An Assessment of Market Growth Strategies in a Multinational Company- The Case of Komatsu Forest AB

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ABSTRACT

Setting strategies for an organisation is full of complexities (which strategy or strategic process to use) and these complexities arise from the ambiguous and non-routine processes. This is so because, strategy development is about the future and this future is unknown, as the paths companies follow are dynamic. Due to these complexities, managers tend to embark on knowledge gain through competencies in the management of companies. In order for future managers who have not had organisational experience to understand how strategic management is in real company situation, a case study on the types of market growth strategies and strategy development process in a multinational company is done in this thesis. How these strategies implemented affects market share is also an elaborate part of this study.

This study was done as a case study in Komatsu Forest AB; a multinational company that manufactures forestry machines. In this light, the study sets to identify the market growth strategies implemented by this company, its strategy development process and how the strategies have affected its market share.

As basis for an empirical research process, a theoretical framework was compiled from existing literatures on market growth strategies and strategy development process, where the strategies were considered both at the business level and corporate level. A deduction research approach was appropriate for the study whereby qualitative empirical data was collected through semi-structured face-to-face interviews. The interviews were conducted with two employees of the company (Market analyst and the spokesman for the company) who were considered to be knowledgeable in the subject area. This allowed a thorough understanding of particular issues pertaining to the company.

The analysis of the empirical findings showed that this company implements acquisition, partnership/networks and diversification at the corporate level and high pricing, differentiation at the business level as its market growth strategies. This company develops these strategies through a planned process; meaning that strategies are intended and these strategies have a positive impact on the company as its overall market situation has increased. This study offer some contributions for this company on how some strategic adjustments can be made in order to improve the current market situation and some recommendations for its management in better decision making.
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Chapter One

Introduction

This chapter presents the background of the study and the background of the study. There after the research questions are formulated and the main purpose of the study established. What this research hopes to contribute, limitations, how the entire work is structured and definition of basic terms are also presented.

1.8 Background of the study

Strategy or strategic management evolved from a number of sources including case studies and the discipline of economic theories. \(^1\) It evolved as theoretical disciplines in response to the frustration of managers at the limited help the economic theories were able to give them in running their businesses. This was so because these theories were operated on very restricted set of assumptions that were unrealistic in many areas of actual business life. That is why in the past strategic management was the responsibility of senior executive officers that implement strategies in the companies based on lessons drawn from company’s case studies.

An expanding base of evidence from a wide range of companies points out the critical importance of aligning the strategy and capabilities of the organisation with the market in order to provide superior customer value\(^2\). Recent decades have seen a period of un-preceded organisational change, and this activity promises to continue. Companies have therefore realigned their organisations to establish closer contact with both their suppliers and customers bringing the Internet into operations and marketing, reducing the unnecessary layers of management. As strategies change and evolve in companies, it is increasingly necessary to examine organisational issues in terms of implementation of marketing strategies. As companies become stimulated to rethink how to organise the market to counter performance shortfalls, better integration to globalise products and brands effectively in order to increase their market shares. Building market strategies in every organisation underlines the corresponding need to manage organisational strategies. So it is very important to make decisions regarding to strategic management based on the conceptualisation of specific situations.

In understanding how strategies develop in organisations is important to distinguish between the concepts and ideas that help explain what strategies are and the processes through which strategies come about in these organisations\(^3\). The strategies developed by organisations are either intended or emergent and there is no one right way strategies can be developed. This is so because strategy development differs over time and in different contexts, the preconceptions of how strategies develop are seen indifferent ways by different people and multiple processes through which strategies are developed in organisations. As strategy development/implementation and organisations quickly become less than perfect as the environment, competitors or strategic priorities change.


As days went by, these theories were of limited help to managers in building profitable companies as economist are inclined toward the admiration of perfect market. On the other hand strategists actively seek market imperfections to help them in the unending search for perfect products that no competitor could touch. This is explained by the fact that strategic management is about “charting how to achieve a company’s objectives and adjusting the directions and methods to take advantage of the changing circumstances”\(^4\). Strategies are adopted to solve organisational problems or to grasp new opportunities in order to ensure for the company’s survival or growth. To the best of our knowledge, one of the ways to assess the success or failure of the strategies (for instance market strategies) implemented by any company can be done in regards to the company’s market share, market coverage and/or turnover/profit.

So the best way to understand today’s strategic management (strategic types and development process) is to choose a company and exploit its strategies adopted and its strategic development process. Since strategies can be divided into business level and corporate level strategies, it will be worthwhile to gain a better understanding from multinational companies as they implement both strategies. For example multinational companies in the last decades have implemented strategies both at the business level (such as prices-based, differentiation, hybrid or focused differentiation) and corporate level (such as strategic alliances, acquisition, mergers and networks) as they seek to globalise their markets and to grow internationally\(^5\). This is so because globalisation has caused markets (financial, goods and services and labour) to be closely integrated internationally, implying that globalisation has an effect on and been caused by the strategies multinational companies adopt to integrate themselves multinational in order to secure better market positions. Setting or developing the suitable strategic types for any organisation is complex and this leads us to the problem statement

### 1.9 Statement of the problem

As mention above, setting strategic directions for a business is the most complex task facing management team and these complexities arise from a variety of reasons that is peculiar to strategy making. This is so because strategy making is about the future and this future is unknown since the paths companies follow are dynamic as strategies can be developed through a complex combination of various processes\(^6\). The processes through which strategies are developed vary as some are developed through deliberate formulation (intended strategies), systematic analysis and/or through emergent formation (emergent strategies)\(^7\). For instance managers implement strategies through different ways such as setting objectives and follow. Some develop strategies by analysing the external environment, others identify company’s strengths and weaknesses and those of competitors and develop strategies, and others generate a number of strategies and selecting the best one for implementation. Another reason is that each executive has his/her own view and motives when it concerns strategy and the reason being that individuals are constrained by their past experience, taken-for-granted

assumptions, bias and prejudice. That is why information technology managers see problems in companies in terms of IT, marketing managers in terms of market. An expanding base of evidence from a wide range of companies points out the critical importance of aligning the strategy and capabilities of the organisation with the market in order to provide superior customer value. Recent decades have seen a period of unprecedented organisational change, and this activity promises to continue. Companies have therefore realigned their organisations to establish closer contact with both their suppliers and customers bringing the Internet into operations and marketing, reducing the unnecessary layers of management. As strategies change and evolve in companies, it is increasingly necessary to examine organisational issues in terms of implementation of marketing strategies. This is explained by the fact that companies become stimulated to rethink how to organise the market to counter performance shortfalls, better integration to globalise products and brands effectively in order to increase their market shares. Building market strategies in every organisation underlines the corresponding need to manage organisational strategies. So it is very important to make decisions regarding strategic management based on the conceptualisation of specific situations.

In strategic management there are three main strategies developed by any organisation in their growth process: internal development, mergers and acquisition and strategic alliance. Setting these strategies for company is a complex task since strategic making is about the future. This future is unknown and the paths (processes) needed in developing these strategies are complex (no unique or clear) combination of strategic processes. So every organisation is faced with the problem or challenge in which strategies or which strategic process to follow in developing and implementing strategies to meet their desires in grasping new opportunities or to overcome significant problems.

In solving the complexities (which strategy or strategic process to use) arising from the ambiguous and non-routine processes, managers turn to embark on knowledge based on competence. As a result of this every organisation is always faced with the problem of which growth strategies to implement and the process through which these strategies are to be developed in order to obtain desired level of growth. Considering strategies as a method of growth, most organisations have used both internal and external strategies that can be either intended or emergent but strategic management still remains the main issue of the day that troubles most organisations managers. This is due to the complexities and problems encounter in strategy development and implementation as earlier explained above. So in order to solve this problem or complexity associated with strategic management, this research seeks to answer the following question

*Which market growth strategies and strategy development process can a multinational company implement, and what are the affects of these strategies on market share?*

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1.10 Objectives of the study

The objective of this study is to identify the strategic market types implemented by a multinational company and the various strategies development processes involved. Secondly how the strategic types affects the market share of this company. These objectives will be achieved through a case study of Komatsu forest AB whereby the concept of market growth strategy will be used.

1.11 Importance of the study

This study will be of great importance to the researchers, management of Komatsu Forest AB and other as it helps
- To highlight the important role that market growth strategies play on the company market share.
- To understand how growth strategies are developed (process) and how these strategies affects market share
- To assist management of this company in effective decision making

1.12 Scope and limitation of the study

This research project is on a session of the entire Komatsu Forest project. In carrying out this project, certain constraints will inhibit effective study, firstly due to short deadline period to finish this write up, time factor will render certain aspects not to be examined in details. Secondly, the study assumes that effective and efficient management and application of growth strategies are the sole determinant of performance and greater market position.

However in economic reality, there are features that affect performance and market position such as Capital deployment, employee’s motivation, organisational structure, organisation capacity, supply chain management and technology. This study does not consider these factors. Our study also assumes that all the strategies applied by Komatsu are towards growth in terms of market share and that strategies implemented are both multinational and global as they adopt some principles from their global parent. But this is not the case in the real strategic management situation in as these strategies are often separated and could also be use for survival. These strategies are looked both from the corporate and business levels.
1.6 Disposition

This section gives a general outline of the main parts of this research.

Chapter one introduces the general background of the study, statement problem, objectives of the study, importance, scope and limitation of the study, and definition of basic terms.

Chapter two describes and presents the research approach used for the thesis.

Chapter three outlines the existing theory and support material on the types of strategies implemented by multinational companies and their strategy development process.

Chapter four deals mainly with the research methodology adopted for this thesis. This also discusses the quality of the research design used in this study, its validity and reliability.

Chapter five is composed of empirical data presentation, which is made up of the strategies implemented by Komatsu Forest AB and its market situation.

Chapter six is analysing the strategies of Komatsu with reference to concepts of strategies of multinational companies and discussion of the implications of the study.

Chapter seven focuses on summarising the results of the study from the empirical analysis with conclusion of the results. The contributions of the research and recommendation further research are also presented.
1.8 Definition of terms

The terms in this section are defined in the context in which they are being used in this research.

**Strategy:** Strategy is the direction and scope of an organisation over the long term, which achieves advantage in a changing environment through the configuration of resources and competencies with the aim of fulfilling stakeholders’ expectations.

**Growth strategies:** This refers to the power to capture growth in terms of turnover, penetration as well as recuperation of market share.

**Market share:** This refers to the total sales of a company divided by the total sales of other firms for a specified product –market. It may be calculated on the basis of actual sales or forecast sales.

**Intended strategy:** This is an expression of desired strategic direction deliberately formulated or planned by managers.

**Emergent strategy:** Emergent strategy is a strategy developed through everyday routines, activities and process in organisations.

**Multinational company:** Is a company that has branches in more than one country. In order for most these companies to set up branches in other countries, enables them to go global or international. The three words are interchanged in this study, as there is not clear-cut demarcation between them when referring to this company.
Chapter Two

Scientific Approach

In this chapter the intended approach to answering the research question and purpose of this study discussed in the introduction chapter, are mainly discussed. The choice of subject is firstly discussed followed by the preconceptions and perspective of this study. Secondly, the different approaches that are available for making a scientific research are discussed. During the discussion of each approach, the approach found to be the most suitable for this thesis is identified and motivated.

2.1 Choice of subject and preconceptions

Individual’s preconceptions are the ideas that exist regarding different phenomenon and this opinion is as a result of a complex pattern, which is usually influenced by a person’s experience, social background and education. The different phenomena often interfere in our decisions, so it is important to stay neutral and objective as possible. To achieve this neutrality and objectivity is often easier said than done since the preconceptions could have; more or less unconsciously affected us during the process. Preconceptions differ from individual to individual depending on for example experiences, education or previous scientific work. Education in its self forms a strong foundation for understanding preconceptions. Preconceptions are socially founded, subjective opinions on the issues to be studied. The scientist preconceptions vary depending upon the parents, religion conviction, circle, and set of acquaintances, working places, social status. Some are deeply founded that others and as such are harder to change for example faith and politics\(^{11}\). As business students with previous marketing and management background and work experience, our preconceptions will not only affect our findings and conclusions made, but also the whole scientific process as noted earlier, thus pure objectivity is very difficult to maintain in scientific research. To some extent, our findings reflects the values, our work is inevitably subjective and that it is important for us to give the reader knowledge regarding our background providing any reader with sufficient information against which the research can be evaluated and understood.

Preconceptions are the foundation upon which we have based all our following experiences and therefore the following experiences can be coloured by our preconceptions. They are not just a built in memory; they affect us while we search for new knowledge and decide the approach that we have on the subject we are about to explore\(^ {12}\). Our preconceptions came from our previous studies in The University of Buea where we studied some courses on corporate growth strategy. After graduating we were fortunate to work in the Cameroon Development Corporation (CDC) a public limited company engaged in the management and exportation of forest resources. As employees in this company we realised that in 2003, a change in government policy has made it possible for multinational companies to invest in Cameroon. There was immediate investment of French and Japanese companies’ competition that arose from this situation forced most companies to embark on possible growth strategies to meet the competitive spirit of the multinational companies. Studying in the marketing and

12 Sarita N, and Ulrike Rönnholm, 2004, Culture what are its effects!
management programmes at Umeå University knowledge our preconceptions to become a real dream.

2.2 Perspective of the study

Perspective in terms of a research study could be considered as the starting point of the research study. It more or less clarifies from which direction the researcher(s) study the problem at hand and how they will approach and interpret the findings in reality. The choice of perspective usually has a strong connection with the purpose of the research, and most often than not, influences the choices of methods and theories needed to carry out the research\textsuperscript{13}. The general perspective in this thesis is broadly from an organisational point of view as future managers. That is, to identify the strategic types implemented by multinational companies and how these strategies affect market share. This perspective is taken with the hope that the results of this thesis could act as a guide on how strategies are developed and implemented in an organisational setting. As this thesis will provide information on which strategies adopted by Komatsu Forest AB a multinational company is considered to be most appropriate for this thesis.

For the sake of this study, the market growth strategies will be viewed as whole unit from which contributions to strategy implementation towards achieving increase market growth can be made. However, in terms of conclusions particular attention will be given to the company and using the viewpoint of this company in the conclusions will enable this research to be used when making decisions for market growth strategies.

From the theoretical level, the perspective of this study will use the business and the corporate level strategies as the primary driver. All the theories encompassed direct the understanding of the paper towards that of strategic types implemented and how the strategic types affects the market, so achieving that will be the main point of view. This inspiration of research into this area of strategy came from reading theories on strategy management from Johnson, Scholes, Whittington (2006) and Faulkner, Campbell (2003), and being exposed to the problem encountered in strategy implementation that will contribute to our knowledge as future managers.

2.3 Scientific philosophy

Depending on the way one chooses to perceived reality, a scientific research should be essential to give the reader knowledge on the research as there are two main methods researchers can use to interpret the facts of the research. The researcher can either choose a positivistic or hermeneutic view to translate the facts of the research undertaken\textsuperscript{14}. These philosophies are two extremes and only one will be appropriate for our study. The positivistic view is synonymous with the belief that the reality is objective, impartial and that knowledge could be generalised through quantitative methods as oppose to hermeneutic, which concerns how humans perceive reality and their subsequent actions or inactions. That is hermeneutic philosophy is concerned with the question of how individuals make sense of the world around them or better still it is to “make clear an object of study or area of inquiry that is currently


\textsuperscript{14} Saunders, Lewis, Thornill, 2000, pp84-85
unclear and requires further clarification”\(^\text{15}\). This means hermeneutic researchers are concerned mostly with interpretations of results.

Due to the nature of the research, our research questions and objectives, an objective view as suggested by positivism would not serve the justice of this study because it has roots in law and scientific truth. Hermeneutic view is considered most appropriate for this thesis as it involves interpretation that calls for social and environmental understanding. This choice is based on the fact that this thesis deals with human beings and how they perceived certain issues and the choices they make thereto. Thus, the hermeneutic view of the reality is very evident in this thesis, as the ability to interpret what is occurring, to better understand those occurrences and strive towards effective conclusions will be the approach taken in this research, and these are strikingly obvious characteristics of hermeneutic studies.

### 2.4 Scientific investigation

There are two approaches that a researcher can use in a scientific research and they are deductive and inductive ways of approaching reality\(^\text{16}\). A deductive approach starts with an existing theoretical basis followed by empirical observations, the two are then used to compare and make analyses of the scientific findings. On the other hand inductive approach, the researchers study the objects of research without relating the findings to existing theories, but form their own theoretical frameworks on the basis of empirical findings. That is theory is the outcome of an inductive research and this is not applicable in this study but deductive will do. This is explained by the fact that the nature of the research in this paper is clearly guided by the theories of business and corporate level strategies and the how these strategies affect market share. These theories are will be used to analyse the empirical findings in order to reach conclusions and this involves empirical scrutiny and logical reasoning generated through the study, which is the characteristics of deductive study.

### 2.5 Choice of theories

Theories of market growth strategies within the context of business and corporate level are the choice the research considers. This decision was made to truly focus on these two levels alone. Within the application of the two levels of market growth strategies, the choice of theories will also lead this study towards an application of the strategies from the perspective of authors. The reader will begin to notice this developing perspective in the theory review chapter from which the concepts of market growth strategies will develop as part of an underlying theme, and then challenged by the empirical findings. It is important to develop this perspective in order for this study to maintain an air of deduction, because striving towards empirical scrutiny and logical reasoning through practical research is the theoretical driver through the study.

### 2.6 Collection of theories and secondary sources

The process of gathering articles and other forms of literature will be done primarily the frequent use Umeå University Library, whereby theories from books and articles were search and found through the ALBUM and Data basis (Business source Premier) respectively. The

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search will be done through a funnel manner by using key words as market strategies, market share, narrowing them down to multinational companies. Also the Internet (Google) and other company documents acted as supplementary source during the search of information. The Internet will be use gain information about the company from the company’s’ web site.

2.7 Criticisms of secondary sources

When reading through the theoretical chapter, the work of Johnson, Scholes and Whittington will be re-occurring theme. This is justified by the fact that their work is the most recent (2006) in the field or strategy management, thus it is logical that their theories will be omnipresent throughout this thesis. One major deficiency noticed in the articles was the absence of the relationship between strategic types and market share. Another criticism of the articles was the year of publication (not up to date articles) and not only peer review articles. Despite these entire shortcomings, the theoretical concepts still contributed positively to this research.

2.8 Research method

The intention of this study is to identify the market growth strategies implemented by multinational companies and how these strategies affect market share. The better way to approach this is to examine how this works in a specific context and a case study is only suitable in such contexts. The method through which this research will be done is discussed below.

In general, there are two basic types of research associated with the scientific method. (1)"Quantitative research-this is based on collecting facts and figures, and (2) Qualitative research which is based on collecting opinion and attitudes”.17Hermeneutics often prefer a qualitative method that is composed of collecting data or information through interviews or observations and analysed this data/information in a narrative manner. Quantitative methods on the other hand compose of analysing data or information statistically

The traditional affiliation between positivism and qualitative data collection will be averted in this study due to the call for interpretation. Combining hermeneutics and qualitative methods will allow for better understanding and application of results. So quantitative analysis will not be benefit the study because the problem cannot be solved through strict numerical figures.

In our research, qualitative method is the most suitable method to probe into the subject, as the aims to analyse the strategies adopted by multinational companies and how the strategies affect their market share. Therefore, this report will develop an in-depth profile of market strategic types implemented by a multinational company and the best way to accumulate this information is from that multinational company. By so doing, semi-structured interviews with the most appropriate representatives of the company will generate clear and relevant results for this study. Interviews will benefit this study more than any other form of data collection due to the applicability of the information garnered in the interviews towards the theories of market growth strategies.

Chapter Three

The concept of market growth strategies

This section presents existing theories or concepts in market growth strategies and supported material from previous research done on this subject.

3.1 What is a multinational company?

A multinational company is one that “owns outputs of goods or services originating in more than one country”\(^{18}\) and this is the simplest definition for such a company. There are other many ways that can be used to identify a company as a multinational company but the most commonly used alternatives of definition are four and they include operating, structural, performance and behavioural criterion\(^ {19}\). According to these four definitions, a multinational company can be seen as

- In operational aspects as a firm or company that owns or controls income-generating assets in more than one country, that is the ownership-threshold definition.
- According to the structural definition, a multinational company is judged according to the organisation of the company structurally at an international level (that is the structures are built up of separate divisions in different geographical areas).
- In regards to performance terms of definition, it incorporates some relative or absolute measures of international spread, for instance the number of foreign subsidiaries or percentage of sales accounted for by foreign sales.
- Behavioural definitional aspects is based on the corporation’s degree of geocentricity

All these ways of defining a multinational company are very important as each perspective adds more understanding to what a multinational company is. No matter the criterion on which multinational companies are defined, they play a starring role in the current process of globalisation\(^ {20}\). Due to this we can consider multinational companies as global or international companies, as a global company is one in which its competitive position in one country is significantly affected by its position in other countries and multinational companies also face this. This can be seen through globalisation of markets (financial, goods and services and labour) and these can seen as some of the factors that motivates companies to go multinational: this is so because markets now our days tend to be globally integrated. Further more what drives these companies global other than market aspects are globalisation of government polices; cost globalisation and globalisation of competition\(^ {21}\) and these factors also affect multinational companies if they place a role in globalisation. These drivers of globalisation can be considered in this context as what drives companies multinational are illustrated in details in the figure below.

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\(^{19}\) Ibid. p. 209


The figure above illustrates that the factors that cause companies to go global affect globalisation strategies. As “globalisation has both affected, and been caused by, the strategies of multinational enterprises" so the drivers of globalisation can also be used explain the reason why some companies go multinational or international. Take for instance globalisation of markets is one of the factors that can cause a company to go global. As customers are located all over the world and for these companies to satisfy these global customers, they need to transfer their markets across countries, thus making them multinational companies.

Faulkner pointed that, multinational companies for the last decades (after World War 2) have dominated the international business environment and the reason for them to go international is to seek advantage of ownership, location and internationalisation (OLI). Also other go international for firms specific advantage (FSA) and country-specific advantage (CSA). For these multinational companies to survive and growth, they need to implement some strategies in order for them to achieve their goals and objectives (balance between the FSA and CSA). Some authors identified the reasons for Multinational to go abroad or global is to gain access to host-country markets or to exploit international factors-cost differences. This means that when factor prices differ across countries, firms become multinational by locating production

Source: Johnson, Scholes and Whittington, 2006, p. 70

in countries where manual-labour cost are low and headquarters in countries where skilled-labour cost are low.

3.2 The concept of strategy

Strategy is “the direction and scope of an organisation over a long period of time, which achieves advantage in a changing environment through its configuration of resources and competencies with the aim of fulfilling stakeholder expectations”\textsuperscript{25}. From this definition, strategies are complex, uncertain, affect operational decisions and require an integrated approach and change. Complexities in strategies are in the way of defining features of strategies and strategic decisions, for instance a multinational company may face complexity in the organisation of its wide geographical scope. This complexity makes the definition of strategy context dependent (different ways of defining strategy) and this supported by Mintzberg “five Ps” of strategy that includes strategy as a plan, ploy, pattern, and position)\textsuperscript{26}. These “Five Ps” explain the various perspectives in which strategies are view in this context.

The five Ps of strategy

Strategy as a plan is a consciously intended course of action, a guideline to deal with situations. For example strategy as a plan in management is a unified, comprehensive and an integrated plan designed to ensure that the basic objectives of the company are achieved\textsuperscript{27}. In order to use a strategy to achieve a company’s objectives, a ploy is required to achieve the said objectives. For instance a multinational company wants to expand its market in another country in order to prevent the threat of competitors’ entry that market. So the real strategy as plan is the threat of entry and the strategy as a ploy is the expansion of the market. Viewing strategy as a plan or as a ploy illustrates that a strategy can either be general or specific. These perspectives of explaining what strategy is means that strategies are intended of which they are not only intended but also emergent. So there are another ways in which strategies can be defined.

Strategy as a pattern is as a stream of action, that is a consistent behaviour in which things are done in an organisation and this consistency in behaviour can be intended or not (emergent)\textsuperscript{28}. This perspective indicates that strategy can also be emergent.

Furthermore, strategy can be seen as a position, which is a means of locating a company with its environment. This means that referring to this perspective, strategies are used as a mediating force between the company (internal context) and the environment (external context). Strategy as position aims at matching the internal to the external, but strategy as perspective concerns the internal context of an organisation. That is how members in the organisation share their perspectives to other organisational member through their intentions or actions.

From the various definitions above, strategies do have the similar characteristics such as, every strategy is an invention, a figment of someone’s imagination, whether conceived as intentions to regulate behaviour before it takes place or inferred as patterns to describe.

\textsuperscript{26} Mintzberg H et al, The strategy Process- Concepts, Contexts Cases, 2003, 2\textsuperscript{nd} edition, p.3
\textsuperscript{27} Ibid. p. 4
\textsuperscript{28} Ibid. p. 4
behaviour that has already occurred”. Having this in mind it will be appropriate to identify the types of strategies implemented by multinational companies.

3.3 Market growth strategic types

Multinational companies are recognised to play a great role in globalisation but the fact that they display a wide range of market expansion or growth strategies is of little note. This issue of expansion strategies is of great importance because as mention above globalisation strategy affects and is affected by growth or expansion strategies. In strategic management, there are three main strategies that can be adopted by any organisation in a growth process and these strategies include internal development, strategic alliance, mergers and acquisition. These strategic types can be divided in two levels; business (internal development) and corporate level (strategic alliances, mergers and acquisitions) strategies. These two levels of strategy are the same levels in which strategies in multinational companies will be identified.

3.3.1 Business level strategies

Business level strategies are strategies a company uses to compete successfully in a particular market. This means that business level strategies are concerned with which products or services to be produced, in which markets to sell these products/services so as to have advantage over competitors in order to achieve the companies’ objectives (which could be long term profitability or growth of market share). This level of strategy is often called competitive strategies as they are used to achieve competitive position in a particular market. Porter was the first to propose the three elements that of business level strategy are compose. These “Porters three generics of strategy” include overall cost leadership, differentiation and focus but it was vary difficult to differentiate these elements, so a strategy clock that is composed of these three generics was used to better explain what business strategies are.

The strategy clock considers price in addition to Porter’s three factors and how these factors serve as competitive strategies at the business level are explained below.

Competitive advantage can only be achieved if a company provides its customers what they actually want or need (high benefit) and at a price better than its competitors. The strategy clock takes this in to consideration as it represents the different positions in the market where customers have different requirements (value of money) and the strategies that can be used at each position to achieve this competitive advantage. The various strategic options on the strategy clock are shown on the table1 below.

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32 Ibid. p. 11
33 Ibid. p. 240
### Table 1: Competitive Strategy Options

<table>
<thead>
<tr>
<th>Options</th>
<th>Strategy</th>
<th>Needs/Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>No frills</td>
<td>Likely to be segment specific</td>
</tr>
<tr>
<td>2</td>
<td>Low price</td>
<td>Risk of price war and low margins, need to be cost leader</td>
</tr>
<tr>
<td>3</td>
<td>Hybrid</td>
<td>Low cost base and reinvestment in low price and differentiation</td>
</tr>
<tr>
<td>4</td>
<td>Differentiation</td>
<td>Perceived added value by user, yielding market share benefits</td>
</tr>
<tr>
<td></td>
<td>(a) Without price premium</td>
<td>Perceived added value sufficient to bear price premium</td>
</tr>
<tr>
<td></td>
<td>(b) With price premium</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Focused differentiation</td>
<td>Perceived added value to a particular segment, warranting price premium</td>
</tr>
<tr>
<td>6</td>
<td>Increased price/standard value</td>
<td>Higher margins if competitors do not follow, risk of losing market share</td>
</tr>
<tr>
<td>7</td>
<td>Increased price/low value</td>
<td>Only feasible in monopoly situation</td>
</tr>
<tr>
<td>8</td>
<td>Low value/standard price</td>
<td>Loss of market share</td>
</tr>
</tbody>
</table>

Source: Johnson, Scholes and Whittington 2006, p.243

From the table above, there are eight different strategic options from the strategy clock and these options form an important concept that helps managers to better understand the changing requirements of markets and the choices they have when it comes to market positioning and/ or achieving competitive advantage. These eight options are further divided into five main strategies as seen below.

**Price-based strategies:** This strategy is composed of option 1 and 2, whereby 1 (no frills strategy) is composed of providing products or services of high benefit at a low price to a focused price-sensitive market segment. While 2 (low-price strategy) are offering a price lower than competitors while trying to maintain similar product or service benefit as competitors. Each of these options has its advantages and disadvantages such as seen on table 1 above. Adopting this strategy, market share and turnover increases as higher quality accompanied by lower prices attracts new customers, thus increasing demand. When demand increases with respect to increase in customers, market share and turnover increases.

**Differentiation strategy:** It is made up of option 4 only and it seeks to provide products to customers that are of different benefits from those of competitors and these products are highly valued by customers. This strategy can be with or with out a price premium and any

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organisation can only implement this strategy successfully if it is able to clearly identify who are its strategic customers and competitors. This strategic type especially differentiation with a price premium affects market shares positively as the price premium attracts new customers particularly those of lower income group and this help to swell up sales.

**Hybrid strategy (option 3):** It seeks to achieve differentiation and a lower price at the same time compared to that of competitors. This depends on the ability of the company to be able to maintain a balance between the following; enhance customers’ benefits, low prices, and sufficient margin to reinvest in product maintenance and development. Lower prices with lower quality can increase market share only if the products have no substitutes, as this makes difficult for customer to switch to other products.

**Focused differentiation (option 5):** This type of strategy is all about providing high-perceived product benefits that is justified by a substantial price premium usually to a selected market segment. It is often difficult to implement this strategy if it is only considered part of the organisations overall strategy. Apart from this, a company also has the choice of moving from option 5 to 4 if sales are to grow despite the fact that this type of move is accompanied by lower prices and cost.

**Failure strategies:** It is made up of option 6, 7, 8 and are those strategies that do “not provide perceived value-for-money in terms of product features, prices or both”\(^{35}\). Option 6 is to increase prices without increasing product benefits, 7 is to reduce product benefits but increase price and 8 is to reduce product benefit while maintaining prices. This strategic type leads to loss of market share as a fall in demand caused by increase in price pushes customer to competitor’s products. This is so because the price increase is not justified by any increase in product value/benefit.

One company can never implement the various strategic types mentioned above, as each type is suitable depending on the goals and objectives of the company towards a particular market. Take for instance the failure strategies are only implemented by monopolies, as there is little or no competition in such companies. Apart from the business level strategies developed from the strategy clock, there is internal development that falls within this category.

**Internal growth:** This is when a company builds on its own capabilities in order to grow and this is the primary way any company can achieve growth at this level. Through internal development some of the values can be created and this can be done through the following ways.

- Product development which is using existing or new capabilities to introduce new products lines based on the changing needs of customers. This can help any organisation to compete successfully in the market place as new products can create new market opportunities.
- Market development and it involves taking existing products into new markets and this is achieved by developing new users for the product, exploit new markets by eliminating agents and deal directly with customers.
- Spreading cost over time is another realistic and more favourable way to growth. This is done by cutting down cost (dumping strategies that are not feasible) and reinvests the money into another project such as new product lines.

- Diversification is another way that can be used to grow internally and it involves taking the organisation into new markets with a wide range of products. Having a diverse range of products or services can increase market power. This is because with a wide range of products and services an organisation can afford to cross-subsidise one product from the surpluses earned by another in a way that competitor may not be able to do.

Organisations can also diversify to respond to environmental change as a prelude to defend the existing value where markets or technologies converge and in doing this they turn to diversify spreading the risk across a range of business. This becomes reality where the expectations of powerful stakeholders and top management are that of continued revenue growth.

Some authors have used Porters three generics to develop more models on strategies of multinational enterprises. For instance Rugman and Verbeke used the three generics strategies (cost leadership, differentiation and focus) and the two choices (competitive advantage and firms’ competitive scope) into a strategy matrix. The strategic matrix was extended into strategies implemented by global companies and since most multinational companies are global, this matrix is also applicable to multinational companies. The extended model indicates four main strategies based on geographical scope and segment scope on the horizontal and vertical axis respectively.

**Fig 2: Strategies matrix for Multinational companies**

![Strategies matrix for Multinational companies](image)

<table>
<thead>
<tr>
<th>Geographic scope</th>
<th>Global strategy</th>
<th>country-centred strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Many segments</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Few segments</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

**Source: Porter, 1986, p.46**

Quadrant 1 is global cost leadership or differentiation in situations where the multinational company has many segments (branches, markets) in other countries and protected market (2) where there are many segments but centred in one country. In situations where the multinational company has few segments, it should implement global segmentation (3) and national responsiveness (4) in country-centred situations. Global cost leadership and global differentiation means seeking cost or differentiation advantage of global configuration/co-

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ordination by selling a wide range of products to buyers in all or some significant country markets. Global segmentation is serving a particular market segment worldwide.37

Multinational companies can only achieve competitive advantage if they implement some of the above strategies. These strategies are “about being able to achieve the highest level of customer satisfaction or perceived use value at the lowest cost in relation to competitors in each product or market, whether the market is national or international”38. So for any company (especially multinational companies) who wants to compete multinational needs to be at least be good at the local or national level by providing products or services in the local market or they will not be able to sell their products in another country or abroad.

Once any company has achieved a certain level of growth compared to its customers, it very important to maintain that position for long period of time. This can only be possible if the strategies can be sustained and sustainability is to ensure that the strategies implemented could not be easily copied or imitated by competitors.39 Each of the strategies can be sustained as follows,

- Price-based strategies can be sustained by accepting price margins (cross-subsidise from other business units), win a price war (use deep pockets to found short to medium term losses). Another alternative is to reduce cost throughout value chain (find and exploit all resources of cost advantage) and focus on specific segments where customers particularly value prices.
- Creating difficulties of imitation (pattern rights) and achieving imperfect mobility of resources or competence that can sustain differentiated (brand, image or reputation, switching cost).
- To achieve lock in (an organisation wanting to become the industry standards or proprietary position) can be gained through size or market dominance, first mover advantage (set standards at the early stage in life cycle of markets), rigorous and self-reinforcement (insistence on the preservation of position).

3.3.2 Corporate level strategies

Corporate level strategies refer to the levels of an organisation management above that of the business units that has no directs interaction with buyers and competitors.40 This means that they are concerned with the overall purpose and scope of a company. It also involves how value is added to the different parts of the organisation (SBU). Corporate strategy consists of deciding the scope and purpose of the business and resources by top management to achieve the objectives set for the business and how a corporate parent creates or adds value to SBUs.41 In every organisation it is looked as management strategy above the business strategy and comprises of decisions about the scope of the organisation and the diversity of the organisation product as well as the geographical diversity of the business unit in a corporate portfolio. To do this it ensures proper management of the organisation scope and diversity to

40 Ibid. p. 280.
create value for the organisation. The various strategic types that can be implemented at the corporate level in order to gain market growth include the following.

**Mergers and acquisitions**

Acquisition can be defined as one company (the bidder) makes the purchase of a controlling interest in another company (the target). When this takes place the bidding company controls all the tangible and intangible assets of the target entity. It is for this reason that acquisitions are referred to as take-overs opposed merger as a means of achieving corporate growth. Mergers refer to situations whereby two or more companies come together to from a completely new company and both pre-merger companies have equal rights and responsibilities in the new one. This is similar to acquisitions as they hold the advantage of overcoming the relatively long time scales and potential resource constraints of organisation growth but differs in the dilution of control. A company’s’ motives for merger/acquisition can be broadly classified under three groups of factors.

- **Strategic motives:** A firm may undertake an acquisition in order to increase its penetration of an existing product market, enter a new product market, enter a new geographical territory, or to diversify away from its core business. This affects market share as market “penetration is where an organisation gains market share”

- **Financial motives:** Financially, acquisition may be particularly attractive to a publicly quoted company if its price-earnings ratio is relatively high compared to that of potential target companies.

- **Managerial motives:** This is acquisition aimed at maximising shareholders’ value and it helps to advance a manager’s own position through a rapid increase in the size of the company that the manager is responsible for. It can also be through an increase dependence on the managers’ particular skills via the purchase of a target business that is reliant on those skills.

**Strategic alliances**

A strategic alliance is “a coalition of two or more organisations to achieve strategically significant goals and objectives that are mutually beneficial.” This can exists among suppliers, producers, distribution channel organisations, and customers (end users of goods and services). This type of coalition exhibits some characteristics such as

- Participants remain independent according to the formation of the alliance
- Participants share the benefits of the alliance and the control over the performance of the assigned tasks.
- Participants make continuous contributions in technology, product and other important strategic areas.

The objectives of this kind of relationship may be to gain access to markets, enhance value offerings and reduce the risks generated by rapid environmental change, share complimentary

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43 Ibid. p. 98-99
skills, to acquire new knowledge or obtain resources beyond those available to a single organisation. Given the reason why such relationships are formed, two types of strategic alliances can be identified categorised into two main categories: vertical and horizontal integration. If the coalition is formed with suppliers or distributors, it is vertical integration but if with other organisations in the same line of activity, then is horizontal integration. In order to understand if an alliance is vertical or horizontal integration one can look at the functions and the different modes an alliance can take.

Strategic alliance can take many different forms or modes and these forms refer to how the structural organisation of the alliance is set up. These forms include focused strategic alliance, complex strategic alliance, joint ventures, collaboration and consortium.

**Focused strategic alliance:** It is a set up between two or more partners who want to meet clearly specified goals. For example a company wanting to sell a product in a new market may set an agreement with another company who has well-developed distribution network and a good knowledge about the market. So the Production Company does not need to invest in distribution networks.

**Complex strategic alliance:** This contains some parts or the whole organisation of the different organisations. The companies realise they are stronger together competitive wise on the market than if they were to compete separately and they can still keep their own identity or aspirations.

**Joint venture:** A joint venture is the formation of a new entity that is shared between companies and this is done through an agreement whereby the new company is owned, controlled and founded by two or more companies.

**Collaboration:** This is a very flexible type of alliance, whereby it has no joint venture and is formed on minimal basis as it has no initial commitments but it can later on be developed into something deeper. This type is very good when it is difficult to foresee the development of the relationship and when alliance is not connected to a specific business.

**Consortium:** Consortium involves a number of different partners who wants to handle large-scale activities for a specific purpose and this is usually done when the companies’ resources or capabilities are not sufficient.

Today, international strategic alliance is normally based on a collaboration agreement with other companies than joint ventures and these collaborations are non-equity based.

**Networks**

Networks are groups of independent organisations that are linked together to achieve a common objective. They are comprised of a network co-ordinator and several network members who are typical specialist. They occur in new ventures and reformed traditional

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organisations. The underlying rationale for networks is that organisations try to leverage their skills and resources.

According to Faulkner corporate strategy is about the mix of businesses within the corporation according to market attractiveness and the risk profile of the firm. That is the overarching organisational structure, systems and processes to support those businesses and investments in necessary firm-wide resources and capabilities either by investing internally or acquired by merger and acquisitions activities or through participating in alliances with partner organisation."52 From this view it is realised that internal investment is another way market growth can be achieve.

3.4 The processes of strategy development

Strategy development processes are the processes through which strategies come about in organisations. These strategies can be developed or formulated if an organisation possesses certain attributes and these attributes are strategic assets or resources, competencies and capabilities.53 These attributes need to be unique from those of other companies in order for these organisations to successfully achieve competitive advantage (that is either to survive or grow).

In strategy development process, it is important to know why companies formulate or develop strategies in the first place. This is so because before a company thinks of formulating a strategy it already has a “realised strategy” that is operating in various market segments, selling products or services, and hopefully showing some profits for doing so54. So understanding the company’s current situation is a pre-requisite for developing strategy and the various processes includes the following

3.4.1 Process of intended strategy development

Intended strategy is an expression of desired strategic direction deliberately formulated or planned by managers.55 This means that these types of strategies are consciously planned or conceived in organisations and the process involved in developing such strategies includes

**Strategic planning:** This is systematised, step-by-step, chronological procedure through which strategies are developed or co-ordinated in organisations and strategy development are often equated to this definition.56 This planning system is done following some stages in a cycle as indicated below.

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54 Ibid. p. 406
56 Ibid. p. 568
As shown on the figure above, the strategic planning cycle starts with some guidelines or assumptions about the external environment (price level, supply and demand conditions) and followed by a draft of the business plan. All the business or divisions in the company, which are then discussed, revised and approved by a board, submit the plans. When the plan is approved, performance targets (financial and strategic) are set and performance monitored to achieve target. This process of strategy development is important because it plays a role in how the future of the organisational strategy is determined as it provides analysis and thinking about complex strategic problems, encourage a longer-term view, co-ordination, questions and challenge from managers. Also this system may facilitate the conversion of an intended strategy into organisational action through effective communication, co-ordination and involving people in the process. Mintzberg challenged these benefits that can be achieved from this process as he argues that there are dangers in such a formal process of strategic planning. This is so because this process often leads to failure to some problems associated with the process such as misunderstanding the purpose of planning systems, problems in design and putting into effect of strategic planning systems in some organisations. Another reason failure of planning systems is the idea of who owns the process of the strategy for example senior management team belief that they own strategies and no one has access to them except them. From the point of view that strategic planning is unrealistic has given rise to other development processes.

Strategic workshops and project groups: Strategic workshops may be made up of top management team, board of directors or different level of management (heads of department or functions), or different level of management and staff across the organisation. These groups usually work intensively for few days away from the office in addressing the strategy of the company. This is done with the help of analytical tools; techniques and participants experience to develop strategic recommendation. Project group helps to tackle particular issues with the specific intent of involving groups of managers or staff with certain issues.

Source: Johnson, Scholes and Whittington, 2006, p.569

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Each of these groups has its roles or purpose and some of these purposes include; to reconsider or generate the intended strategy, challenge assumptions, plan strategy implementation, examine blockages to strategic change, analysis, monitor and generate new ideas and solutions.

**Strategy consultants:** These are consulting firms who have operations that provide services in strategy development and analysis. Most companies use these firms because they feel the need for external and more objective way of viewing issues related to strategy development. Strategy consultants play a very important role in organisations strategic development process despite the fact that their services are costly and the roles they play include, analysing, prioritising and generating options and knowledge carrier, promoting strategic decisions and implementing strategic change.

**Externally imposed strategies:** Powerful external stakeholder can impose strategies in an organisation. For example a multinational company seeking to develop its business in some parts of the world are subject to governmental requirements to do their business such as joint ventures or local alliances.

### 3.4.2 Emergent strategy development

“Emergent strategy comes through everyday routines, activities and processes in an organisation”\(^{59}\). Relating this definition to the definition of strategy (the long-term direction of a company, which develops over time), we will realise that strategies according its definition are emergent rather than planned (intended). The processes through which this type of strategy is developed in companies are as follows.

**Logical incrementalism:** This is the “development of strategy by experimentation and learning from partial commitments”\(^{61}\) and this is composed of the following characteristics. The objectives for strategy should be general and not specific as the latter stifle ideas and prevent experimentation and managers should be sensitive about the environment by doing constant scanning and small-scale steps of testing change.

**Resource allocation routines:** This is also known as the Bower-Burgelman explanation of strategy development and it is a strategy that is developed as an outcome of resource allocation routines in an organisation.\(^{62}\) This is done through the day-to-day decision making processes (systems and routines for undertaking the operations of business) about resource allocation.

**Cultural Processes and organisational politics:** It is a way through which strategy can be developed as an outcome of the taken-for-granted assumptions and behaviour (paradigms) in organisations. Strategies can also be developed through organisational politics as an outcome of processes of bargaining and negotiating among powerful internal or external interest groups for example stakeholders.

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\(^{60}\) Ibid, p. 566

\(^{61}\) Ibid. p. 578

\(^{62}\) Ibid, p. 580
As seen from above section, it is important to note that there is no one right way in developing strategies. This is so because strategy development differs over time and is context dependent. Different preconceptions on how they develop and varied process of development can be seen above seen above. For example Quinn pointed that the strategy development process of multinational businesses is logical incrementalism. On another hand, a different author identified from research that multinational companies follow planned strategy development process and this is because they have refined the process of strategic planning in order to make it more significant in their decision-making. The reason being that business across the world is characterised by rapid, discontinuous changes and greater uncertainty and mangers of these companies need to develop a more analytical framework for planning as a basis for decision making implying that multinational companies develop strategies through intended and not emergent development process.

Referring back to intend and emergent strategies, it is believed that intended strategies are often unrealised but if combined with emergent strategies, they turn to be realised. Rather than thinking of strategies as a top-down plan and intended, they may as well come about as a result of activities and processes within the organisation.

3.5 The market share

Market share by definition refers to company sales divided by the total sales of all firms for a specified product in a given market over a given time period. It can be calculated on basis of actual sales or forecasted sales. In this study we looked at market share from the “Marketing concept” which defines the marketing management philosophy, which holds that achieving organisational goals depends on determining the needs, and wants of target and delivering the desired satisfaction more effectively and efficiently than competitors. One of the ways in which success of any strategy implemented in any company can easily be identified from it profits and market share. In this study we will concentrate more on the market share/turnover to assess the efficiency of strategies adopted by multinational companies, as “the ultimate test to assess whether multinational companies are global themselves in their actual penetration level of markets across the globe”. This level of market penetration across the globe can be seen in terms of market share, and the Boston consulting Group (BCG) matrix is appropriate for our use.

The BCG matrix: The BCG matrix indicates the balance of a portfolio of a business in terms of relationship between market share and market growth. The context of which this BCG matrix is used has excluded the idea of balance of matrix and only considers the relationship between the market share and market growth.

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Fig 4: The BCG Matrix

Source: Johnson, Scholes and Whittington, 2006, p. 315

A star represents a business with a high market share in a growing market and much is being spent to gain market share but this cost reduces faster than that of competitors over time. Questions mark is a business in a growing market share but without a high market share.

Cash cows are businesses with a high market share in mature markets (low market growth with stable conditions). This type of business does not need heavy investment in marketing but maintain unit cost lower than competitors and they are known as cash providers. Dogs on the other hand have a low market share in static or declining markets and they are cash drains as a huge amount of company time and resources are spent on them.

As market growth rate is important for a business or company seeking to dominate the market, it is appropriate for that company to be a star. This is explained by the idea that higher profit levels often come from product or business with high market share in more stable markets.70

It is worth noting that an in-depth review of all the different theories mentioned above, is beyond the scope of this thesis. However, the perspective of market growth strategies of multinational companies will provide the main support and serve as a foundation for the research reported in this thesis specifically as this thesis intends to use them to assess the strategies adopted by multinational companies towards market growth. The original business and corporate level strategy theory will be looked at in more detail hereof as explained in the figure below.

The figure shows a summary of the market growth strategies comprising of business level and corporate level strategies. The business level strategies are further divided into internal development and competitive strategies, while corporate level strategies include mergers/acquisition, strategic alliance and networks. These strategies have an impact be it positive or negative on the market share depending on the type of strategy (s) implemented.
Chapter Four

Research method or Design

In this chapter, the practical method used in order to answer the research question and to fulfil the purpose of this thesis is presented. Firstly, the choice of using a case study and data collection explained and motivated, and how the data was analysed follows the first two discussions. Finally the quality of the chosen research design is discussed.

4.1 Choice of case study

The research problem in this study is the complexities and different perspective in which strategy developed and implemented in organisations. Due to this problem, context specific research is the most feasible way to understand how these strategies are implemented. It was from this perspective that the choice of case study was considered. Another point to note is the choice of multinational companies as the relevant company type. This is justified by the preconceptions of authors in this study and also the fact that their strategies incorporate both business and corporate levels of strategy. Based on this reason we preferred Komatsu Forest AB as our company of study because of easy accessibility to this company and more about this company is presented below.

Background of Komatsu Forest AB

Komatsu forest AB is a company that manufactures and distributes forest machines to so many countries in the world. This company was started in Umeå as Umeå Mekanisk (a small family-owned company) in 1961, and its first product was the Slash-bundler "Skruven". Fifteen years later (1976), Volvo BM acquired the company and in 1986, a Finnish Company Valmet acquired this company and changed the name Umeå Mekanisk to Valmet Logging AB in 1988. Latter on in 1996, this company was sold to the Finnish company SISU and Valmet Loggin became SISU Loggins. Three years later that is in 1993, Partek purchased SISU Loggins and Partek Forest AB was established.

In 2004 Komatsu Ltd. a Japanese global corporation acquired Partek Forest, thereby changed the name to Komatsu Forest AB and Partek Forest was the second largest manufacturer of forestry equipment in the world, providing the "Valmet" line of machines to nearly thirty countries primarily in Europe and America\(^71\). This company haven inherited its management resources from Partek Forest AB, continues to manufacture the proven "Valmet" machines, in addition to the development, manufacture, and sales of high quality, reliable forestry equipment from the introduction of Komatsu's own technologies. At present it is pursuing a growth strategy and making a full-scale entry into the forestry equipment business, this will broaden and strengthen its business base with the aim of increasing sales and profitability\(^72\). Komatsu AB has a capital stock of approximately 3208 million Swedish Krona, has two manufacturing bases (Umeå and Vindeln, Sweden and Shawano, Wisconsin, U.S.A.) and has approximately1200 employees. This company is currently manufacturing and distributing forestry machines based on its own construction equipment model, had a target of has sales

target of 50 billion yen last year (2006) and to expand their sales through global sales and service network.

No matter the type of forest machine, sales are all over the world today especially at all important forest markets and this company is the second largest manufacturer of forest machines in the world today. This is done with the help of approximately 1200 employees located in so many countries in the world and what motivate this company to go multinational is explore new money.

4.2 Data collection

The data collection process commenced through semi-structured interviews as already mentioned in the research method. This thesis is grounded in an interpretative manner and therefore the data must be examined without strict statistical regulations and formulas. This approach will seek to analyse and discuss information projected in the course of the interview. There were other considerations for qualitative methods, but at the end the ability to interpret the information was seen as most feasible through interviews. If this study had attempted to garner beneficial conclusions through the use of questionnaires or surveys, sufficient information in accordance to the theories will not be gathered.

4.3 Interview setting

In order to conduct the best interviews possible, being physically present in the company was selected as the best option. Conversational interviews, be it through the Internet or by telephone were considered but at the end, conclusions were made that face-to-face interviews will be most appropriate. The reason for choosing face-to-face interviews was to adapt the questions so as to clarify doubts and to ensure for responses from properly understood question. Repeating and rephrasing the questions were used to ease understanding and we were aware of the shortcomings of using face-to-face interviews such as respondent bias. Letting the interviewee aware that the research is only for academic purpose (that is not to be published publicly) reduced the bias in respondents.

4.4 Interview procedure

In order to conduct the most efficient interview, the flow of the interview was guided through the use of an interview guide. The development of this guide was done in a manner so that the approach to research, deductive, began with the application of the theories and research questions. The main priority in the actual construction of the interview guides was not to lose focus of the research questions, so the questions were exclusively inspired from the theoretical findings.

The interviews were conducted two times with two members of the company whom we believed were very knowledgeable in our subject area. The first interview was conducted on the 16th of April 2007 and the second on the 4th May 2007 with the same respondents and each interview was done for one hour. The reason for conducting two interviews was to

73 See appendix one and two for interview guide
74 See list of interviewee in the reference list
gather appropriate information for our analysis. The two respondents were interview at the same time and the reason was to get sufficient information, as the questions needed competencies from both respondents and another reason was the limited time available.

The two researchers were responsible for conducting the face-to-face interview, whereby one person was responsible for taking down responses, the other in posing the questions and afterwards the complete interview responses were summarised together by both researchers. The reason for this was to minimise the drawback of obtaining limited answers when recording the interview.

4.5 Quality criteria

The purpose of this section is to establish the stance used in the qualitative approach to this study. In doing so, the reader will better comprehend the degree of truth that this thesis has and validate the findings.

Validity

The validity of a study is achieved if it measures what it was intended for, that is variables measure what the research was intended to measure with little or no error. This is characterised by internal and external validity, which varies between types of research; field experiments (research done in natural environment) and lab experiment (done in contrived or artificial environment) 75. In lab experiments, the researcher controls the setting, in which the research is been conducted, may influence the variables, while observing the changes or no changes in variables. Due to the ability to control and eliminate certain variables or conditions that may have a profound effect on the outcomes of the research, would likely improve the validity of the research. On the other hand, in field experiments, the researcher retains control over the independent variables but conducts the research in a natural setting, without control over environmental influences.

Internal validity describes or accounts for all factors, including those that are not directly specified in the theory being tested, but might affect the outcome of the study. That is, it usually concerns the soundness of the research being carried out. External validity on the other hand refers to the generalisation of the research, which is the ability of the conclusions to be validly extended from the specific environment in which the research study is conducted to similar real world situations. 76

The research for this thesis could be considered as a field research (survey) as it is carried out in a particular company in the real world. The literature on this survey was got from an interview on human beings of the company thus we cannot influence their responses in any significant way. To ensure for both internal and external validity, we believe to have used the most accurate and up-to-date literature, the right and relevant questions asked during the interview (face-to-face interview), the most feasible data collection method utilised and the tools used to analyse the data are also considered to be the most appropriate in this situation. Therefore, this thesis is considered to be accurate and hence produces valid results. Thus we assume that the overall validity of the results is considered to be high. However, we would

argue that the internal validity of this thesis is relatively high but the same cannot be said for its external validity. The reason for this position is discussed under the degree of generalisation.

**Reliability**

The aim of any researcher we believe is to use a given procedure and reach a conclusion that will be applicable in any given environment. The primary objective should be that if a later investigation followed exactly the same procedure as described by an earlier investigator and conducted the same study all over again; this later investigator should be able to arrive at the same findings and conclusions. Thus the study could be considered to be highly reliable. However, due to the very nature of human beings, a 100% reliability (especially regarding external validity) cannot be guaranteed for this thesis, as errors might occur in the course of writing down answers during the interview or in coding answers due to human nature.

In this study the errors were minimised as one interviewer poses the questions and the other concentrates in writing down responses. Immediately after each interview, the two interviewers sat together to discuss and document the final responses. With all these measures put in place to minimise error, we believe that the results of this study could be regard as reliable.

**Degree of generalisation**

Generalisation is the applicability of results of a research study to other settings. Probability sample is only what justifies that inference can be made about the population but this is not a guarantee as the results from the sample cant be generalised because of the risk of random and systematic errors in the sample. In case studies, it is not important to make generalisation of the study but to explain what is the situation of that company in that particular situation and there is no problem if the results cannot be generalised. This is so because no two companies can be the same, thereby case studies in general do not return appropriate information for generalisation but in optimal case, can produce a rough guideline/understanding of how theories are practically applicable. Thus our findings from the study can be considered as guidelines for companies implementing certain strategies to gain growth in their market shares.

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Chapter Five

Market growth strategies for Komatsu Forest AB

In this chapter, the type of market growth strategies implemented by Komatsu Forest AB are presented with present market situation discussed.

5.1 What drives Komatsu Forest AB multinational?

As forest are located in so many countries all over the world, it is rational for any company that produces forest machines to be represented in most of these forestry markets. Since the success of Komatsu Forest AB lies in its competence centres that are made up of a combination of strong sales and knowledge base of five continents, this gives it a unique position in the world forestry markets. This explains the fact that this company goes multinational in search for markets and to represent in the different markets. Another reason is to locate near to its distributors who are also located all over the world.

5.2 Market strategies implemented

Komatsu forest AB’s has implemented some strategies in order to increase its market share and the strategies implemented are both at the business and corporate level.

5.2.1 Business level strategies

At the business level, this company implements pricing, differentiation and diversification strategies and the details are explained below.

Pricing strategy

The pricing strategy implemented by this company is higher prices compared to competitors. These higher prices are due to the high cost incurred in the development and manufacture of the forest machines, for instance advance/modern technology and high quality measures. This higher prices are charged in all its distribution and sales centre, implying that there is no price premium no matter the type of market situation.

Differentiation strategy

The Valmet machines are different from those of competitors and what differentiate them are quality, unique features, technology and colour but they perform the same functions (logging) as those of competitors. In terms of features, the Valmet machines have unique features that are absent in competitors. For instance the way in which the crane is mounted on the cap is different, as this crane moves or rotates together with the cap.

The technology used in the manufacture of Valmet machines is a continuous stream of knowledge inherited from its predecessors. That is Partek’s good knowledge in forestry and Komatsu’s engineering technology was combined to give a better technology that is used for technical invention and improvements of the machines. Also the red colour is used for the
machine, as they believe that quality comes in red and these features (technology and colour) are what differentiate Valmet machines from those of competitors.

The red colour of Valmet machines that represents better quality indicates that, Komatsu Forest AB focuses on quality as one of its core values by paying attention to their customers needs and meets with these customers. Quality is also ensured in all steps in the manufacturing process by implementing the Plan-Do-Check-Act cycle of quality control during product development. Quality is also ensured with the help of suggestion made by major customer through their JioFUL meetings with the company.

**Diversification**

This company develops manufactures and market forestry machines (Valmet machines) and attachments for the full range of diversified forestry needs such as Forwarders, Harvesters, Combi machines, Tracked machines, Harvesting heads and Skidders. These machines are broadly categorised into Cut to length (CTL) and full length (FL). CTL is a machine that performs so many functions such as felling, cutting and parking the timber for transportation. It requires few machines, less personnel, minimises fuel cost per cubic foot of timber and causes minimal ground damage but effective in production even in small harvesting areas. On the other hand the FL is only used for felling the timber, thereby needs a good complement to sawmill investments in timber equipment and demands a large number of forest machines and personnel. Also large clearing areas are required to handle the timber but it has a high logging capacity. The production unit in Umeå produces both types of machines while that of Shawano manufactures only FL.

Other products the company manufactures include environmental-friendly planting machine, easy to ways to collect and compress forest residues, as well as control and information systems for control and co-ordinate profitability. Before and after sales services are also provided to customers such as educating and training of would be users of the machine, repair assistance and supply of spare parts respectively.

**5.2.2 Corporate level strategies**

At the corporate level, the strategies implemented by Komatsu Forest AB are acquisition and partnership/networks.

**Partnership/networks**

Partnership and networks are some of the ways in which this company enters new markets. Partnerships are formed with major customer while networks are established with some dealers already established in the country or market the company plans to enter. The motive for forming these networks and partnerships is to reduce the cost of setting up new centres so that they can be cost efficient. This is the method through which their recent market in Russia was entered. Further more partnerships are also form with suppliers in order to ensure effective and efficient supply of raw materials needed for manufacture.

**Acquisition**

Another way to increase market share is the acquisition of sales centres and this method of growth could be traced from the company’s history whereby the global company Komatsu Limited acquired Partek Forest AB. In the course of this acquisition a new company was from
(Komatsu Forest AB), thereby giving it some market access of its global parent. This contributed to the increase of this company’s market share multinational.

5.3 Sustainability of strategies

Inside house policy is one of the means through which the company’s strategies are sustained. To gain access to certain information from the company’s website, a password/user name is needed and the company can only provide this. Also there are patent right for the production of the unique features of the machine such as how the crane fits to the cabin machine and the red colour of the machines. These makes it very difficult for none dealer of this company or competitors to get access to certain information or to copy the products.

5.4 Strategy development process

Strategy development in Komatsu Forest AB is the responsibility of the marketing department working in collaboration with the owners of the distributions centres and the Chief Executive Officer only gives the go ahead for the implementation of the strategies developed. Some of the strategies are developed through a JioFUL meeting with some of the major customers like Svea Skog (Brazil), Monde Paper (Russia) and Stora Ensos (Swedish Finish Company). These meetings are organised once a year in order to get feedback on how future improvements can be made. These major customers only give suggestions on how the improvements can be made on quality and not imposing on what to do. An example of how the planning process works towards strategy development can be seen from the perspective of how quality development is done in this company and this is shown below.

Quality development process

The development process follows strict rules in order to uphold high quality products. Whether it regards a new product or product improvements, each project is strictly bound to following process.

Fig 6: Quality development process

Source: www.komatsuforest.com
The development process above is a continuous cycle and it works as thus, a plan is implemented and after implementation, evaluation is done and feedback is sent for further planning. So any strategy developed is transmitted to the various productions, distributions and sales centres for implementation but each of these centres has the responsibility to adjust the strategies to suit their present environmental or market situation.

5.5 Market share

Komatsu Forest AB being a wholly owned subsidiary of Komatsu Ltd, adopts the philosophy and standards of its global parent but it operates as an independent business. Adopting from it parent enable Komatsu Forest AB to gain access to global production, distribution and sales centres. These distribution centres are four (Europe, North America, South America and Oceania); their areas of coverage and some statistics are shown on the table 2 below

Table 2: Komatsu Forests’ AB distributions centres

<table>
<thead>
<tr>
<th>Distribution centre</th>
<th>Headquarters</th>
<th>Area of coverage</th>
<th>No of employees</th>
<th>Yearly sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>Vöhringen, Germany</td>
<td>European counties</td>
<td>125</td>
<td>300-350</td>
</tr>
<tr>
<td>North America</td>
<td>Shawano, Wisconsin</td>
<td>Dealers in North America</td>
<td>30</td>
<td>150-200</td>
</tr>
<tr>
<td>South America</td>
<td>Curtiba, Brazil</td>
<td>Brazil, Argentina and Uruguay</td>
<td>400</td>
<td>50-100</td>
</tr>
<tr>
<td>Oceania</td>
<td>Sydney, Australia</td>
<td>Australia, New Zealand, Indonesia and Japan</td>
<td>40</td>
<td>40-70</td>
</tr>
</tbody>
</table>

Source: Summary from interview

In addition to the distribution centres mention above are two sales centres, through which Valmet machines reaches its customer. These sale centres are located in Knivsta, Sweden and St Petersburg, Russia. The Sweden centre known as SwedLog is made up of 215 employees, yearly sales of 100-150 machines and provides service for sales unites from North to south of Sweden. The Russian centre is newly established (2007) with approximately 15 employees at the initial stage and this centre has huge potentials for the market.

The machines sold through the distribution and sales centres mention above are manufactured in two production units in Umeå, Sweden and Shawano, United States of America. The Umeå production centre specialises in the manufacture of Cut-To-Length (CTL) and Full length (FL) and is made up of 275 employees manufactures approximately 700 machines and 500 harvester heads yearly. On the other hand Shawano specialise in the manufacture of only FL
with production capacity of approximately 200 machines and 50 heads with the help of 75 employees.

By combining all the production, distribution and sales centres ranks Komatsu Forest AB the second largest manufacturer of forest machines in the world with its market situation from 2004 (period of company formation) to the present situation as shown in table 3 below.

<table>
<thead>
<tr>
<th>Year</th>
<th>No of machines Manufactured</th>
<th>No of heads Manufactured</th>
<th>Turnover in Krona</th>
<th>Market share in percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>690</td>
<td>150</td>
<td>2 000 475 000</td>
<td>24</td>
</tr>
<tr>
<td>2005</td>
<td>850</td>
<td>220</td>
<td>3 000 250 000</td>
<td>24</td>
</tr>
<tr>
<td>2006</td>
<td>900</td>
<td>550</td>
<td>3 208 500 000</td>
<td>20</td>
</tr>
</tbody>
</table>

**Source: Summary from the interview**

As can be seen from the table above, the company’s present market share when the two categories of machines (CTL and FL) are combined is 20% as compared to 24% of the total market in previous years. This means the total market share percentage is considered in terms of the two categories (Cut-to-length and Full-length) of forestry machine manufactured and sold worldwide. The reduction in market share is explained by the fact that the market for the FL category of machines is slow. This slow market for the FL is due to the fact that this category of machines is sold only in the United States of America where the market is said to have reached its decline stage, where houses are no longer built as before.

On the other hand, if the market situation is considered in terms of Cut-to-length (CTL), it total market share is 25% of the world's market, ranking it first. The CTL category of machines has a growing and stable future market with huge potentials all over the world especially in Russia. This is explained by the fact that, this category has performs so many functions compared to the FL and this is evident by the increase in sales unite of the CTL category from 1800 machines in 1997 (period of product introduction) to 3000 machines in 2006.

Haven identified the market growth strategies implemented by Komatsu Forest AB (High prices, differentiation, partnership/networks, acquisitions and diversification), the analysis of the above mention strategies and market share with respect to the concepts of growth strategies is done in the next chapter (chapter six).
Chapter Six

Analysis

In this chapter the empirical findings or results of this study presented in chapter five are connected to the theoretical framework. The results are compared to discuss theories to see whether they compliment/support each other or contradict/differ from each. However it is worth noting that high pricing, differentiation, partnerships, acquisitions and diversification are given more emphasis than the other strategies.

6.1 What drives Komatsu Forest AB multinational

A multinational company is one that “owns outputs of goods or services originating in more than one country”79. Komatsu Forest AB owns two production units in Umeå Sweden and Shawano, USA and Umeå as headquarter. It also has four-distribution centre (Europe, North America, South America and Oceania) and two sales centres in Sweden and Russia. This company has the entire four criterions (operational, structural, performance and behavioural) that are used to define a multinational company. Such as it owns distribution and sales centres (operational) and has branches in more than one country (structural). With reference to performance, it has foreign subsidiaries that account for part of its sale.

The success of this company lies in their competence centres, which are made up of a combination of strong sales and knowledge base of five continents that gives them a unique position in the world forestry markets. Since these forests are located all over the world, Komatsu Forest AB goes global or multinational is to search for markets or forest and to locate near its distributors. This is in line with what some authors identified as reasons for multinational, which is to gain access to host-country markets or to exploit international factors-cost differences.80 Globalisation of markets (similar markets and global customers) and not cost differences are what drive this company to go multinational. Another reason to go multinational is search for firms’ specific advantage (FSA) and country-specific advantage (CSA).81

6.2 Market strategies implemented by Komatsu Forest AB

As the main factor that drives Komatsu Forest AB multinational is to search for new markets and to locate near to its distributors, it has implemented some strategies in order to gain a better market position or to increase its market share. In the context of this thesis, the various perspectives (form the five Ps) in which strategies in this company are considered include strategy as a plan and a ploy.

Strategy as a plan is a consciously intended course of action, a guideline to deal with situations. For example strategy as a plan in management is a unified, comprehensive and an

80 Hanson G, Mataloni JR and Slaughter J, 2001, Expansion Strategies of US Multinational Firms, Booking Trade Forum, 246
integrated plan designed to ensure that the basic objectives of the company are achieved. In order to use a strategy to achieve a company’s objectives, a ploy is required to achieve the said objectives. For instance a multinational company wants to expand its market in another country in order to prevent the threat of competitors’ entry that market. So the real strategy as plan is the threat of entry and the strategy as a ploy is the expansion of the market. This is applicable to Komatsu Forest AB as the use high prices, differentiation, diversification partnerships/networks and acquisitions (ploys) as market growth strategies as an intended course of action to guide market situations (plan). Detail analysis of the ploys used to achieve the plan is done below.

6.2.1 Business level strategies

Business level strategies are strategies a company uses to compete successfully in a particular market. This means that business level strategies are concerned with which products or services to be produced, in which markets to sell these products/services so as to have advantage over competitors in order to achieve the certain objectives (which could be long term profitability or growth of market share). Competitive advantage can only be achieved if a company provides its customers what they actually want or need (high benefit) and at a price better than its competitors. So this level of strategy is composed of pricing, differentiation and diversification.

Higher pricing strategy

Higher price compared to competitors is one of the strategies Komatsu Forest AB implements and this is explained by the higher cost incurred during development and manufacture of Valmet Machines. This is in contrast to price-based strategy that is made up of option 1 (no frills strategy) and 2 (low price strategy) on the strategy clock. These options are composed of providing products or services of high benefit at a low price to a focused price-sensitive market segment and offering a price lower than competitors while trying to maintain similar product or service benefit as competitors respectively. Adopting the high pricing strategy, this company is not faced with the risk of price war but benefits from higher margins and customers can only purchase if the benefit out wares the price. The high prices are charged in all the branches of this company.

On the other hand, higher prices shift customer to competitor’s product if the price offered by competitors is lower and this leads to loss of market share. In situations whereby the higher prices are accompanied by high product benefits, this can help to keep some of the customers from switching to competitors. This is so because the high benefit justifies the high prices but does not leads to market growth.

Differentiation strategy

Option 4 on the strategy clock is made up of differentiation strategy (providing products of different benefits from those of competitors and these products needs to be highly valued by customers) and with or without price premium. This company also implements this strategy as the Valmet machines are differentiated from those of competitors in terms of features,
technology, colour and quality. The differentiation strategy is without price premium and this strategic type or option has the advantage of perceived added value by user, thereby yielding market share benefits. This strategic type especially differentiation with a price premium affects market shares positively as the price premium attracts new customers particularly those of lower income group and this help to swell up sales. This company does not offer price premium, so they do not benefit from the advantage as of such a premium.

On the other hand, quality, unique features, technology and colour are the differentiation strategies that affect the company’s market share. For instance, the technology used in the manufacture of Valmet machines is a continuous stream of knowledge inherited from its predecessors. That is Partek’s good knowledge in forestry and Komatsu’s engineering technology was combined to give a better technology that is used for technical invention and improvements of the machines. The better technology gives rise to better quality and this make makes user of forest machines prefer their product, thus increasing demand.

**Diversification**

Internal growth through diversification is one of the most important growth strategies is implemented by Komatsu Forest AB. This is done through product development and diversification, whereby they use existing and new capabilities to introduce new products like tree planting and papers recycling machines. It is explained by the combination of the competencies from the two companies enables Komatsu Forest AB. This combination gave rise to development of new competencies that are used to manufacture a diverse range of products such as Forwards, Harvesters, Combi machines, Tracked machines, Harvesting heads and Skidders environmental-friendly planting machine, easy ways to collect and compress forest residues. Having a diverse range of products or services increase market power as a wide range of products helps to cross-subsidise one product from the surpluses earned by another in a way that competitor may not be able to do. Also diversification increases sales as new customers for the new products are created. This makes this company to compete successfully in the market place as new products can create new market opportunities, thus increasing market share.

Using the strategic matrix for multinational companies, a multinational company that has many segments globally should implement global cost leadership and differentiation  

Global cost leadership and global differentiation means seeking cost or differentiation advantage of global configuration/co-ordination by selling a wide range of products to buyers in all or some significant country markets. Komatsu Forest AB being a multinational company with branches all over the world, implements high prices brought about by high cost and differentiation globally instead of cost leadership as suggested by Porter. In order for this company to have a competitive advantage be it national or multinational, it should be able to provide forestry machines that provides the highest level of customer satisfaction or perceived used value at the lowest cost compared to competitors. This cost reduction can be achieved by dropping strategies that are not feasible. Another way to achieve competitive advantage is through strategy sustainability and this company does this as follows.

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6.2.2 Corporate level strategies

Corporate strategies refer to the strategic levels of an organisation management above that of the business units that has no direct interaction with buyers and competitors.\(^{87}\) In every organisation it is looked as management strategy above the business strategy and comprises of decisions about the scope of the organisation and the diversity of the organisation product as well as the geographical diversity of the business unit in a corporate portfolio. To do this it ensures proper management of the organisation scope and diversity to create value for the organisation. The strategies Komatsu Forest AB implements at the corporate level include partnerships/networks and acquisition.

**Partnership/networks**

Partnerships with can also be referred to strategic alliances are formed with major customer while networks are established with some dealers already established in the country or market they plan to enter and this is a strategy used to capture non-home markets as suggested by Ohmae\(^{88}\). Implementing this strategy Komatsu Forest AB has the opportunity to increase the penetration of its market, or enter new markets in new geographical territory such as the sales centre in Russia. The type of strategic alliance adopted by this company is focused strategic alliance and it is a set up between two or more partners who want to meet clearly specified goals. For example a company wanting to sell a product in a new market may set an agreement with another company who has well-developed distribution network and a good knowledge about the market. In such a situation, the production company does not need to invest in distribution networks. This is exactly the case in this company as they explain the reason for forming partnerships/networks with distributor/suppliers is for cost efficiency.

Taking the market in to other geographical regions affects market share positively as “market penetration is where an organisation gains market share”\(^{89}\). This indicates Komatsu forest AB’s market share has increased through the implementation of the partnership/network strategy.

**Acquisition**

Another strategy used by this company to increase its market share is the acquisition of sales centres and this method of growth could be traced from the company’s history whereby the global company Komatsu Limited acquired Partek Forest AB. In the course of this acquisition a new company was from (Komatsu Forest AB), thereby giving it some market access. This increases the market share of the company and its ability to improve or create new products with the combination of good forestry knowledge of Partek Forest AB and advance technology of Komatsu Ltd.

Acquisitions hold the advantage of overcoming the relatively long time scales and potential resource constraints for organisational growth\(^{90}\). Any company’s motives for forming acquisition can be strategic motives and any organisation undertaking an acquisition increases its penetration level and this increase market share.

\(^{90}\) Ibid. Vol.2, p. 98-99
6.3 Sustaining strategies

Sustainability of strategies is to ensure that strategies implemented could not be easily copied or imitated by competitors and this can be done through pattern rights, brand, image or reputation and switching cost. This company uses in-house policy and patent rights to sustain its strategies for instance to gain access to certain information from the company’s website a password/user name is needed and the company can only provide this. Also there are patent right for some parts of the machine (how the crane is attached to the cabin and the red colour of the machines). These makes the strategies of the very difficult for none dealer of this company to get access to certain information or to copy the products.

6.4 Strategy development process

As sustainability of strategies is important so too is the strategy development process as it helps in understanding how strategies in organisations come about. Market strategies in Komatsu Forest AB are developed through collaboration between the marketing department and owners of distributions centres. This indicates that the strategy development process is intended (strategic planning) and not emergent, thus confirms the idea that multinational companies follow planned strategy development process and this is because they have refined the process of strategic planning in order to make it more significant in their decision-making. Also, major customers do contribute ideas towards strategy development and this is done through JioFUL meetings with these customers. These meetings are organised once a year in order to get feedback on how future improvements can be made and this implies that this company also develops its strategy though strategic workshops. Any strategy developed is transmitted to the various productions, distributions and sales centres for implementation but each of these centres has the responsibility to adjust the strategies to suit their present environmental or market situation.

6.5 Market share

The strategies mentioned above have contributed the following to the Komatsu Forest AB’s present market situation. This company being a wholly owned subsidiary of Komatsu Ltd adopts the philosophy and standards of their global parent but it operates as an independent business. Adopting from it parent enable Komatsu Forest AB to gain access to global production, distribution and sales centres. The production units are located in Umeå, Sweden and Shawano, Unite States of America and the Umeå production centre specialises in the manufacture of Cut-To-Length (CTL) and Full length (FL), while Shawano in FL. In addition to this production units are four distribution (Europe, North America, South America and Oceania) and two sale centres (Sweden and Russia). These centres were achieved through partnerships/networks with some major distributors or dealers (for instance the case of Russian sales centre) or through acquisition. The Russian sales centre is the most recent sales centre and this was established this year (2007), implying the partnership/network strategic type implemented by Komatsu Forest AB has helped its market to growth positively.

The two productions units, four distribution and two sale centres enable this company to be represented all over the world, giving it second position in the manufacturing of forest

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machines behind John Deere. With this position it has a market share of 20% and from table 4 it can be seen the market share has drop by 9% compared to 2005, losing a market share of 4%. Despite this reduction, its turnover has increased by 3.4%, 2.9% in machines and 42.9% in heads manufactures from that same year (2005 to 2006). This indicates that the company market situation is growing as increase in sales has led to increase in turnover as seen in table 4 below.

Table 4: Percentage change of Komatsu Forest AB market situation

<table>
<thead>
<tr>
<th>Year</th>
<th>% change machines manufactured</th>
<th>% change in heads manufactured</th>
<th>% change in turnover (Krona)</th>
<th>% change in market share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2005</td>
<td>10.4</td>
<td>18.9</td>
<td>20.0</td>
<td>0.0</td>
</tr>
<tr>
<td>2006</td>
<td>2.9</td>
<td>42.9</td>
<td>3.4</td>
<td>-9.1</td>
</tr>
</tbody>
</table>

The reduction in the company’s market share is accounted for the slow sales of FL category of machine in the United States of America, as construction rate in this country has also dropped. But if the market situation of only CTL category is considered, this company moves to the first position with a total market share of 25%. With this market share percentage, the market situation of this company is on a positive side despite the 4% loss of total market share. This is so because, the CTL category has huge market potentials all over the world since it has growing and stable markets. This is supported by the increase in turnover despite the loss of market share. Thus, indicates the CTL accounts for the company’s profitability or turnover instead of FL as the loss of total market share does not lead to same proportionate loss in turnover but an increase as seen for table 4 above.

The CTL category of machines has a growing and stable future market with huge potentials all over the world especially in Russia. This is explained by the fact that, this category has performs so many functions compared to the FL and this is evident by the increase in sales unite of the CTL category from 1800 machines in 1997 (period of product introduction) to 3000 machines in 2006.

An assessment of market situation of multinational companies is not only done in terms of market share or turnover but also based on the company’s actual penetration level of markets across the globe. This company owns two production units located in Umeå Sweden and Shawano in USA and four distribution centres in Germany, Wisconsin, Brazil and Australia. The Australian centre is newly established with headquarter in Sidney and an estimate sales of 40-70 machines. It also has two sales centres in addition to these distribution centres to reach it customers and they are Knivsta, Sweden and St Petersburg, Russia. Among these sales centre is a new one (Russia), which is established in 2007 with approximately 15 employees and this indicate growth in terms of market share as according to Johnson et al, market penetration in new markets leads to increase in market share.

In general Komatsu Forest AB could be categorised as a Cash cow with reference to the BCG matrix as it has high market share in mature markets (low market growth in stable conditions). This type of business does not need heavy investment in marketing but to maintain unit cost lower than competitors and they are known as cash providers. As investments are important for companies seeking to dominate the market, it is appropriate for this company to belong to the Star category instead of a Cash cow. This is explained by the idea that higher profit levels often come from Stars and they are products or businesses with high market share in more stable markets. If this company could cut down its cost, market growth will increase (as cost reduction leads to reduction in price, which in turn increases demand), thus pushing its business from Cash cows to Stars and making them global cost leaders as the strategy suggested by Porter in the strategy matrix.

Irrespective of the various growth strategies implemented by Komatsu Forest AB Sweden both at internal and external levels, there are no significant differences in the degree of assessment of these strategies at the multinational level. This high similarities in strategies implemented could be explained by the fact that majority (if not all) of the strategies are commonly planned, and perhaps the different laws of the various distribution centres could account for the small difference. In this study however higher pricing, differentiation, partnerships/networks, acquisitions and diversification strategies can be identified as the three foremost important growth strategies implemented by Komatsu Forest AB. These results therefore, are only partially supported by the strategies above as competitive and permanent growth strategies for growth by this company.

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Chapter Seven

Conclusion and recommendation

In this chapter the overall conclusion, contribution and recommendation for further research are also presented

7.1 Conclusion

The objective of this thesis was to identify the market strategic types implemented by a multinational company and strategy development processes involved. Secondly how the strategic types affects the market share of the company. In order to carry out this research successfully, the following research question was asked, which market growth strategies and strategy development process can a multinational company implement, and what are the affects of these strategies on market share? To answer these questions, an empirical finding was done through semi-structured interview with Komatsu Forest AB and analysis done based on existing theories and previous research in the subject area. In the course of the analysis the following results were found.

Komatsu Forest AB being a multinational company implements market growth strategies such as, acquisition, partnership/networks and diversification at the corporate level. At the business level, high pricing and differentiation are implemented. These strategies are intended and development through a planned process (between the marketing department and major distributors) and through strategic workshops (JioFUL meetings with customers). These strategies have increased the company’s penetration in existing market, a new market and to enter a new geographical territory. As such has affected the company’s overall market situation and this makes us conclude that the strategies (higher prices, differentiation, diversification, acquisition, partnership) adopted by Komatsu Forest AB have a positive impact on its market situation. Thus achieving the motive of this company to go multinational, this is to gain more access to the markets.

7.2 Contributions

By carrying out a study on strategies implemented by multinational companies in the case of Komatsu forest AB this study was able to gather first hand data. The study found out that the strategies these company implements are high pricing, differentiation, acquisition, alliance and diversification in order to grow in terms of its market. All these strategies except for high prices lead to the market growth of this company. These strategies give the company a second position in market share. In order to them to move to the first position needs to adjust some strategies such as high prices so that they can move from the Cash Cow Category to a Star. To achieve this, the following is suggested.

The high prices set by this company are explained by high cost of production and improve market position, Komatsu Forest AB needs to cut down cost and this can be achieved through a turnaround strategy. “In a turn around strategy the emphasis is on speed of change and rapid cost reduction and/or revenue generation”\textsuperscript{95} and focuses on short term cost reduction through the following.

\textsuperscript{95} Johnson G, Schools K and Whittington R, 2006, Exploring Corporate Strategies, 7\textsuperscript{th} edition p. 523
Komatsu Forest AB should focus organisational activities on needs of target market sector customer and this can be achieved by clarifying the target markets. This could be done by letting target markets or segments to generate cash and grow profits by focusing on revenue generating activities to key market segment. This company can do this by dropping the production of the FL category of machine in the US production unit (as it eats up management time for little return and not making sufficient financial contribution). By so doing the US production unit needs to reconceptualise and reorient itself to the market. Cutting down cost (production cost of FL) and reinvesting funds from this reduction of cost in new growth areas such as Russia or exploit additional opportunities may be African markets could be another recommendation for this company. These suggestions we believe will help Komatsu Forest AB to gain the 4% lost in their overall market share. This study can also benefit management of Komatsu Forest AB to be aware of the impact of the market growth strategies they implement and how it has affected its market share. This awareness will guide them in improvements in decision-making and hence improves the company position both domestically and international.

The contribution of this study to us as researcher is, the findings as we believe enhances our understanding on the types of market growth strategies implemented by multinational company’s and the role such strategies play on a company’s market share. This knowledge we assume will help as future managers to be aware of the impact of any market strategy chosen and how it affects market shares and thus being effective in decision making.

7.3 Recommendation for further research

Additional research should be undertaken to gain a continuous view of growth strategies used by multinational companies. Multinational strategies even after some fifty years of continuous research will still be one of the problems and challenges facing companies today. Furthermore, factors like technological advances, globalisation, changes in customer’s perceptions and expectations leave companies with an uncertain growth future as most organisations today do not guarantee which strategy is best for growth as it was likely the case before. Therefore, we proclaim the need for researchers to continue carrying out studies on growth strategies used by multinational companies. The out come such studies will enable companies be at par with change in both their product designs and customers expectation. The results of this study have shown that Komatsu Forest AB implements higher prices, differentiation, diversification, acquisition, alliances as strategies to increase its market share and these strategies are intended and developed through a planned process. Therefore it could be interesting if further research with larger sample size (so many companies) could be undertaken to confirm either fully of partially the findings of this study.
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Appendix one

Interview manual one for Komatsu Forest AB

This interview is intended to collect data for the purpose of an academic research on the assessing the market growth strategies of multinational companies. Any data or information disclosed will be used strictly for academic purposes.

1. What is the company’s history and its present situation?
2. Does the company have other branches in other countries and how is the management of these branches done?
3. What was the company’s motive of creating the above mention branches?
4. What is the company’s present market situation compared to the previous years?
5. Which strategies have been put in place towards increasing market share?
6. Which measures are put in place to ensure that competitors do not copy the above strategies?
7. Which processes are used in the development of the above mention strategies? How are they done and who is responsible for the development of the strategies?
Appendix two

Interview manual two for Komatsu Forest AB

This interview is intended to collect data for the purpose of an academic research on the assessing the market growth strategies of multinational companies. Any data or information disclosed will be used strictly for academic purposes.

1. The motive for Komatsu Forest AB to go multinational is gain access to markets and to locate near to distributors/forest. What measures/strategies have been put in place to achieve this? What are the motives behind any measure taken?
2. How did the measures/strategies mention above come about (how were they developed) and who is responsible for deciding for the development of these measures or strategies?
3. If one of the ways in which measures/strategies are developed is planning, what are the steps or processes involved in doing that?
4. What is the meaning of this statement “Big and strong business partners” in partnership with support all the way and who are these partners?
5. What is in house policy and what is it used for?
6. Komatsu has a new distribution centre in Australia and is planning to establish a new sales centre in Russia, what measures have been put in place to achieve these?
7. Are the Valmet machines different from those of competitors? If yes what differentiate them?
8. What can you say about the past and present market situation of the company in term of market growth and market share?
9. In putting quality into practice, you mention about strategic contracts with suppliers, what are these contracts about and what about distributors/dealers?
10. How does the JioFUL meeting works towards decision-making? Does it mean that powerful external stakeholder for instance distributors and customers do have an influence or impose some decisions for the company?
List of abbreviations

SBU – Strategic Business Units
BCG – Boston Consulting Group
CTL – Cut-To-Length
FL – Full Length
JioFul – Joyful
OLI – ownership, Location and Internationalisation
FSA – Firm Specific Advantage
CSA – Country-Specific Advantage