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# Strategy update in a design and consulting company

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<p>The target company of the present thesis is a small engineering company specialising in electrical design. The company's current development stage and changes in its operating environment call for a strategy up-date.</p> <p>The objective of this study was to formulate key conclusions based on an analysis of the company's current strategy and its operating environment which will later act as an input to the company's strategy process. The strategy process itself is left outside the scope of this study.</p> <p>The research process started looking at tools from the literature to form a conceptual framework. These frameworks were needed for conceptualising the current strategy and to analyse the strategic operating environment.</p> <p>The current state analysis was made using these conceptual frameworks. Based on a current state analysis, conclusions were formulated for an operating environment analysis as key input to the target company's strategy formulation. The analysis covered the perspectives of the company's vision statement, competitive strategy, growth strategy, a competitor analysis, customer analysis and core competence analysis</p> <p>The company's shareholders and board of directors were involved in the process by asking them to provide feedback on the conclusions of this study. The outcome of this research are key conclusions that will guide the company's strategy process in the future.</p>	
Keywords	strategy, current state analysis, competitor analysis, customer analysis, core competence analysis, vision statement, competitive strategy, growth strategy

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## **1 Introduction**

### **1.1 Company context**

The case company is a small engineering company specialising in electrical design. The company offers design and consulting services to public and private sector developers.

The company was established in 1986 and is owned by key personnel working in the company. The company has evolved over the years from five founder members to a company of 26 employees. The company's turnover is over 2 million euros.

The design targets range from small repair works to new buildings and major nationally valuable renovation projects, and require special expertise and knowledge of the consulting activities related to electricity and lighting design.

In addition to electrical systems, the company also designs telecommunications, security, audio visual and lighting systems for buildings. The design projects include office, business, residential and industrial buildings, schools, hospitals and other public buildings.

During 2008-2016, the company underwent a generational change and change of ownership. The company's founding members and many older employees retired. At the same time, new leaders arose from amongst the staff and new employees have been recruited. This generational change has been completed and the next need is to focus on the following goals.

### **1.2 Business challenge and objective of thesis**

The business challenge is that the company's current development stage and changes in its operating environment call for a strategy up-date.

Accordingly, the objective of this study is to formulate key conclusions based on an analysis of the company's current strategy and its operating environment which will act as an input to the company's strategy process.

The output of the study will be a set of key conclusions that will guide the company's strategy process.

### 1.3 Outline of the thesis report

The output of the study will be a set of key conclusions that will guide company's strategy process. The strategy process itself falls outside the scope of this study.

## 2 Research approach

### 2.1 Research process

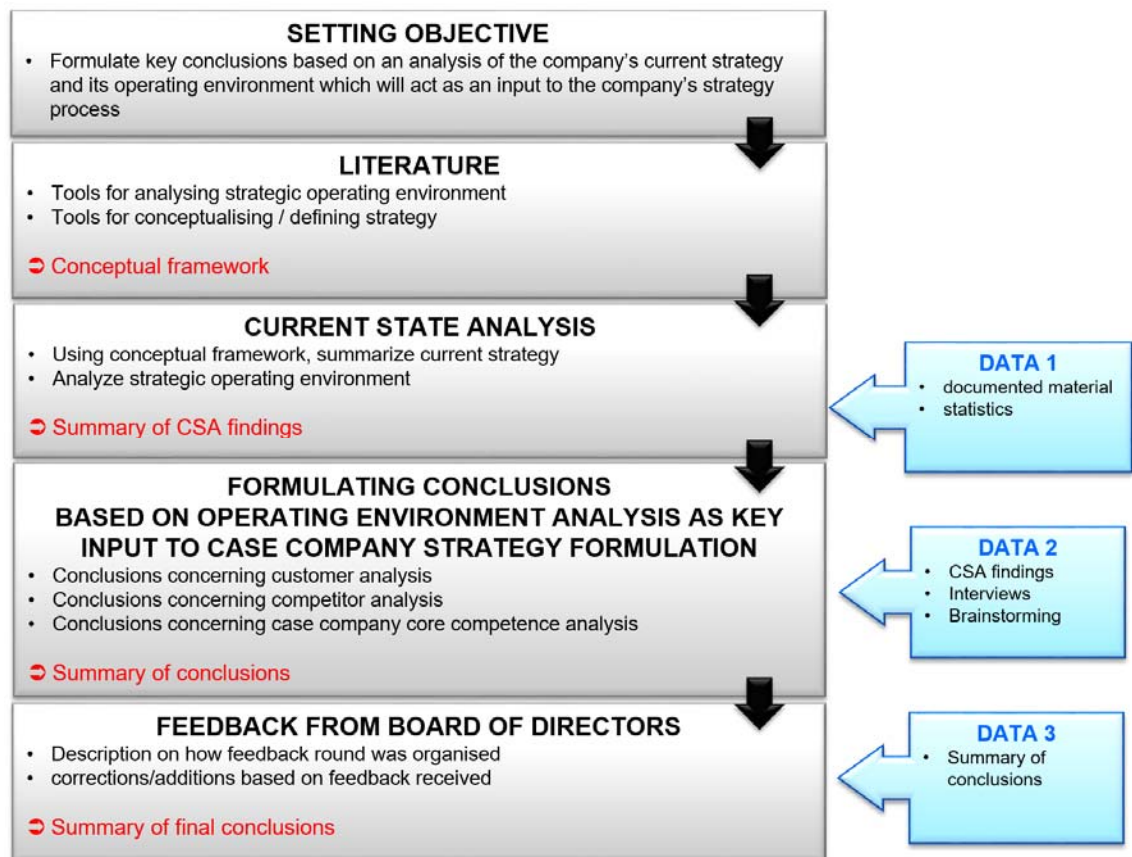


Figure 1. A block diagram of the research process.

The study process proceeded according to Figure 1.

The first phase was to set the objectives, which in this case was to formulate key conclusions based on an analysis of the company's current strategy and its operating environment, which would act as an input to the company's strategy process.

In the second phase, the literature was studied to obtain tools for analysing the strategic environment and for defining new strategy. These tools were used together to form a conceptual framework.

In the third phase, the conceptual framework was used to perform a current state analysis of the company to examine the strategic operating environment and to summarise the current strategy. The current strategy was compared to changes in the operating environment and potential needs to upgrade the strategy were identified.

In the fourth phase, once the results of current state analysis had been clarified, the next task was to formulate conclusions based on the operating environment analysis as a key input to strategy formulation. Conclusions were formulated through discussions with the company shareholders. As a result of the discussions, arise conclusions concerning the customer analysis, competitor analysis and core competence analysis were formulated. These perspectives together form a summary of conclusions for strategy formulation.

In the fifth stage, a summary of the conclusions was submitted to the company's board of directors for comment. From the comments received the final version of the conclusions was formulated.

## 2.2 Data collection plan

	CONTENT	SOURCE	INFORMANT	OUTCOME
<b>DATA 1</b> CURRENT STATE ANALYSIS	Summary of current strategy Analysis of strategic operational environment - Competitor analysis - Customer analysis - Core Competences of corporation	- Quality system / Intranet documents - Statistics - customer satisfaction survey	- Managing director	- Summary of current strategy - Summary of strategic operational environment
<b>DATA 2</b> FORMULATING CONCLUSIONS BASED ON OPERATING ENVIRONMENT ANALYSIS	- Conclusions concerning customer analysis - Conclusions concerning competitor analysis - Conclusions concerning case company core competence analysis	- Summary of Current strategy - Summary of strategic operational environment - Shareholders interviews - Brainstorming	- Managing director - Shareholders	- Summary of conclusions
<b>DATA 3</b> FEEDBACK ON SUMMARY OF CONCLUSIONS FROM BOARD OF DIRECTORS	- Description on how feedback round was organized	- Feedback received	- Board of directors	- Final summary of conclusions

Figure 2. A block diagram of the research process.

The study process proceeded according to Figure 2.

The first set of data was collected on current state analysis phase. The data included information about the current strategy, competitors, customers and the core of the company's capabilities.

Information was collected from existing documents, statistics, studies and from the company's board of directors, and shareholders. As a result of the current state analysis phase, a summary was generated of the current strategy and the strategic operating environment.

The second data set contained the findings from the summary of current state analysis phase.

The data covered a summary of the current strategy, a summary of the operating environment and a comparison between identified changes in the operating environment. The information was collected from the company's shareholders and the topics were discussed in groups. As a result, this phase generated a summary of the conclusions.



The third data set included feedback from the board of directors and a description of how the feedback round was organized. The feedback received from the board of directors was processed and as a result the final conclusions were drawn, including objectives and options which could be used as the basis for the formation of a new strategy.

### 3 Best practices for analysing the company operating environment and conceptualizing strategy

#### 3.1 Tools for analysing the strategic operating environment

##### 3.1.1 Competitor analysis

One important element of the strategic environmental analysis is to understand what competitors are doing and what can they can be expected to do in the future.

A competitor analysis aims to select the most significant competitors against which it is intended to compete and to systematically determine what kinds of changes their activities may generate in the company's strategic environment.

To perform a competitor analysis the selected tool was : Michael E Porter's a Framework for Competitor Analysis, -which is shown on Figure 3.

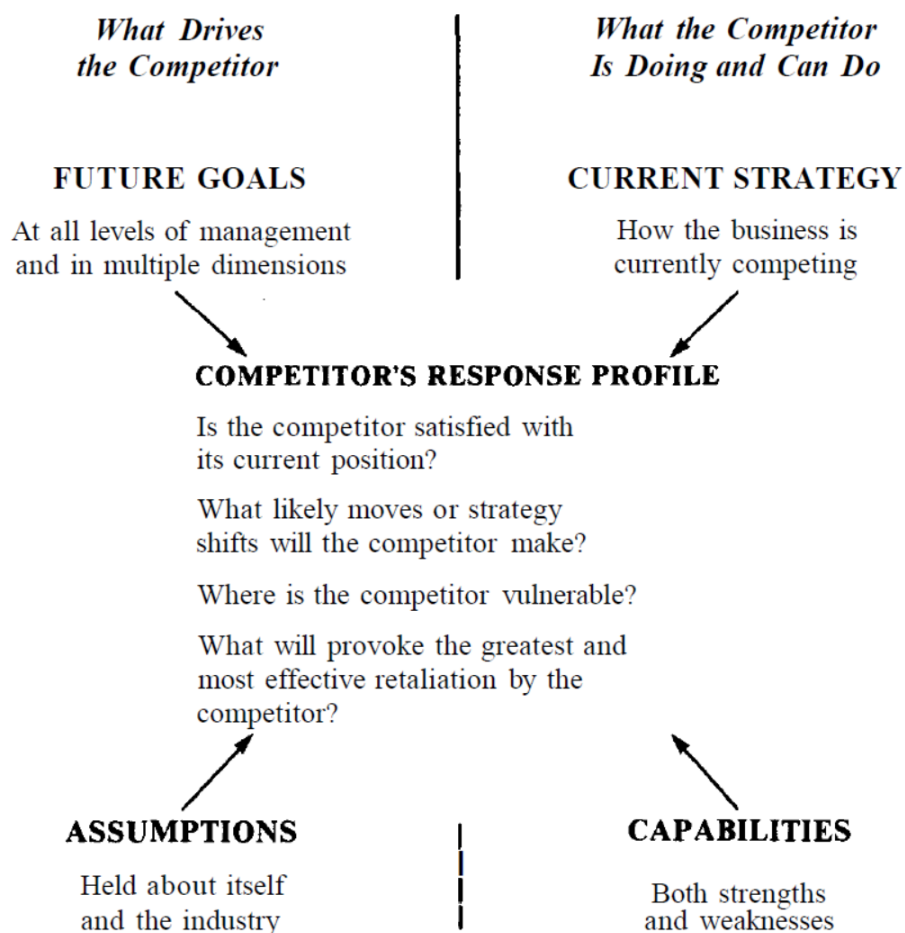


Figure 3. A Framework for Competitor Analysis (Porter M. E. 1980, p48)

The Framework is divided into four sections which are the future goals, current strategy, Assumptions and capabilities.

The future goals consist of an analysis of the competitor's target, which may be economic, market share or growth-related. If the competitor's goals are known, the company may be able to better respond changes in its own strategic environment.

The current strategy includes a review of the competitor's current existing strategy.

The assumptions part of the analysis includes a review of the way competitor sees itself and other competing companies in the market.

The capabilities part of the analysis includes a review of the competitor's strengths and weaknesses.

Once observations have been made in each of these four sections the competitor's response profile can be formed. This profile seeks to predict how a competitor may try to compete in the future.

### 3.1.2 Customer analysis

A customer analysis brings out what customers want and what is considered by the customer to be important. The results of this analysis can bring out strengths and weaknesses which supports strategic planning.

The customer analysis carried out in this thesis is based on the Customer Survey 2015 (The Finnish Association of Consulting Firms SKOL) for engineering and consulting companies. (Innolink Research Oy, The Member Company Customer Survey 2015)

A tool called a Gap analysis was used in the Customer Survey 2015 (see Figure 4.) The origin of the Gap analysis comes from the Journal of Retailing, 1988, 64 where Parasuraman, A, Zeithaml, V.A. and Berry, L.L., introduced SERVQUAL: A multi-item scale for measuring consumer perceptions of service quality.



Figure 4. Gap analysis used in customer survey. (Innolink Research Oy, Member Company Customer survey 2015)

The Gap analysis can be used to examine the respondents' satisfaction with the factors affecting them. The gap analysis shows how well an organization has managed to meet the respondent's expectations (Innolink Research Oy, The member company customer survey 2015).

In the gap analysis, the green column describes the significance of each of the estimated factors. If the green bar is long, the factor is important and if the bar is short, the factor does not matter much. The shorter red column, in turn, describes the difference between the success rate and the significance value (Innolink Research Oy, The Member Company Customer Survey 2015).

Positive red bars on right side point to factors in which success is estimated to be higher than relevant. These may be over-factors.

Negative bars on left side indicate factors where success is estimated to be weaker than significant. The further left the red column extends, the more critical the factor is. It is important to react to factors of high importance and largely negative instability (Innolink Research Oy, The Member Companies Customer Survey 2015).

### 3.1.3 Core Competence of Corporation

The analysis of the core competence of the corporation aims to promote the company's strengths by learning which strengths give it its competitive advantage.

“A competence is a bundle of skills and technologies rather than a single discrete skill or technology.” (Hamel, Gary; Prahalad, C.K., 1994, p223)

To be considered a core competence a skill must meet three test: Customer value, Competitor differentiation, Extendability. (Hamel, Gary; Prahalad, C.K., 1994, p224)

Customer value is something that will bring real value to the client.

This value may mean, for example, that the customer is willing to pay more for the service than the price level of cheapest service provider.

Competitor differentiation explains that the core competence is in some way unique, and competitors will not find it easy to replicate.

Extendibility means that the company is able to take advantage of certain core competence and to expand it to other services or businesses.

“In attempting to identify its core competencies, a company must continually ask itself if a particular skill makes a significant contribution to the “value perceived by the customer.

Questions to answer include:

What are the value elements in this service?

What is the customer actually paying for?

Why is the customer willing to pay more or less for one service than another?

Which value elements are most important to customers and thus make the biggest contribution to price realization?

Such an analysis ensures that a company focuses its efforts on core competencies that do make a real difference to customers.” (Hamel, Gary; Prahalad, C.K., 1994, 225-226)

Once core competencies are recognized these can be taken advantage of in the strategic environment. For example, this might result in the use of subcontracting in those areas that are not core company business or important areas of knowledge specific to the company. Also, the creation of such core competencies and competitive advantage through this may be an option.

### 3.2 Tools for conceptualizing/defining an up-dated strategy

#### 3.2.1 Vision statement

The purpose of the vision statement is to say what the company intends to achieve and it is primarily intended to provide direction for the company staff.

To form a vision statement James C. Collins' Vision Framework, which is shown in Figure 5, was selected.



Figure 5. The Vision Framework (Collins 1994, p246)

The Vision Framework (Collins 1994, p246) includes a permanent section which consists of the company's core ideology and a changing section which includes the envisioned future and what might change as the operating environment have changes over time.

The core ideology is divided into core values and core purpose sections.

Core values mean the internal values of the company that it complies with in its operations.

The core purpose refers to the reason why the company exists.

The envisioned future is divided into BHAG (Big Hairy Audacious Goals) and Vivid Descriptions sections.

BHAG usually refers to meaning something significant and large target, which the company aims to achieve is usually 10 to 30-year time span. Vivid Descriptions ex-

plains the milestones and things that must be achieved in order to obtain the larger and more significant BHAG.

### 3.2.2 Competitive strategy

A competitive strategy analysis aims to determine the means by which the competition will be taken on. In Figure 6 presents Michael E Porter's Three Generic Strategies framework where typical choices for competitive strategies are shown. The pursuit of overlapping priorities has a negative impact on other priorities because the cost structures of these are different.

	Lower Cost	Differentiation
Broad Target	<b>1. Cost Leadership</b>	<b>2. Differentiation</b>
Narrow Target	<b>3A. Cost Focus</b>	<b>3B. Differentiation Focus</b>

Figure 6. Three Generic Strategies framework (Porter M. E. 1985, 12)

In order to compete in the market, a company should be familiar with the current situation and look at variables related to the market. The selected parameters will be visualized so that they are easy to communicate and understand.



To perform a competitive strategy analysis Kim, W. Chan's Strategy Canvas Framework was selected, which is shown in Figure 7.

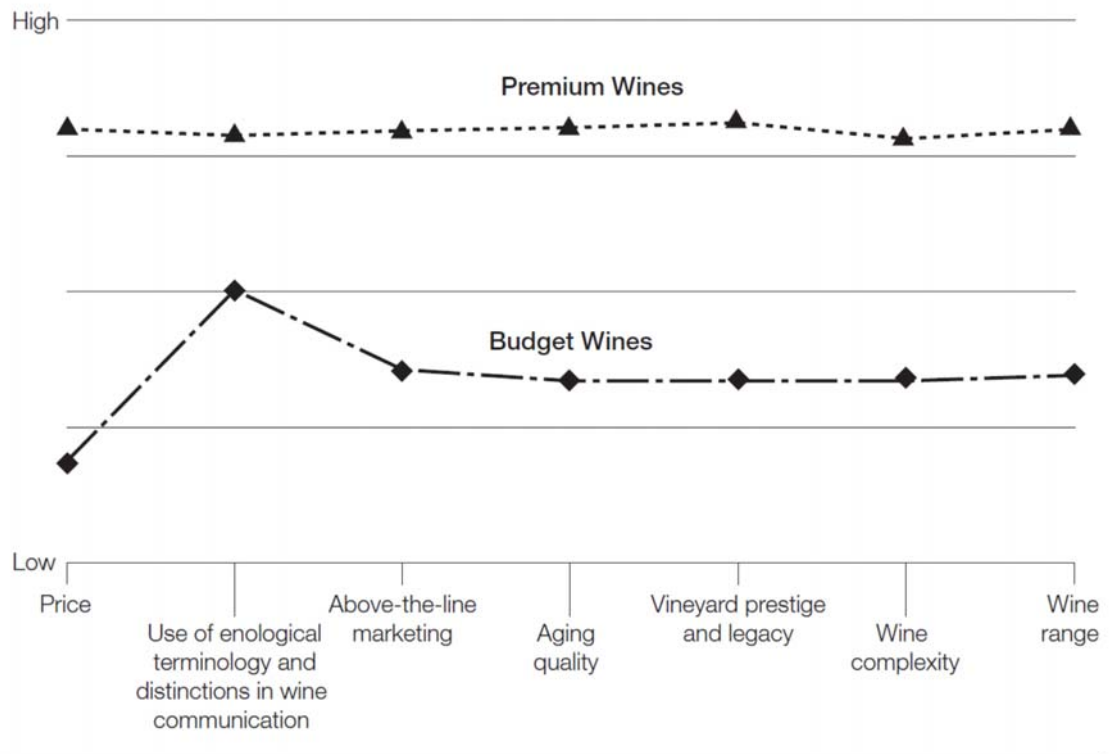


Figure 7. Strategy canvas example: U.S. Wine Industry in the Late 1990s (Kim, W. Chan 2005, 25-28)

The example is used to compare characteristics of the U.S. wine industry for different price ranges of wines.

By selecting significant variables related to your industry this tool can be used for the evaluation of design priorities in the area, as well as for communicating new strategy changes.

### 3.2.3 Growth strategy

A growth strategy is designed to communicate what kind of company objectives there are in terms of growth and what kinds of methods the company may be trying to use to get there.

To form a growth strategy the Three Horizons framework on Figure 8., [Baghai, Coley, White. 2000, 5]) and the Staircase to Growth framework Figure 9., [Baghai, Coley, White. 2000, 71]) were selected.

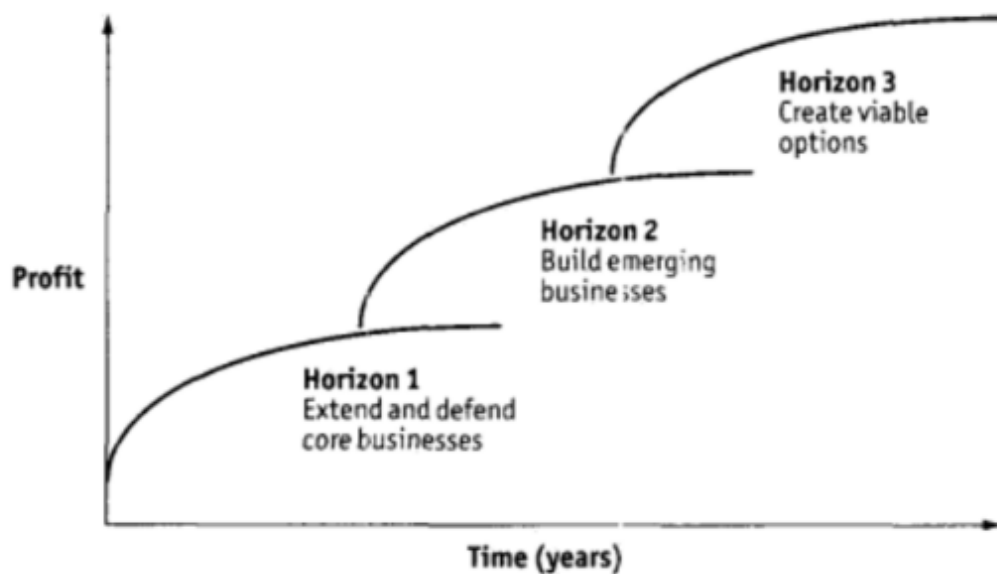


Figure 8. The Three horizons framework (Baghai, Coley, White. 2000, 5)

Three Horizons framework examines business growth opportunities through three different levels. Horizon 1 examines the existing business and core business. Horizon 2 examines the business opportunities that could be linked to current activities. Horizon 3 examines riskier and less certain growth prospects.

The Three Horizons framework examines activities at the macro level and allows different scenarios. The next tool, the Staircases to Growth framework goes deeper into the steps of how growth can be achieved in different areas.

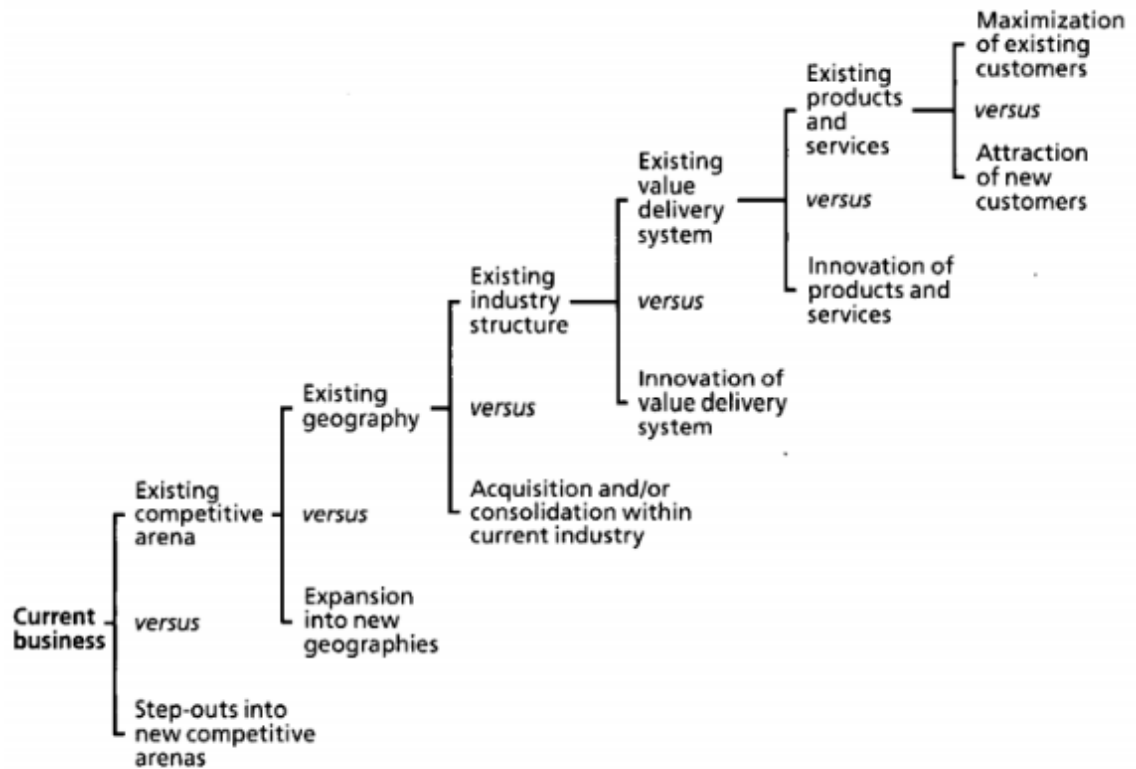


Figure 9. Staircases to Growth framework (Baghai, Coley, White. 2000, 71)

The Staircases to Growth framework is divided into the following areas, which are examined for growth opportunities.

- Maximizing existing customers to sell more on the existing market.
- Attracting new customers to sell current services to new customers
- Innovation of products and services which might open new market opportunities.
- Innovation of the value-delivery system which might speed up processes and lower costs.
- Improving industry structure through mergers, acquisitions and alliances.
- Geographical expansion to raise the capacity of service and coverage of regions.
- Stepping out into new business arenas for new services.

### 3.3 Conceptual framework

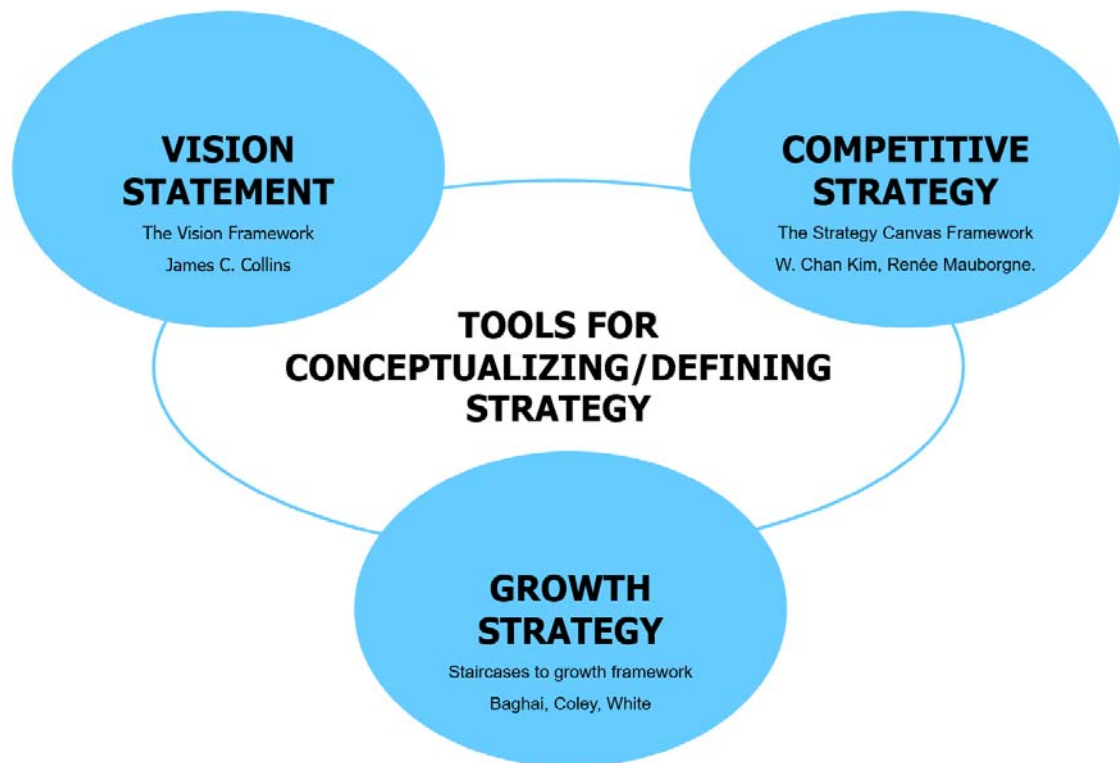


Figure 10. Tools for conceptualizing/defining strategy

The individual tools described in the previous section together form a conceptual framework for conceptualizing and defining strategy.

This conceptual framework is used to conceptualize the current strategy so that it will be more visible and, easier to understand and communicate to the different parties.

When you know the content and priorities of the current strategy it is possible to compare the findings to the requirements of the strategic operating environment at the present time and in the future.

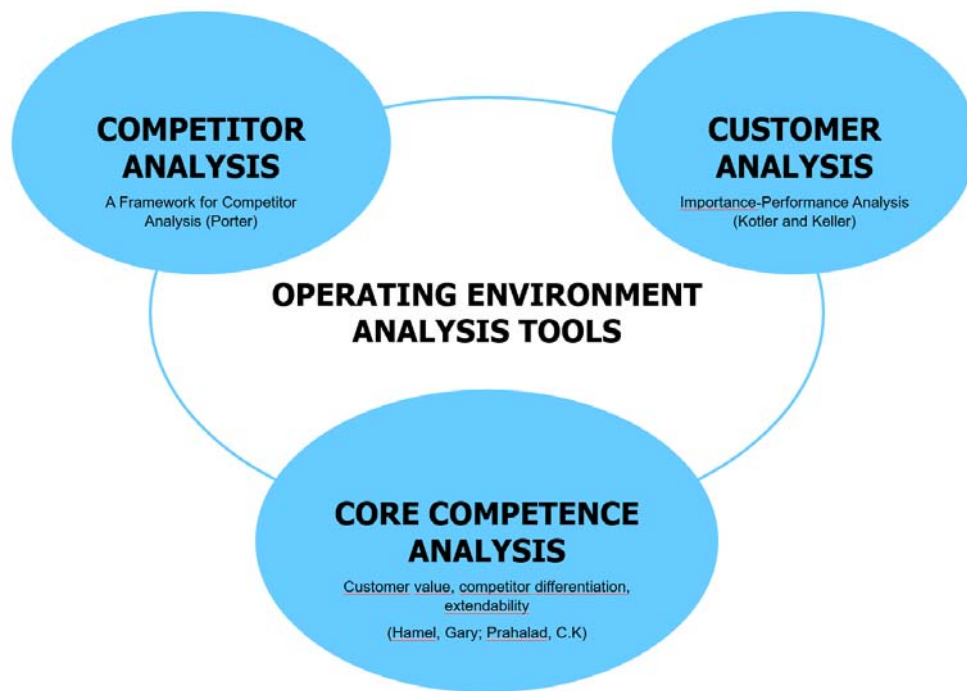


Figure 11. Operating environment analysis tools

The individual tools described in the previous section together form a conceptual framework for analysing the operating environment.

This conceptual framework is used to analyse the current state of the operating environment in terms of what competitors offer, what customers want and what kinds of core competences the company has.

Once this information is collected and made visible, it is possible to compare the needs of the operating environment and equivalence of the current strategy. Based on the data processed it is possible to draw conclusions on the necessary strategic choices.

## 4 Current state analysis

### 4.1 Evaluation of current strategy and conclusions

#### 4.1.1 Vision statement

To perform a current state analysis for a vision statement James C. Collins's Vision Framework was selected.



Figure 12. The Vision Framework (Collins 1994, p246)

#### Core Ideology

Core Values (mean the internal values of the company that it complies with) including:

- customer orientation
- fulfilment of government obligations, respect for the law
- honesty
- continuous improvement
- financial solidity
- sustainable development

(The case company Intranet Quality Manual 2016)

#### Core Purpose (meanings the reason why the company exists.)

The case company was established to produce high quality engineering services for our customers and to provide a modern, constantly evolving work environment for working individuals.

(The case company Intranet Quality Manual 2016)

### Envisioned Future

BHAG (Big Hairy Audacious Goals) refers to a significant and large target which the company typically aims to achieve in a 10 to 30-year time span and may include the following elements.

1. Continuous improvement of customer satisfaction
2. Maintaining the current customer relationships and acquiring new customers a controlled way so that the work can be controlled with current resources and organization structure
3. Continuing professional development
4. Improvement of processes
5. The improvement of company profitability and capital adequacy
6. A personnel structure with experienced employees and also younger employees at different stages of their careers.

The actual targets of the desired future of the company are not recorded in the documentation.

Over the previous years, the company has implemented a generational change and there has been a change of ownership. The company's founding members have retired in the last 7 years.

### Vivid Descriptions

The Vivid Descriptions explain the milestones and the things that must be achieved in order to achieve the bigger and more significant BHAGs.

The achievement of objectives is monitored by the following indicators:

- Customer feedback
- Customer register, tender activity, orders received
- Education and training register, customer feedback, deviations
- The cost of quality and deviations
- Financial monitoring a financial statements
- Personnel registry and the organization chart

#### 4.1.2 Competitive strategy

To perform the current state analysis for a competitive strategy Kim, W. Chan's Strategy Canvas framework was selected.

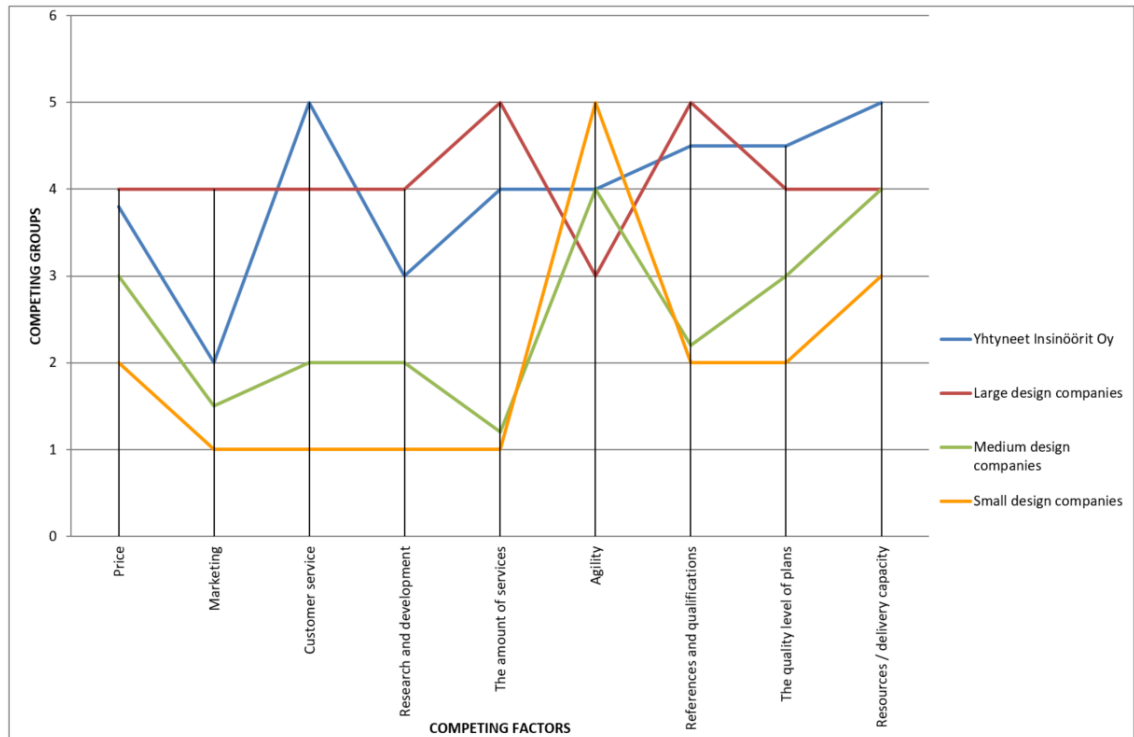


Figure 13. Strategy canvas of design companies in Finland. The strategy canvas tool was used to analyse the position of the case companies in a competitive environment.

After applying the Strategy Canvas it can be noted that the company size largely determined its potential for success and in what kind of environment it is able to operate. The smallest design companies are 1-5 person companies, whose main design objectives related to residential buildings.

Based on the Strategy Canvas medium-sized 5 to 20 persons companies appeared to be better able to provide public and private construction-related projects such as office and commercial buildings.



Companies with more than 20 personnel are able specialize in certain types of specific buildings, such as hospitals, culturally and historically significant renovation projects, in addition to the above-mentioned aspects.

The following properties were selected in the chart for the study.

#### Price

The company's cost structure is determined partly by company size because there is more need for support functions in larger companies. The company aims to maintain healthy price levels. Due to the size of the company, cost levels for support functions increase in the bigger competitors. The principle of pricing is that there must be some value for the expertise each company provides. In principle, the price levels will remain at a competitive level without intense price competition.

#### Marketing

In the company's current situation, marketing is done mainly in customer encounters during project activities and at different customer events. The larger companies are able to implement organizational level advertising, which makes them more widely known to a large public. The aim of marketing is to maintain the existing customer relationships and to establish lasting customer relationships with new selected customer groups.

#### Customer service

Customer service is linked to customer satisfaction. The company is committed to positive and personal customer service. The company's strengths include continuous improvement of customer satisfaction, flexibility and the ability to offer customers with customized to support the services.

#### Research and development

Larger design and consultancy offices are able to do more research and carry out service development, which supports the image of being a pioneer in the field. The company is actively involved in new development projects, and is usually among the first to adopting new solutions.

#### The number of services

The number and quality of services is company-specific. Some of the competing companies will also design other sectors such as HVAC and automation systems.

The company's service is to provide specialized electrical design and the company also carries out electrical measurements and inspection services for the construction industry.

#### Agility

Agility enables flexible customer service and quick adoption of new technologies. In a larger office introducing new things may be slower than a small company where company is able to implement changes quickly.

#### References and qualifications

References and qualifications indicate a company's suitability for planning tasks.

Larger companies can obtain more references in a short period of time which allows them to score better on quality than their competition.

The company is actively accrued the references and designer qualifications, as well as developed various other services to enable a comprehensive service.

#### The quality level of plans

The quality level of plans is an important value for the company. Good quality increases customer satisfaction and the smooth flow of a construction project. The quality level is controlled by reviewing the plans in connection with projects and maintaining personnel competence.

#### Resources and delivery capacity

In project work, keeping schedules is very important. This can be compared to the delivery performance of how customers can be served quickly during projects. The company also has enough staff to carry out large projects.

### 4.1.3 Growth strategy

To perform the current state analysis for a growth strategy Staircases to Growth framework (Baghai, Coley, White. 2000, 71) was selected.

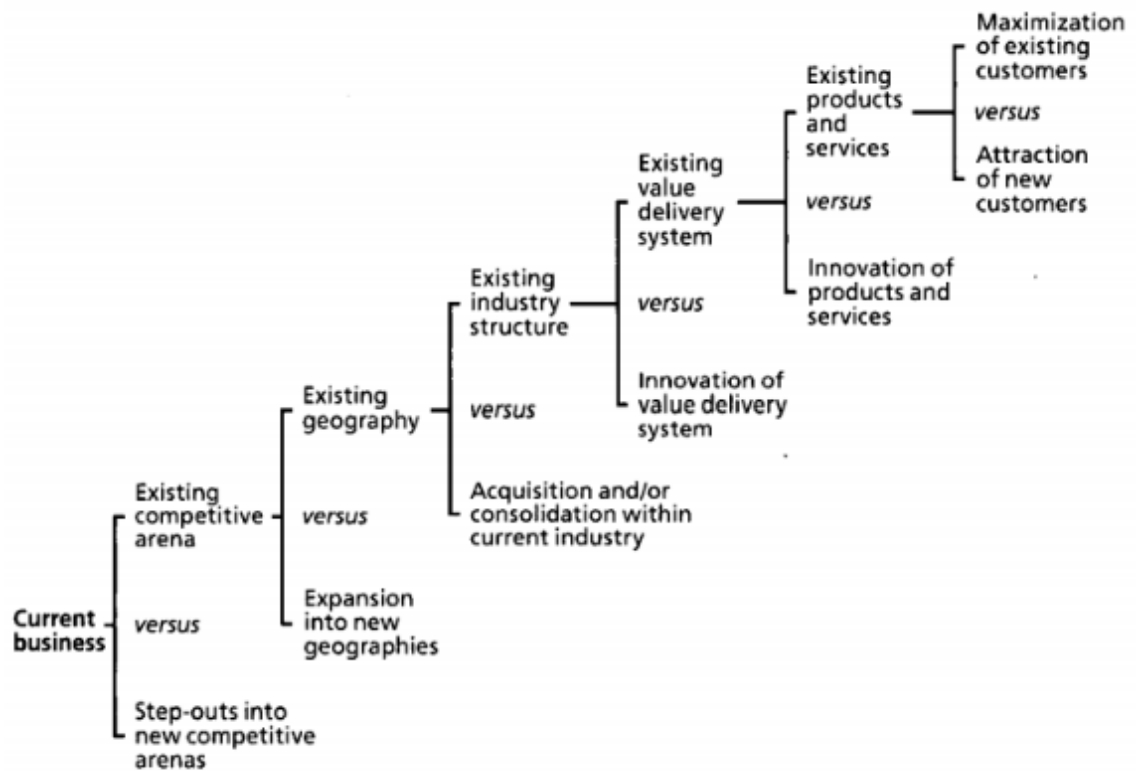


Figure 14. Staircases to Growth framework (Baghai, Coley, White. 2000, 71)

Existing competitive arena vs. stepping out into new competitive arenas

The company competes in electrical engineering tasks in new construction and renovation tasks. Electrical design tasks include electrical, ICT, safety, lighting and audio system engineering tasks. Electrical design can be complemented with additional services, such as taking measurements and carrying out inspections. The existing competitive area is expected to remain unchanged.

#### Existing geography vs. expansion into new geographies

The company operates in the domestic market and mainly in the metropolitan area. In the last decade Russia-oriented assignments have completely stopped, and this business area has no current prospect for new assignments. The existing geography is set to remain unchanged.

#### Existing industry structure vs. acquisition and/or consolidation within the current industry?

Cooperation with various design companies is utilised in appropriate projects. Procurement models based on design groups have become more common in recent times.

#### Existing value delivery system vs. innovation of a value delivery system

The company's driving value proposition is customer, professional skills and schedule. Customers must serve so well that they are ready to order again and recommend the company business partners. In order to keep the service in high quality and professional manner it is needed to have skilled and trained personnel to carry out the services. Keeping schedules set for the project type of activities is very important and company is achieving this objective to respond in all functions.

Existing value delivery system is remained unchanged throughout the company's history.

#### Existing products and services vs. Innovating products and services

The main categories concerning new and renovation construction projects are residential property, hotels and accommodation facilities, educational facilities, medical care, retirement homes, demanding renovations, office buildings, and security design.

#### Maximisation of existing customers vs. attracting new customers

Growth opportunities are monitored in possible changes of the business environment in the future. The company's main focus is the treatment the current customer relations in order to continue operations at the present level, and to improve the profitability of orders.

## 4.2 Competitor analysis

To perform the competitor analysis Porter's Framework for competitor Analysis was selected.

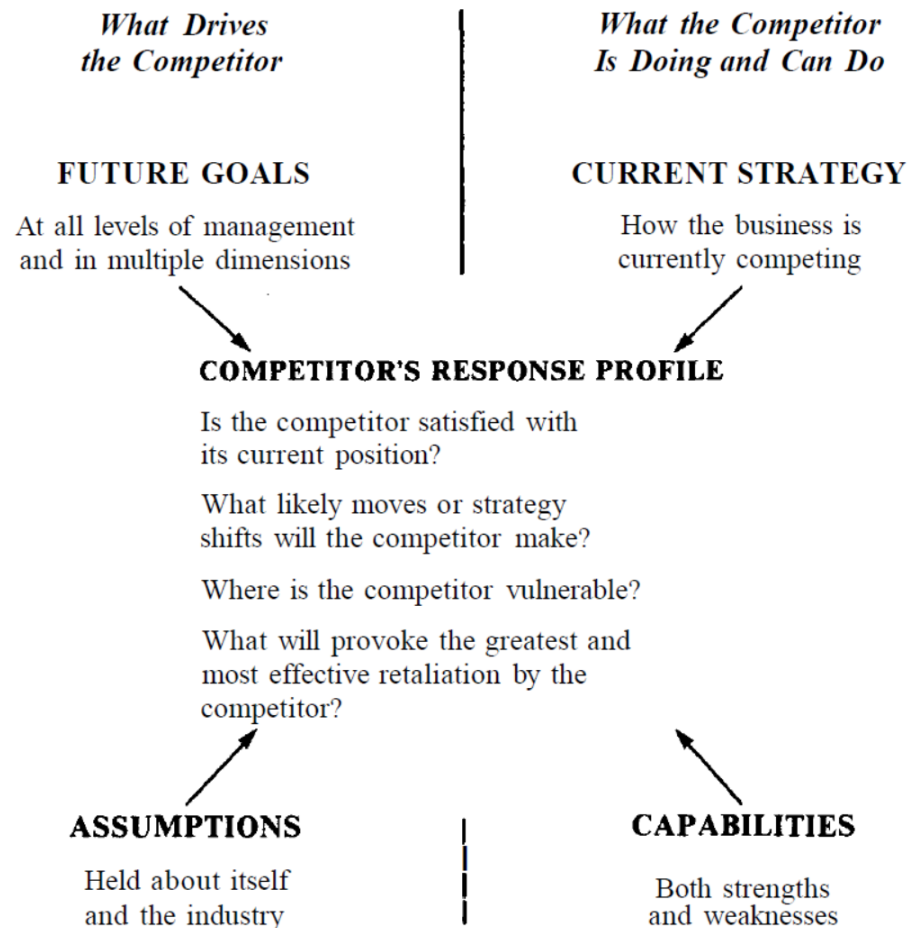


Figure 15. A Framework for Competitor Analysis (Porter M. E. 1980, p48)

Based on past tender's reference data in 2016 the company studied was competing with 30 companies. The most significant of these were chosen as competitors for further consideration in this study. Two large, two medium-sized and two smaller competitors were chosen for examination.

Paragraph and Appendix 1 are removed for business secret reasons.

### 4.3 Customer analysis

The customer analysis in this study is based on the 2015 Innolink Research Oy, Member Company Customer Survey (The Finnish Association of Consulting Firms SKOL) for engineering and consulting companies.

The survey was conducted via a set of telephone interviews between March and May 2015.

The target group consisted of the company's customers. 26 answers regarding the target company were collected.

Based on the survey:

- 96% of the interviewed customers have already recommended or would recommend the company to their colleagues
- 96% of the interviewed customers would choose the supplier again
- 23% of the interviewed customers believe their purchases will grow in the future
- 15% of the interviewed customers estimated that the company's activities during the past year had improved
- 27% of the interviewed customers considered the company better than others
- the interviewed customers gave the company an average grade overall 3.9 (on a scale of 1-5)

Operational activities the customers considered the most important:

- Professional staff
- The quality of the final output of the project
- sufficient resources
- functional teamwork

From the operational activities point of view, the most successful elements were:

- Staff service attitude
- functional teamwork
- perform the role assigned
- Professional staff

From the operational activities point of view the worst success factors were

- Finding out information about current state and requirements of projects
- Sufficient resources
- The quality of the final output of the project
- Keeping the project on schedule

Customer satisfaction was found to be mainly sufficient.

96% of those interviewed would recommend and re-select the supplier.

27% of those interviewed would prefer to stay with the company rather than go to the competitors.

69% of those interviewed prefer to keep company at the same level.

Customer satisfaction is at the same level as the average of The Finnish Association of Consulting Firms SKOL member companies.

(Innolink Research Oy, The member companies customer survey 2015)

Since 96% of customers could recommend the company or would re-select it as a supplier, the conclusion is that the customer service was very successful.

All weighted survey characteristics were generally good. On the basis of the GAP analysis used in the study, the most successful elements were the functioning of teamwork and professional staff.

From the critical point of view there should be focus on the sufficient resources and the quality of the final product.

Sufficient resources will also improve the ability to stay on schedule.

Obtaining information about the current state and requirements of a project influence the quality of the final output of the project a lot of the according to the customer's expectations.

The study compared companies in the building sector, which is not necessarily the correct reference group. Future studies should be aimed at comparing the technical building services sector.

Since the company's satisfaction is at the same level as the average of the other The Finnish Association of Consulting Firms SKOL member companies this is not yet enough to raise the company over the other but rather the company is competing with other similar firms.



#### 4.4 Core Competence of the Corporation

To perform the competitor analysis, Hamel's Core Competence Tests were selected:

"To be considered a core competence a skill must meet three test: Customer value, Competitor differentiation, Extendibility." (Hamel, Gary; Prahalad, C.K., 1994, p224)

"In attempting to identify its core competencies, a company must continually ask itself if a particular skill makes a significant contribution to the value perceived by the customer.

Questions to answer include:

What are the value elements in this service?

What is the customer actually paying for?

Why is the customer willing to pay more or less for service than other?

Which value elements are most important to customers and thus make the biggest contribution to price realization?

Such an analysis ensures that a company focuses its efforts on core competencies that do make a real difference to customers." (Hamel, Gary; Prahalad, C.K., 1994, 225-226)"

Value elements of this service are importing special expertise in the process of construction and maintenance of property.

The customer pays for drawing up plans for the project, and to achieve the projects' operational and financial objectives, as well as for problem solving and bringing special expertise into the construction process.

The customer is willing to pay more or less for the service depending on the quality provided. The company must be co-operative and customer experience must be at a good level. The quality of plans affects the project's financial predictability and the amount of extra work required on building site.

Most important value elements for customers are the company's references and resources. These include individual's personal references, experience, educational background and skills.

The most significant value elements on price realization are in addition to the competitive situation, project references and experience of persons that may be attached to the acquisition.

Based on the elements presented before table of core competencies was formed in Figure 16.

Customer value is something that will bring real value to the client.

This explains why, for example, the customer is willing to pay more than for the cheapest service provider.

Competitor differentiation explains that the core competence is in some way unique, and competitors will not find it easy provide similar competencies.

Extendibility means being able to take advantage of certain core competencies and to expand them into other services or businesses.

Core competence	Customer value	Competitor differentiation	Extendibility
Competent personnel	Competent personnel solve customer problems. Technical expertise is such that the client does not have to do so by itself.	Competence condenses persons and their experience. Which company has best professionals?	Competence and experience generates tacit knowledge, which is difficult to transfer to others. Documentation, mentoring and training of personnel helps in distribution of tacit knowledge.
Quality of plans	Plans fulfil contractual obligations, but also offer a little further exported service. Requirements of the user are taken into account in.	Preparation of quality plans require expertise the from personnel and a sufficient number of suitable resources at the same time to remain on budget and on schedule.	Tested and proven solutions and ways of presentation may be developed in the context of projects and, where applicable, for use for new projects.

Project Management Skills (keeping to schedules)	Progress of the project on schedule and on budget	Commitment to the project schedule and enough resources organize for the task.	Project management skills brings good customer experience and enable new assignments, as well as recommendations for new customers.
Handling customer relations	Some customer relations are long-term. Repetitive projects educate the customer's needs and speed up starting new projects, because designers do not need to tender.	Long-term customer relationships typically continue, if the price and quality please the customer. The Competitors find it difficult to challenge existing customer relationships.	Previous good experiences can also be used to create new customer relationships and use them as a sales tool.
Resources	Sufficient resources help to perform assignment within the given time frame. Suitable size service organization enables cost-effective delivery to the customer.	Competitors come in different sizes and in some of the projects tendering requirements limit smaller companies from competing.	Resources can be directed between projects. Additional resources can be arranged through more cooperation and subcontracting.
Cooperation skills	Ability to cooperate in the project will bring more group dynamics and therefore get things done more efficiently.	Ability to cooperate is a personal characteristic, where some people do better than other people.	Ability to cooperate also allows forming design teams from different fields of design and new orders can be achieved this way.

Entrepreneurial capacity	The entrepreneur is committed to the development of the company providing the service and is also able to tailor services for customer needs in a flexible way.	If the owners are working for the benefit of the company's operational role it will affect the company's operations. Competitive companies have a wide range of practices on how ownership is organized.	Entrepreneurial capacity can be extended through shareholders' agreements. This is also to commit the personnel to the firm and ensure the continuity of the company in potential changes.
Human resources policy	A good personnel policy and reward system to encourage staff to better serve the end customer.	Competitors have different practices with regard to human resources policy. Rewarding persons contributes to the financial figures.	The application of human resources policy in all corporate sectors, as well as possible new business sectors.

Figure 16. Table of core competencies.

#### 4.5 Summary of current state analysis

From the vision statement perspective, the actual goals for the desired future have not been documented. The basic values recorded are fairly standard for a successful company, but they do not add value against the competitors. In the past 7 years, the company has undergone a generation and ownership change. The founders of the company have retired during this time. True choices and goals are missing from the strategy. Today, services are offered opportunistically to almost everyone who requests them and situations adapt to prevailing conditions.

From a competitive strategy point of view, the company strives to maintain a healthy pricing level so that its knowledge maintains some sort of value. The main goal of marketing is to maintain current customer relations. The company strives to continuously improve customer service and be able to tailor its services to customers. Larger engineering firms are able to do more research and development, creating a pioneering image. In addition to electrical engineering, the company is able to provide additional services such as measurement and inspection services. The company can adapt rapidly and learn new ways of doing business. Bigger companies have a chance to collect more references in the same period than smaller ones, which gives them an advantage in terms of quality scoring. The quality of the plans is an important value for the company and quality is monitored by checking the plans. The company has sufficient resources and delivery capacity to undertake major projects.

From the point of view of the growth strategy, the company is competing for electrical engineering projects for new and renovation projects. Electrical design also covers information, security, lighting, and AV design tasks. The company will continue to operate in the current business areas. The company operates in the current geographic area in the metropolitan area and cooperates with several companies in suitable projects. Procurement models based on design groups have increased recently. The company's value pledge to the customer is Customer, Competence, and Schedule.

The value promise of the company has remained unchanged from the establishment of the company. The company has planned new and renovation projects. Building projects have included public buildings, hotels, accommodation, schools, health care centres, service houses, and offices. Growth opportunities are monitored by observing changes in the operating environment. The company's main focus at this time is to

maintain its current customer relationships at the current level and improve the profitability of the orders.

From the point of view of competitor analysis, the company competed with 30 companies in 2016. Based on feedback received during 2016, six companies were selected for a more detailed analysis. Based on this analysis, it is clear that the larger competitors are seeking strong growth in the market and also targeting the international market. Medium-sized competitors see the need for growth alongside big competitors and companies are considering how to develop their operations. Smaller competitors try to maintain and develop the qualifications and references of individuals to remain in the competition.

Based on the customer analysis, as 96% of customers would recommend the company and could re-select as a service provider, it is clear that the company has been very successful. Best of all, we have succeeded in the service attitude of the staff, in cooperation and in the management of contract responses. Further improvement would be needed to clarify project source data and requirements, as well as adequacy of resources and quality of the final project output. Since customer satisfaction is at the same level as the average of the SKOL member companies, the company can be considered to be on the same level as the competing companies.

From the standpoint of core competence, the elements that bring value to the company include bringing expertise into the construction process and maintaining property. The customer is willing to pay a little more if the quality factors are correct and the previous experiences are good. The most important value elements for a customer are the company's references and resources. The most important impact on the price value of the elements are the references and experience of similar projects in the persons associated with the project.

## **5 Formulating conclusions based on the operating environment analysis as a key input for the case company strategy formulation**

### 5.1 Description of how the conclusions round was conducted

To Formulate conclusions based on operational environment analysis the OPERA method (Torfinn Slåen, Innotimi 2003) was used. The OPERA abbreviation means "Own thoughts, Paired suggestions, Explanation, Ranking and Alignment."

The company's shareholders, who amounted to 10 people participated in the discussion, which aimed to get everyone's opinions on what kinds of issues the company should focus on.

In the method, first, each participant thinks about matter themselves and writes relevant ideas on paper.

After this, the issues are discussed in pairs the things that come to mind are written down. The ideas developed in pairs are then brought to the attention of the whole group.

The ideas are discussed in the group and then most important issues which will be the focus for further discussions are voted for.

The current state analysis was presented to the shareholders on March 20, 2017. On the same occasion the OPERA method was presented and discussion pairs were made by drawing lots. After the presentation, the shareholders and discussion pairs had about a week to prepare for the discussion.

The shareholders discussion was held on March 31, 2017. At the beginning of the event there was a brief review of the OPERA method. The timetable for the event was divided into topics and at the beginning of each topic a brief pair discussion was held. The ideas were compiled by subject area with a mind-mapping tool and shown to all the participants with a data projector.

Concerning the timing of the event, it was found that establishing the order of priority would require more time and was not done on this occasion. In order to prioritize the subjects, a summary was made on the basis of the mind map, from which the themes

for voting were selected. The voting was conducted using the surveymonkey.com service, where each shareholder could determine their own priorities.

The following sections present the conclusions based on the shareholder discussions.

## 5.2 Conclusions concerning customer analysis vs current strategy

The following conclusions were made on the basis of the customer analysis.

1. Shareholders thought that poorly made contracts cause difficulties for project finances and for the personnel who are working on planning tasks. In these cases, often the contents of the invitation to tender were indefinite. The number of modifications and needs for technical specifications for alternative operational facilities is often underestimated or difficult to predict.

2. The shareholders expressed the view that a review of plans affects the quality of the final product.

They further felt that limited resources affected the realization of inspections. Inspections need to be made, because they reduce the need for clarification in the later stages of the project and make more efficient use of time.

Furthermore, the shareholders felt that possible errors which reach the construction site also lead to higher costs, as well as possible damage claims.

The shareholders noted that inspections can always be conducted in time during the contract calculation phase. In this case, a specified version of the supplementary plans can be provided for the contract negotiation. During this time, the need to do other projects also arises, which is challenging in practice.

3. The shareholders expressed the view that the sufficiency of collecting source data is a relative thing. They noted that some of the clients had not been satisfied and obviously required more communication. Generally, the client is the owner of the property, but buildings often also have users. The opinions of these parties often differ significantly and cause contradictions in stated requirements for the systems to be installed. If the user does not get the desired



level of equipment, it results in poor customer satisfaction, although the agreement is technically ordered by another party.

In many cases, users have very poor knowledge concerning technical requirements for electrical systems in connection with the construction. The designers views on the need to obtain essential data, however, is that they really try to get answers but in many cases it is very difficult to obtain them. The equipment required should be agreed by the owner and user to support the planning and in order to achieve the best possible outcomes. Here it would help that the designer would be informed of the facilities and specification levels included in the lease contract. Source data can be requested by using an information exchange schedule, which could be taken into wider use.

4. The shareholders mentioned that problems had been identified with the adequacy of resources. They mentioned that things had been very busy for almost half a year. Successful handling of customer relationships and projects had become endangered in the midst of such urgency. Solutions for this issue may include additional recruiting, subcontracting, and resource planning in advance.

The shareholders pointed out that timetables for the projects were tight and the customers seemed to be more demanding than had been understood in the contract. Maintaining schedules in practice is often a challenge, because the some designers' output data may delayed, however, the overall project schedule is not flexible.

However, the overload situation is not visible to customers.

In projects, it is usually possible to negotiate additional time, as long as it is done in time. Although, some of the timetables in processes for public organizations can not be flexible, for example, due to public procurement notices and legislative time limits.

### 5.3 Conclusions concerning competitor analysis vs current strategy

The following conclusions were made on the basis of the competitor analysis.

1. The shareholders discussed choosing the right size competitors and the orientation of operations. They felt that company should choose the appropriate size projects, so that the financial risks would not be too large. The company is able to handle large and demanding projects, but a fixed or maximum price overshoot holds real danger. The shareholders felt that the market situation was so good that customer focus can be selected.  
The question of which sectors the company should operate in was discussed and it was noted that planning assignments for industrial projects were now under process and could open the doors to the design of industrial projects more widely.
2. The shareholders felt that concerning price competition the company aims to give the impression that it is a high-quality service provider and offers expertise that must be paid for. They mentioned that in the past there had been feedback that the company was faceless or odourless and tasteless.
3. The shareholders examined the question of whether the company should specialize in certain sectors and whether we should start to compete more in those industries, where some competitors are already involved. The shareholders felt that there could be more specialization for example, in supervising electrical installations.
4. The shareholders noted that some competitors had started to specialize in the industry to seek new market areas and additional profits. As a practical measure, competitors have developed software to support engineering, system integration, automation, and real estate maintenance services. The shareholders noted that the company has been able to cooperate on a few process electrification projects.
5. The shareholders stated that the company's website does not currently show how we are in various fields. The company has several additional services that could be marketed more. These include: Thermal imaging of electrical distribution boards, electrical equipment condition surveys, electrical measurements, management roles, electrical inspections and their coordination, as well as services during the se of premises. The shareholders noted that the company should boldly point out its skills.

6. It was noted by the shareholders that in some of the projects the reference requirements were too high so they could not be credibly offered
7. The discussion groups concluded that some of our competitors have expanded into multi-sector companies. Such competitors may form a design team within the organization. In large organizations, in each sub-region strong individuals in management are required. Diversification into areas such as HVAC and electrical connection bring the natural coordination of building service books, energy surveys and automation planning.
8. Almost all projects are currently involved with the BIM coordinator. The shareholder discussion groups noted that this requires software competence and also a broad knowledge of building processes. The company has software that can handle this and in design teams, the role of a BIM coordinator, for example, could be sold in addition to electrical design.
9. One of the company's competitors currently has the Finland's best corporate image for the engineering design offices. They have professional media campaigns and a full-time person handling Information and media relations. The shareholder group noted that the competitor is very active in social media and has been proud to advertise, for example, on the cover of major newspapers.
10. The competitor's analysis does not cover the exact competitor analysis, as the study work is limited to the requirements of the Master's Thesis. However, competitor analysis can be taken further in the next phase of strategy work.

#### 5.4 Conclusions concerning the case company core competence analysis vs current strategy

The following conclusions were made through the stakeholder discussions on the basis of the core competence analysis.

1. The discussion groups concluded that the human resources policy must support the emotional well-being of persons, for whom appreciation is more important

than money. People should be appreciated and their success should be taken into account. The personnel should be given more positive feedback than is currently given to them. The company would like to be an attractive employer for current and new employees.

2. The discussion groups felt that competent personnel are an important element in the promotion of the company and that personal characteristics are really important. Experienced designers very rarely change jobs, and as such it is more likely that new designers need to be trained. It would be good for the company to diversify education and skills to some extent so that operations are not disrupted if there are changes in personnel.
3. The company's operational culture should develop more dynamic capabilities. The shareholders felt that a team spirit is important with regard to employee satisfaction. Enabling remote working is an essential part of modern working life and can increase the satisfaction of individuals in the work.
4. Special expertise was seen by the discussion groups as an important means of differentiation and the groups felt that the staff should be encouraged to specialize in different sectors, such as a fire detection systems. From time to time it seems that the field of operations requires more know-how that there usually should be in a designer's job description.
5. Technology pioneering in the design sector is a significant core competence area that supports marketing and more efficient execution of work. The discussion groups felt that regarding the development prospects in design software, Revit software is slowly becoming more common and this change will have to be prepared for in the next few years.
6. The discussion groups noted that the company can easily test new technologies in the design business. One example is the use of 360 cameras on inspection visits to support design tasks. The discussion groups also noted that when technologies are new they should be taken advantage of in the marketing.

## 5.5 Recommendations on how to conceptualize strategy

The strategy should be clear, so that it is of benefit both employees and customers. In order for the development and implementation of strategy for the company's operations in the future, it should be modelled. One good way to present the strategy is to model it using a strategy model (Ala-Mutka. 2008). Figure 17 shows an example of how to use the tool.

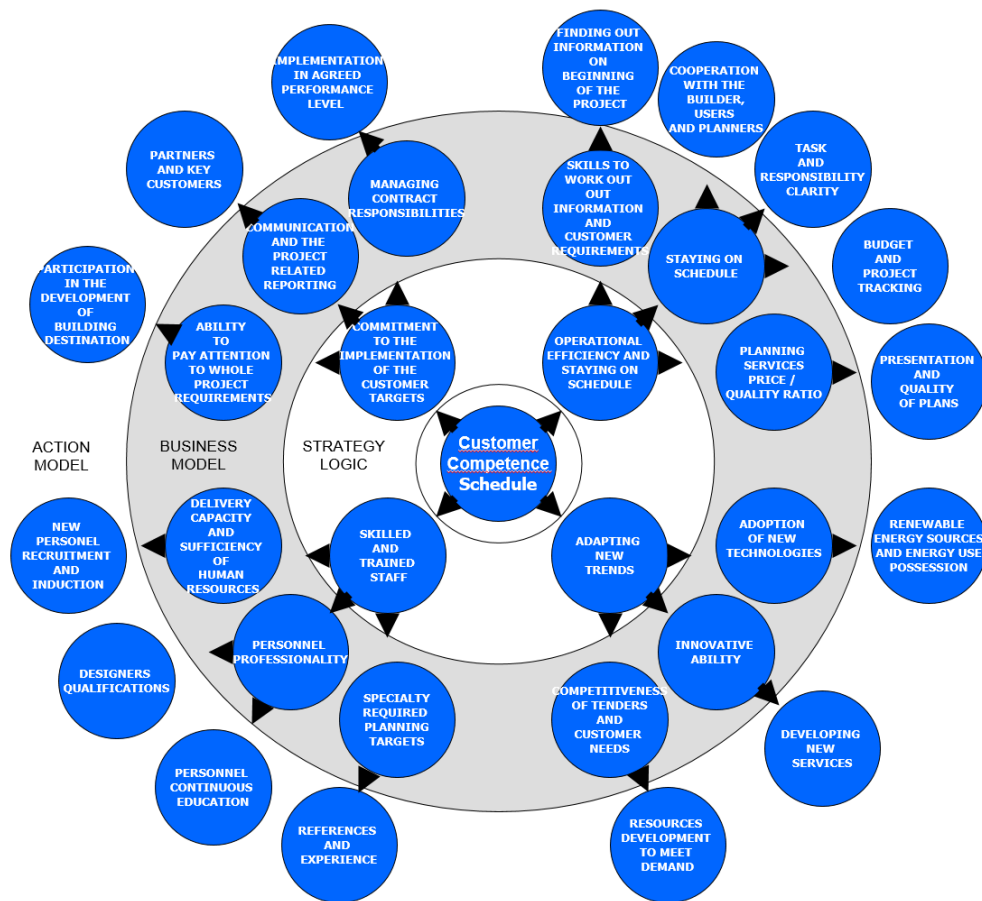


Figure 17. Strategy framework applied to the case company (Ala-Mutka. 2008)

In this model the strategy framework is divided into the strategic level, the business model level and the action model level. In the same model, you can present different levels of strategy and the individual functions.

The strategy framework is easy to upgrade and develop, for example, in rapid changes in the operating environment.

## 5.6 Action plan

As a result of the conclusions, the following topics are proposed for further examination and processing.

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## **6 Feedback on the summary of conclusions from the board of directors**

### 6.1 Description of how the feedback round was organized

The board of directors met to discuss the summary on 12.4.2017.

The discussion was based on the summary of the conclusions.

### 6.2 Feedback received

In general, the company's board of directors was very satisfied with the work done.

The board felt that the Great Place to work campaign entry fee is so high that it is worth considering whether things can be developed in other ways.

The board noted that during tendering phase, it is worth taking the print at what stage the project budget is going, and it would be a good idea to go through this with the project associates. The project based budget table already contains a point where the actual cost can be booked.

The board further noted that project phases and tasks are added and refined in the financial administration systems to provide more detailed information about the subcontracting forming the basis of new bids. Financial management is considered be the board to be really important. Some of the projects have been financially unprofitable and very challenging for their executives.

The board noted that the financial manager also manages the human resources manager role.

The board felt that regarding the training of personnel, people should be told how training needs in surveys are responded to. At the same time, the company should communicate which company goals the company wants to support with the trainings.

In some example projects the board noted that damage caused by bad planning is the a notable burden.

However, the board also noted that overloading work tasks affects the ability of even the most experienced designers to perform successfully.

The board noted that the web site should have more story behind the references.

The Chief Financial Officer showed statistics (Fonecta) of what kind of searches have been made.



### 6.3 Summary of final action plan

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## **7 Conclusions and discussion**

### **7.1 Summary**

The business challenge in this research was the company's current development stage and changes in its operating environment calling for a strategy up-date.

Accordingly, the objective of this study was to formulate key conclusions based on an analysis of the company's current strategy and its operating environment which will act as an input to the company's strategy process. The strategy process itself is left outside the scope of this study.

The outcome of the research are key conclusions that will guide the company's strategy process.

### **7.2 Immediate next steps**

After the research, the company will continue to prepare the strategy through the conclusions reached in this study. The strategy will be brought to the attention of the staff and made more visible.

### **7.3 Evaluation**

The objective of this study was to formulate key conclusions based on an analysis of the company's current strategy and its operating environment which will act as an input to the company's strategy process

The outcome of this research are the key conclusions that will guide company's strategy process.

The research was attended by the company's board of directors and shareholders. The study provided a good overview of the company's strategy and operating environment.

The research revealed previously difficult to conceptualise themes and will help the company in its strategy development in the future.

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**Title of the Appendix**

Appendix 1

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