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Master Thesis in Management (15 ECTS)

# Organizing the Customer Oriented Company

- A Review of the Marketing and Sales Organization of ABB Robotics

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## ABSTRACT

In today's markets characterized by harsh competition companies must not only be well prepared to answer to customers current needs, they also need to be prepared for the future ones. A company that once was market leader of its industry can quickly become a market follower if the management team is unaware of how customers value the offering. The trend of today towards increasing the service to customers, raising the level of customization, and providing an experience for the customer has been called a paradigm shift toward customer orientation.

The purpose with the thesis is to investigate how the organizational structure of a company hinders the customer orientation of a global marketing and sales organization expressed in symptoms and causes. Even though research in quite a large extent has been carried out concerning customer orientation, the research has mainly treated the phenomenon at a theoretical level with few empirical surveys to explain how a company can become customer oriented and what barriers that has to be overcome in order to succeed. In order to study the subject a case study was conducted on a large Swedish industrial company. 20 individual semi-constructed interviews were conducted with the top management team of the company.

The result from the empirical study was that the organizational structure hindered the customer orientation of a company and that there is an interplay between the organizational structure of the company, the current business situation of the company, and the customer orientation of company. Communication patterns, trust, customer ownership and responsibility, integration, coordination, power, and motivation can be mentioned as important organizational factors that were affected by the organizational structure.

**Key words:** Customer Orientation, Organizational Structure, Business Life-cycle, Business Strategy, Industrial Robots, Organizational Design, and Premium-position Captivity.

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# 1. Introduction

*This first chapter will describe the choice of subject and present a background of the problem area. The chapter will also express why the topic is relevant to investigate further and briefly discuss related problems and issues. After the opening background and problem statement, the purpose and research question of the thesis are presented followed by the delimitations and the disposition of the thesis. The company that has been investigated in the study will also be presented in this chapter.*

## 1.1 Background

The majority of companies will eventually reach a point where the profitability decreases and growth stall. A recent study published in the Harvard Business Review (Matthew et al., 2008) shows that even the growth of exemplary organizations stalls time to time and that approximately 87% of the stalls are related to issues within the control of management. According to the study these issues are related to strategy and organizational design.

The company in this study has had a stall in growth since a couple of years and the management team had a feeling that one of the underlying factors of this stall could be connected to the organizational structure and the ability to serve customers properly. From this rather vague hypothesis, formulated by the management team of the company, the study took off in March 2008 and was finished six months later in September 2008.

The company in the study contacted the marketing department at Stockholm School of Economics (SSE) for guidance in a marketing- and sales organization matter that needed to be remedied urgently. The global sales manager put it like this:

*“The sales figures for the company have been rather flat for several years in comparison to the main competitors and the profitability has been relatively low compared to the other divisions within the company. I do not think that we are organized to serve our customers in the best way.”*  
- Global Sales Manger

Being students with a background in both management and marketing the opportunity to approach the two areas jointly in a case study was originally looked for when writing the thesis. While looking for alternative cases to investigate, the company in the study contacted SSE. Being a perfect match to the searched criteria, the mission was accepted and carried out in close cooperation with the employer and the marketing- and management section of SSE.

This thesis has served as a base for a consultancy report provided to the employer. Staying at this level and leaving out specific recommendations for the specific company, the findings of the thesis is likely to be applicable also to other companies in similar contexts.

## 1.2 Presentation of the Company

The company in the study is ABB Robotics (further on referred to as Robotics) that is part of the ABB Group (further on referred to as ABB), one of the world's leading power and automation engineering companies. Robotics is one of the five business divisions of the ABB Group whereas the other divisions are Power Products, Power Systems, Automation Products and Process Automation. The number of employees of the Robotics division was in 2007 approximately 4900 in more than 100 countries and Robotics had a turnover of \$1.4 billion which can be compared to the 112 000 people employed and the turnover of \$29.183 billion of the ABB Group as a whole the same year.

The Robotics Division of ABB was founded in 1974 by the Swedish company ASEA that launched one of the first industrial robots. ASEA was later to be merged with the Swiss company Brown Boveri and become ABB in 1988. Today the company describes itself as a leading supplier of industrial robots - also providing robot software, peripheral equipment, modular manufacturing cells and service for tasks such as welding, handling, assembly, painting and finishing, picking, packing, palletizing and machine tending. Key markets include automotive, plastics, metal fabrication, foundry, electronics, machine tools, pharmaceutical and food and beverage industries. The thesis will mainly investigate the organization that serves all segments except for the automotive sector which historically has been Robotics main segment. A strong solutions focus of the company is argued to help manufacturers improve productivity, product quality and worker safety. Until December 2007 Robotics has installed more than 160,000 robots worldwide.

## 1.3 Problem Statement

In the constantly increasing market competition and globalized markets of today there is an increased importance of not only providing a competitive product, but also to approach it to the customer in a competitive way which for many companies is a big challenge. The orientation concept of a company can be used to guide organizational activities to focus on a specific aspect, see for example Plogner et al. (1996). Galbraith (1988) argues that the orientation of a company could be seen as the "center of gravity" which will lead the organization towards a certain goal for example "to become customer oriented". Plogner et al. (1996) present an orientational spectrum of seven different orientations on a continuum between internal focus and external focus; input-, production-, product-, market-, customer-, societal-, and ecological orientation. The input-, production-, and product orientation could be seen as an internal focus and market-, customer- societal- and ecological- orientation could be seen as an external focus. There will evidently be an overlap between the orientations as one type could include one or more of the others. According to Galbraith (1988) a company tend to be less externally oriented if the education and functional background of the top management is engineers and production specialists and if the strategic value in the company historically has been created internally. The trend of today towards increasing the service to customers, raising the level of customization, and providing an experience for the customer

both in the B2C and the B2B business has been called a paradigm shift (Norrman, 2000). These new demands could become a major challenge for companies with an internal orientation. Looking at for example the largest companies in Sweden it becomes evident that many have the characteristics of being internally oriented why it becomes important to investigate this issue further (Löfgren et al., 2008).

Companies that produce products or services will despite the competitive nature of the product or service never survive if the marketing and sales organization (from here on referred to as market organization) underperforms. From several interviews, secondary sources, and various research literatures a linkage has been found between the structure of a market organization and its competitiveness, see for example (Homburg, 2000; Cespedes, 1989). This insight makes the structure of the market organization a crucial strategic issue for most types of companies. Investigating this topic is of interest because of (1) empirical findings as well as (2) a theoretical oblivion:

(1) When approaching a large industrial company as Robotics this implication was rather striking as many managers argued that the company had problems when selling a product that in terms of features and quality is superior to its competitors. As one manager chose to put it;

*“The robots of Robotics have features and knowledge whose value is not communicated clearly enough to be appreciated by the customers.....The Front-end’s ability to adapt the offering to the customer’s specific demand is hindered by the complexity of the internal organization.”*  
- Local Division Unit Manager

This finding reveals a need for further investigating in the relation between organizing and the ability of the market organization to serve customer needs. This will later on be defined as the process of becoming customer oriented.

(2) The field of strategy and organization has been thoroughly investigated by several researchers, see for example (Ansoff, 1965; Porter, 1980; Mintzberg, 1987). A company’s strategy and the organizational set-up has become one of the major subjects within the field of business administration (Volberda et al., 2001). However, the topic of structuring of the market organization has been found to be relatively unexplored in the management- and marketing literature. What generally can be found concerning the topic is that restructurings of the organization in many cases have contributed to significant and essential improvements of companies’ key figures (Homburg, 2000; Gulati et al., 2005; Kotler, 2000; Axelsson et al., 2005). This finding underscores the importance of studying the structuring of market organizations further in order to gain a better understanding for how organizing could affect market organization and thereby the overall performance of a company. It is therefore arguable that the topic deserves a higher degree of attention.

A continually increasing market competition forces a constantly developed and improved product or service by understanding, creating and delivering customer value (Anderson & Narus, 2006). This calls for the in research popular expression “customer orientation” that was briefly mentioned above. Customer orientation is for managers often a fundamental principle stressing closeness to the customer and creating and maintaining satisfied customers.

However, many firms tend to fail in practice to direct their businesses toward their customers appropriately (Kohli and Jaworski, 1993). It thereby appears that developing a customer-oriented organization is a great challenge for many companies.

Even though research in quite a large extent has been carried out concerning customer orientation, the research has mainly treated the phenomenon at a theoretical level with few empirical surveys to explain how a company can become customer oriented and what barriers that has to be overcome in order to succeed. According to Homburg (2000) there is therefore a need to study the process by which firms move toward customer-focused organizational structures.

With this as a background a purpose and a research question has been formulated where customer orientation, if successfully implemented, is regarded as a sought for state of a company.

## 1.4 Purpose

The purpose of the thesis is to investigate how the organizational structure affects and hinders a global market organization in becoming customer oriented, taking the current situation of the company into consideration. The symptoms and the underlying causes to these symptoms will be investigated.

## 1.5 Research Question

- *How does the organizational structure hinder the customer orientation of a global market organization expressed in symptoms and causes?*

## 1.6 Delimitations

Firstly the choice of studying one division within one company has allowed the study to get a deeper understanding for the challenges and their impact on a market organization. On the other hand this choice means that the thesis can tend to be applicable only in a reserved amount of cases, since the context in which the case study is carried out can differ too much from the given example. Since many of the aspects discussed, however, frequently exists in a broad span of companies, many of the identified problems and situations is plausible to be relevant also for other companies and further research.

Market organization is a broad subject to investigate with many interesting perspectives that could be applied. Due to limited amounts of time, the perspective of the thesis has chosen to be focused on the inside-out processes of a market organization in general and the organizational design and structure in particular. The implication of this delimitation is that the main part of the interviews has been conducted with people within the company.

Information about other stakeholders connected to the company has been gained from secondary sources such as customer satisfaction reviews, industrial information, and corporate homepages.

Further factors that needed to be delimited due to the time factor were the amount of interviews conducted within the company. The most important interview objects were picked out by rigorously mapping out the internal processes within the market organization and by counselling of the management team of Robotics and professors at SEE.

As the management team of the company is to a great extent situated in Västerås the majority of the interviews were logically conducted in Sweden. To cover dimensions of national and cultural difference, interviews were held with managers in 9 countries: Sweden, Finland, Denmark, Germany, France, the Netherlands, Switzerland, Czech Republic and Italy.

### 1.7 Disposition

The thesis will firstly present a methodology chapter in which the approach for the study is described. This chapter is followed by a presentation of the used theory framework for the thesis. Three main perspectives will be used in the theory-, empirical findings-, and the analysis chapter. Further on the empirical findings collected from 20 deep interviews with key persons within the top management of the company complemented with secondary sources will be presented. After the empirical findings, the analysis of the thesis is conducted which compares theory and empirical findings in order to answer the research questions of the thesis. In order to clearly distinguish analysis and empirics from each other and thereby facilitate the understanding of the content, the entire empirical findings are presented before it is analysed. After the analysis follows conclusions were the authors answer the setup research question. Finally a discussion about the results that leads to managerial implications and theoretical implications as well as suggestions for further research will be presented. A list of abbreviations used in the thesis is presented in appendix 1.

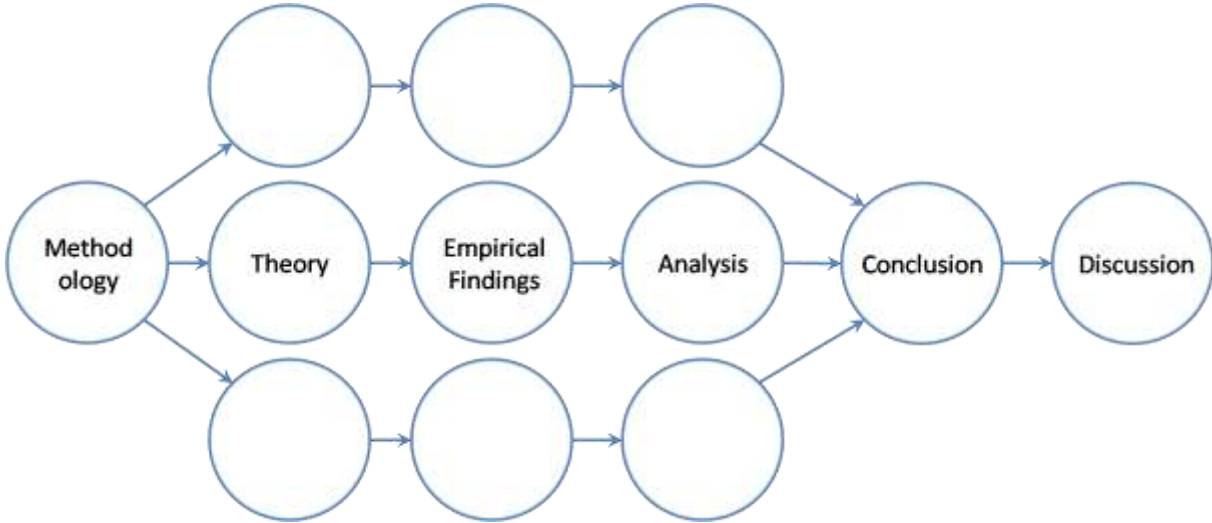


Figure 1. Disposition Model of the Thesis

## 2. Methodology

*In this chapter the chosen strategy for designing and executing the study is described. Firstly, the chosen approach for gathering the empirics is discussed. Secondly, the study will be critically analyzed concerning the quality of the research.*

### 2.1 Research Design

The conducted study is relying on a qualitative approach mainly based on interviews. This approach has been chosen much because of the fact that no information about the given situation of the company is to find in written form. This approach also allowed a more profound understanding for the company's actual circumstances, where the interviewees were able to describe their situation in their own words. Due to the global presence of the company, the study has been conducted with key persons in different countries in order to take the factor of potential sub-cultures into account. Having a broader perspective would probably result in a too shallow information level which would not be enough to describe the phenomenon. On the other hand one should be aware of the fact that the findings might be less general for a broader span of companies. However, the large number of interviews conducted with key person within the top management of the company can be considered to rebalance the need for both depth and broadness to a certain extent. In total 20 interviews has been carried out.

### 2.2 Scientific Approach

When approaching the identified problem in the thesis there are two potential scientific methods that could be used; the deductive and the inductive method (Alvesson & Sköldberg, 1994). The first mentioned would mean that theory would be the starting point for the study and that the used theory framework would explain the findings from the research. This approach has the positive effect of being reliable since it would be built on already accepted assumptions that are less likely to be questioned. On the other hand it could tend to affect the study towards single loop learning and therefore generate less innovative results. Further on, as there are currently to quite a small extent any presented research within the domain, this method would also mean that the thesis would be built on a rather fragile ground. The opposite of deduction would be induction, which instead is based on the empirical findings (Alvesson and Sköldberg, 1994). This method argues that a correlation between many similar cases is to be regarded as a general rule. The backside of using this approach in this thesis is that the study is focused on one company, and therefore leaves out the possibility to make any generalisations from many similar cases.

Whereas both methods seem to have both advantages and shortcomings when approaching the intended study, an abductive method has been chosen in order to respond to the identified problem in the case study. An abductive approach is a mixed form of the two previously mentioned methods (Alvesson and Sköldberg, 1994). According to the authors abduction is preferable when interpreting and treating information that the researcher is already to some extent familiar with. The choice of this framework means that the study has changed

occasionally from building upon theory and empirical findings. This has allowed reflecting upon findings from collected information from a theory perspective, but also to formulate the information search process from relevant theories.

According to Artsberg (2003), a study can have a normative or a descriptive purpose. A normative study is meant to give directives of how to act in the given situation, which in this case means formulating some kind of recommendations for the company in question. A descriptive study is rather describing the current situation and the influencing factors behind the phenomenon than suggesting how the company ought to act. This thesis is meant to primarily explain the influencing factors and map out areas for improvement and will therefore have more of a descriptive purpose. However, the authors will partly use the final discussion of the thesis to suggest some managerial- and theoretical implications which could be considered to be more normative.

## 2.3 Selection

Due to limitations of time and resources, and in order to remain focused on the main purpose, the study had to, to some extent, be delimited. Firstly, in order to achieve a deeply rooted study with a detailed understanding for the development of a market organization, a case study has been chosen to serve as the base of the thesis. The thesis is focused on the current situation of one division within one specific company. According to Yin (2003) a case study is appropriate when; “a ‘how’ and ‘why’ question is being asked about a contemporary set of events over which the investigator has little or no control”. The authors of the thesis share Yin’s opinion and therefore the nature of the thesis are well suited for a case study. Secondly, a selection has been made concerning the most important people to interview within the company, the criteria for this choice is treated below. Even though the thesis aims at generating a not too focused knowledge about one specific company’s market organization, it is highly important to be aware of the fact that these selections has been made and the implications that this could denote.

### *2.3.1 Choice of Organization*

The reason for choosing the actual company for the case study is that it currently is in a situation where many strategically important decisions has been made and are to be made in the coming future. This also meant that the company had incentives to take part of the research, and was willing to in a large extent cooperate and share relevant information for the study.

Since Robotics is a large global player, interviews have been made with managers in several countries that are identified as having key roles in the organization. This also increases the validity of the research, since it in this way becomes more multifaceted. A negative aspect of the fact that the research has been made internationally could, however, be tied to the language factor. Having interviews executed in different languages might affect the nuance and the interpretation of the answers. The fact that the thesis is written in English, the

corporate language of Robotics, will, however, hopefully compensate for the largest variations.

### ***2.3.2 Choice of Interview Objects***

The choice of studying only one company allowed the research to be based on several interviews with key persons within the company. This gives the study a broader view of complex problems within a global company that barely can be answered by one representative. The key roles for the study are persons with managerial work tasks that are directly or indirectly connected to the market organization. The reason for interviewing these persons is that they have insights in and knowledge about the daily sales processes, and an overview of the company as a whole.

As market organizations are largely connected to customers and their needs the thesis could have chosen to conduct interviews with a number of customers. This thesis focuses, however, on organizational structures connected to the customer orientation of a company and not on customer preferences in one specific case. Because of this distinction, assumptions about industrial buying patterns will instead be based on previous research when discussing and analyzing organizational structure with respect to the market requirements. The information about customer preferences has been collected from a recently published customer survey.

## **2.4 The Data Collection Process**

### ***2.4.1 Pre-study***

In order to prepare the research approach, and to develop an appropriate focus for the study, a first move towards the organization and its current situation was made through reviewing secondary sources. This served as a complement to the first interview with the initiator of the project with the purpose to find out which parts of the organization that needed to be studied closer. Along this process new ideas were generated that partly affected the original ideas of the purpose in a way that made the study more realistic to accomplish successfully. The sources used in this process are referred to as secondary sources in the chapter of references. The pre-study resulted in a number of questions that was wanted to be answered and used during the interviews, and which were tested on neutral voluntaries in order not to be confusing or unclear.

### ***2.4.2 Interviews***

The interviews were carried out in two sequences; firstly 10 deep face to face interviews were conducted at the headquarters of the company with different managers. Each interview lasted approximately 2 hours. Secondly telephone interviews were conducted with 10 different country managers in the European Region. Even if face to face interviews is to be preferred Thomas and Purdon (1995) argues that people are as honest reliable in a telephone interview as in a face to face interview. As the telephone interviews were made in different countries

with people of different nationality, the interviews were chosen to be made in English in order to avoid diverging interpretations as much as possible.

All interviews followed a frame of questions that had been developed out of the acquired information from the pre-study (appendix 2). In order to check the questions for ambiguity that could lead to misunderstandings the questions were controlled by a third party before they were used in the interview. A qualitative, semi structured interview approach was used, which means that complementary questions was asked if needed. This allowed the interviewed objects to develop questions of a “why”- and “how”-nature to be more understandable.

Due to the sensitivity of the information shared by the interviewees and the fact that the thesis will be accessible for the company and other stakeholders, all quotations and references from the interviews are kept anonymous.

### ***2.4.3 Secondary Sources***

Secondary sources have been used throughout the study. As mentioned above secondary sources were used in the pre-study but additionally material was also collected during the study and was used as a complement to the empirical findings from the interviews. The secondary material consisted of organizational schemas, marketing-plans, customer surveys, and industry specific information.

## **2.5 The Quality of the Study**

The quality of research can be put in relation to the validity and reliability of the empirical findings, which tells the reader how well the research has been carried out. According to Andersen (1998), validity consists of legitimacy and relevance. The legitimacy tells the reader how much the theoretical concepts coincide with the empirics; while the relevance tells us how relevant the empirical findings are for the intended purpose of the thesis. The reliability is an estimate of how much of the empirics that can be related to coincidence and therefore how confident and precise the research is (Andersen, 1998).

A study of a qualitative nature like this study is affected by the collection process of data as well as the analysis of the empirics when it comes to validity and reliability. In order to be able to make any generalizations from the findings, high validity and reliability is required. The two concepts will therefore be discussed and evaluated in relation to the thesis.

### ***2.5.1 Internal Validity***

Internal validity is according to Merriam (1994) the degree by which the result of a conducted study corresponds with the reality. In this specific thesis internal validity would be the authors' ability to gather, communicate and interpret the empirical findings in a correct manner. When conducting a qualitative study of this kind one should also be aware of the fact

that naturally a certain degree of interpretation might take place. Therefore it is plausible that the study to a certain extent could be influenced by the personal experiences and the frames of references of the authors.

The following measures were used in order to increase the internal validity. If the interviewee did not disagree with it, the interviews were recorded on a digital recorder and the persons present during the interview (at least two persons mostly three or four) took notes during each interview. After the interview one of the authors transcribed the interview. The transcription was then verified and complemented by the other participants.

### ***2.5.2 External Validity***

According to Yin (2003) external validity determines to what extent the result of a study could be generalized. Even if a case study is not to be compared with an experiment in for example natural science one could compare the two to a certain extent. Lee (1989) means that one case study could not alone be enough for generating a general theory; it should rather be seen as a step towards a generalization. The authors of the thesis agree with Lee and take the position that the findings in this thesis could not be generalized to a full extent even though it is very much possible that similar results could be found in similar companies in similar contexts. In order to reach a higher generalizability level, further case studies should therefore be performed against other empirical circumstances (Månsson, 2001). This will be further elaborated upon in the final discussion of the thesis.

### ***2.5.3 Reliability***

One definition of high reliability is that the used method during the study has to a low degree been influenced by specific circumstances (Andersen, 1998). Furthermore reliability implies that it should be possible to conduct the same study at a later stage with a similar outcome (Yin, 2003). In order to create a high level of reliability and make it possible to conduct the study at a later stage the authors has defined which people in an organization that should be interviewed, (e.g. top-management connected to the market organization). Furthermore the framework of questions that has been used during the interviews has been documented (appendix 2). By using the same framework of questions to each interview specific circumstances has not been influencing the outcome of the interviews to any larger extent.

### 3. Theory

*In this chapter the theoretical background is described. After introducing the theory model of the thesis the chapter starts off by discussing how the current business situation in terms of business strategy and business life cycle influences what organizational structure that is in favor for a company. After this the customer orientation concept is defined and trends within the domain are presented.*

From research conducted in the 1990's (Achrol, 1991; Berthon et al., 1997; Cravens, 1995; Day, 1997; Doyle, 1995; George et al., 1994; Webster, 1992, 1997) concerning significant changes taking place of the marketing organization of firms in general, Homburg (2000) presents three key themes of the work which all are argued to point at increasing customer focus. Firstly, firms tend to in a larger extent work through cross-functional teams, whereas functional organizational boundaries are decreasing. Secondly, relations and alliances with external partners are becoming more important. Thirdly, developing intangible organizational factors such as market orientation, organizational learning, and market-sensing becomes increasingly important.

With these trends in mind the theory concept of the thesis can be presented by the figure below. The figure indicates the way by which the theories to-be-used are interrelated. A company striving to become customer oriented is influenced by its current business situation taking into consideration the business strategy and business life-cycle and the organizational structure. The thesis will investigate how the organizational structure affects and hinder the customer orientation of a company, taking into consideration the current business situation of the company. The theory chapter(3), the empirical findings chapter(4), and the analysis chapter(5) will all three follow the model below and specially treat the current business situation of the company, the customer orientation of the company, and the organizational structure of the company.

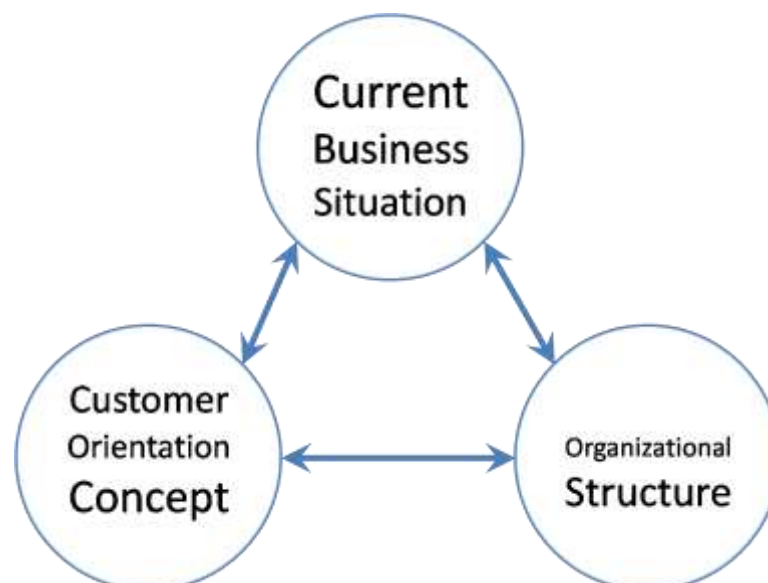


Figure 2. Theory Model of The Thesis

### 3.1 Current Business Situation of a Company – Strategy and History

To start with, the overall business strategy of a company affects the roles and the tasks within its market organization and thereby the way by which the company is to be customer oriented (Schwepker Jr. et al., 2000). Slack (2002) define business strategy as setting out the mission and objectives of a future state and setting out how the desired future state should be attained. Also the current stage in the business life cycle of the company is relevant to take into account when deciding on how to organize the marketing and sales department to optimize efficiency and effectiveness (Zoltners et al., 2006).

The concept ‘current business situation of the company’ takes into account the stage in the business life cycle together with the business strategy. According to the Zoltners et al., (2006) the most important considerations related to the current phase in the business life cycle are; (1) Start-up where the company should focus on whether they should depend on selling partners or create their own sales force, and how big sales force that is needed. (2) Growth where the sizing issue becomes more important. The company also needs to decide whether to invest in specialist functions. (3) Maturity where the focus should be on making the market organization more effective by appointing account managers and better allocating sales people’s resources. Becoming more cost-efficient is also an important issue. (4) Decline where the reducing of the size of sales forces and using even more cost efficient ways to cover markets becomes central. However, if a turnaround is likely, the company must emphasize having a sales force large enough to respond to the increased demand.

In order to maintain confidence and coordinated, it is highly important that the organization is stringent and aligned with the overall strategy (Anderson & Narus, 2006). But occasionally the overall strategy or the chosen organizational design could be the cause of a stall in growth. Matthew et al., (2008) argues that even the growth of exemplary organizations stalls time to time. Approximately 87% of the stalls are related to issues within the control of the management, these issues are related to strategy and organizational design. After having analyzed the growth of 50 companies, coming from the fortune 100 and global 100 lists of companies that have experienced stalls between the years 1955 and 2006 the study come up with four overall categories to why this stall occurs; (1) a premium-position captivity, (2) innovation breakdown, (3) premature core abandonment, and (4) talent bench shortfall. The far largest reason to why growth had stalled in companies was the notion of premium-position captivity. The meaning of this expression is that a company is unable to respond effectively to an important shift in customer valuation of product features or respond to new low-cost competitive challenges. The word captivity is used in order to underscore that the management of a company can be hemmed by a long history as market leader, which has given the company a premium market position and success. This position makes the company react too little and too late when adjusting its business strategy to evolutions in the external environment. The competitors on the other hand are often quicker to adapt their business strategy. Companies react in this way as old business strategies, which historically resulted in a competitive advantage, are rarely questioned. One can find great similarities between the premium position captivity and the concept of core rigidities which is often used when

discussing product development, see for example Leonard (1992). A product or strategy that once was a company's core competence can become a core rigidity (Slack, 2006) which is similar to the state when a company has entered the premium-position captivity. This could happen if the company doesn't continue to sense the market and the changes in its surrounding.

As the organizational structure is argued to be one of the driving factors to why growth of companies stall, the subject becomes relevant to investigate further in connection with customer orientation since customer orientation, if well attained, could create growth, see for example (Homburg, 2000).

### 3.2 The Concept of Customer Orientation – Different Definitions and Meanings

In order to respond to the research questions of the thesis, it is of great relevance to compare different definitions of customer orientation and clearly distinct and argue for the definition that has been used in the thesis.

The idea of the customer orientation concept is according to Homburg (2000) to gain a greater insight of the customer's objectives, processes and preferences, allowing the company to not only offer a product but a solution for the intended usage. In many cases this even requires knowledge about the usage patterns of the customer's customer. Having a more customer oriented focus will affect the character of the business relation to be less transactional and more relational (Narus and Anderson, 2006; Schwepker Jr. et al., 2000). This means that a larger degree of integration and joint participation is taking place between supplier and customer in order to accomplish mutual objectives. A relational business exchange is according to Lambe et al., (1997) founded by emphasizing social interaction that have the positive outcome of generating trust, commitment, cooperation, and relational norms.

The majority of empirical research à propos customer-orientation is rooted in the "marketing concept" (Kohli & Jaworski, 1990) which built on the findings of Barksdale & Darden (1971) described as a business philosophy, an ideal or a policy statement. This concept can be related back to Drucker (1954) arguing that the one valid definition of a business purpose is to create a customer and that marketing is to be perceived as the business as seen from the customer's perspective. In Kohli & Jaworski (1990) "market orientation" is introduced as the implementation of the marketing concept. As the authors put it "a market oriented organization is one whose actions are consistent with the marketing concept".

The definition of marketing organization made by Narver & Slater (1990) is; "the organizational culture and climate encouraging the appropriate behavior for delivering customer value and business profitability". The authors propose that market orientation consists of customer orientation, competitor orientation, and interfunctional coordination. While competitor orientation regards monitoring the competitor's capabilities and strategies, and interfunctional coordination relates to the usage of the company's resources; customer-orientation means identifying current and future customer needs in the target market and

thereby allowing the company to deliver products and services of superior customer value (Narver & Slater, 1990).

This thesis, however, takes the standpoint of Deshpandé et al., (1993) that is considering customer- and market orientations (as defined by Kohli & Jaworski, 1990) as being synonymous. This standpoint is based on the term "market" as defined in the conventional manner as "the set of all potential customers of a firm" by Kotler (1991). In this sense customer orientation is distinguishable from a competitor orientation, which Narver & Slater (1990) define as understanding the strengths and weaknesses, capabilities and strategies of its competitors.

The definition of market orientation is according to Kohli & Jaworski (1990);

(1) Organization-wide generation of market intelligence pertaining to current and future customer need. This include an analysis beyond the customer's verbalized needs and preferences such as exogenous factors (e.g. influences from governmental regulations, competition, new technology, and other environmental factors), and changing conditions in the customer's industry. The intelligence is emphasized to be generated from both formal and informal means, and from both primary and secondary sources.

(2) Dissemination of the intelligence across departments. This requires the participation of virtually all departments in an organization such as R&D, manufacturing, purchasing, and finance. The information is continuously communicated within the company which enhances internal education and provides a shared basis for concerted actions by different departments. Concerning how the intelligence is disseminated formal communication is important obviously. However, informal communication and contact is also appointed as important for keeping employees turned toward customers and their needs.

(3) Organization-wide responsiveness toward the customer. A company can generate and disseminate intelligence internally; however, unless it is able to respond to the market needs very little market orientation will be accomplished. The market responsiveness is therefore distinguished as the action taken in response to the intelligence that is generated and disseminated. More practically this can be exemplified as selecting target markets; designing and offering products/services that cater to the anticipated needs; and producing, distributing and promoting the products in a way that elicits favorable end-customer response. It is important that all departments participate in responding to the market trends.



Figure 3. Process of Becoming Customer Oriented (Kohli & Jaworski, 1990)

Even if the empirical findings about the relationship between market orientation (and thereby customer orientation) and business performance vary, the majority supports that market orientation contributes to improving the business performance (Homburg, 2000; Deshpandé et al., 1993; Kohli & Jaworski, 1993; Narver & Slater, 1990).

In some literature the term customer orientation is replaced with the term customer focus, the two terms could, however, be seen as closely related or having the same meaning. Gulati et al., (2008) argues that the process of coming closer to the customer takes a long time, but that the reward is often greater than the sacrifices. After have studied several customer focused companies the researchers come up with three concepts that were significant for these companies, we can within these concepts find similarities with the definition of customer orientation made by Kohli & Jaworski (1990).

The first of the three concepts is that a company must learn everything about customer needs – past, present and future. Referring to Kohli & Jaworski (1990) this could be similar to the process of the organization-wide generation of market intelligence pertaining to current and future customer needs. The second concept is that the employees must be given the possibility- and be willing to share information about the customers within the company. Referring to Kohli & Jaworski (1990) this concept could be similar to the process of disseminating of the intelligence across departments. The third concept is that the organization should use the insight about the customers in product and service development as well as in laying the ground for the company's' basic strategy and organizational structure. This third concept is similar to the process of the organization-wide responsiveness toward the customers (Kohli & Jaworski, 1990).

As can be seen Kohli & Jaworski's definition of customer orientation from 1990 is strengthened by more recently made research in 2005 why these concepts still could be argued to be relevant to use when analyzing the customer orientation of a company.

Gulati et al., (2008) argues that several companies are claiming to offer solutions to its customers even though many of these companies aren't prepared to deliver solutions to the

customers without changes in the organizational structure, the relationship, and the incentives. The author argues that companies that have succeeded in becoming customer oriented have made changes in four areas. By making changes in these areas a company could be seen as moving towards the state of being customer oriented (Gulati et al., 2008; Kohli & Jaworski, 1993). The four areas are; (1) Coordination which means structuring processes by harmonizing information and activities across units in order to improve employees focus on the customer. (2) Cooperation which underscores the importance of working together by encouraging employees with incentives, allocation of power, and cultural means. (3) Capability development that focuses on the needed skills among the employees in order to be able to deliver a customer focused solution. The capability means that the employee is able to understand different parts of the customer needs, often having multi-domain skills. The same employee should also have boundary-spanning skills which makes it possible to traverse internal boundaries and create close cooperation with other departments. (4) The connection ability which is their ability to develop relationships with external partners. The objective with these relationships is to make it possible to increase the value of the offered solutions cost effectively by using the capabilities of companies outside the barriers of the company.

### 3.3 Organizational Structure - The Way to Organize the Market Organization

In order to attain a customer oriented focus, the organizational structure has proven to be a central factor since it affects the way that resources and efforts are allocated (Homburg, 2000). There are several definitions of organizational structure, one common definition that will be used in this thesis, here taken from Slack (2006) is;

*“The way tasks and responsibilities are divided into distinct groupings, and how the responsibility and coordination relationship between the groupings are defined”.*

Cespedes (1989) further argues that organizational structure affects how marketing tasks do (and do not) get accomplished in companies. This is due to that organizational structure tends to affect the information flow and the pattern of resource allocation, the focus of attention for individual managers, and over time what skills that are developed within the company.

Depending on which of the four organizational structures distinguished by Cespedes (1989), complemented by Kotler (2000), the role of the market organization will be affected. The way of approaching the customer and thus the ability to be customer oriented is thereby influenced. The article and book describes four typical ways of organizing the market organization. (1) Functional organization; Organizing with respect to organizational tasks. (2) Geographic organization; Organizing with respect to regions. (3) Product organization; Organizing with respect to products. (4) Market organization; Organizing with respect to industry/customer segments.

Often a company is not exclusively organized with respect to one of the structures. The structure often turns out to be a matrix organization. The matrix organization is applied when different dimensions of the business need to be taken into consideration by each person.

Members in this kind of organization report to several managers and these organizations often become complex, see for example (Kotler, 2000).

During the evolution of the company, the potential contribution of the market organization varies. However, in order to pursue the firm's overall objectives, all business functions always need to interact harmoniously (Kotler, 2000). While this may sound easy in theory, in practice interdepartmental relations are, however, often characterized by rivalries and distrust. This can be related to findings of Lawrence & Lorsch (1967) and Van Maanen & Barley (1984) that subcultures are formed based on the interactions among organizational members who share common problems or situations. Not only different opinions, but trade-offs between departmental- and company wellbeing is a significant reason for these conflicts. As all business functions have a potential impact on the customer satisfaction, all departments need to work coordinated in order to meet the customer needs and expectations (Kotler, 2000).

Following organizational theory, see for example Scott (1992); structure, coordination, culture, and power can be considered as important comparable dimensions of organizational design. The four dimensions can be used to compare variations in marketing organizational settings. However, as stated by Homburg (2000) these factors are related and cannot be studied in isolation. This means that the related dimensions will be affected by and in turn affect the organizational structure. When focusing on organizational structure, the other dimensions of organizational design will therefore be needed to take into consideration.

A final important aspect of organizing is the notion of centralization and decentralization. These two are connected to the organizational design mentioned above (Scott, 1992). According to Bruzelius & Skärvad (2000) centralizing means that decisions are made on a higher level in the company in difference to decentralization where decisions are made more locally. Centralization is argued to create synergies and efficiency but at the same time it could undermine the motivation of employees. Decentralization motivates employees to a larger extent and creates commitment but there is a risk of double work and sub-optimizations (Bruzelius & Skärvad, 2000).

### 3.4 Transition toward Customer Orientation

While markets tend to become more global companies are according to Homburg (2000) in a larger extent abandoning a former product- and geographically centered organizational design in favor for a more customer focused one. Companies that move toward becoming more customer-focused will be the ones leading their industries in the twenty-first century due to the ability to come closer to the situation of the customer (Homburg, 2000). The transition toward customer orientation consists of transitions from product- and geographical- to customer focus.

The shift from product and geographical focus is attained by reorganizing the sales people based on the type of customer they serve rather than on their geographical location, or by certain specific product groups. Schwegker Jr. et al., (2000) further argue that the customer

needs and the complexity of the product influences the degree of needed specialization/generalization of the sales force. The more complex the product is, and the more specific the customer needs are, the more specialized sales force will be required (and vice versa). A specialized sales force has in terms of customers a more extended knowledge about a certain customer, while a generalized one rather has a broad knowledge about several customers.

This further affects how the selling effort needs to be allocated, influencing the needed size of the sales force, which in turn is influencing the territorial design. Depending on the business situation of the company and the degree of geographical-/product- versus customer focus of the company, this interrelation tends to change.

### 3.5 Sum up from the Theory Chapter

Three main areas are covered in the theory chapter; the current business situation of the company, the customer orientation of the company, and the organizational structure of the company.

#### ***Current Business Situation of the Company***

A point of departure when analyzing a company should be its current business situation with regard to its business strategy; if it is in a growth or maturity state, also taken its history into account. Depending on the situation of the company the choice of organizational structure will be different. The most common reason why a successful company faces a stall in growth is the notion of the premium-position captivity.

#### ***Customer Orientation of the Company***

The process of becoming customer oriented is not an easy task but if it is well performed the reward will be greater than the sacrifices. The three main aspects of customer orientation that the thesis uses are: (1) Generation of market intelligence, (2) Dissemination of the intelligence across departments, and (3) Organization-wide responsiveness toward the customer.

#### ***Organizational Structure of the Company***

In order to attain a customer oriented focus the organizational structure is seen as a central factor. There are four typical ways of organizing the market organization: Functional, Geographical, by Products, and by Customers. Rarely a company sticks to solely one organizational form, hybrid forms are more common. Organizational theory encompasses the concept of organizational design and it can be determined as consisting of the dimensions of organizational Structure, Coordination, Culture, and Power that are interrelated.

## 4. Empirical Findings

*In this chapter the findings from the interviews conducted with key persons within the market organization complemented by secondary sources will be presented. The empirical findings will be related to the current business situation of the company, the organizational structure of the company, and the customer orientation of the company following the theory-model of the thesis.*

### 4.1 Description of the Company and its Current Business Situation

#### **A Company with a Proud History**

Having a long history of successful sales figures as market leader in the industrial robots market, Robotics has reached a phase of stagnated sales and a time where competitors are more victorious in winning orders. Even though the company claims to have the technically most sophisticated products, it has been less successful when it comes to attract customers to choose their offering. The fact that the company's robots in general are 20-25% more expensive than the ones of its competitors is obviously not in favor the company even though this is not regarded by the main part of the interviewees as the major cause of the given situation.

However, the price tends to have a certain importance among the customers due to the fact that robots has become more of a standardized commodity compared to earlier years when it was perceived as technically high-tech and complex. This calls for a greater focus on extending the product and making it easier to integrate with the industry and the applications of the end-customer. This is something that is argued to have been identified rather late by the company by a large number of interviewees arguing that the company has not kept up with the quickly evolving competition where several competitors are closer to the market and thus more market-oriented.

From the conducted interviews complaints about lacking a clear corporate strategy was brought forward in the sense that the strategy tended to be questioned and shifted frequently, mainly due to frequent rotations of top managerial posts within the company. Many argue that the company as a consequence in many terms has become a market follower rather than a market leader.

In the earlier years of the company, Robotics consisted of 28-30 more or less independent sales organizations (organized country-wise) that lately have been brought together to one international organization. However, still today the old split-up seems to characterize the organization which shows in many different disguises. To mention a few some managers call their colleagues "mini-emperors" and others complains about the weak global sales management and coordination due to a strong focus on the country divisions (LDU's).

## **Today's Challenges Comes with Opportunities**

Initially the robots produced at Robotics were mainly constructed to serve the automotive industry. Due to low margins and the strong bargain position of the car producers, this segment has, however, through the years become less lucrative and less flexible for innovation. On the other hand a larger number of industries have become more interested in automating the production, which has opened up several new potential business segments such as metal fabrication, pharmacy, food & beverage, plastic production, etc. In order to respond to these younger markets with somewhat different characteristics than the automotive market, the customers of the company was segmented into automotive industries and general industries (GI) where the last mentioned is the subject for the thesis. Since the GI consists of several smaller branches compared to the automotive industry that is relatively homogeneous to the character, it is rather complex to serve the GI whereas the customers have to some extent different reasons for looking into automation.

In order to cover a broader span of requirements than the automotive industry once constituted, the company does in many cases use partners (e.g., middle-man) with market reach and application knowledge that Robotics would not be able to provide only by using the sales force of the company. Within the company there is a perception that this opportunity to approach the GI has been implemented late in comparison to several competitors that has come relatively far in developing profitable close relationships with robot integrators and selling partners.

Within the robot industry, research and development is a significant factor for establishing a long-term competitiveness where new and more efficient robots outdate previous ones continuously. Robotics has, however, through the years committed a bunch of critical mistakes where unsuccessful research and development projects have resulted in major losses for the company.

*“If Volvo cars would have made the same amount of mistakes, they would be dead by now...”*  
–Industrial Segment Manager

This development has made the company being perceived as an underdog in ABB as whole, where historical decisions tends to be regarded as foolish and incompetent. Low pay off on development projects and a flat sales curve for a couple of sequential years resulted in a cost crisis for the company, which needed to be backed up by ABB. As a consequence, the large amount of recently employed managers tends not to listen to accumulated wisdom from the past, but rather focus on how to commit change. On the other hand senior managers describe a tendency within the company to not stick to what works out well due to a strong will to change, resulting in a lesser coherence.

*“Today we suffer from having no consistency in our organization, management, and customer strategy...Few persons in the organization know our business very well and there are few persons left in the organization from before...The few persons from the former generation that are left in the organization have become relatively quiet in order to remain in the new organization...This is a clear tendency of a large corporation...We are not good at mixing old and new in a favorable way”*  
– Local Division Unit Manager

In order to remedy the negative figures of the company, several measures have been carried out to reduce costs within the organization and to improve the coordination of the company. However, there seems to be difficulties for the management to choose whether to centralize or decentralize the organizational set-up in order to enhance the sales force to more appropriately approach the customers.

### 4.2 Organizational Structure

#### 4.2.1 Matrix of ABB Robotics

Below organizational chart of the Market Organization of Robotics is plotted.

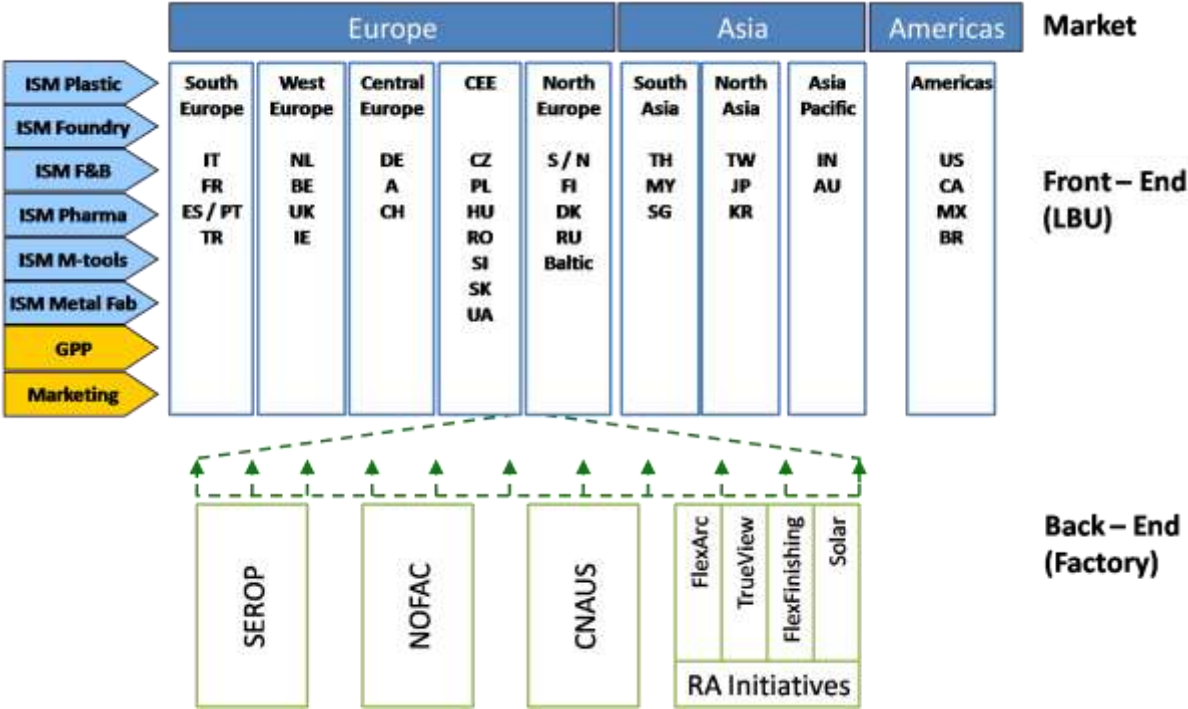


Figure 4. Market Organization of Robotics

The Front-end (meaning the organizational corps being in direct contact with customers) is geographically segmented into different Local Division Units (LDU), such as Sweden (S) and India (IN). These serve under larger geographical regions such as North Europe, West Europe and Asia/Pacific etc, which in turn are organized in relation to the continent to which they belong.

Each LDU consist of four Business Units (BU); Products, Services, Automation, and Systems (not visualized in the organizational schema). Each BU has one central manager responsible for the results of the specific BU.

On the left side of the matrix the Industrial Segment Managers (ISM) are presented. They are responsible for the development and adaptation to specific industrial segments. Currently the company is arranged with respect to the following segments: Plastic, Foundry, Food & Beverage, Pharmaceuticals, Machine tools, and Metal fabrication. The ISM is responsible for

its segment on a global basis and spends in general about 50% their working days travelling on LDU visits. The purpose of the post is to spread best practices connected to the specific segment over country borders. The ISM's are described as the ambassadors of their segment and shall be close to the market in order to detect customer needs that should then be communicated to the product management. The yellow arrows in the matrix represent the management of the global partner program (GPP) and the held responsible for the marketing activities (MarCom).

As referred to as Back-end, three production units are to be found: SEROP (the production plant in Västerås, Sweden), NOFAC (the production plant in Stavanger, Norway) and CNAUS (the production plant in Shanghai, China). The Swedish production plant is the original factory of the company which has come to be complemented by the Norwegian factory that is specialized to paint robot production. The Chinese plant is a rather new plant created in order to come closer to the emerging Asian markets where a great potential for future demand lies.

Each of the production plants provides factory support to the Front-end such as coordinating deliveries, providing technical and commercial support, or taking part in customer meetings out in the LDU's. Lastly, four product initiatives (RA initiatives) are placed down to the right in the matrix, these will, however, not be treated in the thesis as they are related to product development of new potential emerging markets.

### **A Complex Organization that Creates Tensions between Employees**

A frequent comment connected to the organizational structure of Robotics is that there are many managers in the organization that should have a saying. Due to too many managers without budget- and personal responsibility the organization is argued not to be cost-effective, slow in processes, risking committed double work and creating internal tensions that steal energy from the more value adding activities.

*“Today there are too many managers that should have a saying, therefore there is a need for a global sale- and marketing manager, first then will coordination be possible”... “We have too many managers that are controlling where we are heading rather than giving us the support we need to fix the problems at hand”... “You can imagine the complexity of managers coming to me; Six ISM's, four BU managers and some controllers”... “There are many people in this organization which makes it costly... I think there is room for cost cutting”*

*– Local Division Unit Managers*

Another general comment was that the organization of Robotics is complex and it could be problematic to identify one's role in the organization as a whole. A large degree of perceived bureaucracy is described as resulting in an inability to flexibly and quickly respond to the market requirements. Therefore many interviewees put forward a wish to be more appropriately organized towards the customer with the Front-end and to increase the efficiency of the Back-end.

*“We have so many internal problems that we tend to forget the market sometimes...”*  
– Local Division Unit Manager

A frequently mentioned malfunction within the organization is the responsiveness of the support function from the factory. The problem of Front-end not having enough time for customer treating does not necessarily stem from a too low number of sales persons, many argues that the problem rather is that the current sales force’s tasks are faulty allocated and that the lack of support tends to occupy the sales force with superfluous tasks such as searching for information about delivery times etc.

*“We must make all people in the organization customer oriented, the mindset from the factory-support is the most important issue...”*  
– Local Division Unit Manager

Another shortcoming of the department is the fact that there seems not to be coherence in the level of support which reduces the clarity of the provided information. This manager suggests that the unit would be improved if the staff were more attached to a certain product family. This could mean that the LDU instead of being confused about who to appoint with a specific support question would have one dedicated contact person within the support function that were more up-to-date with the current actualities of the product regardless of whether it came from Sweden, China or Norway. As for now this responsibility tends to be scattered all over the organization. Another LDU manager shares the point of view of creating a more dedicated and closer contact person from the support to LDU and the sales people, but suggests that the responsibility should rather be set with respect to market segment or region.

#### ***4.2.2 Countries and Regions is an Important Aspect of the Robotics Organization***

Concerning the Matrix of Robotics one should be aware of the rigid country structure. As an effect of this cross border issues and pricing issues are frequently occurring and the company tends from a global perspective to be fragmented into smaller units.

*“Many of the LDU’s are like small kingdoms with their own Prima-donnas who believe that they do not need to talk to each other”... “Some of the LDU mangers are like mini emperors and they have had their position too long. As a result there is less enthusiasm in the LDU and they do not have the mind-set to test new ideas and approaches” - Managers*

Even though the countries in the matrix are clustered into different regions this is a rather new initiative that according to several interviewees is working less successfully. This is due to the personality of the chosen region managers, their work description, and the heritage within the company of focusing on the own country. The directive from top management is that the country borders must be respected and that a country should not interfere with another territory. Others argue that even if the company comes up with new initiatives and strategies towards more cross-border cooperation the fact that the countries have their own P&L will result in that everyone will look at their own best. The large majority of the accounts today are reported to the country where the robot is sold. Even if for example Mercedes have plants

all around the world where Robotics' robots are used the sales will still only be registered in one country. This way of reporting costs can be seen as an obstacle when trying to promote global activity.

*“Why should one country pay for a trip in order to sell a robot on the other side of the world when the cost for selling to the guy over the street is so much lower” - Manager*

One of the interviewees therefore stresses the need for a way to measure and compensate sales persons on a more global basis. An interesting example of this is the unwillingness from the Chinese LDU to help the sales people in Thailand making performance tests on a set of products to be delivered in Thailand, due to the fact that the sales wouldn't be reported in China. Another complexity put forward about the country borders is the tendency of customers wanting to purchase the robot in the country where they have the production. Often the price is lower in that country. As the price for a robot is approximately 30% lower in Asia, ECCO that have their HQ in Denmark is more likely to purchase the robot from Robotics in Asia. The different price levels between the LDU's tend to create internal competition as customers become better informed of the offerings on a global market. One LDU manager says that this is something that the sales people are confronted with frequently and that the issue must be dealt with by top management.

The country border creates a set of problems. However, several managers stated that business is often local why strong local presence also is a competitive advantage for Robotics. The company is generally described as an international company without any dominant national culture, allowing a local contact with a global approach which matches the idea of having projects thought of on a global basis and business held on national basis.

#### **4.2.3 Industrial Segment Managers - Ambassadors of their Segment**

From the conducted interviews it was obvious that many people have different opinions about the role of the ISM. One manager says that the work description of the ISM is not perfect because he or she has no real power or responsibility.

*“The ISM can come here and say that I should sell more robots in a specific segment but more than that he cannot do”... “The LDU managers that have a financial responsibility have power, the ISM's have no responsibility. The company doesn't need more managers that come here and try to manage us, we need support and they should do the things that we do not have time to do”.*  
– Local Division Unit Manager

The idea of ISM's is perceived as something positive per se, but the choice of measuring their performance on sold volume is by many interviewees criticized. They believe that their role rather should be to understand their industry segments well and make sure that the offering of Robotics is suitable for the specific need of the customers. Another perception is that the ISM's are not very harmonized in their way of working whereas a balanced standard of their approach is described as missing.

A manager at the factory support state that he would like to increase the interaction between factory support and ISM's since he is afraid that there could be some potential double-work at this moment and that potential synergies could be obtained by a closer cooperation. This can be put in relation to an ISM revealing that he from time to time comes to receive and answer questions that should rather be sent to the factory support and that he perhaps should be more strategic instead of answering specific questions about different applications.

During several interviews with LDU managers the role of the ISM seemed to be quite anonym. One LDU manager was surprised to hear about the ISM role since he had never heard about these persons. Two other LDU managers said that they perceived the value of the support from the ISM as very low. Another thought put forward is that the chosen segments are "a strange mix of processes and industries" where for example Metal Fabrication can be seen as consisting of several sub-industries while Pharmacy is one pure industry segment, and where customers within Pharmacy could also be argued to belong to Plastics.

#### ***4.2.4 Business Unit (BU) Structure of Robotics Adds a Complexity***

An issue that many of the interviewees mentioned was the channel conflict that occurred due to the BU structure of the company which resulted in different approaches to the customer. Furthermore each of the four BU's (Service, Products, Systems, and Automation) has individual budgets and shall be profitable which creates tensions between the different BU's and sub-optimizations. The BU structure is described as being efficient when it comes to measure cost and revenues internally but when approaching the customer it is seen as an obstacle. The internal complications tend to end up in the Front-end which in turn hinders the company from showing common Front-end toward partners and end-customers.

*"If we want to win the customer, it is today a big problem because our organization is so complicated. You have to bring in the systems-, product-, service-, and automation managers"*  
– Local Division Unit Manager

Sup-optimization issues result in that customers becomes frustrated about high prices on service or that Robotics lose profitable orders. One example that points at this kind of issues is a conflict between the Product BU and the System BU where both units were taking part in the bidding process together with a system integrator. When instead a line-builder got the account the Product BU lowered the price in order to get the line-builder to use Robotics' products. However, by using the same prices that the Product BU offered the line-builder Robotics would probably have won the first deal with its System BU. Having Service as an independent BU within Robotics is, however, justified by the well established service unit which distinguishes Robotics from its competitors allowing a high level of global service with skilled local service-offices. On the other hand when approaching the customer with separate sales-forces conflicts and competition between service and selling new robots may arise.

*"When it comes to after sales service it could be a good idea to rethink the size of the business. On the one hand we are making much money on services, on the other hand the high prices on service prevent the selling of new robots"* – Local Division Unit Manager

When conducting interviews with LDU managers that were selling smaller volumes, the BU structure did not seem to be any greater problem. In a smaller LDU all sellers and employees were gathered in one common incentive system which was argued to cease the described problem of the BU structure. In other LDU's the BU structure is described as resulting in a "margin-on-margin" tendency raising the price of the total offering due to that every function needs to make profit and perform well individually. A clear strategy of whether Robotics should emphasize making money from margins on new sales, on service or on both is described as missing.

Even if the BU structure obviously creates problems, the BU structure is generally regarded as a good structure since products and services are two specific businesses and must be managed with a specific set of skills. However, many suggests that today's conflicts between the product BU and internal integrators (automation BU) should be mitigate by a common sales management.

#### ***4.2.5 Indirect Channels Becomes More Important when Selling a Product***

The customer relations in the branch are further complex due to the fact that a large part of the robots, even though not all of them are sold by partners. The partners are independent companies that buy robots from a robot producer and sell them to an end-user, or integrate a robot into turnkey solution. In the case of Robotics approximately 60 % of the sales are made through partners. The usage of partners has been described as both advantageous and disadvantageous. What is perceived as positive with partnering is that they are more specialized to- and more competent about their specific markets and have well established networks that facilitate contacts and sales. What is perceived as negative when it comes to partnering is the lack of direct feedback from end-users and the decreased continuous contact with the end-customers' applications that this might result in. When not conducting the sale to an end-customer the ability to promote Robotics in comparison to the competitors decrease since the partners in many cases collaborates with more than one robot supplier.

In general the perception is, however, that moving towards partner-selling is an important evolution that has to be made in order to cover a broader customer base without decreasing any qualitative contact with the customers. Currently Robotics are claimed to be less successful in partner relations building than its competitors due to the fact that they started establishing this kind of relations later than their competitors. This has resulted in that the competitors have gained a stronger local establishment in many regions with acquired partners selling their robots. Being aware of the importance of the partner relations, Robotics is today strongly emphasizing partnering establishment in emerging markets in order not to commit the same mistake again.

However, a tendency of looking for "quick-wins" is described by a couple of managers that that hinders the building of long and trustworthy relations with the partners.

*“The challenge is that there is no creep in possibilities. The partner mainly has one/two favourite brand and don’t want to change supplier. Because the partner thinks in his specific system you need to develop R&D etc together with the integrator. First you need to invest and develop and design together, then once you are in, you are in”*  
-Manager

Even if almost everyone were positive towards an increased cooperation with partners different opinions were raised about the capabilities of the firm to actually work with partners and which effects this could lead to. An experienced manager put forward that the company since long has understood that the company did not have the capabilities to serve all segments within GI. This was the reason for starting up the Global Partner Program. It seems, however, that the company not until lately really has understood the need of partners. Initially Robotics focused on big partners but now the company has realized the importance of smaller partners since the customers within GI consists of several small and spread out customers.

Another issue that was raised by several interviewees was that a partner in some cases could be situated in a different country than the one of the customer which fed the question of what LDU that should report the sale.

*“Even if we know that there is a partner in a nearby situated country which could not be found in our country there are no incentives for us to contact this partner as the deal will be given to the LDU where he partner is situated”.*  
– Local Division Unit Manager

There are many good and bad examples within the company of how work together with partners is run. Working with partners is generally perceived as a good strategy even though many underscores the importance of having an own integration as well that contribute with customer closeness and facilitates partner negotiations. What have been perceived as problematic with the usage of partners is the conflicts that has occurred when Robotics still uses a direct distribution channel in parallel with its partners that in certain cases happen to bid on the same end-customer. This is argued to mainly stem from a lack of a clear and coordinated channel strategy.

Another topic that was raised by some of the interviewees concerning the cooperation with partners was whether Robotics should allow partners to conduct service or not. It was evident that one group of managers within the organization believed that Robotics should let the partners provide service as some competing companies do so which serves as an incentive for selling their robots. The other group of managers argued that this would not be a good idea since the service is a very profitable business and that the potentially lower level of the provided service from partners would only come back to Robotics. Also the service is perceived as an important link to the customer which if let go of could be lost.

#### ***4.2.6 The Need of Global Key Account Managers in a Globalized World***

As customers tend to become more global, Robotics suffers from not being able to serve them accordingly. Due to the globalization customers do in a lesser extent care about country

boarders and want to be treated in the same way regardless where they are in contact with the company. This is argued to call for an improved global vocabulary and a shared understanding of the key features of the company's offerings.

*"We have global accounts but it is mainly on the name tag rather than actually happening, so far I haven't seen any specific change in behavior...The ABB group has a formulated Global Key Account Management book, but I have not seen any version for Robotics"* - Manager

When approaching customers within GI one manager emphasizes working either with partners or with key accounts in order to generate global coordination. One LDU manager admits that global accounts could be a good strategy for global coordination, but since many customers within the GI segment are rather small it becomes less appropriate.

Concerning an increase of KAM many argues, however, that it would risk to further increase the level of bureaucratization in the organization. The internal aspect that hinders a development towards a larger number of Key Accounts is that P&L is reported within the LDU structure of the company. This comes today to create difficulties in creating global agreements for example in service or product offerings.

The KAM role is by many interviewees being described as coming in conflict with the country structure of Robotics since the key accounts are kept within one region of the company. Due to conscious or unconscious sub-optimizations the key accounts managers thus tend to be more willing to treat the customer in his/her own region where sales generates profit to the LDU. As an example one manager express that a key account in his LDU has received visits from Robotics only two times in two years due to the fact that the key account manager belongs to another LDU. As an example of this incentive issue the KAM responsible for Mercedes who belongs to the German LDU is less likely to travel to for example South-Africa for a customer visit. A perception of Robotics is that the company focus on today instead of tomorrow due to the principle of reporting cost and profit where you are which hinder a global coherence and cooperation.

Regarding whether or not to develop the KAM system for GI within Robotics, many managers argues that KAM is positive in the way that it enhances the customer contact. However, it might result in confusion of responsibility which in the words of one interviewee "would be a disaster". As the volumes sold per customer according to several interviewees are generally too low, a further move towards KAM seems to be less supported. What would be the main positive aspect according to the interviewees would be the customer relationships and moderator-role, the stringent pricing, and an increased ability to globally follow customer trends. However, this is currently partly being made by the ISM's. In addition a couple of managers state that Robotics doesn't have people with the appropriate competence to serve as key account manager.

## 4.3 Customer Orientation

### *4.3.1 The Organizations Generation of Market Intelligence Pertaining to Current and Future Customer Needs*

After having conducted several interviews with top managers at Robotics, there is no doubt that the company possesses very sophisticated engineering intelligence and technological know-how. Due to the fact that the main part of the upper management in the company has an engineering background, technical features are frequently discussed even at the most strategic level. This skill is undoubtedly valuable and has for a long time allowed the company to stay in the lead of the robots market where technical development has given the company a competitive edge. However, at the same time this seems to have made the company underestimate the importance of humbleness and relations building with customers. The company is in some cases perceived as less humble by its customers complaining about a low degree of willingness to adapt flexible solutions to their actual needs. As mentioned by an LDU manager there seems to be a general attitude that “it’s an honour for the customer to work with Robotics rather than the other way around”.

*“In the beginning of a sale there is a need to open up a dialogue and to be open-minded, and then one can tie it together to a sale. In this way you can always find a solution. However, there is a tendency to rather front the customer saying that this is our proposition and if you don’t follow our proposition we will go on with another customer”.*

*– Local Division Unit Manager*

In general all managers agree on that the company currently is, as one manager puts it, “too far away from the market” and that it is more likely to focus on internal processes and product features than on treating external matters such as the actual demand from the customers. One rather dramatic measure that the company has taken in order to be closer to the emerging Asian market was to move the official headquarters from Västerås to Shanghai. However, this replacement is in general perceived to have more of a cosmetic character as the management of the headquarters is constantly on travelling foot and is not remarkably more present in Shanghai than earlier. Still it is worth to mention that the company is active in approximately 100 countries, which creates a great potential to be close to the customers.

Concerning the actual contact with the customer the company has until very recently been using an obsolete sales process where the customers placed their orders by fax. This resulted in an inefficient and less successful sales process that currently is being reviewed.

*“You must have lost hundreds of millions SEK in lost sales due to the obsolete sales system”*

*- Partner*

Another problem for the sales force of Robotics is that the customers of today tend to in a lesser extent have a technical background which has changed the way to do business. Earlier technicians made business with technicians whereas the sellers today rather face purchasers with an economical focus that aims at making all alternatives comparable. Whereas the company has a tendency to think that the main value creation is made in the production, the

Front-end has been in lesser focus, which according to many interviewees has led to a heterogeneous behaviour while approaching the customer. This is by many explained by the need for education of the sales force that currently is blamed not to possess sufficiently knowledge about their customers, the products, or having an efficient selling technique.

There is also a general perception that the sales force is spending a too small amount of its time with the customers. This is explained by laziness, inside-out focus, and misaligned incentives to mention the main presented reasons. In a market where relations tend to be of high importance due to a long term perspective the sales force is therefore argued to underperform in comparison to their competitors. Many interviewees argue that due to a strong product focus the company has difficulties to understand the customers' applications, strategies, and structures which in turn means that the offerings of Robotics is perceived as less tailored to their needs.

The relative little amount spend time with the customers is according to a couple of LDU managers related to having too much internal issues and administration to take care of.

*“We need to have less reporting and internal meetings, and more time spent together with the customer”... “We need to get our feet on the street. Get the people out there to get in closer contact with the customers. This might require more sales reps”*

*– Local Division Unit Managers*

#### **4.3.2 The Dissemination of Intelligence across Departments**

*“ABB is not a strong learning organization, it forgets” - Manager*

This quotation indicates that the company has difficulties in sharing and storing information. As Robotics has grown and become global, business units that earlier only wrote relatively simple reports has grown to become large organizational divisions which is seen as a complexity for the company. The fact that staff today in a larger extent is detached and spread out, is by many argued to complicate coordination and kill initiatives. This is argued to increase the importance of internally spreading a common platform for how and what to communicate which currently is argued to be hard to understand. Also great differences in willingness to share information between different cultures are perceived where the company is present. One LDU manager states that

*“There is so much internal information that never gets out to the whole organization. Every little country needs to share knowledge and experiences” - Manager*

The intranet is argued not to be used in its full potential, and internal knowledge sharing tends to stay within the LDU.

A large amount of managers have recently been recruited and are thus lesser attached to the old way of working within the firm. This tends according to certain interviewees to influence the company to neglect the built up values, norms and accumulated knowledge within the firm, and the importance of learning from committed mistakes. An LDU manager mentions

that the system that existed earlier to integrate new sales people in the organization faster seems not to be in place anymore which also weakens the understanding of the corporate working procedures and norms.

Several shifts in management and strategic direction that have taken place in the company seems to have lead to a company culture where people distrust change and thereby not instantly adapt to new ideas. However, at LDU level, the top management in general has stayed in the same position for a long time. These persons tend to be less willing to adapt to new circumstances and are in a little extent eager to maintain global communication.

*“ABB is written on the houses but it feels as if we are different companies”* - Manager

LDU managers are described as blaming low numbers of sales on high transfer prices and market related issues instead of wanting to change the current behavior patterns. At the same time many LDU's seem to be uninformed of any overarching business plan of the company or decisions that are agreed upon in top management meetings. This can be argued to result in a negative approach to changed working processes.

*“I search with a torch light to find the latest news from top management, if I do not find them I have to make up the strategy by myself”* - Local Division Unit Manager

Further on several managers complains about vaguely formulated or non-existent Key Performance Index measurement for sales which creates confusion regarding what practices to prioritize and share with others within the company.

In order to enhance the knowledge sharing and to spread best practices the ISM position has been created. The fact that these managers are measured by the number of robots sold within their segment, a certain degree of conflicting objectives is existing where one might stress a greater effort on metal robots and another for plastics robots. Other ways to spread knowledge within the firm consists of the intranet “inside ABB”, continuous meetings, and workshops. The functionality of the intranet is described as very good for providing presentations, customer cases, and a variety of internal information. However, it is argued that “inside ABB” could be used in a larger extent.

Another frequently brought up issue is that there is perceived to be a “wall between production and sales” within the company, hindering continuous knowledge-sharing and informal communication between Back-end and Front-end. While the robots have an immense spectra of features that could be of value for the customer and allow a high degree of technical customer adaptation, the low degree of information between fabrication and sales tends to hinder the customer's insight of the product value. Much of the internal communication is today held electronically due to the geographically dispersed organization, which has according to a couple of manager colored the contact surfaces to be less personal.

*“We are world champions in sending e-mails in a ten meter distance”* - Manager

The support section of the production units, earlier mentioned as the factory support, is by some people described as unmotivated and under dimensioned. This impedes the sales staff to give accurate information or adapt offerings further for their customers which is received negatively by the customers and partners.

#### ***4.3.3 The Organizations' Responsiveness to Customer Orientation***

From a Front-end perspective the task of approaching the customer is brought complex by the many directives and ideas that is carried out in an inside-out manor. In general each local sales office tackles this situation in its own way. At the same time the company is described by its partners as tending to rather focus on what their managers say rather than on what their customer wants.

*“There too many people that does not understand the business, especially in the Front-end”  
- Manager*

Some managers believe that the company miss a common and to some extent standardized process in how the employees are trained and educated which is described as adhering to a heterogeneous and inconsequent customer treatment. The sales training is argued to be obsolete and not adapted to the selling and buying patterns of today's markets.

When it comes to closing a deal, Robotics tends in some cases to fail due to the inability to match the demand of the customer with what the sales person is allowed to offer. This shortcoming is mainly explained by factors such as sales persons not being equipped with enough sales arguments and that the salesperson is not spending enough time with the customer. They are thus unaware of the situation of the customer in terms of applications, work processes, strategies, and networks. Also the Market & Communication section of the company is being criticized for not being able to deliver a clear message of the values of the products for the customers. While these factors seems to work properly for the competitors allowing them to in a larger extent take care of and treat their customers, Robotics fall short in this area.

Several managers argue that the company needs to be easier to make business with. Currently they are perceived to have a weak portfolio of offerings that is not mapped to the demand of the market, where quality tends to fail and where delivery times are unacceptable. In many cases this has infected the relations with the partners. An example is a partner expecting a robot to arrive a given Friday for installment the following Saturday and Sunday. Too often the robot does not arrive at the agreed upon date, meaning large costs for the partner that has scheduled for integrating the robot into the application. When the support in addition to this unable to tell where the robot is and when it will arrive, the situation tends to get even sourer. Due to the unsuccessful years in the beginning of the century, the company has a division management that is described as cost focused which is argued to counterwork the ability of becoming customer oriented. The cost cutting program is partly criticized for being conducted from a technician perspective, which has neglected the importance of customer relations. One

manager stresses that worrying about costs was a completely correct decision in the given situation at that time, but that the company will not become customer oriented as long as the same business strategy remains. Many of the described internal conflicts seem to result in that the responsiveness towards end-customer and partners is rather slow and inflexible.

## 4.4 Sum up of the Empirical Findings

### ***Business Situation of the Company***

Robotics has lost the position as market leader and is losing market shares to its competitors even though the company claims to have the technically most sophisticated products. As the automotive sector, which has been an important customer to Robotics, has become less lucrative the company has increasingly shifted focus towards new segments which together are defined as General Industry (GI). A long-term business strategy has not been in place as it has shifted when managers has come and gone.

### ***Organizational Structure of the Company***

Robotics has matrix organization with a Front-end that serves customers and a Back-end that consists of production units and a factory support to the Front-end. There are Industrial Segment Managers appointed with expertise within in certain customer segments. Robotics has a rigid country structure, why the organization could be characterized as rather decentralized.

The organization is perceived as complex and it causes internal conflicts. One of the structures that create complexity is the Business Unit structure. Furthermore the company has not been equally good as the competitors in developing an organization for partner relationships. Finally, even though many customers have become global the usage of a global key account program has not been extensive.

### ***Customer Orientation of the Company***

The company possesses a highly sophisticated engineering intelligence and technical know-how which has resulted in technically advanced products. Some argues that this fact has made the company develop an inside-out focus and forgetting the end customer. Furthermore the company is perceived to be too far away from the market and sales people are spending too little time with customers.

The sharing and storing of knowledge about the market within the company is perceived as rather low. The ISM's are supposed to be facilitators of these processes. The new recruitment of several managers has led to a trend of not making use of accumulated knowledge. Furthermore some managers believe that several people in the Front-end don't possess enough knowledge in order to serve customers accordingly. Finally, as top management due to low profitability has had a strong cost-focus during the last years the company is by some perceived as putting less energy in the process of developing customer relations.

## **5. Analysis**

*In this chapter the empirical findings will be analyzed with a point of departure in the presented theoretical framework. The analysis follows the theory model of the thesis. Firstly it analyses the current situation of the company, then it moves on by analyzing the level of customer orientation of the company and then it will analyze the organizational structure of the company.*

### **5.1 Current Business Situation of the Company**

#### ***5.1.1 Robotics has a History as Market Leader and Stall in Growth since a Couple of Years***

Analyzing the sales figures of the company, Robotics is since a couple of years characterized by having a stall in its growth (Matthew et al., 2008). The reason for this stall is related to the inability of the company to satisfy customer needs, together with some strategic choices made by the company which has shown to be faulty looking at the evolution in the external environment. Looking in the back mirror Robotics were the world market leader for many years. The company was leading the technical development and developed a strong brand within automation. This position made Robotics develop a differentiation strategy being the number one supplier in its business. The differentiation strategy is still present when looking at the fact that Robotics product is 20 – 25% more expensive than the competitors' offering and that the company dislikes the focus on price when negotiating a deal with its customers.

One can, however, question the effectiveness of their way of differentiating when the empirical findings suggest that the customers tends to be interested in adapted offerings and solutions. The technical know-how that the company possesses is a competitive advantage but the empirical findings showed that this ability also made the company less customer oriented. This finding is well aligned with Galbraith (1988) who argues that companies with skilled technical employees tend to be less externally orientated.

*“In Robotics it is well perceived to be an engineer...Robotics has an inside-out focus and is not market oriented”*  
- Manager

The citation characterizes Robotics as a technically focused company which the large majority of the interviewees also confirmed. Finally, it is clear that the company uses the nostalgic connection to the ABB brand in its marketing and communication. This shows that Robotics still want to emphasize the position the company had in the history, and not the position the company wants to have in the future.

#### ***5.1.2 The Customers of Robotics are in Different Stages in the Business Life-cycle***

The former leading position on the market has been lost to its competitors and today Robotics is a follower instead of a leader. So how could it be that a company that has been the market leader for several years suddenly becomes a follower? It is no surprise that the external environment of Robotics has changed dramatically during the last two decades. This is

something that the majority of companies, which are active in a market economy, also have faced. One change that has affected Robotics to a large extent is that the automotive industry, to which Robotics has been an important supplier, has faced a down going trend characterized by price pressure. The automotive market could thus be characterized as being mature. As a result, the sourcing strategy of the giants within the automotive industry has resulted in lower prices and margins for Robotics. As a response Robotics has created key accounts in order to serve these demanding customers, the transition to a Key Account structure has, however, not been fully taken.

As an effect of the rough climate in the automotive sector, Robotics started to focus on the General Industry (GI) segment as a complement to the automotive segment. The GI-segment has grown and is still growing. Applying the business life-cycle concept of Zoltners et al., (2006) one could argue that the GI is in the growth phase where an annual growth of 7,7 % has been forecasted. However, Robotics has not shown the same growth in sales as the GI market. This indicates that Robotics has a misaligned business strategy and structure to properly serve and be aligned with the current business life-cycle of the GI. This might be due to the fact that the company has a strategy that has been developed and matched to the mature automotive segment. Whereas some of the competitors seem to be organized in a more efficient and effective way when answering to changes in customer behavior, Robotics has lost market shares.

One example that differs the two segments is that the GI consists of several small companies that require significantly more contact surfaces than the automotive segment which are characterized by a few but very large customers. Therefore a large part of the sales in the GI segment needs to be made by partners. As Zoltners et al., (2006) suggests, when entering a growth phase the company needs a larger sales force, which explains the need for partners that allows a more qualitative presence on a broader market. This strategic move has, however, been made a couple of years later than the largest competitors in the market which has had a certain impact on the competitiveness of Robotics. It is clear that the company has had and has still today difficulties in developing partner relationships, especially with smaller partners. One explanation of this is the internal complex and country focused organizational structure of the company that hinders the creation of dynamic relations with partners. As the future growth of Robotics is forecasted to lie within small and medium sized companies, this is disadvantageous for Robotics.

As the GI is growing, in difference to the automotive industry, it is of interest to analyze what challenges the segment offer when it comes to the organizational aspects of Robotics as a supplier. It could be seen as an opportunity to move to growth from the mature state that was mainly caused by the automotive industry. When moving from a mature state back to growth this will have implications for the market organization in general and the sales force in particular (Zoltners et al., 2006). In this process the company needs a larger number of sellers possessing a broader knowledge about their customers as the needs may be different than the needs that were present in the mature segment. Therefore there is a need of more structural training for the sellers in order to be able to promote the product and its features. The communication between the different sellers will also be important in order to share

knowledge. A prerequisite is that the organizational structure supports this communication. As mentioned earlier an increased usage of partners also becomes relevant since they could provide specific knowledge about different types of customers within the GI segment.

### ***5.1.3 Robotics is stuck in a Premium-position Captivity***

Robotics could be characterized as stuck in the premium-position captivity (Matthew et al., 2008). The business strategy and organizational structure that gave Robotics the position as market leader for several years, much relying on the automotive sector, has shown not to be efficient and effective when answering to new demands of the customers in the GI with more heterogeneous needs. The measures taken by the company in order to remedy the staggering performance could have been taken at a too late stage. It could also be that the measures taken are not extensive enough, or appropriately adapted for the business situation of the company.

As stated above changes in the external environment has challenged the premium-position of Robotics which could be one reason of why the growth of the company has stalled for several years. Even if the changes in the external environment have influenced the company in a negative manner, the premium-position captivity situation is created as a result of company specific issues.

*“There is a common assumption that when the fortunes of great companies plunge, it must be owing to big, external forces – economic meltdowns, acts of God, or government rulings – for which management cannot be held accountable. In fact most stalls occur for reasons that are both knowable and addressable at the time.” (Matthew et al., 2008)*

The empirical findings strengthen the idea that internal aspects which are manageable are potential explanatory factors of Robotics’ stall in growth. To understand why this situation occur in a company like Robotics one can look at the abilities of other companies which have had the ability to change their business strategy when answering to the market requirements and avoiding to get trapped in the premium–position captivity. Companies described as having a better functioning organization with sophisticated market sensing activities are more able to recognize emerging behaviors in customer preferences (Matthew et al., 2008). The situation of Robotics could therefore partly be explained by shortcomings in the liaison between organizational structure and the market sensing capabilities of the company.

## **5.2 Customer Orientation**

### ***5.2.1 Generation of Market Intelligence – “Too Far Away from the Market”***

Several factors suggest that the Robotics’ ability to generate market intelligence is rather low. Robotics is criticized for being “too far away from the market” which can be seen as typically negative for the ability to conduct market sensing and take part of the customers’ development (Kohli & Jaworski, 1990).

One initiative taken by Robotics which goes in line with the concept of customer orientation, with the purpose to increase the knowledge about customers' current and future needs, is the introduction of the ISM's. Without the information provided by the Front-end in general and the ISM's in particular the forecasts of customers' demands and preferences risks to differ from reality which means that the offering might not be asked for by the customer. The study has, however, shown that the strategic role of the ISM as generator of knowledge from the market was not entirely developed. Currently the role has a lobbying character rather than a directive one due to the fact that the ISM doesn't have any budget responsibility. This means that, at the bottom line, the final word is more likely of the LDU managers that in many cases tends not to value the information from the ISM's. This could be either due to that they are unwilling to let go of their authority, or that the work of the ISM's simply isn't good enough. It is also possible that the company as a whole hasn't been used to the ISM role, since it is a rather new initiative in a company characterized by changes.

According to Kohli & Jaworski (1990), intelligence should also be generated by informal means which is more likely to occur in relation to how much time that is actually spent with the customer. The main part of the managers describe the employees as being too passive in taking initiatives to spend time with the customers which decrease the likeliness of informal knowledge sharing, others mean that they simply hasn't got the time.

As a result of the mismatch, some high potential of engineering knowledge and product development is misused and not transformed to customer value. Also the global presence of the company, that comprise a high potential for generating market intelligence on a global basis, is not contributing to any advantage in the matter since the company does not manage to get close enough to the customers. Examples of low degree of customer integration can be seen in the obsolete sales system that has been in use until recently, the technically oriented way of doing business, and the low amount of time spent in person with the customers.

Another complexity in the generation of marketing intelligence is the usage of partners as a distribution channel. As partners on the one hand allow closer contacts on a broader market, they on the other hand might remove the direct contact with the end-user of the robot. This requires a closeness of the relationship with the partners, where both parties find interest in sharing knowledge and generate market intelligence. From this perspective it becomes important for a company like Robotics to work with proactive partners that by close customer relations continuously and transparently keeps the company up to date. Since the competitors of Robotics have acquired partners in an earlier stage and have managed to establish relations with these, they can be assumed to be more efficient and effective in generating market intelligence. The partners are less likely to change robot supplier due to the related costs and efforts and the gained trust and commitment that is built up in a well functioning relation between partner and supplier. This hinders the achievement of the partnering channel, assumed that many of the competitive partners already are collaborating with a competitor.

Partners can thus, if appropriately managed, contribute to a greater level of market-intelligence generation but it requires that the company invest in a long going and transparent relation with the partner.

### ***5.2.2 The Dissemination of Intelligence within the Organization can be improved***

The empirical findings indicate that the complex organizational structure of Robotics affects the dissemination of knowledge in a negative way. From a historical perspective the company has grown in size, the organization has become geographically dispersed and complex which has created the perception of that the LDU's are like different companies making their own decisions. This had created a decentralized organization (Bruzelius & Skärvad, 2000) which has led to LDU's being uninformed about the overarching business strategy as well as less likely to share generated information about customers internationally.

In order to overcome the geographical distances an intranet has been established. This could be seen as an effort in trying to centralize some aspects of the organization in order to create a homogeneity approach towards customers (Bruzelius & Skärvad, 2000). However, the usage of this tool is by many described as something that could be improved. As the information channel has become more web-based there is on the other hand a risk that the degree of informal contact diminishes which according to Kohli & Jaworski (1990) is argued to be an important aspect of the dissemination of knowledge in a company. The quotation "We are world champions in sending e-mails in a ten meter distance" is a clear indication of this phenomenon.

The distance between Back-end and Front-end of the company hinders informal and continuous knowledge-sharing in the company. There is a perceived wall between the departments and it seems that the factory support is given too small resources and attention to actively participate in the customer dialogue. This might slow the internal information flow and in the end affect the dialogue with the customer. It might also hinder the establishment of a shared strategic basis for actions of the different departments.

### ***5.2.3 The Organizations Responsiveness in Answering up to Customer Needs is Low***

The company is having an inconsequent customer approach which creates confusion among the customers about the actual offering, who to contact and how, which tends to result in less satisfied customers. An example of this is the described shortcoming of selling arguments and the rather low customer knowledge of the sales people. As a result many of the ideas that might have a great potential to elicit a favorable end-customer response is not accomplished and thus not valued by the customer. Further on the low degree of time spent with the customer decreases the social interaction which is important for establishing a relational business exchange as an outcome of generated trust, commitment, cooperation, and relational norms (Lambe et al., 1997). This might also result in that the offerings of Robotics are perceived as less flexible and adapted to the customers' actual demand.

The complexity of the organization create confusion about who actually owns a deal which might result in conflicts about accounts or the opposite which is that nobody takes full responsibility of the customer. As a customer might be present in several countries and expect continuity in offerings and support. This may interfere with the country structure of Robotics

## 5.3 Organizational Structure

### *5.3.1 A Matrix Organization that Adds Complexity*

In order to analyze how tasks and responsibilities are divided and how the relationships within the organization are coordinated (Slack, 2006), the organizational structure will be analyzed from the frameworks presented by Cespedes (1989) and Kotler (2000). The authors suggest that few companies are purely constructed in the sole perspective of one the suggested possible organization forms. This also applies to Robotics, where the organizational form can be alike the different forms in various matters.

In the terms of Cespedes (1989) and Kotler (2000) the organizational matrix can be seen as consisting of representatives for Geographical focus (LDU's and Regions), Market focus (Industry Segments), Functional focus (Factory support) and a Product focus (BU's). Patterns from the study reveal that this structure highly affects how tasks are done, how information flow and resource allocation, and how attention is directed. The different organizational frames mean that the organization internally struggles with situations where individual objectives might not be optimized to the collective, and where responsibilities "fall between the chairs". Coordination between the organizational groupings has shown to be difficult, which tends to accumulate coordination problems and pass them further on in each customer contact. Finally it tends to become the Front-end's task to homogenize a common customer approach from a set of internal partly conflicting objectives.

### *5.3.2 Geographical Perspective*

The fact that the organization is divided with respect to geographical regions is an advantage in the terms of a greater ability to adapt and respond to local market requirements and the fact that closer personal contacts are more likely to be established if the sales force circulates in a set area which is typical for a decentralized organizational setup (Bruzelius & Skärvad, 2000). Also practical reasons such as global time zones, and costs and efforts for travelling make the geographical organization logical for a company (Kotler, 2000)

However, the study has shown that the structure in some extent tends to inhibit an optimal customer approach on a global basis and can evoke rivalry and intra-departmental competition for customer accounts (Lawrence & Lorsch, 1967). This is clearly exemplified by the cases of ECCO Shoes and the lack of coordination between China and Thailand described in the empirical findings why a larger degree of centralization could be needed.

Another complexity that the geographical structure gives rise to is the fact that prices for the same products/solutions have been found to be different depending on where in the world the customer contacts Robotics. In an age where ICT and closer global integration allows easily conducted price comparisons globally (Homburg, 2000) a logic result is that the company tends to compete with itself whereas customers choose to play offerings of different LDU's against each other.

### ***5.3.3 Product Perspective***

In general each LDU consists of four BU's; products, service, systems and automation. These can from the framework of Cespedes (1989) be regarded as product oriented where each unit is specialized toward providing a specific product or service. This can from the literature be viewed as positive in terms of that the individual is more focused on a specific product or service and thereby can be expected to acquire a deeper knowledge in the domain. Cespedes (1989) argues that response time tends to decrease due to such a structure, and that it normally is easier for the customer as well as for the company as such to know who to turn to with specific questions. The product focus can also be regarded as positive in the sense that it facilitates internal auditing where costs, staff and other resources easily are related to each unit (Cespedes, 1989).

However, one can see tendencies that each unit maximizes its short-term return rather than favoring a long-term success for Robotics as a whole which is a clear symptom of product orientation (Cespedes, 1989). An example of this can be the existing conflict between the service unit and the product unit that in certain cases have difficulties to optimize their objectives for the best of the company. While on the one hand a higher margin for service contributes to increased bottom-line results, it is likely that new potential customers are repulsed by the high service fees and therefore turns to another robot supplier. This is of course negative for the product unit, and in the long-term also for the service unit.

Another perceived discrepancy that can be related to the product orientation of the BU's is the situations where sales persons for the different BU's seem to lack coordination towards the customer. This results in situations where the customer receives several uncoordinated sales persons that are not able to respond to any broader span of questions. The perceived lack of knowledge about the customer applications can also be linked to the fact that a too product focused representative might not see the whole usage pattern of the customer, but only the area of responsibility. It is also plausible that certain issues are less significantly linkable to any of the units or interrelated between the BU's. In such situations the structure might cause double work that some managers have mentioned occurs, or the opposite; that no one takes responsibility since it's not within their turf.

The lack of coordination between the BU's is not only negative in the sense that the approach toward the customer becomes inconsequent, the missing image of the full customer situation also tends to increase the perceived distance from the market. In order to counterbalance this development the product orientation structure requires great efforts for integrating the units, which by Cespedes (1989) is argued to result in high over-head costs. The counterbalance within the matrix can be regarded as the ISM position.

### ***5.3.4 Market Perspective***

The market focus is in Robotics represented by the ISM role, created primary in order to spread best practices on a global basis within the given segment. However, this position

seems to be given relatively small attention where there is one manager for each specified segment that is to cover the global market. These representatives have no budget responsibility or staff responsibility, which tends to result in that their role is rather seen as a support function than a leader function. Cespedes (1989) argue that a market focused structure increases the ability to tailor segment specific, and customer specific, offerings in a greater extent than a product focused one. This is due to the more gathered contact surface that becomes more up-to-date and in a larger extent understands the customer needs. Also a greater understanding for trends in the specific industry can be gathered (Cespedes, 1989).

A problem for establishing a market focused structure is that the concept requires a certain level of scalability in order to deal with the costs to establish this kind of customer relations (Cespedes, 1989). This can be regarded as an obstacle for especially the newly developed products that yet do not have any greater market, but that on the other hand need greater attention due to the need of educating the customer about the solution. Certain managers also mean that the set segments are inappropriate due to the fact that they tend to interfere with each other, or that they are too vaguely formulated. Many customers are described as potential customers of more than one segment which reduce the potential to actually develop skills and knowledge that is regarded as either broad or specific enough for the customers to appreciate it.

Another aspect is the risk of becoming too focused on one specific segment that according to Cespedes (1989) is a common trap for companies with a market focused structure. This myopia might miss business potentials within other segments.

In order to succeed with a market focused structure, Cespedes (1989) argue that it needs to be supported by the HRM function in the sense that the right profiles work in the position, and that they get the accurate training and education. As many interviewees questioned the appropriateness of specific persons' match to the ISM role, this seems to be a problem of the company.

In the case of Robotics the representatives of the market focus (ISM's) seems to be relatively anonymous and lack any greater authority. This results in that they in certain cases are perceived as more of a workload than a supportive function. One could therefore argue that the ISM position would be very positive for the company if it had more authority and resources.

## 5.4 Beyond the Organizational Structure

### *5.4.1 Organizational Design Elements*

At a first glance of the organizational structure of Robotics the general perception might be that the company has a structure that is in a logic manor covering the main important issues for becoming customer oriented. There are the ISM's that enhance the market intelligence generation and help disseminating knowledge within the company by spreading best practices. There is also the factory support that symbolizes the link between the Front-end and

the Back-end of the company maintaining and contributing to dissemination of knowledge within the company. This department is also appointed by customers and partners with questions about for example applications, product specifications or delivery dates which can be seen as increasing the customer responsiveness of Robotics. A geographical segmentation has been made that serves to maintain and develop a closer local contact and adaption to the customer. From a pure organizational structure perspective this way of structuring the organization seems thus to very well match the requirements of a contingent environment.

Still the results of the company indicate that the company has not anticipated the requirements of the relatively new GI-segment and the way of doing business in a globalised market. One could from the empirical findings find arguments that the structure is not optimal looking at the additional aspects that the organizational design entails (Scott, 1992), where organizational structure makes out one of four elements of organizational design. Since these elements are interrelated the found structure impacts on the others and vice versa.

#### ***5.4.2 Coordination is hindered by Internal Conflicts and Sub-optimizations***

The structure of Robotics has shown not follow the trend of globalization that clearly colors the markets in general of today. This is argued to be due to the structure that constructs geographical boundaries hindering a global straightness within the company. An example of a symptom of this problem is the fact that customers receive different offers depending on where they are served globally. As a consequence the customers of Robotics that are present on a global arena tend to play the different LDU's offerings against each other.

The development toward global customer orientation also suggests that the structure lets go of the product focus in favor for the customer focus, which means that the market organization becomes more specialized toward customers and their needs (Homburg, 2000). This requires a deep knowledge about the customer segments' applications, needs and patterns and also a good knowledge of how the products of Robotics can respond to this in an optimal way. With regard to Homburg (2000) a trend of companies becoming globally customer oriented is creating global key accounts for the major customers. In the case of GI the opportunity to develop global key accounts is, however, rather small since the majority of the customers are of a too small size for becoming key accounts. So far the company has tried to in some extent develop key accounts which, however, only have been done within the country based structure. This has resulted in key accounts that are being trapped in a country segment and where the Front-end still has low incentives in treating the customer outside of the geographic zone.

Another trend described by Homburg (2000) for becoming globally customer oriented is to reorganize the sales people based on the type of customer they serve rather than on their geographical location. This can be perceived as a more appropriate step to take for a company such as Robotics since their customers at the current state seems not to be ready to become global key accounts. As proposed by Schwepker Jr. et al., (2000) the development from geographical organizing to customer based organizing would mean that the sales people could

become more specialized toward serving certain customers (e.g. an industry segment) instead of approaching all kinds of customers in their surroundings.

In order to contextualize the transition toward customer orientation in the case of Robotics, this would mean that the ISM role would become more significant and the LDU and BU structure less rigid. The backside of this development would be that the sales people would lose the local relation to its customers. The larger area of customer coverage would also result in longer journeys for maintaining the contact with the customers which can be seen as both time and effort consuming. This is by Schwegler Jr. et al., (2000) argued to be partly compensated by the increased efficiency of the sales person when being in contact with its customers but also to affect the interrelation.

If the allocation of the salespeople is reorganized toward customer types, the optimal size of the needed sales force will increase and challenge the territorial design to consist of larger territories. An increased usage of partner can be argued to provide the increased sales force.

#### ***5.4.3 Corporate Culture Becomes Fragmented***

From the interviews with the more senior staff it is obvious that the process of establishing commonly shared norms and values was less complicated in the early days of Robotics when the main part of the management was gathered at the same geographical location. Today there seems to be a larger degree of fragmentation within the company where so called “mini-emperors” can be assumed as less willing to adapt to a corporate culture. As the company continuously have to change there is in the inexistence of a strong corporate culture a great risk of inconsistencies to emerge that creates and heterogeneous behavior within the company. As mentioned by one manager there is a tendency that a seller presents selling arguments that the production unit in Västerås cannot respond to.

The increasingly electronic way of communicating can also be argued to in a lesser extent manage the sharing of tacit knowledge which often is the nature of a corporate culture. The structure of Robotics can from the empirical findings be argued to undermine communication patterns and behaviors that create subcultures, internal rivalries and distrust which hinder the business functions to interact harmoniously (Lawrence & Lorsch, 1967; Van Maanen & Barley, 1984).

#### ***5.4.4 Power Element – A High Degree of Internal Politics in the Company***

A couple of arisen internal conflicts have been identified as stemming from the matrix structure. These behavior patterns can be seen as a tendency to rather optimize a department than the organization as a whole (Lawrence & Lorsch, 1967; Van Maanen & Barley, 1984).

Conflicts between LDU's exists that also can be described as being of a power character (Scott, 1992) with a lower global performance as a result. Also within the LDU's there are structural factors that become object for internal conflicts which is described as taking up time and effort of the employees.

Another perceived conflict stems from the direct selling to end-customers in parallel with the usage of partners. As a result of this structure Robotics tends in certain cases to indirectly compete with itself which is perceived as both confusing for the customers and negative for the price margins as well as the trustworthiness of the company. Both approaches can be argued to generate customer orientation in their own way; however, they tend to have a negative impact on each other.

## 5.5 Transition toward Customer Orientation

With the tendencies of different sub-optimizations in Robotics, the company shows clear symptoms of not having business functions which are interacting harmoniously (Kotler, 2000). When applying the transition toward customer orientation (Homburg, 2000), there are still areas to approach in Robotics.

The technique of the products is argued to very well fulfill the technical specifications needed for both larger and smaller segments and the ISM position is created to work as a category manager. Also a significant part of the company's profit comes from the service unit, which is well developed and well functioning if studied in isolation. The company has also developed a couple of key accounts that treats the largest customers.

Still the company seems to be less successful when it comes to generate customer satisfaction and getting close enough to the customers. This can be argued to stem from the fact that the implementation of this development has taken place without any deeper and coordinated commitment from the whole company. As the former chapter describes, the geographical and product-focused structures still exists within the company which can be assumed to be counterproductive if the company want to strategically move towards customer orientation.

Even if ISM and KAM exists, the concepts seem to in a couple of ways be hindered by the geographical focus of the company. Currently their ability to contribute to any change is rather low as the rest of the organization is organized in a way that emphasizes a geographical focus. The movement toward market and customer orientation needs to be taken by the whole organization if any effects shall be likely to emerge. This evolution might be painful for the organization to go through since many working procedures seems to have been deeply rooted and that the mind-set of thinking globally instead of locally can be hard to grasp in many situations.

## 5.6 Sum up from the Analysis Chapter

### ***Current Business Situation of the Company***

Robotics stall in growth is mainly due to less successful strategic choices, the inability to satisfy heterogeneous and changing customer needs, and a too technical focus when approaching customers. The most successful companies that are active in GI use partners when selling a product, something that Robotics have shown not to be equally good at. Robotics could due to these symptoms and the lost market shares be characterized as being stuck in a premium-position captivity.

### ***Customer Orientation of the Company***

Robotics is not efficient enough in generating market intelligence. The initiative taken to improve this aspect by ISM's has not reached full potential due to conflicting interests within the matrix. Furthermore the little time spent with customers lowers the ability to generate market intelligence. An increased use of partners and too much effort spent on internal matters are potential causes of this development.

### ***Organizational Structure of the Company***

The complex organizational structure of Robotics has a certain negative influence on the dissemination of market intelligence across departments where communication between the different LDU's and between LDU's and ISM's seems not to be extensive enough. The strong geographical focus and decentralized organizational set-up can thus be seen as hindering the company to fully serve customers on a global scale at the same time as the BU structure creates sub-optimizations within several LDU's, that in the long run affects the customer orientation of the company in a negative way. Further on the perceived wall between the Front-end and Back-end of the company hinders the market intelligence to reach product development and vice versa.

As a result of an inconsequent approach toward the customers, confusion is created and being a customer of Robotics is less advantageous since the organization-wide responsiveness is low.

The organizational structure affects how tasks are performed or not performed. As a result of the matrix organization some responsibilities fall between the chairs at the same time as others are approached from several managers that shall have a saying.

Finally, solely organizational structure is not extensive enough in understanding the organization as such. By only looking at the organizational structure Robotics seem to be well suited for success. However, looking at organizational design the structure is interrelated to coordination, culture, and power which make the organizing more complicated than a purely structural issue.

## 6. Conclusions

*In this chapter the main findings from the different parts of the thesis will be presented and the research question of the thesis will be answered. A conceptual model is presented as an illustrated description of the findings.*

### Research Question

- ***How does the organizational structure hinder the customer orientation of a global market organization expressed in symptoms and causes?***

As a point of departure the study has shown that the organizational structure with defined roles, allocation of responsibilities, and coordination patterns at place does affect and hinder the customer orientation of a company (Kohli & Jaworski, 1990). In order to respond to the research question of the thesis the situation of the company has been taken into consideration due to the interplay between organizational structure and business strategy.

At a meta-level, the study showed that the organizational structure influenced:

- The **communication** between units, employees and also between the company and its customers and partners
- The **trust** from customers and partners as well as from employees
- The **ownership and responsibility** of the customers
- The **integration** of organizational functions and units
- The **coordination** toward partners and end-customers
- The **power balance** within the company
- The **motivation and ability** of employees to fulfil their obligations toward customers

In the empirical findings chapter detailed symptoms of a misaligned organizational structure for being customer oriented was found. The most relevant ones will be presented in relation to what has been identified as the underlying causes, and thus potential areas for improvement.

The underlying causes of the hindering symptoms were found to be: (1) A misaligned business strategy, business life-cycle, and organizational structure; (2) A complex and fragmented organization that created inertia; (3) Coordination-, Culture- and Power relation within the company. As an illustration of the interrelations between causes and symptoms the model below has been constructed to visualize the interrelation of the three main blocks of the thesis; customer orientation, organizational structure and business situation. This logic of the model will be further discussed together with the interrelations of the causes and their symptoms.

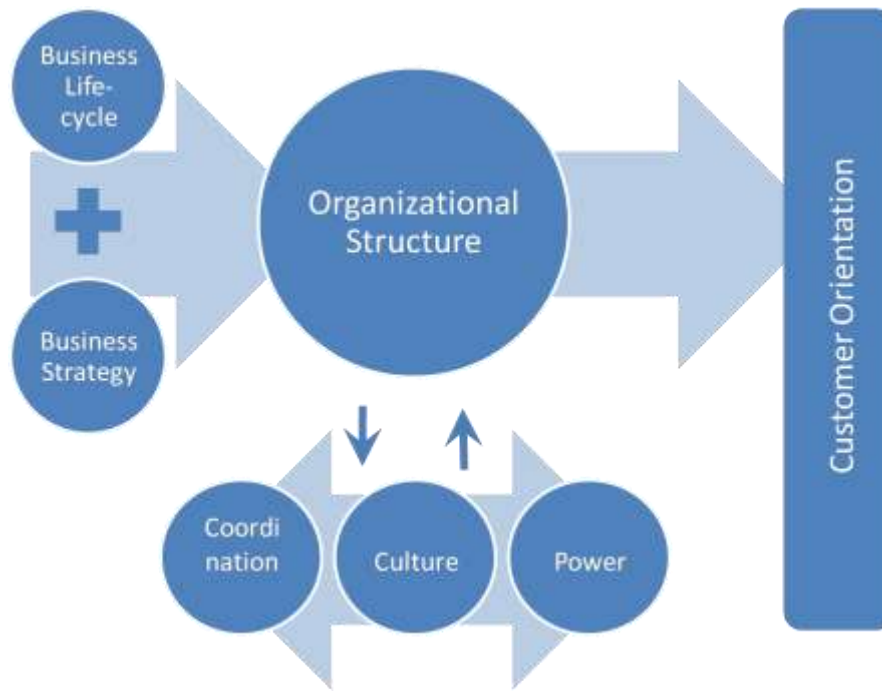


Figure 5. Conclusion Model of the Thesis

### ***Underlying Cause 1 - Misaligned Business Strategy, Business Life-cycle and Structure***

Given that the business life-cycle determines the customer requirements and thereby affects what is perceived as customer orientation, the company's business strategy can be assumed to be needed to match the business life-cycle. However, this thesis has shown that even if so, the aspect of the organizational structure has a significant impact on whether the chosen strategy is likely to fall out as expected. This is due to that the organizational structure of the company affects the way internal processes stream and how well these correspond with the business strategy. This means that even if a company has an appropriate strategy but isn't structured accordingly, it will most likely face difficulties. This is due to that discrepancies are likely to occur between the intended behaviour and actions of the business strategy and the actual behaviour and actions taken.

Whereas the business-life-cycle of the former dominant segment of the studied company is in a mature state, the organizational structure has been influenced to be set up accordingly. However, as the newer business segment is in growth, another business strategy is required and thus another organizational structure.

The way of organizing, if not supporting the business requirements of a certain market creates a discrepancy of what is achieved by the company and what is expected by the customers. This might for example be due to how sales staff is trained, how communication is held, how and what knowledge that is shared between employees and what personal characters that are sought for by HR. Also the choice of contact surfaces is affected. The requirements might be suitable for a former or future organizational form, but less appropriate for the present one, which causes discrepancies that are expressed in a broad span of symptoms. With a more standardized market a more standardized approach is applicable which might call for a more

centralized organizational structure. However, if the contrary a more decentralized organizational structure is more likely to be suitable. This could in turn hinder the homogeneity of the company. As mentioned by Cespedes (1989) there is a great risk of myopia toward current markets among companies which impedes the emphasis on new emerging ones that might be faulty approached if the strategy and thus structure is not adapted appropriately.

This kind of tendency, characterized as premium-position captivity, has shown to be caused by shortcomings in the organizational structure's emphasis on market sensing capabilities. This has in the studied case resulted in that required changes has been identified in a late stage and caused a lower ability to meet the customer's demand due to that the organizational structure is stressing a responsiveness to somewhat obsolete values of the market.

Finally, a less aligned organizational structure tends to generate diverging incentives among the employees which creates discrepancies and sub-optimizations. When moving toward a more customer oriented structure a big challenge is to change the mind-set of the employees working within the structure so that they converge to it instead of counterwork it. Moving toward a customer oriented structure means leaving another former structure where new qualities are needed to perform according to the idea of the structure as well as new working patterns which in this specific case has been difficult.

### ***Underlying Cause 2 - A Complex and Fragmented Organization that Creates Inertia***

An internal organizational complexity shifts the focus and energy of employees to internal matters instead of focusing on the process of generating, understanding, and taking action upon market intelligence. A fundamental aspect of these processes is the actual time a seller spends with a customer which in this specific case has been low. Having difficulties to reach out to the customers efficiently, it is likely to believe that the knowledge and development of new technology and application features gains a lower degree of awareness among the customers and thus doesn't serve as much as a competitive edge as it could have had.

The strong geographical unit focus has resulted in a similar segmentation of the market which is not aligned with all customer needs that tends to be more characterized by globalization. The country border issues decreases the motivation for certain LDU managers to try to find appropriate partners outside their own territory as no incentives are at place for this type of business. Furthermore, the study has shown that the internal BU structure creates confusion when confronting customers and partners as well as it creates sub-optimizations within the company. The development of relationships with external selling partners in this specific case could be seen a way to become customer oriented. However, it has also been found to be a challenge that, if not managed properly could become a hinder for this development. If this way of organizing is to be chosen it is needed to be invested in and carefully maintained.

Another symptom of the fragmented organization is that the communication from top management and the information about markets and customers are not efficiently spread out

in the organization which hinders the company to serve customers accordingly. As the strong LDU focus already influences the structure of the company to be perceived as separate companies, the lack of an overarching strategy continually communicated from top-management can be seen as a missing link that is needed to create a common Front-end approach.

Another symptom where the organizational fragmentation hinders customer orientation was the less well received ISM. The management has not successfully created a commitment in the organization connected to the introduction of these persons. As the purpose with the role has not been thoroughly presented to the whole organization it is likely that the results of the ISM's will be less successful. The low degree of responsibility also seems to highly affect the weight of the opinions of the ISM's.

### ***Underlying Cause 3 – Coordination, Culture, and Power Influence Customer Orientation***

As the company has grown in size geographical distances has increased and sub-optimizations has occurred. As the continuous informal dialogues are less likely to occur when people are geographically separated the structure has created a sense of feeling that the units are like independent companies with their own objectives. As electronic ways of communicating has replaced the human contact subcultures, internal rivalries, and distrust among employees has increased. This focus also makes the establishment of an overarching corporate strategy problematic, as many identify themselves with a subgroup of the company and the LDU managers execute their power according to their preferences. As a result heterogeneous behaviour patterns occur, why the organization becomes difficult to lead and where customers gets confused when receiving contradictory information from different units within the same company.

Another important aspect is that the organizational structure has an effect on and will be influenced by the coordination and power balance within the company. The lack of coordination between Back-end and Front-end, between different LDU's, and between the different BU's has resulted in non satisfied customers, internal conflicts, and sub-optimizations. As each unit often have incentives connected to the maximization of their profit and growth a negative power balance is created between these units. As a result of the internal complexity it has become the Front-end's responsibility to present an aligned organization towards the customer which has shown to not be an easy task. For example one symptom of the lack of coordination was that different LDU's use different prices and strategies for competing about customers. With the development of ICT and due to the increasingly globalized markets, customers can easily compare prices between country borders and thus play the company's different offerings against each other. Furthermore, the organizational structure makes the coordination about who is responsible for a customer harder.

## **7. Discussion of the Results and Further Research**

*In this chapter the managerial- and theoretical implications of the results will be presented. Furthermore suggestions for further research will put forward.*

As stated in the problem statement of the thesis the chosen subject was found interesting to investigate connected to both the empirical findings and a theoretical oblivion. As a final reflection the results of the study will therefore be put in relation to these two by developing managerial- and theoretical implications.

### **7.1 Managerial Implications**

The study has put forward three underlying causes that hinder the customer orientation of a company; (1) a complex and fragmented organization that creates inertia, (2) a misaligned Business Strategy, Business Life-Cycle and Structure, and (3) that Coordination, Culture, and Power influenced the customer orientation. As these prevent a company's growth and strive in becoming customer oriented it is of importance to become more explicit about the managerial actions that could be taken in order to handle these underlying causes.

#### ***Cause 1 – Decrease Organizational Complexity that Creates Inertia***

No organizational structure will be totally free from conflicts. However, managers must make conflicts more explicit within the company and all parties involved must understand the problems and the consequences of the conflict. From there management should investigate if the conflict is possible to avoid by making small adjustments or if the conflict is a symptom that calls for larger changes. If the latter is the case management must prioritize by making the trade-offs explicit and look into if the company can accept the conflicts or if larger change must be made.

The communication aspect is another important factor which could decrease the perceived complexity. By creating simple organizational charts and communicate how the organization is meant to function and the underlying reasons for the set-up employees will be given greater possibility to understand the ideas of the organization.

Complexity could be prevented to a certain extent by not allowing separate units develop own important procedures and interfaces as these will add to the complexity of the organization. Therefore a central committee could be created that will decide if a certain routine or interface is allowed to be created.

Finally, the employees which are in contact with customers must be given the support and tools which will allow them to spend time with customers. This could for example be helped by a strengthened sales support and IT applications that will help the seller in the selling process.

### ***Cause 2 – Creating Alignment between Business Strategy, Business Life-cycle, and Organizational Structure***

Firstly, it is important that managers decide upon an overall long-term strategy with the customer in focus that states the principles of where the main focus should be of the company and where the company is supposed to make money. Secondly, the strategy should be kept simple which makes it easier to communicate. Thirdly, depending on if the company and its customers are in a maturity state or a state of growth the management should set-up the organization differently.

Regardless of the choice of business strategy and organizational set-up the management support must be explicitly explained. If the top management is engaged in the process and actively follows up initiatives, these will be more likely to succeed as they automatically will be given a higher priority.

Finally, in order to stay up-to-date with changes in the market place a business intelligence department must work actively with current, future, and former customers. These need also to take into consideration the middle-men.

### ***Cause 3 – Managing the Influence of Coordination, Culture, and Power on the Customer Orientation***

As a point of departure managers needs to take coordination, culture, and power into consideration as a complement to the formal organizational structure. Understanding the history of the company will therefore become important when the management want to change an organizational behavior.

In order to improve the coordination within the organization the processes should be mapped out and then coordination policies should be created. Even if not all coordination patterns can be standardized due to fundamental differences of market requirements on a global arena, the main processes should follow the same logic and use a common platform regardless of country or business unit. The management abilities to communicate these policies and the reason for using them together with the management support and devotion to its usage is crucial. In order to be successful globally all units must be aware of the impact that each one's action has on the global performance of the company.

A global expansion scatters culture which might call for further emphasizing maintaining a strong culture when this occurs. Also already existing cultures can be expected to enter the organization as a consequence of the structure. Integration and establishing an understanding for why this has been founded then becomes an important managerial task.

Finally, power relations might become disagreeable as a result of increased local responsibility and thus a duty to report successful figures for local units instead of the global corporation. The negative competition where internal politics steal the customer attention and counterwork the success needs to be taken care of. This might call for creating incentives programs that are accurately combining goals or creating dual goals for local managers to also value collective growth.

## 7.2 Theoretical Implications

Several of the theories that have been used in the thesis have a straight forward view which encompasses the determination of a given situation followed by a choice of an appropriate approach for responding to the situation. This study has, however, shown that there is for example no such thing as one perfect organizational structure that will be perfectly aligned with the business strategy and business life-cycle. Even though some organizational structures might be more appropriate for a company than others, factors interrelated to organizational structure and processes strengthening the logic of the structure can be regarded as equally important when a company has decided on a strategy; for example to become customer oriented.

A contribution of the thesis is the identified interplay between current business situation, organizational structure as part of organizational design, and customer orientation illustrated in the figure below.

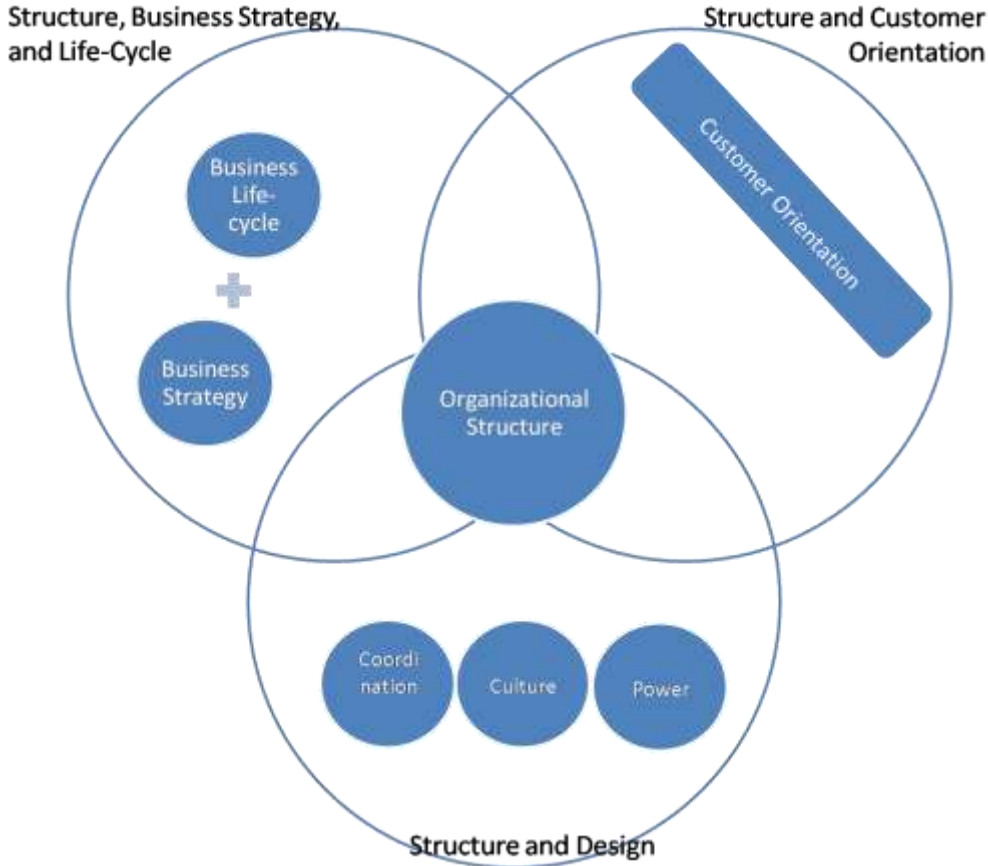


Figure 6. Model of Theoretical Implications

One can, however, question whether a development toward complete customer orientation is only positively influencing a company as this is likely to happen on the expense of specific product knowledge which in many cases creates opportunities of innovation. Also it appears that innovation is more likely to prosper in smaller and geographically less dispersed organizations where a high degree of informal exchange of tacit knowledge frequently occurs.

As customer orientation is described as replacing geographical focus it can also in this manor be argued to hinder innovation. Instead it is more likely that the innovation will take place with respect to the customers. It is therefore arguable that customer orientation might cease the ability of re-defining markets or creating new paradigms, leading the company to follow the market.

As a consequence the positive aspects connected to the usage of customer orientation as center of gravity which several theories put forward could be questioned. The process of customer orientation should be central to a company when designing the organizational structure and setting an overall business strategy but a company might also need to handle several centers of gravity simultaneously in order not to be dominated by the market. Even though customer orientation should be the core of the center of gravity the company must be able to add different orientations around this core.

Having several centers of gravity on the other hand can be regarded as imposing a threat for the company to lose coordination in a dynamic environment. Depending on the market conditions the appropriate centre of gravity might change, spanning from emphasizing decentralization and product expertise to centralization and customer expertise.

Structure might emphasize either innovation or stability on a continuum, which can be seen as corresponding to the choice of whether to decentralize or centralize the organizational setup. In the one extreme decentralization might render units being too autonomous resulting lack of coordination and sub-optimizations. In the other a too centralized organization often proves to be hindering innovation and thus impede business development.

As proven by historical research, companies have shown to move on a pendulum between the two extremes. In this environment joining the movement without losing internal and external coordination becomes central. This requires the organizational structure to adapt to continuous changes and the people to respect these.

### 7.3 Suggestions for Further Research

As this study was based on a case study a large scale empirical research both in terms of secondary data analysis and qualitative studies in the subject could serve to make the findings more generalizable. This kind of study could further elaborate on the potential customer orientation outcomes of a set of organizational structures, taking a larger base of studied subjects into account for a broader perspective.

Whereas the concept of customer orientation has been discussed in a broad span of literature and articles, implementing a customer oriented organizational structure seems to have lacked the attention and deserves a larger degree of consideration. While structure can be regarded as constituting an obstacle for becoming customer orientation, a broader view will probably result in further aspects that render the transformation complicated and complex.

As customer orientation can be regarded as a paradigm investigating in whether striving toward this state in a longer perspective is of relevance or if new potential shifts of paradigms are likely to occur.

Also studying the sustainability and maintenance of customer orientation once the state has been reached is an area that might be of interest as well as studying the potential balance between different centers of gravity would be a interesting subject to study.

The logic behind the process of becoming customer oriented is rather easy to understand but one aspect that several theoretical frameworks do not include in their frameworks is the people aspect. Even if it is well known that the process of accomplishing change and to manage a company will be highly affected by the individuals in the organization this is rarely discussed in theories related to customer orientation. Even if companies often work through functions as Marketing, HR, Corporate Strategy (top management) and that the theories connected to these disciplines often only take into consideration the own field there is a need for integration between these. Therefore this interplay could be interesting to further investigate.

# Appendix

## Appendix 1 - Abbreviations

**ABB** = ABB Group

**Automotive** = Customer segment that are manufacturing cars

**Back-end** = Consist of three Production Units and factory support to the Front-end

**BU** = Business Unit (there are four different BU's within Robotics)

**Front-end** = Consists of sales offices and service staff that are in direct contact with the customer

**GI** = General Industry, a segment representing several smaller markets

**ICT** = Information and Communications Technologies

**ISM** = Industrial Segment Manager, person responsible for the expertise of one specific segment, for example plastics

**KAM** = Key Account Management

**LDU**= Local Division Unit, for example Sweden (S)

**Line Builder** = Partner that integrates several industrial robots into a fully automated production line

**P&L** = Profit and Loss Statement

**Turnkey Solution** = A feature that allows a high degree of customization

**Robotics** = ABB Robotics

## Appendix 2 – Interview Questions

1. Describe your background and history at Robotics.
2. Describe the position that you have within Robotics today.
3. What characteristics of Robotics do you think make the company special in a positive way?
4. What characteristics of Robotics do you think make the company special in a negative way?
5. The sales-figures for Robotics have been rather flat during several years, what do you think are the main reasons for this track-record?
6. Compared to Robotics main competitors, what are the main differences between the companies?
7. The management team seems to emphasize a greater usage of partners when approaching the market. What is your perception of this strategy and what do you see as the main challenges when moving towards this direction?
8. Key Account Management (KAM) is something that Robotics wants to promote to a certain extent. What is your experience with KAM within the company? Would you like to change the structure/processes/strategy for KAM in any way?
9. Looking at the organizational schema what is your initial reaction and what would you do different, if anything?
10. Robotics has currently a country organized structure. What advantages and disadvantages do you see with this structure?
11. How do you perceive the support given to your sales force from;
  - Industrial Segment Managers?
  - Factory support?
  - Headquarters?

Do you see this support as a valuable asset? How would you change/improve the support functions within the company if needed?
12. The company is today divided into four separate business units; one of them is the service department, what do you see as the advantages and disadvantages with this structure? And would you suggest any other structure?
13. What is your perception of the operative sales forces activities? Is there any aspects that you believe is needed to address in order to increase sales?
14. According to you, what are the most important issues that should be taken care of, at this time, in order to increase sales at Robotics?

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