediate relation into the success of a company. Customer relationship management technology can be used as a support tool to create value for both parties and to help in customer knowledge management, data collection, information analysis and knowledge retrieval. It can also help the firms to understand customers business and help in communication. (Parvatiyar 2001, 5, 18.) Moreover the empirical research suggests that especially customer relationship management systems and processes didn't exist in the company at all and the relationships were based on singular persons too much. Due to this the company didn't have any ground information about the customers or any meetings held with the customers. As the literature suggest (Oksanen 2010, 11) in order to customer relationship management to work properly there needs to be union within marketing personnel, sales personnel, customer services personnel, supply chain and technologies. This finding is in contradiction with the information gained from the research because the case company didn't have any of these; they lacked the processes, concepts, approaches, information systems and business strategies. One can only guess how much this affected the end result: bankruptcy.

Customer relationships are personal according to research results gained from this research. Personal relationships count a lot and communication is often done between two persons and it is quite intimate and personal. It is not common to ask for written feedback or hold any particular feedback conversations – this is more often handled in daily to daily interactions and situations. This has positive and negative correlations; on the other hand the relationships can be very open and close and customer needs are recognised well but on the other hand the relationships easily become “one man's show” and the customer relationship is too much focused on one or two persons. This causes a major threat to the company if that person leaves the company. The results indicated that the case company was worried about the personnel changes they had during years of 2013 – 2015 and were concerned that this would have impacts on the customer relationships but according to the customers this wasn't seen as a problem. This gives out the impression that customer relationships are personal but the person itself is not what matters but the quality is what counts. Based on literature in chapter 2.3.1 customer relationships that are based on singular persons are a risk and that may cause the entire relationship to end if the particular person leaves the company (Herranen 2011, 112-113). In milder cases the information gained from the customers

might be filtered. The results are in line with the literature; in this case the customer relationships didn't end entirely but they were affected by this in many ways.

Companies usually segment their customers in some way but a company can do unsegmented sales, if the products don't vary that much. Segmenting is done mostly to form a ground for marketing efforts but it also helps to plan and execute actions (Rangan, Moriarty & Swartz 1992, 72.) One way to segment customers is to use the length of the relationship as a defining matter. Also Boston Consultancy Group's Matrix could be used. Customer relationships could also be segmented based on the field of business, as was done in the case company prior the restructuring of enterprises process. Indications related to this were gotten from the interviews. This segmenting seemed to have forgotten or lost when there were personnel changes. It is not relevant to segment customers just because you need to segment them; there also needs to be a reason *why are they being segmented*. Actions must follow the segmenting process. Segmenting would have helped the case company to manage its customer relationships and based on the results gained from the research the customer relationship management was poor. Literature seems to be in line with the results.

Customer relationships are delicate matters and they undergo several different stages as presented in chapter 2.3.2. Different stages have different characteristics but one common matter is that the relationships can end at any stage. There are several different stages where break downs can occur but usually companies fail in the customer relationships because the customer is not at the core of attention and the lifecycle of customer relationship is not being noticed or handled right (Hellman et al. 2005, 42.) Link between literature and results can be seen as it is clear that there were breakdowns in communication and the financial situation surpassed all other. The customer relationships were not in a core of attention anymore.

Loyal customers are vital to all companies because all of their cash flow originates from the customers wallet. It is important to realize that loyalty needs to be earned every single day and the customer has very little money or emotions invested in the company and they can quite easily switch to another company. Even satisfied customers may not be loyal ones. Loyalty is extremely hard concept to grasp, because sometimes customers may feel that they are loyal but that doesn't reflect into their behaviour (Reiccheld 1995, 13.) The case company in fact suffered from uncertainty

which lead to loss of trust. Customers did *feel* loyalty towards the case company but in some extent their behaviour was in contradiction with their feelings and thoughts. This sort of contradiction was seen in this research as all of the customers thought that they were loyal to the case company but in fact two out of three customers were already making other plans to replace the case company. One customer even implemented the plan at some extension. This finding is in line with the literature as it suggests that it is not uncommon to have such as mismatch. It simply shows that the issue is more complex.

Customer relationships were strengthened in the case company via good cooperation which is in line with the literature. Mutual cooperation creates more value to both parties and helps to create even new competences. It also helps to keep the customers involved in the business and to stay as customers. (Ojasalo & Ojasalo 2010, 126.)

Companies going through restructuring of enterprises often face the need to downsize and that was the case in this research too. Downsizing may cause uncertainty and that can be seen from this research as well. Customer 2 did report that they were worried about the key persons leaving the company and valuable information being lost in the process. That accumulated in this case due to bad customer relationship management and lack of proper information technology systems. Studies about changing the top management when a company is facing restructuring of enterprises are in contradiction; some studies show that it had positive influences whereas others show that it had negative influences (Laakso, Laitinen & Vento 2010, 185). Managerial choices have an influence on the customer relationship without a doubt and that was seen in this research also as customer 2 did report problems with the new CEO. The most important thing to consider when and if choosing a new management in the company would be to consider whether they possess the ability to lead a big change, create development plans and strict processes to maintain and build customer relationships. It is amazing that in this case the lack of processes didn't show to the customer more; they might have.

Radical changes in a company often lead to uncertainty and this may result the customer to doubt for the long-term viability of the supplier company and the relationship itself. Downsizing is one of these radical changes but the effect it has on customers hasn't been studied much in the literature. Doubt often results into



behaviour, such as decrease in the purchase amounts. This sort of behaviour will definitely hurt the company and risk the success and stability of company as presented in the chapter 2.4.2 (Homburg, Klarmann & Staritz 2012, 112.) Uncertainty and its end results were one of the biggest results gained from this research and it is in line with the literature.

Economic depressions throughout the time have had its marks on legislation and the changes made in the legislation in 1993 have made the survival of the companies easier. This is important because companies are almost always more valuable though restructuring of enterprises (when they stay in business) as opposite to liquidating through bankruptcy. To fulfil this need a restructuring of enterprises Act was legislated. The core idea was to give an alternative to companies which are not permanently viable but rather facing temporary difficulties and could be turned around by fixing their problems. (Laakso, Laitinen & Vento 2010, 147.) When looking at the reasons why companies have drifted into difficulties that lead to restructuring of enterprises there are usually two or more reasons that together have lead to the procedure. Reasons vary from company to company but some of these are: long term spiral, management and changes in the finance- or product markets (Laakso, Laitinen & Vento 2010, 206-207.) This result clearly indicated that in this case the main reasons were unprofitability problems and bad investments. As stated in the Statistic of Finland; in the 2015 the yearly number of companies that have filed for restructuring of enterprises was 494 companies, so this is not a small matter. The success rate of the procedure is about 50 %, so there is a need to better understand how this procedure influences the customer relationship. Without a doubt, it has severe meaning on the success of the procedure. (Suomen tilastokeskus: Yrityssaneeraukset, 2016a.)

Correlation between the success of a restructuring of enterprises and customer relationships hasn't been studied but it can be assumed that there's some linkage between these two. Studies about the affects of restructuring of enterprises on customer relationships hasn't been studied either. Because restructuring of enterprises focuses on changing the direction of the company from bad to good, there are without doubt major changes ahead and some of these changes must have some affect on the customers.

#### 5.4 Limitations of the research

Due to the fact that this case study consisted only on one single company it must be acknowledged that the results can't be highly generalized in every case. If this study was conducted in some other company the results could vary. Special attention must be placed also in the field of business this case company is. Results in any other business field might not be the same due to the nature of the business. However it must be acknowledged that the interviewees have a broad experience and knowledge in this specific industry. It can be assumed that the results are partly generalized when dealing with business-to-business companies that produce products from customer orders and don't have any products of their own. Results may also partly apply to service industries but are better suited for manufacturing industries. In the light of the results it is impossible to say if the results would apply to business-to-customers transactions. This research focused only on joint-stock companies point of view, as the case company in question is a joint-stock company. Legislation and procedure varies depending on the form of the company and so could the results too, if this study was made about any other business format. The depth of the research can be criticised; the research would have offered deeper insights if more companies would have been involved. Nevertheless, the main influences and challenges related to customer relationships in companies going through restructuring of enterprises are discovered. Furthermore, the significance of the findings is considerable because there isn't any research available – at least in Finland – that would deal with restructuring of enterprises and the affects it has on business to business customer relationships.

When it comes to interviews done in the case company, attention must be placed on the fact that employment relationships of all the persons that were interviewed, except one, did not last the entire time period that was under the research. This fact plays a significant role on the general view. In the case company there were three CEO's within the timeline and one manager left the company in the middle of the research. It was impossible to get interviews from persons who would have had a clear picture of the entire timeline. Interviews were not recorded which may raise a question of reliability. However, all of the interviews were written down from word to word during the actual interview process to minimize the possibility of making own

interpretations or simply having to rely on memory. It must be acknowledged also that the persons who were interviewed might not have told the entire truth or they had already forgotten some of the details. Individual opinions are always individual opinions and they might be distorted.

When evaluating the reliability and validity of this research special attention must be placed on the interviewer. Because the interviewer was working for the company in question, there is the possibility of making own interprets from the data and interviews. Data collected from the interviews could also be biased. The interviewer also has no extensive experience for making interviews so there is room for improvement. The ability to ask good questions and get the interviewees to reveal their most inner thoughts about the subjects didn't come naturally. The interviewer had to train for the interviews. Due to circumstances two of the interviews had to be conducted via email which was not the best way to gather data; one of the interviewees gave out very little information that benefitted the study and another had very strong personal views that felt a little bit biased and distorted. It wasn't also possible to ask for more details about something that was reported in the email answers. The interview process also gave out knowledge on the restructuring of enterprises process that was partly not valid for this research.

When it comes to limitations in this study it must be acknowledged that there aren't that many books or articles written about the restructuring of enterprises in Finland and due to this a lot of importance had to be placed on singular sources. Special carefulness had to be used when using global sources because as described earlier in this study the restructuring of enterprises is a legal process and it may vary from country to country. It would have been impossible to find out about legal content of the process in each of the countries in this study. This fact resulted in having only few sources of information in the literature review chapter 2.5 to 2.6.5. On the other hand, the sources that were used can be seen as reliable.

Researches about restructuring of enterprises in Finland were hard to find so comparing information gained from this research into previous ones was almost impossible and due to that references to other studies was short. Only one research was found that was done in Finland (Laakso, Laitinen & Vento 2002) Several thesis or master's studies were found that have been done in Finland such as (Suhonen A 2015;

Lipsanen L 2012; Kärkkäinen J 1994; Salmenautio A & Toikkanen J 2003; Mähönen R 1997 and Lintunen O 2014) and none of these researches were about customer's point of view. As a result of this there wasn't that much ground information available that could be used to benefit this study or data that could be compared. In that sense this research is unique. Criticism might be placed on why such a difficult theme was chosen to be studied as there were limitations to finding comparative researches and theoretical background. However, the topic is extremely relevant in Finland as the number of companies that apply for restructuring of enterprises has increased after the year of 2008. Furthermore, the ability to keep the existing customers and acquiring new ones ensures the companies a better possibility to survive from the restructuring of enterprises process.

The approach selected – conducting a case study – benefitted the study by gaining broad overall picture of the research topic. Such a broad picture would not have been gained in any other way. The research utilized all relevant sources of information that were possible at the moment. Afterwards thinking, the research might have benefitted from making interviews also to the board of directors or by expanding the customer interviews more widely. Those elements might have provided even deeper insights. Luckily the memos from the board of directors meetings were available and they were used to compensate the lack of actual interviews.

The relevance of the literature utilized in the research can be questioned. Customer relationships can be viewed from several angles and because it is such a wide concept the line had to be drawn somewhere. It is possible that some essential parts were left out due to the research being highly focused on relationships in special situation; such as restructuring of enterprises. However, the fact that same issues rose from the empirical study that was covered in the literature gives confidence that the literature is valid.

## 5.5 Recommendations for future research

Because restructuring of enterprises hasn't been yet widely studied in Finland, the topic could be studied from several possible angles in the future. One interesting angle

would be to study the positive effects of restructuring of enterprises on the companies as no studies have been done about that in Finland. All of the persons who were interviewed from the case company mentioned that there wasn't anything positive about the process and only one customer saw one positive detail in the entire process. This raises a question about how this process is seen in other companies. How about the companies who have survived from this process; do they see anything positive in it? Are there only positive effects if the company survives from the restructuring of enterprises or can there be positive effects even before that? Can the process be seen as an opportunity to develop the business further?

It would also be interesting to study whether the financial stability and the affect it has on the restructuring process and weather there's any correlation between these two. Restructuring of enterprises and finances related to it has been studied but not directly from this perspective. There would be some comparative information available or at least some previous studies that could be used to benefit future research.

References were made throughout this study that an economical situation has influences on the number of restructuring of enterprises, and now there would be two interesting time periods in Finland this could be studied from; 1993 depression and the depression that started in 2008. This perspective offers several different angles this could be studied from; were there any differences between these two depressions and the success of the companies in restructuring of enterprises and also what has been the biggest difference between these two.

Studies about comparing the success between different countries would also add some additional information in this topic but that would require knowledge on the legislation in each country studied. To make this sort of comparative research two similar countries would need to be found related to legislation because it creates the frames for the entire process.

This research focused on manufacturing industry in a very specific business area; mechanical engineering workshop. This leaves out room for making future studies in different industries. One are that could be studied would be service business since it is very different from manufacturing industry. Comparative researches are also possible.

Finally, as this research was about the influences restructuring of enterprises has on business-to-business customer relationships that leaves out room for making similar studies about customer relationships in business-to-customer point of view. How do individual consumers act when they are faced with companies that are going through restructuring of enterprises process? Does it influence them and their behaviour as a customer and if so, in what way? It would be interesting to find out if the results would be similar and does uncertainty play such a big role in it too.

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## APPENDICES

### Appendix 1. Discussion guide for interview within the case company

#### *Customer Relationship Management*

- How was customer relationships maintained and by whom? Was there a clear CRM process in the company?
- How well were you aware of the customer needs?

#### *Building up the customer relationship*

- In your opinion, what is the most important thing when building up customer relationships?
- Was there a loyal long-term customer base existing in the company?

#### *Lifecycle of the customer relationship*

- Was there any division of the customers into different categories? For example due to the time they have been customers or any other factor?
- Was the company able to get new customers after the restructuring of enterprises?
- Was the customer relationships strengthened in any way?
- Were there any disagreements within the company about which customers should have been acquired and/or more effort put on?

#### *Customer loyalty*

- How customer loyalty was measured or was it?
- Was the case company able to keep all of its customers?
- Were there any changes in the customer behaviour to be seen after the restructuring of enterprises? For example decrease in purchases etc?
- Was it easy to predict the future when it comes to customer behaviour? For example future purchases etc.

*Problems and challenges in the customer relationships*

- Were there any problems, challenges or conflicts in the customer relationships or in the management of them?
- If so, how were these situations handled? Were they solved?

*Communication*

- How was communication with the customers handled?
- Who participated in the process? Was there a team involved in each customer or more of an individual person handling the communication?
- Was feedback gathered in any way?
- Were there any break downs within the company; for example in different parts of order-delivery-chain?

*Organizational changes*

- Were there a lot of changes from the customer's point of view? For example did the contact persons change a lot? If so, how did the customers react to these?

*Restructuring of enterprises*

- What was the biggest reason why this procedure was needed?
- What was the plan to turn around the business? What were the key elements?
- Did the restructuring process make it more difficult to acquire new customers? How about keeping the existing ones?
- In your opinion, what was the company's biggest problem after 10.1.2013?
- Can you see any positive effects due to restructuring of enterprises?
- Does anything else come into your mind about customer relationships that I should know about (after the restructuring of enterprises started from)?
- Which customers do you think I should interview? Could you please give me the name of the company and contact person within the company?

## **Appendix 2. Discussion guide for interview with the case company's' customers**

### *Customer relationship management /CRM*

- How was customer relationships maintained and by whom?
- How good was your relationship with the case companys' CEO's and Managers?
- How well was the case company aware of your needs as a customer?
- How satisfied were you when it comes to the case company as a supplier and the co-operation between the two of you?

### *Building up the customer relationship*

- In your opinion, what is most important about building up the customer relationships? In other words; what do you look for in a supplier?
- How much did you trust the case company as a supplier?

### *Lifecycle of the customer relationship*

- Did the case company do anything to strengthen up the relationship between the two of you?

### *Customer loyalty*

- Did you feel loyalty and commitment towards the case company?
- When looking at the statistics from the case company it looks like the number of orders was decreasing slowly. What was the reason for this?
- In your opinion, did your purchase behaviour change in any way after January 2013?

### *Problems and challenges of the customer relationship*

- Were there any noticeable problems, challenges or conflicts when it comes to customer care or the relationship itself?
- If so, how did the case company react to these? Were they able to sort them about?
- Was the case company able to fulfill the crucial elements such as quality, delivery accuracy and prices?
- From your point of view, did the production work properly?

### *Communication*

- How communication between you and the case company was mainly handled and was it enough?
- Were you ever asked to give any feedback and if so, did it lead to any actions?
- Were there any break-downs in communication? For example in order-delivery chain or would you have liked to achieve more information at some point?

### *Organizational changes and customer uncertainty*

- Were there many changes in the case company from your point of view? For example changes in the contact persons. If there were, how did you react to them?
- Were the changes positive or negative?

### *Restructuring of enterprises*

- What was the biggest problem from customer's point of view when it comes to the case company after January 2013?
- What kind of impression did you get about the success of the case company in the actual restructuring process? Were they able to turn around the business after January 2013? Where did these impressions come from?
- When looking back at this; do you see any positive outcomes from the restructuring?
- Does anything else come into your mind that I should be aware of when it comes to customer relationships between the time periods from restructuring of enterprises into bankruptcy? Feel free to share anything.

**Appendix 3. Restructuring of enterprises process.** (Modified from Pinomaa 2009, 15 and Ojajärvi & Vainio 2002, 236.)

