Decision-Making In a Multinational Manufacturing Organization

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Research Objectives

This thesis research was conducted for the operational development department of a multinational manufacturing company as a part of their operational excellence development program. The purpose of this study was to identify inefficiencies and development potential regarding decision-making in one of the business divisions of the case organization. During the research accountability and responsibilities of the employees were studied. The aim was to support the operational excellence development program and to provide managerial recommendations.

Methodology

This research was conducted as a qualitative single case study with 26 semi-structured thematic interviews. The interviewing served as the main method for data collecting. Additionally selected company materials provided background information. The interviewees were chosen through purposive sampling. The results were analyzed through analytic induction.

Research Findings

Successful transformation, from product orientation to solutions and systems integration based customer centric business, requires re-evaluation of the current corporate structure, decision-making culture and processes. Moreover, extensive training is needed to secure the shared ways of working, while embracing the targets related to the new strategic goals. Currently, the case organization is suffering from role ambiguity, lack of accountability, and silo focus. The root cause for many of the challenges is the complex structure. The company is aiming to leverage the resources of small and task-oriented units, but is facing difficulties due to lack of co-operation between the silo-focused units and functions.

Key Words

Service transition, matrix organization, sales organization, multinational corporation, decision-making

PÄÄTÖKSENTEKO MONIKANSALLISESSA TEOLLISUUSYRITYKSESSÄ

Tutkimuksen tavoitteet

Tämä tutkimus tehtiin osana monikansallisen teollisuusyrityksen operatiivisen erinomaisuuden kehitysohjelmaa. Tutkimuksen tavoitteena oli tunnistaa epätehokkuuksia ja kehityspotentiaalia liittyen päätöksentekoon kyseessä olevassa yrityksessä. Lisäksi tavoitteena oli tutkia työntekijöiden vastuunkantoa päätöksentekotilanteissa.

Tutkimusmenetelmät

Tämä tutkimus toteutettiin yhden tapauksen laadullisena tapaustutkimuksena. Tärkeimpänä tiedonkeruumetodina toimi 26 puolistrukturoitua teemahaastattelua. Haastateltavat valittiin harkintamenetelmällä riittävän asiantuntevien haastateltavien valitsemiseksi. Kohdeyrityksen materiaalit toimivat toissijaisina tietolähteinä. Tulokset analysoitiin analyyttisen induktion menetelmällä.

Tutkimuksen tulokset

Onnistunut transformaatio tuotekeskeisestä liiketoimintamallista ratkaisu-, integraatio- ja asiakaskeskeiseen vaatii nykyisen rakenteen, päätöksentekokulttuurin sekä prosessien uudelleenarviointia. Muutos vaatii lisäksi henkilöstön kouluttamista, jotta myös toimintatavat tukisivat uusien tavoitteiden saavuttamista. Muutoksen läpivienti on haaste koko organisaatiolle. Tällä hetkellä kohdeorganisaatio kärsii epäselvistä työrooleista, vastuunvälttelystä ja yksiköiden eriytymisestä. Monien haasteiden taustalla on monimutkainen organisaatiorakenne, joka vaikeuttaa yhteistyötä ja viestintää.

Avainsanat

Matriisiorganisaatio, myyntiorganisaatio, monikansallinen yritys, päätöksenteko

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1. Introduction

This thesis is made for the operational development department of a multinational manufacturing company as a part of their operational excellence development program. The development program focuses on continuous improvement of ways of working, processes, and systems in the company. This thesis is supporting the goals of that program. This research was conducted in one of the three business divisions of the case company, focusing especially on sales organization. The operational development department of the case organization has recently identified challenges related to role responsibilities, decision-making and accountability within the sales organization. These challenges are currently being addressed in the company and this thesis is focusing on these organizational challenges with the goal to provide managerial recommendations on how to improve. This study also supports the ambitions of the case company to transform the business from product orientation to customer orientation and from product sales to systems integration and solution sales.

In many multinational corporations finding the right structure to support the decision-making and execution of the company targets is a great challenge (Bartlett & Ghoshal, 1990). The complexity of the businesses causes great challenges for decision-making and structures of corporations. Complex challenges lead to complex structures, which may result in role ambiguity and lack of accountability in decision-making. Matrix structures are often burdened by these challenges (e.g. Sy & D'Annunzio, 2005; Ford & Randolph 1992; Bartlett & Ghoshal 1990). Multidimensional matrix structure is implemented also in the case company of this study.

The main focus in the literature review is on understanding decision-making, structures and strategies in multinational corporations. The literature review also contains discussion regarding service transition strategies in multinational corporations. The understanding of the related phenomena is achieved through studying previous research and with 26 semi-structured interviews with key personnel from the sales organization, support functions and management of the case company, a multinational

manufacturing corporation. The case company serves as a great example and data source to support the research on decision-making in multinational corporations.

The topic is important and current in wider context as well, since many multinational corporations are dealing with increasingly complex and competitive business environments and need to leverage vast amount of resources with the lightest possible personnel. The research is interesting and important, since organizational structures are relevant challenges for all multinational corporations. (Sy & D'Annunzio, 2005). Moreover, according to various scholars (e.g. Salonen, (2011); Oliva & Kallenberg, (2003); Galbraith (2002)) the commoditization and declining margins of the manufacturing business is adding pressure to many of the multinational manufacturing companies to develop service transition strategies.

These strategies are developed to support the weakening core manufacturing business to sustain competitiveness (Salonen, 2011). All in all, the global competitive environment is forcing companies to make most out of scarce resources and to be able to adapt fast to new circumstances. Matrix organization as a cross-dimensional structure encourages fast action, innovation and flexible positioning of employees, hence allowing effective use of corporate resources. Controversially, the matrix structure causes role ambiguity and unclear responsibilities.

In today's world flexibility and ability to be responsive to changes have become ever more important (Galbraith, 2002). According to Sy & D' Annunzio (2005), the small and task oriented units need to be leveraged to increase the efficiency of the organization. The case company, a multinational manufacturing company, has adapted a cross-functional organizational structure and is managing its businesses in a matrix organization as projects to increase efficiency. However, the complexity of the matrix structure is currently causing challenges resulting in role ambiguity, lack of accountability and silo focus. In addition to requirements for flexibility, the organization is under strategic transformation. Successful transformation requires re-evaluation of the current corporate structure, decision-making culture and processes.

1.1 Research Design

The research goals of the thesis are approached by researching existing literature, company materials and by conducting 26 semi-structured thematic interviews. The interviews, company materials and previous research together provide the data for the case study (see figure 1). The interviews form the basis for the empirical part of this thesis

In addition to contributing to the research of decision-making in multinational matrix organizations, the purpose of this study is to provide managerial recommendations for the case company based on the empirical study and earlier research. As mentioned in the introduction, the operational development function of the multinational manufacturing corporation has recognized challenges regarding role ambiguity, decision-making and a lack of accountability in the organization. As in any organization, there is also a lot of unutilized potential in the company. Thus, it is important and interesting for the management of the case company to gain insights in how to improve decision-making in the organization.

Figure 1. An Illustration of the Research Design

The interviewees provided data on how the co-operation of different functions and divisions is arranged in the multinational case company. Decision-making in the sales

organization of the company is studied both in operational and strategic level. The gate model business process of the case company (combined sales and project execution processes) served as a framework to establish common ground during the interviews. The whole of decision-making processes, guidelines, roles, responsibilities, accountability and practices were discussed during the interviews. Focus is on internal decision-making during the sales process - from selling phase to handing over the project to execution.

Multinational corporations are common subjects for research because they are influential actors in the global economy. There is also a lot of research on both matrix organizations as well as sales organizations. Yet there is little research combining these three, and key research gaps remain. The combination is relevant and interesting, as many multinational corporations have adapted the matrix structure. From pragmatic point of view, it is crucially important to understand the dynamics of the decision-making in sales organizations, as no corporation can exist in the long-term without successful sales operations. The empirical research is limited to one case company, and therefore the results are partially bound to this specific case. Adding other case companies would increase the reliability and validity of the research. Moreover, the research also has its limitations due to its exploratory nature, and therefore not all of the results can be generalized.

The main research question is the following:

- What are the main challenges regarding decision-making and employee accountability in multinational matrix organizations?

Secondary questions are:

- How to support and facilitate decision-making in multinational matrix organizations?
- What kind of challenges do service transition, focus on solutions selling and system integration cause to structures and decision-making in manufacturing organizations?

1.2 Key Concepts

Multinational Corporations

Multinational corporations are companies that have operations in more than one country. Moreover, according to Bartlett & Ghoshal (2000), multinational corporations (MNC) must have substantial direct investments in foreign countries. To be labeled as multinational corporations, the management of the corporation needs to be engaged in actively steering these international operations, not just holding them as stand-alone investments. Bartlett & Ghoshal (2000) substantiate their definition of MNC's by introducing a statement by United Nations that have since 1984 described multinational corporations as following:

> *An enterprise (a) comprising entities in two or more countries, regardless of the legal form and fields of activity of those entities, (b) which operates under a system of decision-making permitting coherent policies and a common strategy through one or more decision-making centers, (c) in which the entities are so linked, by ownership or otherwise, that one or more of them may be able to exercise a significant influence over the activities of the others, and, in particular, to share knowledge, resources and responsibilities with others.*

The definition of the multinational corporations today reflects the trend towards addressing stronger strategic and operational integration. Multinational corporations can also be referred to as multinational enterprises (MNE) (Bartlett & Ghoshal, 2000).

Matrix Organizations

Matrix organizations by definition are comprised of two or more business dimensions. The matrix structure seeks to combine the advantages of both the functional and the product line based organizations. Matrix structure allows flexibility by facilitating pursuing various business objectives, in both continuous and temporary structures at the same time. As the business environment of the multinational organizations is getting increasingly complex, managing the complexity requires more and more sophisticated business strategies and structures. The matrix organizations can facilitate swift changes

in the operations to adapt to environmental changes. Hence, matrix structure is favorable option for many MNCs. In many functional organizations, the rigid structures are causing challenges, being incapable of utilizing the modern business strategies. Matrix organization has many benefits for organizations focusing on multiple business goals and managing complex business structures. A matrix organization can encompass for example product, geographical and functional dimensions. To put it bluntly, the matrix organization has many benefits for managing vast resources in various geographical locations. (Sy & D'Annunzio, 2005; Bartlett & Ghoshal, 2000)

Organizational Structures, Practices and Processes

According to the renowned saying by Alfred Chandler (1962) structure follows strategy and systems support the structure. Without taking a stance if this true or not, the structure is important part of the strategy in any corporation. Organizational structure by definition refers to the way, in which goal oriented human labor is being managed in organizations. The structure is a combination of specialization, departmentalization, chain of command, span of control, centralization, decentralization and formalization of work in organizations (Santra & Giri, 2008). Systems, practices, structure and processes help the organization to make the most out of the available resources (Egelhoff, 1982). Furthermore, processes can be defined as means to convert resources, such as labor, knowledge, technology, raw materials or capital, into value added end results. Practices can be defined as ways of working. The definition of practice has, however, two different meanings. It can be defined as a definitive way of working, but also as a more generic term for a habit of doing things. Both processes and practices can be formal or informal, depending whether they are planned or emergent by nature (Christensen 1997).

Service Transition Strategies

According to Salonen (2011) global economy is increasingly service intensive, and also manufacturing companies are moving towards services to sustain competitiveness in intensifying competition, commoditization and slower growth. The term "service transition strategy" was first introduced by Fang, Palmatier & Steenkamp (2008). The strategic shift towards services does not necessarily mean transforming manufacturing companies into service companies, but the services can complement the core products. As service providers and systems integrators, the manufacturing companies are also

better positioned to gain advantage from the installed base of their equipment. (Salonen, 2011)

Decision-Making

According to Harrison & March (1984), decision-making can be defined as evaluating and estimating the values of available alternatives of possible action and choosing the best of these alternatives. In the context of this thesis, the decision-making is perceived as a generic definition for the concept of problem solving including rational and irrational reasoning and also the emotional process of selection between alternative courses of action. Moreover, in this thesis the decision-making process can be tacit or explicit by nature and may or may not include analysis of pros and cons of the alternatives. (March, 1994)

1.3 A Brief Description of Methodology

This thesis was conducted as qualitative single case study applying inductive analysis methodology. The single case study methodology was chosen to achieve deep understanding of the challenges at hand in the case company. According to scholars, qualitative methods are suitable for research that pursues in-depth understanding (e.g. Eriksson & Kovalainen, 2008; Eskola & Suoranta, 2008; Yin, 2009). Moreover, when studying societal phenomena, such as finding out how and why the employees act as they do, the research questions cannot be answered by means of quantitative research. Qualitative research is the best method for answering questions 'how' and 'why' (Koskinen et al. 2005, Ghauri & Grønhaug, 2005). Furthermore, case studies, according to Daymon (2002, p.106), are suitable for collecting detailed information of particular problems and pursuing in depth information.

The main method for collecting the data was interviewing. In total 26 semi-structured interviews with key personnel were held, of which 16 represented the sales organization of the case company. Establishing a deep understanding of the decision-making processes, ways of working and accountability related issues required a large group of people from different functions and levels of hierarchy. The opinions of different groups were also compared against each other, to find out possible internal

conflicts, controversial ways of working, misalignment of goals and other challenges. Company materials supported the data from interviews as secondary data. The empirical data was analyzed using inductive analysis, which is - according to Eskola & Suoranta (2008) - characteristic for qualitative research. A more detailed description of the research process, analysis and the methodology applied is provided in the methodology chapter of this thesis.

1.4 Structure of the Thesis

The following chapter presents selected previous research regarding matrix structures, service transition strategies and decision-making in the context of multinational corporations (MNCs). The theories and research streams are presented to set this study into a larger context.

The third chapter of this thesis introduces the methodology of data collecting and analysis in detail. Also, reliability and validity of the study are being evaluated.

The empirical results of the case study are presented in the fourth chapter. The characteristics and the strategic goals of the case company are introduced to set the context for the study. Also the industry background is introduced.

In the last chapter of this thesis, the results are being presented in context of previous research. Moreover, suggestions for further research and managerial recommendations are provided.

2. Decision-Making in Multinational Organizations

This chapter presents previous research on matrix structures, decision-making and service transition strategies in the context of multinational organizations. The chapter is divided to three parts. In the first part selected theories from previous research on decision-making, service transition strategies and organizational structures of multinational corporations are being presented. Second, the matrix structures with their strengths and weaknesses are being studied. Finally, in the summary part of this chapter, the main findings are concluded, and the key elements of the literature review are presented in a single framework to provide context for the empirical part of this thesis.

2.1 Characteristics of Multinational Corporations

Multinational corporations are important in the global economy and therefore common research targets for both practitioners and scholars. The revenues of some of the biggest MNCs exceed the budgets of many nation states. These entities control great share of the world's resources and economical decision-making power. The large multinational corporations of today are complex economical and social entities that have to leverage vast resources with lightest possible personnel. In addition to competitors, customers, non-governmental organizations, also national and international laws, regulations and the society as a whole have a huge impact on the strategies of multinational corporations and on how multinational corporations are organized and managed. This means great challenges for the management of the corporations. (Sy & D'Annunzio, 2005)

To be defined as truly multinational, the operations of the company must be integrated and the difference between the truly multinational corporations and the rest is that the MNCs manage cross-border operations internally. Corporations that are e.g. sourcing raw materials or engaged in exporting activities or holding equity positions without managerial involvement can be regarded as international, but not as a true MNCs.

Although there are several characteristics of multinational corporations, the MNC's are a heterogeneous group when it comes to their size, structures and strategies. Bartlett and Ghoshal (1998) have developed a framework for conceptualizing different kinds of structures of internationalized companies. They divide international corporations to four different categories, namely to *international divisions, global products divisions, local subsidiaries and transnational corporations,* according to the levels of global coordination and the ability to be locally responsive (see figure 2.)*.*

Structures of International Corporations
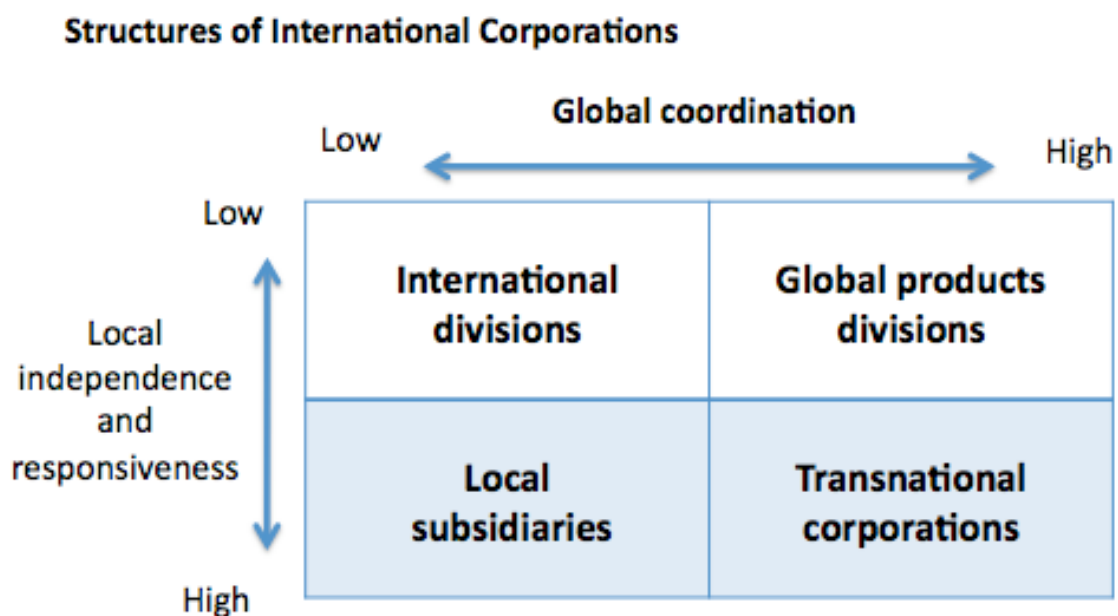
Figure 2. Structures of international corporations (adapted from Bartlett & Ghoshal, 1998 in Johnson Whittington & Scholes, 2011)

Stand-alone divisions that are supporting the core homeland-based business characterize the *international divisions* structure. The headquarters in homeland typically manage the international divisions, but the different divisions are not often integrated to the core business. The *International divisions* structure suits best for corporations with strong home market. The *global product divisions* structure is effective for mass production of standardized global products or services. The divisions are typically globally integrated and there is little room for local adaptation. The structure is suitable for maximizing efficiency for corporations with global strategy, but allows very little flexibility. The *global product divisions* structure is suitable for supporting global, highly coordinated but geographically spread entities seeking local advantages for each activity. (Johnson, Whittington & Scholes, 2011; Bartlett & Ghoshal, 1998)

The *local subsidiaries* structure, according to (Johnson, Whittington & Scholes (2011), suits well businesses with low economies of scale - such as international law firms or the accounting industry, where local responsiveness is key to competitiveness. The *Local subsidiaries* structure support a *multidomestic* model of doing business, where loosely coordinated entities form a network of independent yet coordinated local branches. The *transnational structure* seeks to combine the local responsiveness to high global coordination. These transnational structures are matrix like, differing with the intensity of knowledge sharing, specialization and network management. The purpose of knowledge sharing and specialization is to spread the strong know-how of local entities to the benefit of the whole organization enabling internal learning and with concentration of certain functions economies of scale. The global corporations also benefit from network management as the goals and roles of different geographical and functional locations need to be aligned. (Johnson, Whittington & Scholes, 2011; Bartlett & Ghoshal, 1998)

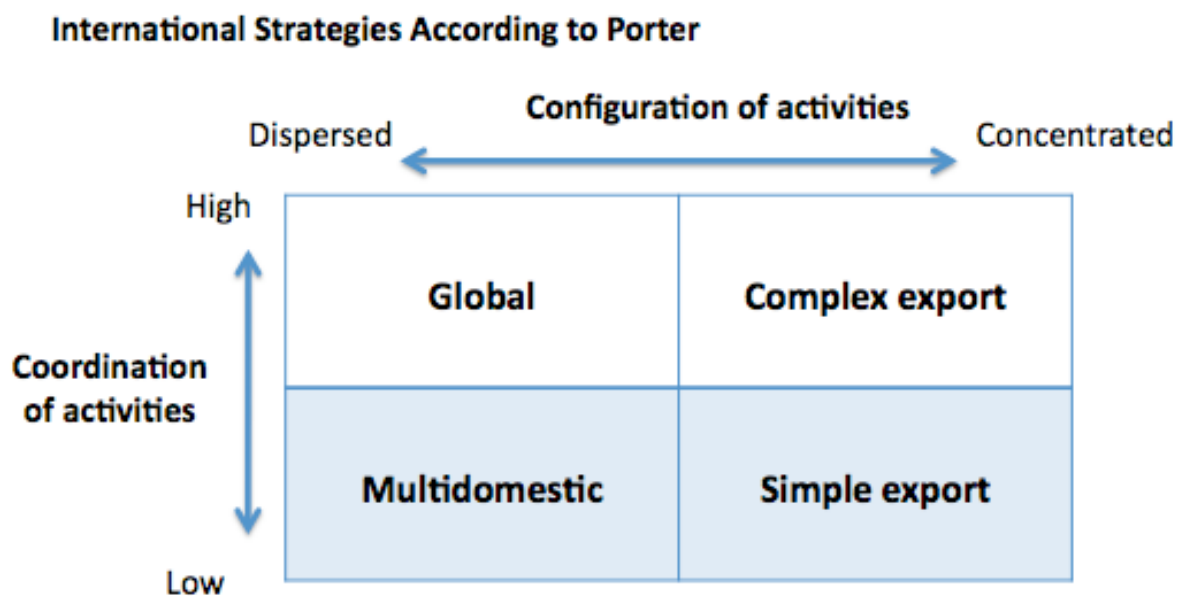**Figure 3. International Strategies According to Porter (adapted from Porter, 1987 in Johnson whittington & Scholes, 2011)**

These different multinational structures relate closely to international strategies, as the structures are intended to support the execution of the selected corporate strategy. The four different international strategies (global, multidomestic, complex export and simple

export), reviewed by Johnson, Whittington & Scholes (2011), were originally introduced and consolidated by Porter (1987) (who created the framework) to be descriptive and not distinct by nature (see figure 3.). These different categories of strategies and structures are matters of degree rather than sharp distinctions. All in all, the different strategies and the following corporate structures are always bound to the business environment, and there is a need for constant evolution as the business environment is changing. (Johnson, Whittington & Scholes, 2011; Bartlett & Ghoshal, 1998)

International strategies by Porter can also be viewed from the perspective of information flows and decision-making. Structures and control systems influence transfer of data, skills and capabilities between different units of MNCs, thus influencing decision-making authority and responsibility. Information flows are in the core of decision-making and these transfers can be intended or emergent by nature. International strategies determine the interdependence and authority of different units of MNCs. Some MNCs with global presence have multidirectional flows of capital, knowledge and products making these corporations truly transnational with highly dispersed control and authority. (Gupta & Govindarajan, 1991)

2.1.1 Strategies and Structures

Organizational structure is a continuous challenge for all organizations as it is one of the key elements in enabling efficient information transfers, decision-making and use of resources in corporations. The international strategies and structures introduced in the previous chapter form the cornerstones in many multinational corporations. According to Santra & Giri (2008), an appropriate organizational structure is in the core of every successful organization. Strategy, on the other hand, according to Egelhoff (1982), is the mediating force between the organization and its environment. Moreover, the purpose of structure and strategy is to help the organization make the most out of the available resources and environment. Every successful corporation needs to have a feasible business strategy and a structure to help to execute the vision and mission of the organization. As Alfred Chandler (1962) famously stated, the purpose of the structure is to support the strategy of the corporation with the help of systems. It can be debated

whether structure follows strategy or vice versa, but it is clear that both are important cornerstones to successful corporations.

It is clear that, as MNCs often are large organizations with units in different locations and several divergent cultures, they have a need for hierarchy and control to keep the organization aligned. Furthermore, the multinational corporations face the challenge of needing to be at the same time agile and organized in the global business environment while simultaneously being locally adaptive (Bartlett & Ghoshal, 1990). Mintzberg (1979) argues that large mature corporations have often difficulties in finding a suitable structure to cope with the changing demands of the business environment.

The M-Form and Beyond

The demands set by the business environment and the intensifying competition define the way multinational corporations are organized. According to Bartlett & Ghoshal, (1993) the multidivisional M-form dominated as the basic structure of the post-War multinational organizations until to the 1990's. Although the multidivisional form has been the dominant structure, there are many variants and also differing structures. The M-form in this thesis refers to a generic definition of multidivisional organizations.

The product- and service lines of multinational corporations are typically horizontally or vertically integrated. However, there are also the so-called diversified multinational corporations (DMNCs). Diversified multinational corporations are by nature multidimensional and heterogenic organizations with less integration between the local units. Since the late 1980's the development of structures of multinational firms has been towards network organizations (Bartlett & Ghoshal 1993; Doz & Prahalad, 1991). According to Galbraith (2002), there is an increasing demand for flexibility and resource fluidity in structures due to changes in the business environment. The trend is clear: the organizational structures of the multinational corporations have become more heterogenic during the last decades (Bartlett & Ghoshal 1993).

Typical structures for multinational corporations include *functional, divisional, horizontal, geographical* and *matrix* structures (Daft, 2001). Here *functional, divisional* and *matrix* structures are introduced in greater detail. By definition the *functional*

structure refers to corporations that are organized according to functions set to perform specific tasks, e.g. production function in a manufacturing company. As a rigid structure the functional structure is well suited for companies aiming for high volume standardized production business providing high operational efficiency. In functional organizations the task-oriented decision-making is decentralized, as the functions typically have high level of independence and the responsibilities within the organization are clearly defined. In organizations with functional structure typically only the coordination of different functions is centralized. The *divisional* structure refers to an organization that is divided into vertical units according to e.g. geographical setup or product line setup. The divisional structure is also referred to as product structure. The multidimensional *matrix* structure is best suited for organizations requiring strong horizontal linkage. (Daft, 2001)

The *network* structure is a modern way of managing work. In network organizations any business function can be outsourced. Typically the management of a network organizations concentrate on leading and managing the activities of the network to achieve and maintain coherent business structure. (Daft, 2001)

The structures can also be divided to organic and mechanistic structures. These two paradigms are suitable for different purposes. Natural system is well suited for turbulent business environment with an emphasis on learning and innovation, whereas mechanical structures are best suited for stable environment and high efficiency operations (Daft, 2001).

According to Bartlett & Ghoshal (1990), already in 1980's the organizations were redefining their strategies and operational structures to cope with the accelerating change in the global business environment. The intensification of competition and globalization of the marketplace and overall acceleration of change continue to pose challenges for the multinational corporations (Bartlett & Ghoshal, 1990; Egelhoff, 1982). This perception is also supported by Morgan, Kristensen and Whitley (2001), as they state that the dominant trend is to explain the structures of MNCs by the requirements of globalization. This fits to the classical contingency approach in which management

takes the operational environment as granted and seeks to adapt the organizational structure to fit to the competitive environment.

2.1.2 Challenges in Structures

Bartlett & Ghoshal (1997) point out that during the last decades the top-level managers around the world have recognized the limitations of classical organization models and hierarchies. In the dynamic world of change new structures are needed. Structures and models must facilitate learning and innovation as the operating environment of the multinational corporations is evolving the only constant being change (Chesbrough, 2003). A good example of changing environment is the need for manufacturing corporations to embrace service transition strategies. The service transition however poses great challenges for the structures of the organizations often adding complexity (Salonen, 2011; Oliva & Kallenberg, 2003). Bartlett & Ghoshal (1990) state that there are two traps where the management may fall when pursuing for the optimal structure: first, the structural trap, and second, the strategic trap. The structural trap means that some managers have concluded that the best solution for increasingly complex business environments may be increasingly complex business structures. The strategic trap on the other hand in this context means oversimplification: static, simple solutions to dynamic and complex problems. As these traps have become more acknowledged by the management of the MNCs the paradigm has begin to change from minimizing complexity to accepting the need to manage it. (Bartlett & Ghoshal, 1990, 1997)

Bartlett & Ghoshal (1990) also state that there is an identified need to embrace individual capabilities and talents within the organization. The corporations need to be agile and able to respond swiftly to new strategic imperatives. According to Sy & D' Annunzio (2005), matrix structure boasts with many qualities needed in managing multinational organizations. All in all, there is a recognizable and ongoing swift in MNCs from static reactive structures to embracing agility, as the rate of change in the global business environment is accelerating (Chesbrough, 2003).

Bartlett & Ghoshal (1997) present that although the practitioners in corporations have acknowledged the problems with hierarchies, there have been only incremental changes

in the organizations. Empowerment and reorganizing the hierarchy is not enough. The organizations are still struggling with low efficiency and flexibility. Even those companies that have adapted multidimensional matrix structures are struggling with organizational challenges. In organizing and managing multinational corporations it is not just a question about structures. There is an identified need for a new organization model and for new management roles. In a nutshell, the structures of corporations need to be redefined and the importance of the structure should not be overvalued. Hence, according to Bartlett & Ghoshal (1990), the structures represent only the foundation of a healthy organization. Also the systems and the human relationships are of key importance.

According to Bartlett & Ghoshal (1990), the shared norms, values and beliefs shape the way the individual managers think. Hence, in a responsive corporation the systems, organizational psychology and decision-making processes support the structure that follows the strategy and vice versa. Also the strategy and structure should reflect the changing environment and the capabilities and competences of the corporation. The responsiveness to change and agility towards strategic imperatives starts with the people. Changes in the organizational structure can then later consolidate and confirm the changes in the shared norms, beliefs and attitudes of the managers. (Bartlett & Ghoshal, 1990)

The success of multinational corporations depends largely on building and shared vision among the management and the employees. Moreover, Bartlett & Ghoshal (1990) elaborate that the vision must be communicated with *clarity, continuity and consistency. Clarity* in this context refers to clear and understandable expression of company goals making them meaningful. *Continuity* refers to addressing the enduring nature of the company goals and *consistency* refers to applicability over business units, geographical areas and divisions ensuring uniformity in the whole organization. (Bartlett & Ghoshal, 1990)

Traditionally, organizations have been authority based and hierarchical led by the top-management. However, despite their differences in origin, business corporations like ABB, GE and Komatsu have all adopted decentralized organization model where the

local companies are profit and loss responsible and manage their own balance sheets. These small autonomic entities are leading the business in the front-line improving the local agility of these MNCs. These small entities have helped companies like ABB, GE and Komatsu to avoid some of the pitfalls of classical hierarchical organizations. These examples reflect the trend of rethinking the organizational forms of the past - with large corporations organizing their business into divisions, sectors and groups. (Bartlett & Ghoshal 1997)

A famous quote from the article by Bartlett & Ghoshal (1990) concludes the difficulties in organizing and managing work in multinational corporations:

> *The challenge is not so much to build a matrix structure as it is to create matrix in the minds of our managers.*

Without suitable structures none of the strategies of management can ever be successfully executed. The structure at its worst can hinder the realization of the strategy of the company and at its best it can foster individual responsibility and growth which can drive the success of the company as the structure supports each individual manager. The most successful companies are those where the managers concentrate their efforts in building capabilities and responsiveness to environmental challenges by enabling personal growth. Success requires developing the personal abilities and performance of the managers. Those managers responsible for transnational coordination of interdependent operations in MNCs are the most important individuals determining the success of the organization. With skilled and committed management supported by suitable structure the company can achieve the common goals of the organization. One of these important goals for many organizations is the increased service orientation, which is manifested in the service transition strategies of many manufacturing corporations. These challenges reported by Bartlett & Ghoshal (1990) are studied further in the later chapters of this thesis.

2.1.3 Balancing Between Flexibility and Control

The linkages between corporate-level strategies, formal organizational structures and decision-making are important concerns in all multinational corporations. According to Gupta & Govindarajan (1991) corporate control and knowledge flows are among the core issues regarding decision-making in MNCs. Multinational corporations can be considered as networks of capital, product and knowledge transactions that are more or less centrally coordinated and controlled (Gupta & Govindarajan, 1991).

Although clear structure and hierarchy may cause challenges in decision-making, it also brings structure and efficiency to the organization. Sine, Mitsuhashi & Kirsch (2006) state that the lack of clear structure may cause role-ambiguity, and uncertainty causing difficulties to adapting to the business environment as the decision-making is hampered by uncertainty and lack of clarity. Hence high uncertainty in organizations may impede action and decision-making. Therefore especially large multinational organizations benefit from clear structures as they reduce role ambiguity and coordination costs while increasing learning, efficiency and allows employees to focus on the core activities (Perrow, 1986). However, according to Gupta & Govindarajan, 1991), adapting to environmental uncertainty requires high flexibility enabled by open communication patterns and thus to an extent organizations may benefit from unstructured decision-making processes. To put it bluntly, the organizational structure affects the corporations in two ways. Firstly, it provides the foundation for the operations. Secondly, it determines the involvement of the employees and stakeholders in different decision-making processes. Finding optimal fit between flexibility and control is a balancing act.

All of the above-mentioned different organizational structures can be more or less bureaucratic. In this context of business structures *bureaucratic* refers to two different definitions: first, a generic definition of bureaucracy by Max Weber characterized by clear roles and responsibilities, documentation, obedience, respect for merit and a hierarchical organizational structure. Second, to post-bureaucratic organizations where the decision-making is based more on matrix management, consensus building and to a more horizontal and discursive decision-making. Yet also in post-bureaucratic organizations rules, hierarchies and authority exists. In addition to structure, the

organizations also vary by culture. Hence, there are mechanistic and organic cultures. Mechanistic culture refers to a more stable organization seeking loyalty and control as organic cultures are more consensus oriented and dynamic. Burns & Stalker (1961) argue that typically corporations with organic structures are more effective in decision-making than the ones with mechanistic structures. However, according to Sine, Mitshuhashi & Kirsch (2006), the opposite may be true, at least for smaller emerging corporations. More specifically, Salonen (2011) is stating that mechanistic structures are best suited for large batch and mass production companies, whereas small batch systems benefit from more flexible, organic structures.

2.1.4 Bounded Rationality and Decision-Making

The level of hierarchy and structures, as described in the chapter above, belong to the key elements affecting decision-making in multinational corporations. Similarly, the social aspects are of importance as the corporations are made up of people. In this chapter some of the main theories and challenges regarding the social aspect of the organizations and decision-making are being discussed.

A man is a physical-psychological-sociological being that is using several different criteria for decision-making and is incapable of making decisions purely based on rational thinking. The concept of bounded rationality is based on the idea that humans are incapable of completely rational decision-making but is limited by the time, cognitive capabilities and information available for decision-making. Herbert Simon coined the concept in 1957 to provide an alternative for mathematical modeling of decision-making (March, 1978).

Simon (1991) argues that human beings have limited ability to make rational choices and to adapt optimally, or even satisfactorily to complex environments. A key issues in decision-making is transmission of information and learning from one employee or group of employees to another.

Simon (1991) states that organization may acquire new knowledge by only two ways:

1. By the learning and development of its members
2. By recruiting new members with knowledge and skills the organization did not previously have.

The organization itself does not make decision or learn. It is the individual employees who learn and make decisions. Decision-making can be supported by systems and data banks, but due to our limited abilities and knowledge we are bound to make decisions with limited understanding. (Simon, 1991)

According to March (1978), the decision-making science and other forms of rational decision engineering are, when used with caution and skills, useful for improving results in human decision-making. According to March (1978), decision-making engineering and so-called rational theories of choice may however also lead to unwanted outcomes and cannot substitute intuitive and unsystematic human decision-making. Therefore human decision-making is limited by bounded rationality.

Social Dynamics and Decision-Making in Multinational Corporations
There is a lot of research about social dynamics within multinational corporations and how the internal web of different social subgroups and individuals influence the company. According to Kristensen, Morgan & Whitley (2001), MNCs are social constructions built out of certain national contexts shaping the way these companies do business and internationalize. Every multinational corporation has many interest groups, and the goals of these groups are not always aligned. The transnational communities within the organizations are among the real decision-makers in corporations (Morgan, Kristensen and Whitley, 2001). Bartlett & Ghoshal (1997) stated that decision-making in MNCs is characterized by political bargaining and continuous internal negotiations.

The behavioral theory of the firm was consolidated and formalized by Cyert & March (1963) in their seminal work, *A Behavioral Theory of the Firm.* The multinational corporations are often internally burdened with conflict of interests of different

subgroups and therefore the organizations are subject to political power struggles (e.g. Bartlett & Ghoshal, 1997, Cyert & March, 1963). These struggles are manifested in the relationships between people within organizations. The power struggles between the interests groups within the organization are also reflected in the decision-making in the organizations.

One way of looking at decision-making in multinational organizations is to consider multinational organizations as specific forms of transnational communities. These communities are forming a transnational social space in which the different stakeholders in the multinational corporations are together pursuing certain economical goals. The social space of the corporations illustrates the variety of different cultures, values and practices of the subgroups within the multinational corporation. Moreover Cyert & March (1963) argue that the firm's behavior is the outcome of the conflict of interest and aspirations of the different subgroups.

According to Kristensen Morgan & Whitley (2001), there are three different aspects of transnational social space in multinational corporations. First, there is the level of corporate governance and financial internationalization of the corporation. The degree and source of foreign ownership has a clear impact on the goals, structures and transnational social space of the organization. For instance, Anglo-American capital markets may force the MNC to restructure its businesses to meet the expectations for shareholder value.

Second, there is the internal management system of the corporation, the organizational structure, systems, accountability and monitoring. This is a question of adapting to the multinational business environment. The range activities must be adapted to the international context and also successfully managed and monitored with the support of corporate structure and systems. Also, the role of expatriates and local employees in controlling and coordinating the operations must be decided. (Morgan, Kristensen and Whitley, 2001)

Third, there is the level of work systems and coordination. The work systems may be adapted from the corporation's home nation and culture or the management and the

models of the MNCs can be decentralized. Typically Japanese multinationals have integrated their overseas operations tightly, whereas UK and US based companies have been more prompt to local adaptation. (Morgan, Kristensen and Whitley, 2001)

The transnational communities in MNCs are housing different forms of social interaction, cultures, identities and even boundaries. The management teams of these divergent corporations are attempting to establish coordination and control to ensure that these certain economical goals are met. There are, however, huge dynamism and often even conflicts in the interaction between the different cultures and national boundaries within the MNCs. These corporations are built up of heterogeneous groups with possibly conflicting interests. Moreover, the outcomes of the decision-making processes often do not reflect the underlying economic rationalities but the end results of the political power struggles shaped by the social context in the organization.

In all situations, it is challenging to create order within such complex and dynamic entities as multinational corporations. Cyert & March (1963) address the importance of being able to introduce the macro level goals of the company to the processes in the micro-level to be able to empower and improve participation in the employee level. To do so requires mutual understanding and trust with good communications. Thus, it is the social processes and coordination that are vitally important for aligning the goals in multinational organizations, and the structure of the organization should support this ambition. (Morgan, Kristensen and Whitley, 2001)

According to Bartlett & Ghoshal (1990), the organizational strategies have developed significantly since the Second World War, but the structures and overall capabilities of the organizations have not developed accordingly thus causing difficulties in executing the state of the art strategies that managers have coined. In addition to strategies and structures, social integration is one of the key issues in decision-making. Another one is the pressure to move towards higher service-orientation even in the traditional manufacturing business. Successful execution of service transition requires changes in strategies, structures and management in organizations thus causing pressure to decision-making. This particular challenge is studied further in the next chapter of this thesis.

2.1.5 Service Transition Strategies

As mentioned in the previous chapters, the business environment is constantly changing and the competition is continuously intensifying. The intensifying competition is especially evident in the manufacturing industries where companies are adopting service transition strategies (Salonen 2011). According to Salonen (2011), multinational companies with manufacturing operations are adopting service-based strategies as a response to commoditization and declining profitability in the manufacturing business. According to Grönroos (1990), it is increasingly difficult to maintain technological or cost leadership. Hence, the manufacturing companies are transforming their business towards services to support and complement the production business.

According to Oliva & Kallenberg (2003), there are typically three reasons for companies to adopt service transition strategies:

1. Economical reasons. Services may provide higher margin than products and typically represent a more stable source of income than products.
2. Demand. Customers are demanding for more services as they are themselves streamlining their own organizations and outsourcing non-core operations.
3. Competitiveness. Services are more difficult to imitate than products, as they are by nature intangible and more person dependent.

The arguments recommending taking on service transition are fairly strong, but, according Oliva & Kallenberg (2003), many companies are hesitating in grasping the potential. Firstly, the firms may not believe in the economical potential of adding service portfolio to their offering. Secondly, there is the challenge regarding competences of the employees. Service-oriented business requires different kind of knowhow and skills than product-oriented business. Finally, successful transition requires also suitable strategies, systems and structure. The same strategies, systems and structures that are ideal for product sales may not be ideal for services and solutions sales. According to Salonen (2011), different structures are suitable for different kind of firms and the suitability of organic and mechanistic structures for different companies varies

depending on the business strategy. Also, the required core skills and know-how depend strongly on the business strategy. In the systems selling, systems integration and service sales the needed skills are different in each, thus causing entry barriers to companies adopting service orientation. (Oliva & Kallenberg, 2003)

Transformation requires thorough re-evaluation, changes and training in the whole organization. Even the culture of the organization needs to change to be successful in the transformation (Salonen, 2011). Pursuing transition requires adopting relationship-based customer relationships strategy instead of transaction-based often used in product sales. To be able to change the behavior and ways of working in the organization requires competences from the employees. Achieving such competences may require extensive training and perhaps also certain type of personalities. Service transition represents a major managerial challenge and requires extensive changes and training in the organization. The multinational corporations need to also change their organizational structures in order to successfully execute and consolidate the change. (Oliva & Kallenberg, 2003)

Structure and strategy set the boundaries for decision-making. The strategy defines the goals and the structure how power is distributed within the organization. Hence, service transition sets pressure to change decision-making processes. According to Galbraith (2002), great difficulties arise from organizational change required to execute a service transition. It may require a change in organizational paradigm from product-centric to customer-centric business. Galbraith (2002)

Services often support the manufacturing business by allowing the company to deepen the customer relationships. The need to be close to the customers applies also to product business. For manufacturing companies the transition doesn't mean giving up production, but merely pursuing several business logics at the same time. The service business may benefit greatly from previously sold products (installed base) as the company gains revenues from servicing its own equipment. Thus, transition to the service business can be seen as continuum or as complementary offering. There are spillovers, creating synergy between service businesses and manufacturing, thereby facilitating the transformation. The service strategy can significantly support the core

manufacturing business as it may intensify the customer relationship by adding credibility to the company. (Salonen, 2011)

With increased service orientation companies seek to respond to the challenges of the changing business environment and also to proactively seek new business opportunities and revenues in the global markets. However, achieving efficiency may be challenging for the service providers. Efficiency in service business can be achieved by skillful project management and economies of repetition (Davies & Brady, 2000). Economies of repetition can be defined as facilitation of learning and the deployment of repeatable processes, while still offering customized solutions and services as low volume or even one-off projects. Hence, even in the business of supplying complex product systems (CoPS), for example safety systems for power plants, there are possibilities for routine work by search analogies and by creating economies of repetition (Davies & Brady, 2000).

The MNCs are under constant pressure to develop and improve their business models and the usage of resources. Hence, the corporations are always looking for new and better ways of organizing business (Bartlett & Ghoshal, 1998). The commoditization and declining profits in manufacturing business are forcing the industrial manufacturing organizations to evolve and differentiate to better serve their customers. One of the key elements when pursuing service transition strategy is the structure of the organization that has to be able to facilitate and support the change towards increased service orientation. (Salonen, 2011)

All in all, building an efficient organization for solutions sales and integration business is a long and time-consuming process. Sy & D' Annunzio (2005) point out that one of the best-suited structures for achieving multiple business goals simultaneously is the matrix structure, which will be introduced in detail in the next chapter.

2.2 Decision-Making in Matrix Organizations

Matrix structures are among the most typical modern ways of organizing and managing work in multinational corporations. The matrix as organizational structure was first introduced in aerospace industry during 1960's when in contracts with government there was a need to establish a project-based management system with reporting directly to top management (Knight, 1997). The matrix structure characteristically has two or more reporting lines and each employee may have several supervisors (e.g. Galbraith, 2002; Sy & D' Annunzio, 2005; Bartlett & Ghoshal, 1990). The matrix structure allows pursuing multiple business goals at the same time as work is organized both in temporary and permanent structures (Sy & D' Annunzio, 2005).

The flexibility of matrix structures allows fast responses to environmental changes enabling adaptive organizations. In matrix organizations it is also possible to gain economies of scale by leveraging small and task oriented units and their special expertise and know-how. The structure improves cross-functional transfer of information as the personnel are fluidly transferred across the organization. (Sy & D' Annunzio, 2005)

The matrix structure is a viable option for managing the complexity of the modern business environment. The matrix structure combines different structural dimensions of organizations. Managing the complexity requires efficient governance, and the middle management in matrix structures typically reports to two or three senior managers each (Johnson, Whittington & Scholes, 2011).

Matrix organizations have also weaknesses. Matrix organizations may be overly complex and foster role ambiguity and uncertainty. Matrix organizations also require extensive administration due to their complex nature. Ambiguity poses challenges for decision-making and accountability, as without clear roles and responsibilities there is no accountability. Although there are undeniable flaws, the managers choose matrix structure, as they believe the strengths outweigh the flaws. (Sy & D'Annunzio, 2005)

2.2.1 Different Forms of Matrix Structures

 According to Sy & D' Annunzio (2005) the typical matrix structures can be divided into three different categories (see figure 4.). In the *functional* matrix organizations the employees remain full members in the functional departments. However, to secure the co-operation between different functions and departments the processes are designed to ensure cross-functional co-operation and communications. In functional matrix structures the project managers have only limited control over resources of the organization and coordinate the efforts according to the functional structure, and specialized managers are responsible for the resources of functional entities. (Sy & D'Annunzio, 2005)

The Matrix Forms

Functional Matrix   Balanced Matrix   Project Matrix

Figure 4. Typical Matrix Structures (Adapted from Sy & D' Annunzio, 2005)

In *balanced* matrix structures employees are members in two different organizations – typically product and function organizations. The balanced matrix structure is the classic model of matrix organizations. In these organizations the power between the different organizations is balanced and typically the organizations strive for multiple business goals. In these organizations the project managers have the responsibility of steering resources when it comes to schedules and goals (what and when). The functional managers are responsible for staffing and strategy (how). (Sy & D'Annunzio, 2005)

In *project* matrix organizations the employees are frequently moving between the different functions, departments and projects. The project management has a central role in project matrix organizations being the primary decision-makers over resources and project directions. The functional managers remain in advisory role and have

control over support functions. The project management is constantly co-operating with project managers. (Sy & D'Annunzio, 2005)

2.2.2 The Main Benefits of Matrix Structures

In every organizational structure there are strengths and weaknesses. The matrix structure is well suited for many large corporations and has great advantages (see figure 5.). The main benefit of the matrix organization structure is the possibility to leverage vast resources with lean overall organization as the capacity of the functions may be utilized by the whole of the organization (Sy & D' Annunzio, 2005). The matrix structure encourages strong internal communications by introducing lateral communications channels within the organization. It also facilitates overall communications within the organization by increasing integration and co-operation between the different organizational subgroups. (Sy & D' Annunzio, 2005)

The matrix structure fosters innovation and fast responsiveness to environmental changes as the structure enables flexibility throughout the organization (Sy & D' Annunzio, 2005). The matrix structure enables fast response to the changes in the business environment as the overall capability to adapt improves due to flexibility. Bartlett & Ghoshal (1990) point the attention to the overlapping responsibilities in the matrix organizations as the dual reporting responsibilities facilitate flexibility and ability to address the increasing external complexity of the business environment.

Also resource fluidity is a strength in matrix organizations as the employees adapt more easily a company wide focus. Matrix organizations can for example leverage functional resources and know-how and at the same time steer business in, for example, geographical setup or according to product lines. It is also possible to have several than to setups and reporting layers. This flexibility allows the corporation to stay small and avoid duplication of the workforce needed. Although the complexity causes challenges for management it also enables effective use of corporate resources.

The Matrix Structures

Strengths

- Leveraging economies of scale with lean organization
- Enables focusing on multiple business goals
- Facilitates innovative solutions to complex technical problems
- Improves employees companywide focus
- Quick and easy transfer of resources
- Increases lateral information flow
- Enhances personal communication skills

Weaknesses

- Authority does not equal responsibility
- Several command chains causing ambiguity and uncertainty
- Need for extensive management and administration
- Increases risk for resistance as authority and roles may become unclear

Figure 5. Strengths and Weaknesses of the Matrix Structures (adapted from Sy & D' Annunzio, 2005)

The dual reporting responsibilities and greater integration of different specialists within the organization enables efficient leveraging of the capabilities within the organization (Galbraith, 2002). Many managers have witnessed benefits of matrix organizations to outweigh flaws; yet there certainly are challenges in the matrix structures. These challenges are studied in more detail in the following chapter.

2.2.3 Challenges of the Matrix Structures

Although matrix structure is a feasible option for corporations as illustrated above (see figure 5.) it entails also inherent flaws. According to Bartlett & Ghoshal (1990), main challenges of the matrix organizations include confusion, conflicts of interests and loss of accountability. Typical characteristic of the matrix organization, the proliferation of committees and reporting causes often overlapping responsibilities and a loss of accountability. Especially in the context of multinational organizations the management sometimes find it impossible to cope with the complexity and confusion. Sy &

D'Annunzio (2005) pointed same kind of issues, as the matrix can be too complex for individual employees to understand causing conflicts and lack of accountability. Moreover, the unclear roles and responsibilities may hamper decision-making in the organization Sine, Mitsuhashi & Kirsch (2006).

Bartlett & Ghoshal (1990) state that many of the pitfalls of matrix organizations seem obvious and avoidable, yet still many general managers fall to the same traps harming the organization. One of the key elements is the accelerating pace of change in the operating environment. The environment is unpredictable and it is hard to succeed in visionary strategy work. According to Sy & D' Annunzio (2005), matrix is good structure for managing complexity if the management is competent and able. Yet the matrix structures may also cause confusion and unpredictability if the complexity overwhelms the employees. This can also lead to inflation of the image, credibility and respectability of top management as the network structure causes pressure to openness of the corporate culture. It is paradoxical that the structure that facilitates cross-border communication may also cause communications related troubles for the management. (Bartlett & Ghoshal, 1990 & Sy & D' Annunzio, 2005)

The global business environment of the corporations gets more complex many managers concentrate less effort on grand strategic thinking and more on operative and process oriented (micro-)management due to the pressures of the matrix organization. The response to a more complex business environment might not always be a more complex organizational structure (Bartlett & Ghoshal, 1990). In addition, Mintzberg (1979) argues that large mature corporations have often difficulties in adapting to changes in the complex business environment as bureaucracy, silo-focus and rigidity due to rigidity of the structure are causing challenges to the responsiveness of corporate management.

According to Bartlett & Ghoshal (1990), the organizational strategies have developed significantly but the structures have not been able to cope with the fast development of business strategies, and moreover it is the implementation what is really important. It is the people within the organization who determine the success of the corporation - not the structure. Any structure will fail to deliver the strategy if the employees are not

feeling accountable and know their responsibilities. Hence Bartlett & Ghoshal (1990) pointed out the importance of creating the matrix inside the individual employees heads.

2.3 Summary

In this summary part the main findings of the literature review are concluded. The summary also provides a framework, which serves as a context for the empirical part of the thesis.

Based on the previous research, a suitable structure is the single most important factor in supporting the strategy and efficient decision-making in any multinational corporation. Secondly, the internal communications culture and mechanisms are of key importance to engage and motivate the employees of the organization. Efficient communications also enable cross-border learning and innovation within the organization. Thirdly, the ability to adapt and renew the business strategy and processes is important in the intensifying global competition. Fourthly, the manufacturing companies like the case company should consider and evaluate the option of adapting service transition strategies. Finally, the scholars suggest looking at organizational strategies, structures and decision-making as a constant evolution.

There is no single structure that would be suitable for supporting decision-making in all strategies and corporations. According to scholars, there are however best practices and characteristics for a good structure that supports strategy, communications and efficient decision-making in multinational corporations. The ability to be locally adaptive, to be able to tap into global economies of scale & synergies and benefit organizational learning are among the most important characteristics of successful MNCs (Galbraith, 2002).

The structure and management system of the organization should encourage efficient decision-making through clear role responsibilities and ensuring accountability at the same time allowing flexibility needed to be responsive in the changing environment (Sine, Mitsuhashi & Kirsch, 2006). This combination can be achieved by matrix organization model, which is empowering employees and increasing communications at

all levels of corporation from the management down to the each individual at the lower level (Sy & D'Annunzio, 2005). However, the matrix model has also its downsides. Decision-making in matrix organizations can be complicated and inefficient due to overlapping roles. According to Bartlett & Ghoshal (1990), the main flaws of matrix structure are related to role ambiguity and confusion, especially in multinational context. Therefore special attention has to be paid to communications. The successful matrix model requires striking a balance between coordination and entrepreneurial culture. Sy and D' Annunzio (2005) argue that without mutual understanding the responsibilities may be unclear and accountability in the organization is lacking. There should be also support for easy transfer of resources within organization. The matrix structure must be flexible and adaptive by nature (Sy & D' Annunzio, 2005).

The engagement of the employees requires implementation of the strategy of the company down to the single employee level. Cyert & March (1963) address the importance of implementing the macro-level goals of the organization in to the micro-level to make sure that the goals of the organization are aligned and understood. Mutual understanding of goals is crucial in order to facilitate positive entrepreneurial drive in the employee level. The units within the multinational corporation can at their best form a network of entrepreneurial but interdependent and specialized companies that are to some extent centrally coordinated. (Bartlett & Ghoshal 1993, 2000)

According to Salonen (2011), multinational manufacturing corporations are facing great challenges in the core business, as the competition increases and the possibility to maintain cost or technology leadership are scarce. The margins are eroding as a result of commoditization and in a nutshell the product market is challenging. Therefore to remain competitive there is a strong incentive to adapt service orientation to support the declining margins in the core manufacturing business. The service business is also a way to tap into the benefits of learning from experience and know-how spillovers of the manufacturing business. The transition process should be seen as continuum rather than as an abrupt change: the idea is not to substitute but to complement the original manufacturing business. (Salonen, 2011)

Any multinational organization is made up of the employees that form various subgroups. Hence managing the transnational social space in organizations if of key importance. Every employee represents one or multiple interest groups and sometimes individuals belong to several groups with conflicting interests (Cyert & March, 1963). The alignment of goals and cross-border learning can be facilitated with efficient communications and cross-border co-operation. According to Morgan, Kristensen and Whitley (2001), the interlinking and communications between different units and social groups within the multinational corporation are of key importance. Successful decision-making requires cross-border co-operation in the case company and in multinational corporations in general. (Morgan, Kristensen and Whitley, 2001)

Based on the literature review the recommendations for the management of multinational corporations consists of a mix of features from previous successful strategies and organizational models combining the best practices of different types of strategies, structures and systems. The scholars are however unanimous that for MNCs it is important to be able to be locally adaptive, globally tapping into economies of scale, and finally perceiving their business strategies, structures and processes as a continuum. Without clear roles and responsibilities the decision-making in matrix organizations tend to lack accountability. Therefore structures must be carefully designed, controlled and cultivated to support decision-making as the business environment evolves.
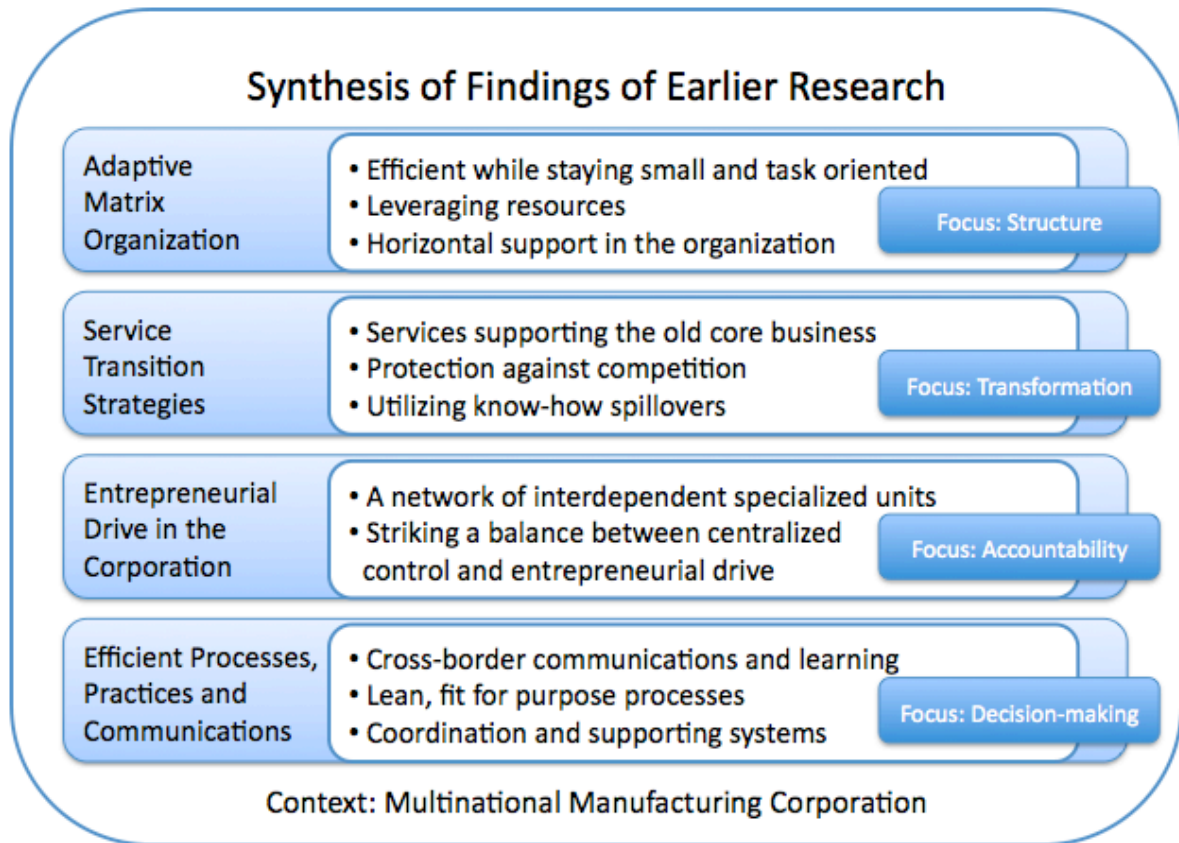
Figure 6. Synthesis of Findings of Earlier Research

The framework (figure 6.) serves as a synthesis of the findings of the literature review representing some of the best practices. This framework also serves as a context for the empirical part of this study.

3. Methodology

In this chapter, the research design, data collection, analysis framework and methodology are described in detail and the choices made are explained. Firstly, the research process, the context and design, a single-case study is described and justified in chapter 3.1. Secondly, the methods of data collection and the unit of analysis are introduced in chapter 3.2 Thirdly, in chapter 3.3 the data analysis methods are reviewed. Finally, in chapter 3.4 the validity and reliability of the research are evaluated.

3.1 Research process

This section describes the context and purpose of the study. Also the use of selected research design, single-case study, is being introduced and justified.

The study was conducted for both academic and business purposes. The main goals of this thesis were to come up with conclusions and recommendations for the case company on how to improve decision-making and accountability in the sales organization and to contribute to the research of decision-making in multinational organizations. Secondary objectives were to provide reliable, contemporary data, analysis and conclusions of service transition and actual decision-making processes in the sales organization of the case company.

This specific subject was chosen because it is interesting from academic perspective and business relevant for the case company. This thesis can provide valuable contribution and insights for the management of the case company. The thesis and the related research were conducted in close-cooperation with the business development of the company. The contemporary information helps in decision-making and in recognizing further research needs within the company. Other reasons were personal interests regarding the topic and unique access to the company.

The research was conducted as single-case design to provide holistic understanding of the decision-making in the case organization. It was seen that the research questions

were better answered by studying this single case rather than many to establish deep understanding. The choice of only one case organization can also be supported by the fact that as all of the interviewees came from the same organizational context. The interviewees were selected by purposive sampling. The shared context effectively limits the possible misleading factors in the analysis.

The single-case study is often used to provide deep understanding of contemporary real-life phenomena (Yin, 2009, p. 18). Daymon (2002) agrees stating that the single-case method helps to understand the underlying dynamics in the company and is suitable for research focusing on deep (but narrow) understanding of the case in question.

The following key themes were discussed with the 26 interviewees carefully hand-picked for the research trough purposive sampling:

1. Does the decision-making in the sales organization differ from the planned processes? If yes, how and why?

2. Are there controversial procedures leading to inefficiencies?

3. Are the employees aware of their responsibilities and do they feel accountable?

4. How to improve decision-making in the organization?

The main method for collecting the data was a set of semi-structured interviews with 26 key personnel of which 16 represented the sales organization of the case company. See figure 7 for detailed record of interviewees. The main argument that supports purposive sampling is that it enabled collecting a group of especially insightful employees. The insightfulness of the employees enabled building a reliable and comprehensive overall picture of decision-making practices within the organization.

Representation of the Functions

Network Sales	5 Interviewees
Segment Sales	6 Interviewees
Project Management	4 Interviewees
Sales Engineering	3 Interviewees
Dual Role Segment & Network	2 Interviewees
Operational Development	2 Interviewees
Legal	1 Interviewee
Quality	1 Interviewee
Business Control	1 Interviewee
Contract Management	1 Interviewee

Figure 7. Representation of Different Functions in the Case Organization

3.2 Research design

There was a great fit with the research regarding decision-making and the case company. The data collection started with company materials such as the annual reports and familiarizing with the previous research. Before the semi-structured thematic interviews initial preparations had to be made to facilitate the meetings with geographically dispersed group of interviewees. Great care was taken to motivate the employees to take time and concentrate fully during the discussions. After the initial preparations the interviews followed in two different rounds. First round with higher-level employees and management to gain strategic understanding and the second round interviews with lower-level employees to gain operational insights. After the first rounds of interviews a simple synthesis was created to see whether the quality of data was sufficient to answer the research questions. No major challenges were found, but some minor adjustments were made to the interviewing technique to guarantee and improve the quality of data from the second round of interviews. The two interview

rounds are still comparable as the interview guide and the discussion themes remained unchanged.

To achieve research objectives there was a need to collect data concerning intended decision-making processes in the sales organization of the multinational corporation. Secondly, data was needed to investigate how the decision-making is handled in real life. Previous experience of conducting interviews significantly helped to gain high quality data. Moreover, the chosen method was well suited for answering the research questions. According to Hirsjärvi & Hurme (1980), conducting semi-structured interviews is a good method to collect information and opinions while conducting a case research.

In academic research the interviews are typically no longer perceived as simple questionnaires or traditional interviews, but as discussions between the interviewer and the interviewee. The semi-structured interviews provide a frame for the discussion but do not limit the interviewee with fixed questions (Hirsjärvi & Hurme, 2008). However, it was taken care that in this research, as recommended, that each theme was discussed with every interviewee and two key question under each six theme were asked to provide valid data regarding the research questions. Hirsjärvi & Hurme (1980) state that successful interviews are typically characterized by:

1. Pre-planning
2. Control by the interviewer
3. Confidentiality
4. Interviewee having a certain role
5. Interviewer motivating the interviewee and stimulating the discussion.

During the interviews the researcher encouraged sharing information by motivating the interviewees with personal and company gains resulting from the research. Also intelligent and interesting discussion stimulated the interviewees. Moreover, a well-planned interview guide (see appendix 1.) assisted in nurturing relevant discussion. The idea of the interview is simple: by asking questions the interviewer will get opinions and

information from the interviewee regarding the interview themes. At its best interviews are neutral and personal biases are avoided. (Eskola & Suoranta, 2008)

The interview questions were divided under six themes chosen in collaboration with the development function of the multinational manufacturing corporation to ensure relevance. Before the actual interviews the interview guide was tested during three orienting interviews with selected employees from the case company to ensure that the template provided quality data. The interviewees were a selected group of employees. This purposive sampling of the interviewees enabled securing the validity of the data concerning research objectives. Purposive sampling helps in focusing on the key themes of the research by selecting the most suitable people to represent the organization. Great care was taken to select a representative sample of the multinational manufacturing corporation's sales organization. Biased sample could corrupt the data and therefore the researcher did the selection of the interviewees, not the management of the company. The interviewees were selected from different levels of the hierarchy, including both men and women, young and old to provide a comprehensive understanding of the decision-making in the organization. (Yin, 2009)

These thematic interviews helped to collect quality data as the interviewee had the possibility to answer with their own words. Knowledge and information sharing by examples was encouraged. The interviewees were also allowed and even encouraged to bring up additional issues and examples outside the context to the conversations to make the atmosphere more relaxed. (Koskinen et al. 2005)

The research process was iterative and therefore suitable for studying a real life business problem (see figure 8.). The interviews were followed by careful analysis. Maykut and Morehouse (1994) state that qualitative research typically is descriptive by nature, which in this case is crucial. The qualitative method emphasizes words over quantification of data in collection and analysis. In this research all data is qualitative as quantitative data was left out on purpose to limit the scope of the study.

According to Eriksson & Kovalainen (2008) and Eskola & Suoranta (2008) qualitative methods are suitable for research that pursues in-depth understanding. Qualitative methodology is best suited for answering questions 'how' and 'why' making it relevant

in this case (Koskinen et al. 2005, Ghauri & Grønhaug, 2005). Furthermore, case studies, according to Daymon (2002, p.106), are suitable for collecting detailed information of particular problems.
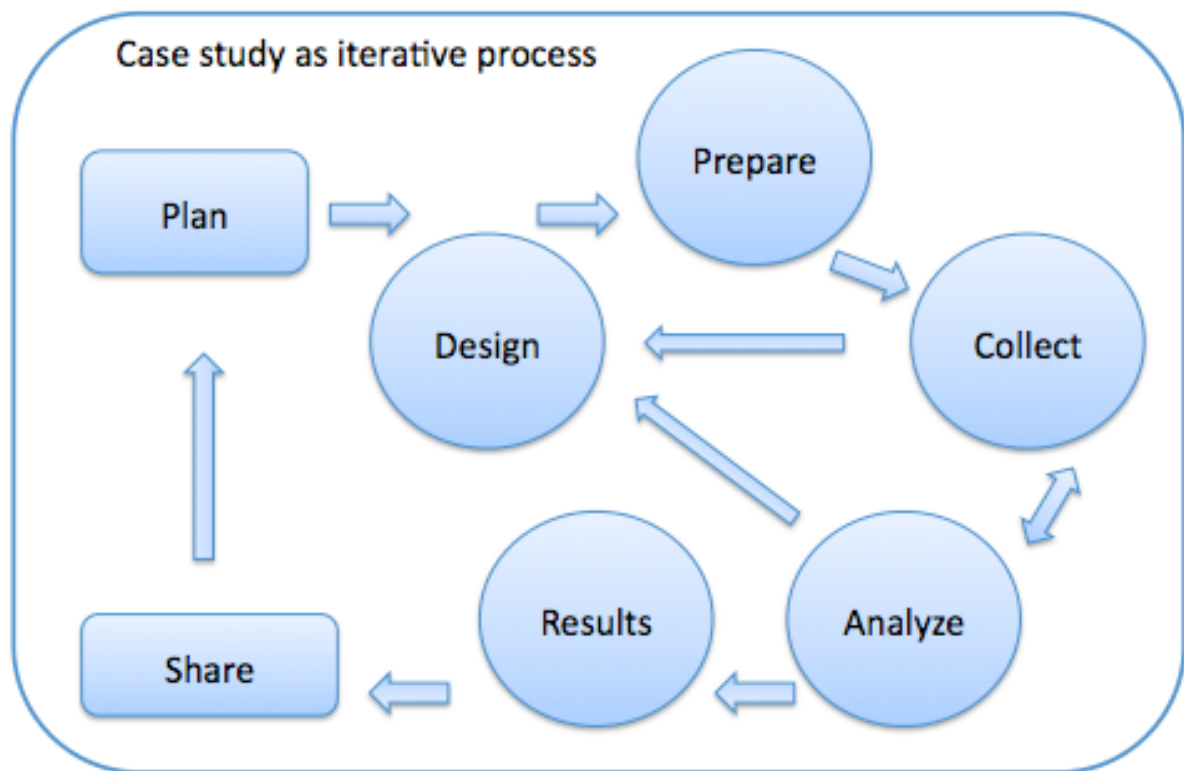
Figure 8. Case Study Process (adapted from Yin, 2009)

3.3 Data Analysis

The unit of analysis in this study is a multinational corporation. The semi-structured interviews served the purpose of the research by providing a lot of examples and relevant, valid data about decision-making in the case company.

The main priority in this research is to describe the actual decision-making processes in the case company to find out possible challenges and inefficiencies. Therefore, case description was selected as an analytic strategy. The setting was to compare the decision-making processes as they are documented and described by the management to the actual realized decision-making processes. As described in the previous section,

the data from the interviews of the first round was used along with the company materials to build a synthesis which was then compared with the data from the second round interviews to see whether there is a consensus of the challenges regarding accountability, discipline and decision-making.

To collect and preserve the data the interviews were recorded and notes were taken during the interviews to ensure the high quality of the data. The transcripts were carefully written to replicate the actual interviews and to avoid losing or corrupting the data. Additional documentation was compiled using Excel-sheets to find commonalities and conflicts between the different interviews. After the documentation iterative analysis was conducted with induction method, which is according to Eskola & Suoranta (2008) one of the characteristics of a qualitative research. Induction method is commonly used in qualitative research and suitable for creating a hypothesis which can be later on tested in larger context with more data. The interviews were analyzed by carefully categorizing the data and by isolating patterns (figure 9.). Notes, visualizations, excel-sheets and bullet points were used to help to further analyze the data. Data reduction method suggested by Ghauri & Grønhaug (2005) was applied to select only the relevant data for further analysis. (Koskinen et al. 2005).
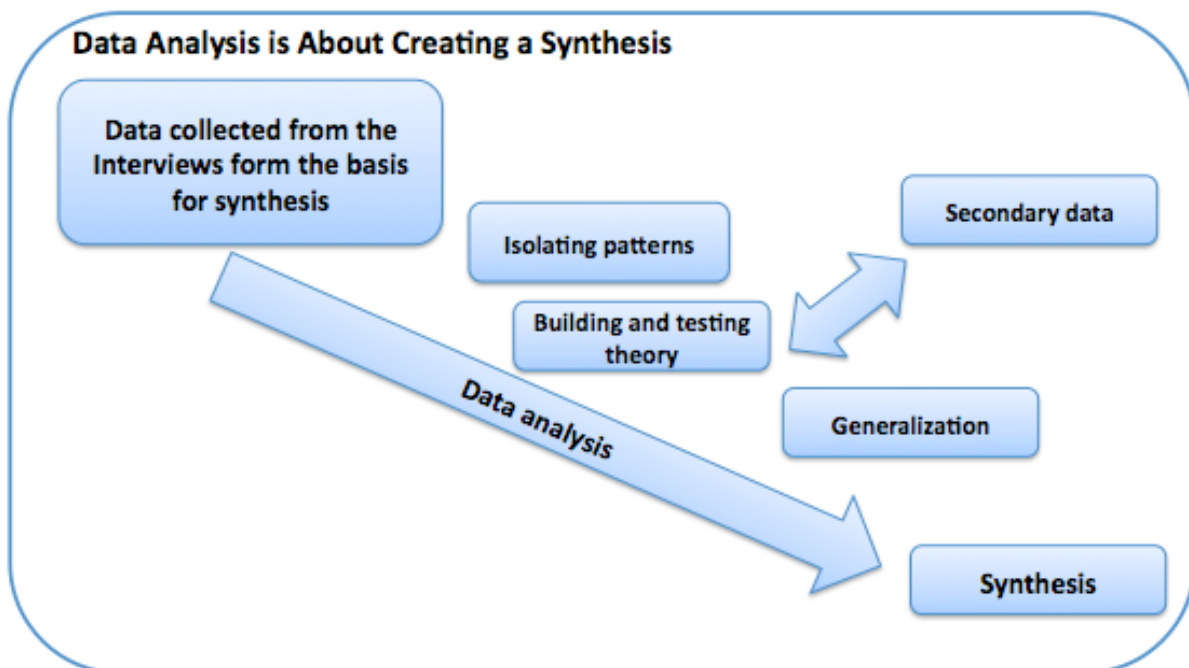
Figure 9. Data analysis is about creating a synthesis (adapted from Partington, 2002)

3.4 Validity & Reliability

The data collection and analysis determine the validity and reliability of the research. The term validity refers to representing the objective reality without bias. Reliability represents dependability and confirmability. To put it bluntly, validity and reliability are about trustworthiness of the results. Also consistency and coherency are measures of the research quality (Yin, 2009). One of the key issues to increase trustworthiness is to avoid researcher bias, which in this case was mitigated by remaining neutral and by carefully explaining the research process as has been done earlier in this thesis. The validity is based on chosen research methods and their proper use. Furthermore, the researcher had no significant previous connections the interviewees or to the multinational manufacturing company as a whole. Company materials and industry publications were used as secondary data to increase validity and reliability. The company and industry publications also helped for their part to build comprehensive understanding of the case company's business.

The reliability and validity of qualitative research can be easily questioned due to the high role of interpretation by the researcher. The values and and beliefs of the researcher can easily intrude the research (Koskinen et al. 2005). Also post-hoc rationalization poses a threat to the validity & reliability of the research. Validity and reliability are evaluated in this section by applying a framework by Bryman and Bell (figure 10.).

Figure 10. Reliability and validity of qualitative research (adapted from Bryman and Bell, 2003, p.35)

As stated in the figure above (figure 10.), *trustworthiness* of the study can be according to Bryman and Bell (2003) evaluated trough four perspectives. First of all, if the research would be 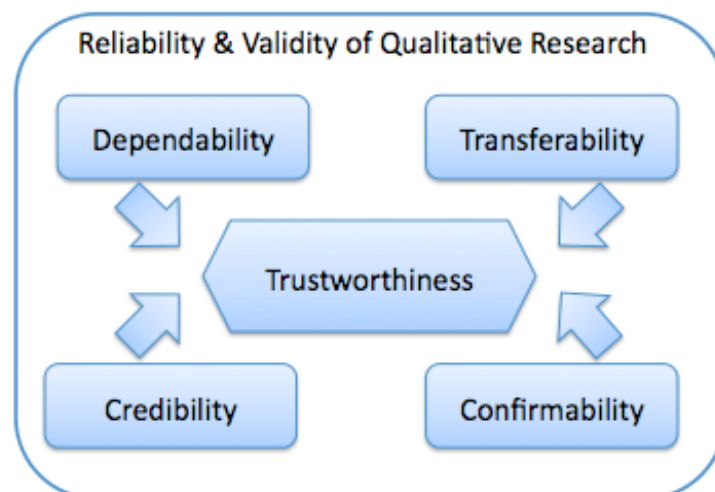repeated after one year the same results could likely be expected. The research results are *dependable.* However, this research provides managerial suggestions to improve management and decision-making in the case company. It takes time take to implement changes, but if the management would decide to put the renewal of decision-making processes to business agenda right away some changes in the results could be expected.

Secondly, the *transferability* assesses if the results can be applied to other context as well. In this case, since this research is single-case design and the results are based on semi-structured interviews and company specific materials, it can be stated that the results are not transferable to other contexts.

Thirdly, *confirmability* evaluates if there was researcher-based bias in the results. As an external researcher the outside perspective to data and towards the case company could be remained and therefore researcher-based bias was successfully eliminated.

Finally, the *credibility* refers to believability of the results. In this case there should be no reason why not to trust the findings. The data was collected with interviews based on academic framework, and the findings were backed up by secondary data from company materials such as annual reports and industry publications. Extensive literature review on existing research was conducted to build a relevant academic framework for the empirical research. The connections made between the empirical findings and previous research back up the reliability of this research.

This research is intended to be as transparent as possible, and to increase the reader's possibilities to follow the line of argumentation, a lot of original interview material is provided in the empirical part of this thesis.

4. The Empirical Study

This chapter consists of three parts. First, the case company and its operating environment is being introduced. Second, empirical results of the research are being introduced. Finally, in the third part the findings of the research are summarized.

4.1 Introduction of the Case Company

The case company and its operating environment are introduced in the following chapters. To protect the anonymity of the case company and the interviewees no names of employees or companies are provided in this thesis.

4.1.1 Operating Environment – Intensifying Competition

The operating environment of the case company is challenging. The company is involved in two major industries. The division in focus is industry specific. The industry is capital intensive and cyclical. The fluctuations of the economy have a direct impact to the companies in the industry exposing them to a variety of business risks. The manufacturing companies in the industry have relatively high fixed costs and low flexibility causing significant pressures in times of economical turmoil. Also political pressures, exchange rates and changes in legislations pose great risks. Moreover, the industry is facing commoditization and declining profits as many other manufacturing industries. The competition is fierce and especially fast rise of the Asian low-cost manufacturers have intensified competition in bulky products making it difficult for traditional players to survive in head-to-head competition. As a result of price wars the manufacturing business is moving to East Asia.

The Asian manufacturers have not only gained market share in manufacturing but also in high-technology products. However, the R&D operations of high value added products have so far remained largely in Europe and North America. The case company and its main competitors have entered new areas in the value chain providing integrated services and life-cycle solutions to protect and reinvent their business. There is an

ongoing service transition taking place among the established players within the industry.

The transition within the industry can be seen as a continuum from bulky manufacturing towards integration of solutions and services. Also the traditional power-relations within the industry are changing as the role of customers, suppliers and 3rd parties are changing. The whole value chain is in a transition. Traditionally the end-customers have contracted third party companies to deliver a project of certain scope. Then the 3rd party companies serving as integrators or agents have approached the manufacturers. At the moment the role of 3rd party companies is diminishing as the manufacturers are expanding in the value chain and adding systems integration to their portfolios. Also the end-customers are taking a more active role in the projects. In a nutshell there is an increasing demand for vertical integration in the manufacturing business of this industry.

The value chain is changing as the role of 3rd party integrators is diminishing as the manufacturers are in some projects taking the role of systems integrator. Sometimes the manufacturers make EPC, EPCM and turnkey contracts with their clients taking care of large parts of project management. These contract forms in a nutshell imply that the manufacturer takes a total responsibility of the contracted delivery project from the design to delivery. The new roles and strategies of manufacturers require also changes in the structure and competences of the organizations

Another transition in the industry is the growing interest to the life cycle of the products. This means great pressure for product development and service design. Moreover, emerging environmental awareness and changing legislation address the importance of optimizing the life cycle of the products. The customers are appreciating the lower life cycle costs and environmental impact. All in all, this capital-intensive industry is experiencing an unforeseen change.

4.1.2 Case Company Overview

The case company is one of the leading players in the markets and has a long and diversified history in manufacturing of investment goods. The customers of the case company are mainly other large corporations. The corporation has no consumer business. The company has gone through significant strategy transformation to respond to the challenges in the intensely competitive markets. The company has adopted a strong service orientation and a systems integration focused strategy decreasing the importance of component and single products manufacturing. The case company offers solutions from simple product selling to full-scale systems integration.

To pursue the chosen strategy the paradigm for the company management has changed from manufacturing of investment goods to providing solutions. The recent developments in the markets have driven traditional component suppliers into difficulties due to intensifying global competition.

The change in strategy is a way to protect the business against low-cost competitors and to provide more value to customers. The case company is well established and has a solid reputation in the global markets making it possible to act as solutions provider. The business will in the future consist more and more on services and systems integration. Many of the established competitors of the case company have similarly gone trough significant changes in strategy to avoid price wars.

Currently the main competitive edge for the case company is having the leading technology and the broadest product and service offering in the markets. The company will continue to invest strongly on R&D to be able to serve its customers with best possible solutions in the long-term. Already today, services account for the biggest single revenue stream in the company and that development is expected to continue in the future as well. Also integration services and life cycle optimization are growing fast in importance.

The businesses of the case company are organized into three interdependent divisions serving two main industries. The corporation has also a shared production function,

which is commonly referred as production division by the interviewees. The divisions of the case company are led in a matrix structure with extensive middle management. As mentioned before the company is now driving a strong service orientation and the focus has shifted from products to services and systems integration. That change in strategy has been affecting all of the three divisions. The shift in strategy requires also new kind of skills and know-how from the organization of the company. Two of the three divisions are industry focused providing solutions for customers on certain industries, whereas the third is specialized in services focusing on providing solutions for all of the customers of the case company. The current strategy of the corporation is to provide integrated solutions and services to its customers in a lifetime basis. Hence, the two industry focused divisions cooperate increasingly with the services and production to provide integrated solutions with service packages.

This study focuses on one of the two industry centric divisions of the case company and all the interviewees of the case company were employees of this division. The strategic goal for the case company is to be the leading solutions provider and systems integrator in that industry. The division has also faced significant new competition from East-Asian low cost manufacturers setting pressure to differentiate or lower prices.

As discussed before the company has responded to the tightening competition by vertical integration in the value-chain to serve also as solution provider and systems integrator. The case company has the industry leading technology and a strong installed base to protect the business from new competitors entering the market.

The company and especially the division in focus have recently grown substantially through acquisitions. On the other hand there has been restructuring going on in the recent years also including layoffs.

The Structure of the Case Organization

The structure of the corporation is matrix organization with product and geographical setting present at the same time (see figure 11.). The organization is a mix between functional and balanced matrix. The role authority of functional managers and project managers vary a lot. Typically project managers only take care of cross-functional co-

operation while the functional managers still own their own resources. The types of matrix structures are described in more detail in the second part of this thesis.

The divisions are profit and loss responsible and highly autonomous although interlinked. Corporate level strategy is being developed in the corporate management team. The divisions share some resources but have their own business strategies. The segments that represent the product lines are profit and loss responsible. The different functions within the organization are largely division specific and the segments have also partially overlapping, duplicate resources although there are increasing efforts to gain synergies from higher resource fluidity between the different divisions and segments.

The company has centralized R&D operations and production. Also the support functions are largely centralized in the division level. The support functions are also geographically centralized to gain economies of scale and efficiency to operations.
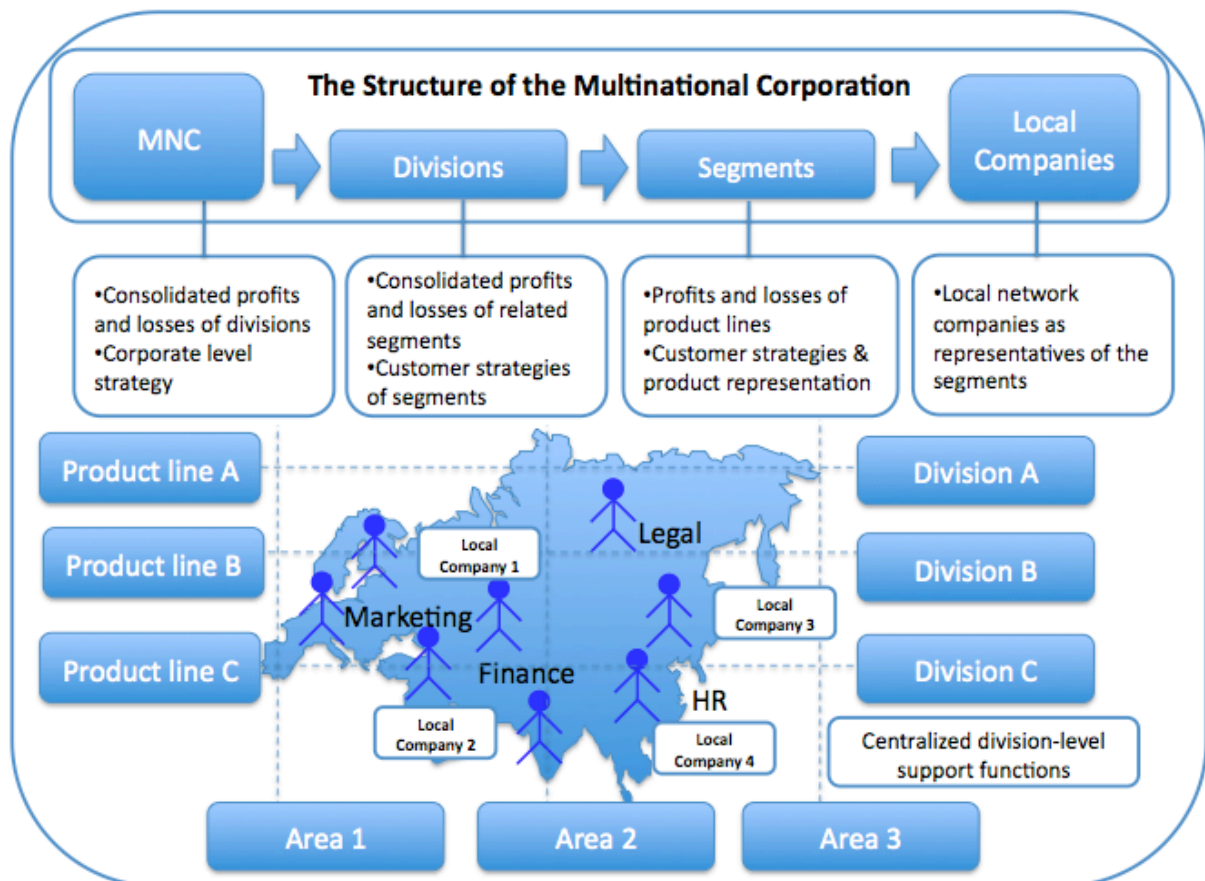
Figure 11. The structure of the multinational corporation

4.1.2 Decision-Making in the Case Company

The decision-making in the case organization (see figure 12.) is a mix of local responsiveness and global centralization. The directors in the corporate level are forming the corporate level strategy together with the management teams of the divisions. The businesses of the three divisions interdependent and support each other. The management of the corporation is constantly seeking for economies of scale and synergies between the divisions by encouraging co-operation and resource fluidity. The company is centralizing some functions such as R&D and production to gain economies of scale. On the other hand sales & customer support are almost completely division specific to be locally responsive and adaptive. The corporate level decision-making is focusing on coordination and synergies between the divisions.

The divisions have a high level of independence in business related decision-making. The divisions have their own support functions and customer strategies. Under the business division in focus there are segment organizations that develop customer strategies. The segments have also responsibilities over certain geographical markets. The local level network companies are representatives of the segments in a geographical setting and take care of the local adaptation and serve as main customer interfaces.

The focus in decision-making in divisions is on division-level strategy and resource allocation between and within the segments. The divisions and also the segments are global entities and although independent they often share the same facilities as the other divisions and segments. All the divisions of the MNC are profit and loss responsible and steered as individual units.

Figure 12. Decision-making in the case organization

The segment level is responsible for customer strategies and has also the profit and loss responsibility of respective product and service line. The segments also steer the local network companies on a certain area although the local companies in each area serve also other segments. The key role of the segments is to help the local companies to take care of the customers and provide support and resources to the local level. The segments are also involved in the actual customer work along with the local network companies. The segment level has and operative role and the decision-making is operative issues related although the segments also participate in the division-level strategy work.

The network companies are responsible for taking care of the customer relationships in the local level. The local level also serves as representatives of the segments. The network companies also participate in the development of the customer strategies of the different segments. The local level has a strong customer focus in all of its operations.

The decision-making, the structure and business model of the case organization are discussed in more detail in the following chapters.

4.2 Research Findings – Decision-Making in a Multinational Matrix Organization

This thesis is supporting the goals of a development program that focuses on continuous improvement of ways of working, processes and systems in one of the case company's business divisions. The company and the interviewees found this research interesting and important and the operational development department and the management of the company have recognized that the case organization has decision-making related challenges. The identified challenges are related to role responsibilities, decision-making and accountability within the sales organizations of the multinational manufacturing corporation. This thesis is focusing on these organizational challenges with the goal to provide managerial recommendations on how to improve.

The case company has a policy of engaging all the employees to development work and before any changes are being made to the structure, processes or ways of working in the organization. There are always feedback and development sessions with the affected employees first. Typically, the management of the affected part of the organization is the driving force and the employees are involved from early stage. Also, employees are being encouraged to participate to the development work and also incentive program for initiatives is in place. This policy seeks to ensure that the management has the full support and commitment of the employees when any changes will be introduced.

In this chapter the feedback and ideas of the interviewees are being presented in three different themes. Firstly, the business process of the case company is being introduced. The business model was thoroughly changed in 2009 and since then there has been an ongoing iteration of the model and also continuous training of the employees. Secondly, the operative decision-making is addressed. Thirdly, the strategic level decision-making is being discussed. These chapters also answers to the following questions set by the top-management of the case company:

1. Does the decision-making in the sales organization differ from the planned processes? If yes, how and why?
2. Are there controversial procedures leading to inefficiencies?
3. Are the employees aware of their responsibilities and do they feel accountable?
4. How to improve decision-making in the organization?

This research consciously concentrates on the challenges within the organization to find out the reasons for inefficiencies and frustrations within the organization. The research findings are based on 26 interviews with selected employees and managers from one division in the case company. 16 out of those 26 interviewees were selected from the sales organization to find out the challenges and ideas for improvement. The special focus on sales organization enables understanding the decision-making related challenges in sales more thoroughly.

4.2.1 Business Process of the Case Company – the Gate Model

In this chapter the business process of the case company is being introduced. First, the purpose and actual processes of the gate model are shortly presented. After that the pain points and challenges brought up by the interviewees are discussed according to the following themes:

- o The lack of discipline related to the gate model
- o Lack of support for operative sales
- o Conflicts of interests and misalignment of goals
- o Complexity of the business process
- o Implementation related challenges and lack of feedback & monitoring

In 2009 the business division in focus adapted a new company wide business process, which is shared by all the three divisions of the multinational corporation. There are significant differences in the business model between the divisions to embrace the division specific needs. The business process is called "the gate model" as it has gates and milestones to guide the activities of the organization from early sales phase of

recognizing opportunities in the markets to delivery, warranty and after sales phases. The gate model is a business process for ensuring quality in all customer projects. The model aims for unifying ways of working, efficiency and to establishing standard requirements to all customer projects within the corporation. The model was adapted to improve control and efficiency of sales and project management processes. Prior to implementing the gate model the company had witnessed reorganizations and fast international growth causing challenges for managing the processes.

Before the implementation of the model there was an extensive analysis of the development potential within the division as part of so called "Shape" development program. The analysis concluded that the biggest development potential within the division was found in three areas: 1) sales 2) project execution and 3) departmental activities. This thesis, as mentioned before, focuses on sales related challenges. The thesis research also helps in evaluating on how successful implementation of the gate model has been.

The gate model consists of gates and milestones that serve as checkpoints for each project to ensure that everything has been done according to the company requirements (see figure 13 for simplified illustration of the case company business process). Where applicable, the gates consist of checklists that need to be fulfilled before proceeding to the next phase. The project gates are common decision-making points linking each project to portfolio management. Between the gates there are milestones, which are decisions, and/or approvals defined in the project management plans.

The business process of the company has been certified and accredited by partners and certification companies. According to the gate model, every project is also carefully documented for quality, control, communication, learning and customer care purposes. The gate model also a management tool as the model is used for steering the resources in the organization. The model is under continuous development and evaluation and there are continuous training opportunities regarding the key processes and tools.

To gain sales related insight the primary focus in the discussions with the interviewees was concerning the sales process (G0-G2, see figure 13.).

The Simplified Business Process of the Case Company
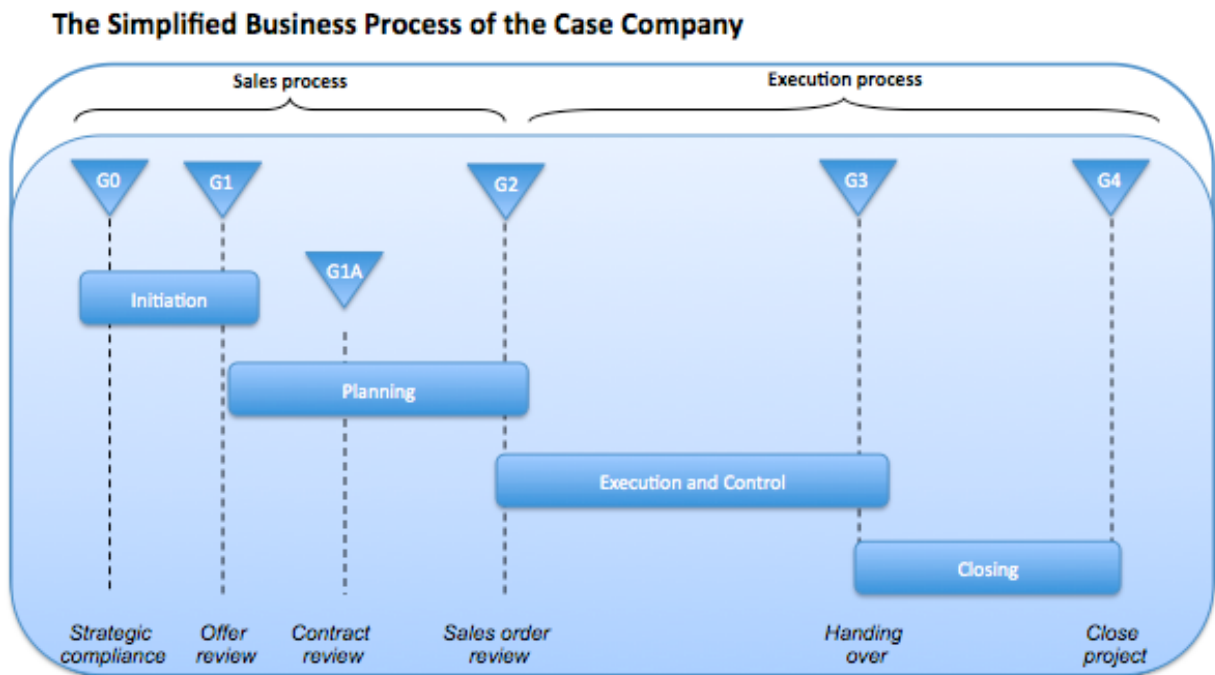
Figure 13. The simplified business process of the case company (adapted from case company presentation 06062011)

According to the interviewees, the gate model is good for controlling and quality ensuring purposes. The model has also helped the case organization to standardize effective ways of working. However, the interviewees state that the model is not always supporting the operative sales and project work as initially promised. Moreover, most of the interviewees claimed that the rigidity of the business process is causing frustration and inefficiencies. The following account from a manager level employee from the network sales organization illustrates the rigidity related challenges in the sales organization.

> *The problem is that we always say yes to everything and -lacking the right tools- we throw all the projects to the same pipeline no matter how simple or complex the project is. There are no options but to choose to make an offer or not to make an offer - and we always do (about strategic compliance check). If we simplify a little bit, we can say that it takes approximately the same time to prepare a budgetary offer worth of 2 M€ with little succeeding possibilities as it takes to prepare a 20 M€ offer with good changes of closing.*

The first four gates of the gate model (strategic compliance check & pre-categorization, offer review, contract review and sales order review) provide the basic framework for the sales phase of any given project in the company. According to the interviewees there are however severe shortcomings in the model especially related to proactive sales. The consensus opinion is that the gate model adds value to the company yet there are many ways how to improve it.

Strategic Compliance Check (G0)

According to the interviewees the first phase of the gate model, the strategic compliance check G0, is not adding value to the company. The strategic compliance check is designed to serve as a checkpoint during which the responsible persons define whether or not the prospect is aligned with the strategy of the company. However, according to the interviewees, there is no decision-making taking place during the strategic compliance check, but the decision has already been made by the network sales before the data has been entered to the CRM system and brought to the official gate model. The fact that sales engineering and segment sales are typically not involved indicates that common practice is conflicting with the agreed processes of the gate model. An account from an interviewee from network sales illustrates the challenges and frustration related to the strategic compliance check:

> *What strategic compliance check? There is no strategic compliance check, since that decision has already been made at that phase when we insert the project to CRM according to the gate model.*

In addition to strategic compliance check there is also a process for categorizing the projects to three different categories according to the complexity of the sales projects (ABC-categorization) however setting priorities is at the moment lacking shared practices and processes.

> *The challenge is that 80% of the time is spent with the C-projects that are often low value-added projects. The sales engineering is exposed as the segment do not set priorities and therefore the network sales is able*

to demand fast response to the C-projects. Networks are allowed to use power in priority decisions. There is also a price incentive for the salesmen to get the project categorized as C project. Since for C projects the salesmen get lower price – which is often precisely what the sales is looking for. It should be the segment deciding what projects we should take and what projects are strategically important, what we should offer and how to set priorities. We are working on too many projects and there are too many enquiries. It takes time to answer offer requests. We have today too little time to concentrate on the real hot projects. The sales managers are pressing the organization to prepare quotations. It is natural as sales wants to close as many deals as possible. But as a company we should concentrate our efforts to the important deals. We need to set priorities.

There is a new ongoing development project going which will help to later set priorities to sales projects. An account from a manager in sales engineering:

The new core sales approach is needed to complement the as such good and important idea to categorize and to set priorities to projects.

Offer Review (G1)

Especially some of the more experienced employees who have gotten used to a high level of independency in their work are sometimes reluctant to follow the guidelines. The employees sometimes also argue that it is beneficial for the company not to follow the agreed processes. It is perceived that for example offer review according to the guidelines of the gate model is too heavy and is currently not always applied as agreed. The main goal of the offer review (G1) is to tailor the offer according to company standards. Offer review includes technical feasibility and correctness, risk mitigation, scheduling, customer perspective and overall inspection of the offer. The review is done in cross-functional teams or by sales engineering depending on the complexity of the project. Even the simplest of projects reviewed by sales engineering must be additionally approved by segment sales.

I am a pretty disciplined guy using the gate model. I am trying to stick to it. But if my customer says "I want to sign to day" and I do not have time to do SOR (Sales Order Review, one of the compulsory checkpoints in the business process) then I will sign the contract anyway. We do the SOR's then afterwards. Also the contract review (another checkpoint) is being done -always. I think the idea behind offer reviews is also nice but the workload is way too high to do any offer reviews. I try to check it (the offer) my self (instead of the cross-functional team).

As the previous account from an experienced sales manager illustrated, there is a lack of discipline regarding the gate model. Sometimes from sales organizations perspective the gate mode is hindering customer responsiveness. The previous account also illustrates ambiguity regarding the model as sales order review is according to the gate model to be done only after signing the contract.

Contract Review (G1A)

Contract review (G1A) is a gate checkpoint during which the decision is being taken whether a contract can be signed as-is or not. During the contract review risks, production slots, specifications, costs, outputs and overall terms and conditions are being evaluated. Contract review always requires a cross-functional team. The review is an important checkpoint especially from the perspective of risk management. The value and importance of the contract review was unanimously understood among the interviewees. When it comes to contract review the interviewees are following the gate model with discipline.

Sales Order Review (G2)

Sales order review (G2) is an important part of the business process of the company. The purpose of the sales order review is to hand-over the project from sales to the project team responsible for execution. It is a meeting with participants from both project management and sales. The interviewed employees in the sales organization revealed that occasionally the sales order review is being postponed due to schedule challenges conflicting with the agreed processes and causing risks for the company.

The following interviewee, a manager from sales engineering, was addressing that although the processes of the gate model in theory are in place, they are not always being followed. The account summarizes quite well the overall conviction of the interviewees. There is a clear lack of discipline and some resistance related to the gate model.

> *What I have told you about the gate model is a nice theory, but we*
> *have really not been working like this.*

The Local Network Companies and the Gate Model

In the opinion of the interviewees, the local network companies are the least disciplined entities of the organization when it comes to the decision-making and processes of the gate model. The main reason for the lack of discipline in network companies is conflict of interests and on the other hand the lack of accountability. The network companies are not profit and loss responsible and have high incentives to be as responsive to the customers as possible. As stated by the interviewees, they are being measured based on sales volume and direct customer feedback. The employees in the networks have a set of key performance indicators (KPI) related to reporting and risk control but these indicators are not always being measured. Hence, there is discipline and accountability related challenges in the network organizations. The local companies are also the least integrated part of the case company.

> *Our network company has more "functions" in the organization –for*
> *example offers are prepared by us. Not necessarily the people in other*
> *locations even know what they are doing here.*

The network sales personnel have taken power from the segments by deciding not to share all information they have but instead are making decisions on their own. All in all, the network companies would appreciate more independence regarding decision-making to be able to serve the as flexibly as possible.

> *The most important phase in the sales is the "plan sales". Typically the*
> *first contact from the network that the segment gets is the RFQ (request*

for quotation). At this point we are already in the tailored offer phase. Then we can righteously ask whether there has been good sales activities done before that or not because we have no knowledge of the actions taken by the network sales

The network sales representatives in local companies also fear that in some cultures it is a sign of weakness if the salesmen have to ask for approval from management. An example is the markets in Middle East.

> *The sales guys are sometimes forced to take a time-out and retreat from the negotiations for approval from upper-management. The momentum is lost and the deal jeopardized.*

The following quote from an interview illustrates the attitude towards the gate model in the network companies:

> *It is a tool for everybody else but sales [about the gate model]. And because it is not helping sales, it is not be used by sales either. We have no sales process in our company. What we have is an offering process. It is based on simple product selling, not on system selling. And the way we actually sell is very different from the gate model and the related procedures. That makes people feel that the gate model is there just to be ticked of. It is not something that helps us.*

The Lack of Discipline Related to the Gate Model is a Challenge

Based on the interviews, three main reasons can be identified causing discontent and lack of discipline regarding the gate model.

1. First of all, the model according to the interviewees does not support operative sales causing frustration.
2. Secondly, the model is not thoroughly implemented and the usage of it is not being monitored.

3. Thirdly, the gate model is perceived as too complex and rigid causing role ambiguity related lack of discipline and accountability.

The Model Does Not Support Proactive Sales

Therefore, there are ongoing development projects concerning improvements in the sales process. The following account from a director from the sales organization illustrates the sales-related challenges regarding the gate model.

> *To make it clear, it is a good process as such (the gate model), but it does not give help to our salespeople on what needs to be done, how to perform the sales. That is why we are actually working to redefine our sales process.*

Another director, colleague of the previous account, agrees and simplifies the message by stating that the gate model in fact is not a sales process at all. The consensus among the sales personnel is that the model is not fully supporting their efforts.

> *The gate model is good for controlling but not a sales process.*

The challenges with discipline regarding the model are to some extent easily understood as the first and foremost goal of the salesmen is to sell and the gate model is not entirely supporting proactive sales. A representative of the sales engineering function elaborates that the gate model serves as an order to delivery process helping the company and salespersons from the point that the customer has already sent a request for quotation.

> *The gate model does not support proactive sales efforts. It is not a sales process but an order to delivery process. The tools and trainings have all been focusing on reactive sales so far. The gate model is not supporting proactive sales. All the tools and guidelines we have at the moment concentrate on the actions after receiving the RFQ's. The actual sales process is totally missing.*

According to a sales manager, to be successful in the highly competitive business of the case corporation it is simply not enough to wait for orders but the proactive sales is of crucial importance.

> *The gate model is useless in supporting sales negotiations. We need to have a more proactive sales approach. Much more work has to be done upfront than is being done at the moment.*

Almost all of the interviewees from the sales organization (16 in total) stated that the company needs more proactive sales process and moreover support for systems and service selling. The following account from a sales manager illustrates an important aspect, which is selling systems and solutions, not only mere products.

> *Gate model is not a sales process. Moreover, the gate model requires the same process for all of the projects making product selling too complicated and it does not support systems selling. A more proactive sales approach is needed.*

The Model is not Thoroughly Implemented

The second reported challenge regarding the gate model is that the model is not thoroughly implemented and the following of the model is not monitored. The following quote from an interviewee describes the situation in local companies as challenging. The implementation of the gate model has not succeeded, as there is a lack of monitoring in the network companies. The goals and targets are not being monitored and therefore the steering with the performance indicators is impossible.

> *We need to revise our goals & KPI's and the targets must be also monitored in order to succeed. We are never going to have enough people in segments to monitor the salesmen and at the same time be experts in segment sales. Nobody has the energy and competence to force the network sales operate as we have designed with the systems, tools and monitoring we have today. There is also a clear lack of monitoring.*

A comment from network sales reveals that the problem is common knowledge. It is easy to decide not to follow the agreed processes, as the obedience is not being monitored.

> *There are no rules or discipline: we can always come up with excuse not to take care of the project and blame on something or somebody else.*

As reported by the interviewees, training is one alternative to increase obedience. Although the model as such is logical it is also extensive and requires a lot of training. In accordance with nearly all of the interviewees from top management to the lower-level employees, the case company offers extensive training opportunities for all employees. However the training resources are not always targeted as they could be. According to the interviewees some new tools and processes are being introduced without necessary introduction and training. From their point of view, there is a need for more training regarding the basic processes, and after the initial training continuous support is required. The follow-up would secure that the new core tool or process is really being implemented to the day-to-day work. Some of the interviewees state that there is a need for internal benchmarking as the other industry-focused division of the case company is already doing more when it comes to training and measuring the use of the critical business processes. An account from a manager in project management illustrates the reported challenges:

> *We need more follow-up and training (context: the gate model). We are not following up or measuring how we implement new tools and processes. Here we have a lot to learn from our other industry-focused division. In the other division they measure and support the use of new tools and following the processes. We are unable implement new tools based on email instructions. Too often when we are implementing something there just comes an email saying that this directive has changed or there is that kind of new tool, please act accordingly. Besides training this is also a question of lack of discipline.*

The case division has been growing substantially through acquisitions in the previous years and there have been some challenges in introducing the gate model throughout the organization. On the other hand in some units there has been streamlining and downsizing. The challenge is not only in local companies but also throughout the organization. There is typically some resistance towards the model as it while ensuring quality and control also adds costs in terms of more extensive reporting and follow-up. The implementation of the gate model business process started in 2009 and is now in place in all group companies. Many of the interviewed employees however criticize that the implementation has been too slow and still some parts of the organization are not following the agreed processes.

The Model is Perceived as Too Rigid and Complex

The employees do not always see the value of the business model a) for themselves b) for their team/unit c) for the company. The employees of the case company are having a hard time understanding the roles and responsibilities causing a lack of accountability. These challenges are illustrated in the following account from manager level employee:

> *There is a need to adjust the gate model by simplifying it. But most of all it is a question of discipline –not following the gates, milestones and guidelines. Even the most punctual colleagues give up following the directives time to time. The problem is that every phase comes with 17 pages manual and directives. We need more follow-up and training. We are not following up or measuring how we implement new tools and processes. Here we have a lot to learn from our sister division. There they measure and support the use of new tools and following the processes. We are unable implement new tools based on email instructions. Too often when we are implementing something there just comes an email saying that this directive has changed or there is that kind of new tool, please act accordingly.*

The complexity of the model causes lack of understanding and therefore lack of discipline related to the way of working. Many of the employees have a hard time recognizing what actually are their responsibilities and what are they accountable of.

The confusion is even more evident if the employees are asked about the responsibilities of the colleagues from other functions they are co-operating with. All in all, the complexity of the gate model is seen as contemporary challenge in the case organization. An account from a representative of sales engineering illustrates the frustration:

> *The gate model is designed according to the thoughts of quality and operational development, upper management, and according to the Dutch micro-management. This is useless. You should not feed this amount of material the shape process developed to anyone. There will be saturation even with much less materials. I am a process guy in heart and soul but this much complexity is just not working. The consultants, the management and the Dutch created the shape (development program to renew the business process) too complex.*

The interviewees almost unanimously agree that a shared business process is necessary and certainly adding value to the company by ensuring quality and risk control and by also unifying the ways of working. However, as mentioned before, there are several challenges. An account from an employee in the project management function opens up this thought:

> *I am not sure how much we are following the gate model, I heard that one of my colleagues said that they always follow it by 100% -that is absolutely not true. We follow 100% approximately 30% of it. For the first 1-6 months our company provides the customers nothing but paper and so if we want to be a world-class reliable on-time company we have to take care of proper documentation. We are definitely not following the gate model at the moment but consciously streamlining the process not to waste resources on projects that unlikely will be won.*

According to the interviewees, the best part of the gate model is the boost in efficiency by following the agreed best practices throughout the company. The model and the related tools and processes ensure that even the employees with less experience are able to manage the projects according to the high standards set by the customers, stakeholders and the company. The model provides a checklist that needs to be filled during every project.

> *The gate model is project management for dummies (in a positive way). It guarantees mechanically that we follow the certain good practices even though the own know-how in project management would be insufficient. The gate model is a consensus decision (way of working agreed together).*

To summarize the chapter main reasons for lack of discipline are presented once again. Firstly, model is not supporting operative sales as promised. Secondly, it can also be argued that the implementation of the gate model is not completely finished as not all the promised tools were completed and introduced on time. Some of the business tools designed have still not been introduced causing frustration. Thirdly, the model is being perceived as too complex and rigid. In the words of the top-management of the company, the lack of discipline causes financial, operational and reputational risks and inefficiencies. These challenges can be, at least partially, improved by continuous training and iteration of the gate model. The case company needs to take action to improve. Initiatives have been made and some development projects have already started.

Training the Gate Model is a Continuous Process

The implementation of the gate model is a continuous activity. The new recruits have to be trained and also experienced employees need repetition. Also whenever a new tool or process is being introduced or an old one changed, there is a need for training. However as addressed in the previous chapter the lack of discipline is caused not only by lack of skills or understanding but also due to resistance and negligence. Training helps to acquire skills and know-how and to create a shared understanding among the

employees. It is important that individuals understand why it is important to follow the guidelines of the gate model.

In the opinion of the interviewees, there is need for regular feedback and repetitive training to secure the company way of working. Training is clearly an integrative part of the corporate culture in the case company. The discussions with the employees revealed that the trainings are respected and perceived as necessary. The fact that the trainings were often demanded and there was high consciousness of training possibilities also indicated a culture of continuous learning. Also monitoring is needed to make sure that guidelines are being followed.

Feedback and Monitoring

Based on the interviews it is evident that there is some negligence towards the gate model in the organization. Obedience in the organization needs to be improved. Although understanding and sharing the goals and values of the organization form the basis for discipline also monitoring and feedback are of key importance. Incentives and feedback are needed for individual development. Feedback is also an important part of the dialogue between the employee and the manager. The gate model includes regular feedback sessions and evaluations yet they are according to the interviewees not always enforced. The lack of feedback and monitoring in the long run leads to lack of discipline. What gets measured gets done.

The following account from an interviewee describes the lack of personal feedback in his team causing lack of discipline regarding the gate model:

> *There are quarterly feedback meetings but no personal feedback.*
> *Without personal responsibility –there is not responsibility.*

As explained before the gate model has also feedback loops in place and the company encourages managers to give feedback to the employees. However, the interviews revealed also shortcomings regarding feedback.

I do not know whether there are feedback loops in place or not. Not at least for us. I do sometimes give feedback myself but it is not systematic.

The group of 26 interviewees stated that there is a need for increased feedback in the case organization. As a group the employees felt that there is generally too little feedback regarding decision-making and the projects as a whole. According to a manager in sales engineering, less feedback is given in the case company than before. The feedback would be useful for increasing commitment to the gate model and agreed processes.

There is less feedback than there was before. Less feedback about projects, less feedback in general. There is not enough feedback and this certainly can be improved!

The following account from an employee in support function reveals that there sometimes is lack of feedback resulting in low accountability. Mistakes should always be discussed to enable improvement.

The salesmen should be included in to the feedback loop - now they might never feel accountable for their mistakes.

The following account from a manager from project management organization reveals that there is still implementation and training to be done to fully utilize the potential of the gate model as although the gate model has an official feedback loops the feedback practice is not being enforced.

We need official channel for feedback. We get feedback very slowly and not enough. And when we get it –it is not always dealt with professionally. It may take two years that we get feedback over a given project. Often the feedback is given too late when the project is already finished and the feedback is mainly given trough the salesmen that is responsible of the project. It might be wise that there would be official feedback loops in place and a process for feedback to be able to follow-

up what kind of feedback has been given, how it was handled and did it have an effect.

Summary Regarding Challenges of the Gate Model

1. Lack of discipline regarding the model causes a variety of challenges and risks
   - First of all, the model according to the interviewees does not support operative sales causing frustration.
   - Secondly, the model is not thoroughly implemented and the usage of it is not being monitored.
   - Thirdly, the gate model is perceived as too complex and rigid causing role ambiguity related lack of discipline and accountability.
2. Lack of feedback and monitoring regarding following the gate model
   - There is resistance to the model also due to conflicts of interests and misalignment of goals
   - Lack of understanding of value of the gate model due to insufficient training

Many employees seem to have challenges in seeing the big picture and causalities, not understanding the own role as part of the whole and the value of the gate model. The employees have lack of motivation related to following the gate model due to not seeing the value of the model for itself, for colleagues or for the company. Training, monitoring and feedback can help many of the challenges. However, the model has also weaknesses that need to be fixed. These challenges are affecting operational and strategic decision-making in the organization. The business process of the company has great development potential.

All in all, lack of discipline creates a vicious circle. When some people are neglecting the agreed processes and tools they stop functioning as they are designed to discouraging others as well. Therefore, it is of key importance to address the discipline related challenges in the organization. In the next chapter the challenges related to the operational decision-making in the case organization are described in more detail.

4.2.2 Operational Decision-Making

As mentioned in the chapter above there are several challenges related to the gate model and to operational decision-making in the case organization. According to the interviewees, the challenges regarding operational decision-making in the company can be divided into two categories:

1. Challenges related to processes, practices and ways of working
   o Bureaucracy
   o Maverick behavior and incentives
   o Lack of communications
2. Challenges related to systems and tools
   o CRM system
   o Resource management tool
   o Budgetary offering tool

There has been streamlining and restructuring going on in the company during the recent years. Some of the units have a lot less employees and much higher demands for efficiency than before. At the same time the company has acquired some of its competitors. According to the interviewees these major changes along with a new business process have certainly strengthened the company. Most of the 26 interviewees agree that the company is really striving for excellence and has very good chances of continuing to be successful in the future. Yet key challenges remain.

During the rounds of downsizing the management of companies often tends to forget that the success of the transformation and the viability of the small, empowered units depends on the ability to leverage big organizations support function resources. The efficiency of these lean units depends on the horizontal support. The gate model is designed to facilitate cross-functional co-operation. However, according to the interviewees horizontal and even vertical support is often lacking in the case organization. In other words the company is to an extent failing to leverage the resources it has. As mentioned in the previous chapters, the implementation of the new business process, the gate model, has not been completely successful and therefore

especially the sales organization is failing to follow the agreed processes. The following account from an interviewee from business control function sums up the challenges:

> *Two years ago we defined the processes for sales. The salesmen, however, are not following those processes*

Bureaucracy as a Barrier to Efficiency and Customer Responsiveness

Managing a multinational corporation is a challenging task. The different social subgroups, the difficulties in aligning goals the role ambiguity and other typical challenges are also present in the sales organizations. The operational decision-making deserves to be observed more closely. Some challenges are merely sales specific namely for example the pressures to increase customer orientation by empowering the sales organization to participate in to the product and service development and decision-making. The local companies and the network salesmen closest to the customers would like to have more decision-making power to steer the corporation to be more locally responsive towards customers.

> *We need to focus our work more towards customer work – not to internal operations – also the tools need to support the customer work. Everything we do should be efficient. Improving quality is also prerequisite. We need also understanding regarding the bigger entities. We need to have the possibility to work on projects before we have a contract. Today it is a little bit too rigid in our ERP-system.*

Potentially the local companies are the units capable of developing entrepreneurial drive to the organization. However, the network companies are the least disciplined part of the case company. To increase customer orientation the sales organization especially in the local companies sometimes ends up in conflicts with the company code of conduct. This is evident in the operational decision-making as well. According to the employees, the company needs to aim for balance between centralized control and entrepreneurial drive. The following commentary from network sales illustrates the lack of discipline:

We have different point of view to the issue of for example documentation. I end up in conflicts with our internal procedures. The customers will not approve all our guidelines business control, contract management and segment sales require.

The sales personnel are struggling with bureaucracy set to improve quality and control. All in all, the growth of the company has required building bureaucracy to increase quality and control in operations. The increased control has however partially affected the efficiency of the organization and motivation of the employees.

We need to be fast and responsive towards customer. Now we have too much bureaucracy. And the empowerment of the sales people should be improvement: Power of attorney is bullshit since we have no real power. We do not have real possibilities to influence.

The empowering of sales needs to go deeper than only sales-related decision-making. The network sales should be encouraged to take initiatives and to seek to follow the company strategy. Now the network sales often stick to what they know best. As the company strategy states, the biggest value is created by offering lifetime solutions and services not only one-off transactions as the business has traditionally been. Yet at the moment the networks sales have too little incentives to seek to develop and improve. Bureaucracy and decision-making related reporting challenges makes it easier for the network sales to give up developing new ways of working. Therefore, they stick to the old ways of working compromising the corporate strategy.

Sometimes we give up the new projects due to reluctance to improve. This is really bad.

A possible solution would be to integrate the local companies and network sales to segment sales and create a new entity with less bureaucracy shorter power-distance. The segment sales have not enough resources to truly monitor the network sales. A network sales manager proposed this solution to improve accountability in the network sales.

Network and segment sales should be one entity. It is impossible for the segment to control network sales with the current personnel. There must be accountability and follow-up inside the networks. The busy management cannot do monitoring and target setting. With years of experience the networks have been able to acquire the know how to master the target setting themselves. The network remunerates itself by staying independent.

Bureaucracy and matrix structure in theory are beneficial to the company enabling leveraging the resources while staying relatively small and task oriented. In an organization with thousands of employees the coordination of the workforce is however never easy. The challenges related to operational decision-making and bureaucracies within the organization are also communications related. According to an experienced network sales manager, co-operation with sales and project management is one of the key issues to improve responsiveness of the organization.

To improve we need established and continuous communications with the project management. Increasing co-operation between sales and project management would be a quick fix to improve our customer responsiveness. In fact there are some individual project managers co-operating actively with sales. We could measure how these project managers and their projects succeed compared to the others.

It is not only customer responsiveness that is affected by the lack of flexibility and sufficient communications. The complex matrix structure and lack of communications in the case company are harming the efficiency also when it comes to operational development. Whereas bureaucracy adds control and quality, it makes the company slower to respond. As a segment sales manager pointed out, it takes time to introduce changes making the company sometimes fall behind in development.

We need more slack, more space to maneuver in business sales: business control and contract management and legal are keeping us in

very tight leash and they are one year behind to the market. The
procedures are already late when they are introduced.

The interviewees, especially the salesmen felt that too much time is spent on bureaucracy instead of productive work. For example development discussions are perceived as too complicated. An account from an experienced representative of network sales illustrates these challenges:

It is important to have the development discussions honestly and
without too much bureaucracy. Now they are maybe a little bit too
formal and sometimes too embarrassing. It is too much. At least a
couple of times a year we should have the mobile phones and other
communicators switched off and the time reserved for honest and open
discussions about personal feelings and how to improve, what are the
problems and main challenges. Nowadays it is very difficult to have
even an hour dedicated to work like that.

Maverick Behavior and Incentives

At the moment maverick behavior is a challenge especially in the network companies. Maverick behavior is especially well illustrated by employees of the network companies that are not following the gate model business process but old ways of working. In this thesis maverick behavior is defined as lack of obedience regarding new ways of working, processes and systems while sticking to the old ways of working. According to the top management of the company, the maverick behavior may potentially increase financial, operative and legal risks and liabilities of the corporation. A value of a single deal may be in tens or even in hundreds of millions euro. In theory the importance of standardized ways of working, procedures, quality control, checkpoints and guidelines are clear. However, in practice the value of the guidelines are questioned by the interviewees. Many employees prefer to stick to the old ways of working prior to the gate model implementation. There is clearly lack of incentives to change the ways of working.

An account from a segment sales manager addresses this issue:

> *When you become a manager with subordinates you will drown in procedures. For example when conducting development discussions the most time is spent on SAP making sure that we are following the right procedures and that we document the discussions the right way. The least time and effort is spent in the actual discussions. Then I ask myself: why do we have these systems? Are they here to help me or to harm my work?*

One of the key reasons for maverick behavior and not following the gates, processes and milestones of the gate model is not seeing the value of these quality-ensuring checkpoints and systematic shared ways of working. And there are also different perspectives to the value discussion, as reasons include not seeing the value for itself, not seeing the value for the colleagues and thirdly and most importantly not seeing the value for the company. The following account from the sales engineering function illustrates the challenges regarding the priority setting. According to many interviewees, the model is too complex resulting in lack of discipline.

> *We have no systematic way of setting the priority order of the projects. This leads to the fact that the networks often shout to us directly bypassing the segments. The segments on the other hand would like us to be designing the solutions for them when they need us. At the moment nobody is giving us the priorities and we serve the ones shouting the loudest.*

Many of the interviewees were addressing the problem that the gate model is not supporting operative sales. As mentioned before it is largely a question of not seeing the value in the processes. There are some tools lacking that were promised. The processes are requiring more effort from the sales organization than before when it comes to risk management and documentation. More time needs to be spent on back-office activities than before. However, while adding costs these processes are also adding value to the company. It is a question of training and communications to help the employees to see

the value in the processes. The interviewees who have had more training and have wider understanding of the business were more favorable towards the quality and control ensuring processes of the gate model.

> *I think most of the people will hardly see any value in the shape process. It is pre-categorization, it is final categorization, it is all these tick boxes. I mean at the end of the day it is a lot of things for reporting and controlling purposes. For quality purpose of the process it is good. But this is not at all improving anything for sales."*

Challenges regarding maverick behavior are however not only about gate model not supporting operational decision-making and sales. One of the root causes for sticking to old practices are incentives. An example: the salesmen are being measured based on volume and margin of deals and additionally according to customer relationships online. Therefore, the salesmen are seeking to excel on these indicators. Moreover, it is generally typical for sales to concentrate on making deals. Selling is unquestionably in the core of sales functions targets. Still the way of selling is also of importance.

The organization has a challenge to convert the sales organization from product selling to systems selling. The approach requires also incentives as the following commentary from a segment sales manager reveals:

> *Why would you add opportunities to CRM with low closing possibilities? Since if you would insert all the low probability opportunities as well your hit rate would suffer and you might look bad in front of the management. If you are a former product specialist and you are good at closing product sales deals, you may not always be willing to document the systems selling opportunities as eagerly as you are not able to convert those opportunities into deals.*

The salesmen need to be supported also with incentives to change their behavior towards systems selling. The change will not happen without incentives and proper

training. The company has for years organized trainings and workshops to increase know-how and skills in solutions selling. The training is prerequisite for successful change. No question about that. What is more, the company has introduced new processes and is constantly improving systems and processes to be able to serve its customers in best possible ways. The salesmen are part of this change and incentives are required to be successful. Succeeding in transformation is however not easy. The new solutions selling approach faces resistance, as not all salespeople are ready to change. An account from a representative of sales engineering addresses this matter:

> *If we are seeking to exceed ourselves by for example pushing the systems selling and getting out of our comfort zone, we are going to get a flow of negative feedback. It is just easier to stop trying and do what you know best, which in many case is simple product selling. At the moment our organization is encouraging to straightforward product selling and to keeping projects simple.*

About Communications and Decision-Making

In a multinational organization it is crucial to make sure that information flows and that decisions are being made with the best available information. Giving the employees the possibility to contribute increases motivation and commitment. It is important having personnel from different levels of organization participating in the decision-making. Participating in decision-making safeguards that information flows inside the organization and enables efficient decision-making.

Communications is also the key of seeing the value of systematic processes, practices and guidelines. A shared understanding between the different functions and units within the organization is the key for pursuing aligned goals. To establish a shared understanding there is a call for face-to-face meetings and personal encounters. However, in a multinational corporation it is important to have suitable tools and systems in place as well. Both face-to-face and other means of communications are needed.

In the case company there are highly advanced tools and systems for information transfer. Also the gate model has helped to improve communications within the company by unifying communications processes and tools and templates. The top management of the corporation is constantly addressing the need for sufficient and timely communications; hence, the company has invested significantly to the related tools, systems and processes. The company is investing to development of lean, fit for purpose processes and tools. However, the use of these tools, systems and processes is not always sufficient. The following account from an experienced professional in the project management organization addresses the need for monitoring the follow-up of the gate model to ensure the minimum level of communications:

> *If we wish to follow gate model we need to start monitoring the minimum level communications and information transfer described in the model. Less communication is worse result for the company. If the sales do not want to follow the communications guidelines the whole project will suffer. The communication needs to be done. There is no option. There are unlimited ways of communicating info. If we do not have agreed processes how to communicate the info forward it will lower the quality of the communications, as people tend to communicate and interpret in different ways if it is not controlled. The company has people in many different locations and people from different cultures. We need to agree what means of communications we use in each phase of the processes. We have a lot of tools for communications but the big picture and integration of the tools is missing to some extent.*

Sometimes not communicating is about making a choice to keep the power to oneself. For example network sales representatives time to time decide not to communicate opportunities to segment sales or to document the opportunities to CRM in order to increase ones decision-making power. If for example an opportunity is not seen as lucrative to oneself a network sales representative may decide not to take the project forward even though the project would be potential and valuable for the company. This phenomenon can be called decision-making under the radar. The decision not to share

information can be based on protecting ones own interests. For example mistakes can be hidden from others by not communicating them forward. An experienced network sales manager gave a prime example of the importance of sufficient and correct cross-functional communications:

> *Example from our customer that had just received an order for two projects: We had agreed an appointment with the management to introduce our offering. We were there to sell. We were there to promote our scope. We had even the papers ready. However, the management of that customer said that we are not going to touch this new project before we have cleared the difficulties in the old projects. We have still ongoing issues. We have these new projects but before we continue with you to the new orders the old ones must be cleared. With this customer there has been deviations and delays for years from our company's side. After this has been solved we are ready to negotiate the possible new deals. "We do not want to go through these delays and problems with your organization again." Project management is often reluctant to share this info with sales to avoid not looking bad. Our sales team had no knowledge of these execution related problems with that customer. This is yet another example of failed co-operation with project management.*

Another form of communications related destructive behavior is the spreading of misleading, false or incomplete information. An experienced professional from project management has recognized this phenomena:

> *We are not (always) honest about estimates and costs - we consciously understate costs to make important projects more lucrative.*

According to the interviewees, a good way of enforcing sufficient communications in the organization is to develop systems and tools to support vital communications related practices, guidelines and ways of working. In the case company the CRM system is one of the key tools.

Feedback on Operational Decision-Making

A communications related challenge regarding operational decision-making is the lack of feedback the salesmen receive. In a large multinational matrix organization giving personal feedback is a challenge. There is often geographical and cultural distance between the people and it is impossible to personally know all the employees. Moreover, the projects of the case company tend to be long and the responsible team changes during the project. Due to these challenges there is a need for systematic process for giving feedback regarding projects. Systematic and comprehensive feedback would help steer the operations to the right direction. Mistakes can be repeated if they are not revealed. Feedback enables learning.

> *We should look the projects gone badly and also the projects that are well executed. If we want to increase our hit rate and if we want to maximize our overall profit we need to start monitoring the sales in a more comprehensive way. Now we are monitoring on net sales and margin based on the situation at the contract signing. This measuring does not however include the total profitability of the project after execution. Now the individual salesmen are willing to close any deals as low probability for them is better than no-go.*

At the moment even dealing with customer feedback is according to the interviewees occasionally lacking. Although clearly defined in company guidelines, in practice it is not clear who should deal with the customer feedback. An account from a representative of the quality function :

> *Customer feedback handling is a weakness for our company. Responsibilities are unclear in general.*

Responding and dealing with customer feedback is crucial. From development perspective dealing with internal feedback is similarly crucial. Mistakes can only be avoided if they are known. According to the interviewees, dealing with internal feedback in the sales organization is not professionally organized. A commentary from the legal function goes to the point:

> *The salesmen sometimes never get to know if they have made mistakes*
> *in e.g. documentation resulting in claims.*

According to interviewees from the sales organization the salesmen recognize this challenge and would like to get more feedback. According to a segment sales manager, the feedback would help to improve ways of working enabling deeper understanding of the possible challenges during the initiation and planning phases of the project.

> *Personally I have never been in a discussion where we could have seen*
> *how correct our calculations were. There should be segment sales and*
> *sales engineering involved. We should get the feedback on how we did*
> *with the calculations after the project.*

Challenges with the CRM System and Other Business Tools

It is important to make sure that the employees use the tools systematically and consistently to gain the maximum benefit out of the business systems. Tools and systems are means for cultivating, storing and communicating information and ideas. The tools are communications related by nature hence negligence of some users leads to lower value for the other users as well. Key activity is to train the users to use the systems and tools correctly. Failing to activate all the employees provides incentives for others to quit using the systems as well. The CRM-system, the offering tools, ERP system, and production-planning tools in fact all got substantial share of critique.

The CRM System is not Systematically Used

The CRM system is in the core of sales related communications. The case company is using a state-of-the-art CRM system, capable of providing solutions to sophisticated customer relationship management. The system is one of the most used in the world and enables almost endless company specific adaptation possibilities with ease. Almost every interviewee agreed that the CRM system and the basic functions are brilliant. The problem is that the case company not fully and systematically utilizes the CRM system. Moreover, many interviewees claimed that the system is used unsuitably. Additionally there were claims that the current CRM setup is too complicated. The negligence of

some employees leads to a vicious circle. When some employees neglect the use the CRM systems it stops functioning as it was designed discouraging others as well. Enforcing the use of a system that is not working as it is supposed to may not be wise or successful.

> *CRM is a good thing to have in my opinion but the system is, how to say, growing. More and more functions are being added and to be very frank I am not following all of them. Because there are these CRM developments and periodically every third or fourth months we have a new feature added. These corrections, these new updates are not enforced I don't know why. The system is not working as expected, as the quality of the information is not good enough. I don't have an answer how to fix the CRM... (...) Maybe this is not the best way of transferring information but hiding is also a bad thing. The quality of the system depends on the quality of the data.*

One of the reasons stated for not using the system was that the system is claimed to be ill designed/adapted for the purpose it is being used at the moment. A large share of the CRM related critique is related to the unsystematic use of the system. It is understandable that the CRM system and the way it is used was criticized as 16 out of the 26 interviewees were from the sales function where the CRM is the main tool. The users of the CRM system are as a group not very satisfied with the way the system is being used at the moment. A commentary from a segment sales manager:

> *CRM is ridiculous. I think nobody is using it (as employees are supposed to use it). We have a really, really, really poor discipline when it comes to reporting. I don't think anybody puts any reports to CRM and if they do –how to get them out? If you cannot get them out what are they going to help? Reporting wise it is extremely poor program. Reporting should be improved and we should start considering connecting the bonuses to reporting – I don't know how but we should consider this. Then we would know how many meetings everybody is having each year and what they are doing there. If you do not demand reports, you are not going to get them. I am really sloppy*

on them myself, I am no better than anybody else and if I don't get any feedback on any reports I am making, I stop doing them. I stop writing reports not feeling guilty at all.

The CRM system is designed to work as supporting tool for sales and to help in sales related operative decision-making the employees of the case organization. The common opinion is that the system is not being used as it was designed and the main reasons for the lack of use are the following: 1) lack of discipline due to not seeing the value in the system 2) insufficient of training & know-how 3) lack of time and compatibility issues. The salesmen state that other personnel from non-sales perspective designed the system to fit their own needs. However, part of this critique about compatibility is related to not knowing how to utilize the system.

> *The focus is lost. Wrong people were designing it. Sales were not involved very much. Also the data quality is poor (because salesmen are not using it).*

Discipline Challenges in Using the CRM System

There are significant discipline related challenges when it comes to CRM. The value of the whole system deteriorates if it is not systematically used. There are multiple reasons for the sales personnel for not being disciplined regarding the use of CRM.

> *The CRM tool is very good but the way of working with it can and must be improved. There should be discipline to fill the information to the CRM system in a right way and to keep it updated.*

> *When I asked a sales director why are the networks not using the CRM he replied that it is impossible to get the salesmen to use it as it is today. And this is the main business application for sales! Basically what we have is an order intake tool – not a sales supporting tool.*

There are numerous reasons the salesmen came up with when explaining why they are not using the CRM system as agreed in company processes. First and foremost is the lack of discipline, since there are no concessive reasons why the system could not be used. Unquestionably, there is a lot of room for development. According to this manager in sales engineering the biggest challenge is the lack of training:

> *Reasons for the lack of discipline regarding the CRM: the network sales have not been receiving training regarding the use of CRM. Some of the salesmen have never opened the CRM or does not even have user accounts to the system. For example in Germany there is a secretary doing the data input into the CRM. The secretary always sends the request for offer and the project number. Then for example in Singapore and Korea they say that they do not know what to do in CRM and ask for help. In fact also the segments have received only one round of training in 2008 or 2009 when the CRM was implemented. The lack of usage is also a question of discipline. Often the network salesmen do the data input according to de minimis -principle. Part of the salesmen does not even know what the minimum level is. There is lack of motivation since the salesmen do not think they benefit from using the system.*

Since there is no clear monitoring and feedback in place regarding the use of CRM the busy salesmen are giving the use of CRM a low priority.

Training and Know-How Regarding the CRM System

At its worst the lack of discipline and misuse leads to a situation where the quality of the data entered into the CRM system is very poor. The CRM system loses much of its value if the information inserted is not correct and sufficient. According to an interviewee from segment sales, the employees are unsecure in using the CRM. When people are unsecure it becomes even less attractive to use it in the first place. Therefore to make the use of CRM more appealing the employees must be well trained to use the system as it has been designed.

The CRM system as such is fine -it is just the way we are (not) using it. For example comprising visit reports is so difficult that nobody is doing them at the moment. It should be behind one button. It takes all too much time and effort. Nobody anymore remembers how to do it and nobody really does it. There should be a revision training by sales teams so that there would be sales engineering, network sales and segment sales together to see how we could make all of our jobs easier. There should be also parallel project to simplify the use of CRM especially concerning the travel reports.

Although development is generally welcomed and asked for, there are also challenges related to constant development. The system is evolving and new features are being introduced to support the business of the company in the best possible way. Yet some interviewees felt that there is too much development and the salesmen are having hard time implementing the changes. Sufficient training is a good solution for also the less developed users. This is especially evident with the older co-workers.

CRM is too complex: new features are being introduced and the system is growing –there is a need for further training. The reason: too much development – every three or four months new feature is being introduced.

Incentives and Compatibility

It is not only that the CRM system is perceived as complex. As mentioned before the value of the system is largely dependent on the way the users utilize the system. Although the critique is abundant almost every interviewee agreed that the system as such is brilliant the problem according to the interviewees seems to be the ill-fitting setup that is being currently used. An account from a segment sales manager:

What I really wish is that we would have and updated CRM where the sales guy would be in charge. We hope that in sales we would have the control over that. The slot management, business control and the others have had too much influence in designing the CRM.

Partially the company is using the CRM-system to purposes not suitable for the system. An account from a sales director reveals that the focus in developing the system may have been too managerial concentrating on reporting whereas the system should be pragmatic sales supporting tool for the salesmen to utilize in their daily work.

> *Used as reporting tool (about the CRM system) when it should be sales supporting tool.*

The interviewees stated that the network sales employees are the least disciplined users of the CRM system. Not surprisingly, as the network sales in local companies were reported to be the least disciplined part of the organization as a whole. The network sales however have a key role in making the CRM system a useful business tool. Therefore, incentives must be created for the network sales employees to use the system. The situation is unacceptable as the following commentary from a sales manager illustrates:

> *The network sales are adding default quality information to the system by de minimis -principle. They maybe do not see the value of the system and therefore are not willing to invest time to CRM documentation.*

The CRM system at the moment is not the best possible tool for following the sales projects. The reason is the above-mentioned low quality of the data. Technically the system would be good for following sales projects it is just not fully utilized. Moreover, the adjustments made to the system are not fully supporting the needs of the salesmen. According to the interviewees, the front-page of the system, which is used for updates, does not provide enough sales related information.

> *Often we hear the first time of a project when we already tomorrow should meet with the customer. That is a terrible situation. It is also psychologically important to be able to prepare yourself beforehand.*

> *Here a shared communications tool would certainly help to see what is in the pipeline (about CRM).*

Resource Management Tool for Project Management

Managing and planning the use of resources are key activities in any company. Resource planning determines large share of the overall efficiency. As mentioned before, the case company is seeking to leverage resources of small task oriented units with cross-functional co-operation. The gate-model is largely based on cross-functional co-operation. However, there are challenges regarding the bureaucracy and resource planning. The units within the company are seeking to keep control of their "own" resources and keeping them idle rather than sharing with other units. Another issue is the lack of resource management system which would help to keep a track on the efficiency of units and moreover to help to see where the capacity is being tide and when. Especially the interviewees from project management organization were hoping for resource management tool. The following account from a manager in the project management organization describes the situation:

> *We badly need a resource management tool. We need to have dedicated, committed people within the project timeframe. In fact there is no resource management tool for me to know how long my project managers are tied up in projects or even to what projects these are! And another example is that we are having hard time measuring the costs of development work as they are embedded in the operations.*

Interconnectivity Between the Systems and New Tools

One of the greatest challenges regarding tools and systems in any multinational corporation is the lack of interconnectivity between overlapping systems. At the case company most of the employees are using several business tools simultaneously. Unfortunately not all the systems and tools are synchronized resulting in need for time consuming and frustrating duplicate data entry.

An account from a manager in the project management organization:

> *There is clearly a need for interconnectivity between the systems to get the*
> *data updated at the same time to each system.*

Also developing new tools is a challenge and possible cause for frustration. Although developing new tools is important and there is a clear need to constantly develop new tools and renew old ones it must be taken into account that tools are only beneficial when they serve the business. The value of tools may not always be clear for the users as the following commentary from a manager from project management organization reveals:

> *There is too fast development and too often new tools. It may be that*
> *sometimes they add more complexity and consume more time than*
> *bring value for our company. It may also be that the value is*
> *somewhere else than for the doers. But then that must be*
> *communicated to the doers and the doers must be also given enough*
> *resources to have the time to learn how to use and furthermore to use*
> *the tools.*

Budgetary Offering Tool

At the moment budgetary offering resulting from requests for quotations consumes a large share of the sales resources. The network sales do not want to refuse offers from the customers even though the probability for closing would be really low and the offer is known to be a mere price reference. It is however important to answer customer requests to keep the relations as close as possible. Budgetary offering tool would help the organization to increase the independence of the network companies while keeping control over the terms of the offers. The tool would potentially also increase customer responsiveness.

> *Budgetary offering tool is required. We should not refuse offers, even if*
> *we knew that this is just a price check but we should have a tool*
> *enables us to answer the RFQ's in a way that satisfies the customer and*

which does not result us in lacking manpower. Hit rate is very low on new project sales. Many times when the project starts, there are twenty or even thirty opportunities running in many countries and it is hard to know if it is a real project or not. When I was working for a shipyard only one out of twenty projects became a real project.

The main challenge is that at the moment when following the processes of the gate model the budgetary offering takes the same time as any normal sales project.

We need a huge load of information even for budgetary pricing and therefore we are slow to answer offer requests. The heavy routines are not needed but our system is expecting complete customer information. To tackle this issue our network sales have their own "default excels" for budgetary pricing hidden in their files...

The budgetary offering tool would certainly help to increase efficiency in sales. Another issue related to the budgetary offering is whether a customer or a project really is aligned with the corporate strategy. In the gate model there is a gate called strategic compliance check (introduced in the chapter 4.2.1) during which the strategic compliance of any given sales project should be evaluated. However, as brought up earlier the strategic compliance check is not really a decision-making checkpoint as the decision to quote has been made already earlier by network sales.

After the network sales have made the decision to quote the information they forward to segment sales and sales engineering is often incomplete. The reason for incomplete information is often at least partially that the customer has not yet specified their needs but is looking for offers to get rough estimate about the price of the scope. The following commentary from a representative of sales engineering describes the frustration regarding the incomplete information. In addition to frustration the wrong or missing information also adds costs as the organization is forced to use resources to finding the missing data.

The enquiries from network sales are often with insufficient and even wrong information. We have to do extra work to get the offers ready.

We have to find out the details ourselves. We have to investigate and ask questions before we can start our own work. Enquiries from network sales are often unclear and we have to put in a lot of effort to get the right information. (…) We need to set priorities.

There is a need to set priorities to sales projects as the interviewee in the previous account stated. That is however difficult without good knowledge of the opportunities around. Hence, documentation to the CRM system is of key importance. Without the information from the network sales the segment sales are having hard time setting priorities that especially the sales engineering is requesting. Currently, the projects are often dealt according to first-come first-served principle.

The segment sales should be clearly stating priorities: they not always take this role.

Summary on Operational Decision-Making

As stated in the beginning of the chapter the challenges regarding the operational-decision making brought up by the interviewees can be divided in two main categories. Many of the challenges could be improved by communications and training, as the lack of training and failing in communications seems to be a root cause for many of the problems. Also structural issues are hampering the performance of the organization.

1. Challenges related to processes, practices and ways of working
   - Bureaucracy is a challenge
     - o The employees are not feeling empowered
     - o Local responsiveness and accountability are lacking.
   - Maverick behavior and old ways of working are hard to change
     - o The interviewees are not always seeing the value in the processes of The gate model and systematic ways of working
     - o Incentives are lacking to change behavior

- Lack of communications
    - o There is unwillingness to share information
    - o Decision-making under the radar
    - o Decision-making without best available information

2. Challenges related to systems and tools
    - Systems and tools are causing discontent. Especially the use of CRM-system is causing frustration
        - o Failing to see the value of the system and lack of incentives
        - o Lack of discipline and motivation
        - o Misuse and noncompliance
        - o Lack of know-how and training
    - Resource management tool
        - o The tool is needed to ensure efficient use of resources
    - Budgetary offering tool
        - o The tool needs to be introduced to the whole sales organization to increase efficiency and customer responsiveness
        - o To decrease frustration
    - There is a need for interlinked connections between the partially overlapping tools

Although there are several reported challenges, it must be taken into account that the organization as such is very successful. The research is on purpose concentrated on finding the critical development potential by stating the biggest pain points and challenges in the organization.

In the next chapter the challenges in strategic decision-making are being discussed. Most of the challenges in operational-decision making described above are closely related to challenges in strategic decision-making.

4.2.3 Strategic Decision-Making

After rapid international growth and internal restructuring the company consists of several lean units in a matrix structure with centralized control. The company has a global presence and high demand for customer responsiveness. In order to succeed in the company must be able to leverage its resources by giving the small task-oriented units horizontal support. This requires high resource fluidity and well-organized co-operation within the corporation.

As brought up earlier, the company has adapted a new company wide business process during year 2009. The new business process has increased efficiency and introduced company-wide systematic processes. The new business process also sought to define more clear lines of responsibility to increase obedience and accountability. However, according to the interviewees the responsibilities are still relatively unclear and leveraging the resources of small units is sometimes difficult as the support from the organization is lacking. Moreover, the company-wide processes, practices and ways of working added rigidity and need for reporting. The increased hierarchy has caused some resistance as reported in the previous chapters.

However, as brought up in the chapter 4.2.1 the gate model has not been successfully implemented as it was planned. The following account from an interviewee from the legal function reveals challenges related to the implementation of the corporate strategy:

> *Strategy should be implemented, now it feels like we have a strategy*
> *and vision, but there are no concrete steps how to achieve our goals.*
> *The strategy has not been implemented.*

The old conception of sales organization as merely a part of the marketing mix controlled and designed by marketing department is increasingly dated. The old transactional role of the sales force is hindering the development of customer orientation in companies in general causing competitive disadvantage. This is according to the interviewees partially true also in the case organization. Hence, the increasing

competitive pressures have lead to the emergence of the strategic sales organization. This new role of sales organization is to participate in the strategy work of the organization by managing and leading the customer relationships, participating in to the new product and service development, organizational decision-making and to the cross-functional co-operation. The sales organization holds often a key role in understanding the customers and the markets forming significant part of the competitive advantage of the company trough enabling customer centric strategies.

In this chapter the challenges and biggest development potential related to strategic decision-making in the case company are discussed according to three themes brought up by the interviewees:

1. Challenges related to the structure of the organization
   - Accountability
   - Integration
   - Empowering the local units

2. Challenges related to co-operation principles
   - Between functions
   - Between divisions
   - Decision-making myopia

3. Challenges related to resource allocations and steering on performance
   - Resources in sales projects
   - Resource fluidity and sharing
   - Measuring the efficiency of use of resources

Structure

Executing the service-orientated strategy requires a structure that supports solution selling. As brought up earlier, the company has a matrix structure with geographical and product setup present at the same time. According to the interviewees, the current structure not always supports solutions selling but is more fit to product selling. The interviewees questioned whether the current structure really is best possible to pursue

the new strategic goals of the organization. Succeeding in the service transition strategy requires support for the sales personnel to change their ways of working.

Currently another structure related issue is the fact that the company has two different sales organizations. The network sales organization is taking care of the local presence and customer interfaces, and correspondingly the profit and loss responsible segment sales organization is taking care of customer strategies. The network sales would like to have more decision-making power, yet they are failing in accountability.

The current structure of the organization enables hiding behind the matrix, as responsibilities are partially unclear and monitoring regarding accountability is lacking. A commentary from a manager in sales engineering illustrates the practical challenges the current structure has caused.

> *Sometimes it is hard to find any responsible person that would "own" the sales project. I am always looking for a guy in segment sales to take lead and responsibility – sometimes that is missing and it may be hard to find any responsible person for the project.*

The interviewees brought up the issue of unnecessary complex structure as one root cause for decision-making related problems. Finding a responsible person is difficult if the persons do not know their responsibilities. The structure related challenges are evident also when it comes to making agreements with the customers. One interviewee suggested benchmarking with other divisions as they have less contracting entities. The following commentary from a sales director illustrates the issue:

> *There are 14-15 different contracting entities within our division. Sometimes contract entities are causing difficulties for customers: one cannot, for example, open an account for a certain customer by our local company in one country if it has already been opened by our office in another country.*

The complex structure has negative influence in accountability and responsiveness of the organization. Moreover, the matrix structure in the company has caused war on resources, which is discussed further in chapter dealing with challenges related to resource allocations.

> *The Matrix organization is overly complex for a business of our division's size. The reporting lines are unclear and people are having competing and conflicting objectives at the same time.*

Accountability

The overall consensus was that one of the main challenges of the current setup is the possibility to hide behind the matrix structure not taking responsibility over projects. Accountability challenges in the organization are according to the interviewees often related to the company structure. Overall the lack of personal responsibility is a major issue in the organization.

> *Many people hide behind the matrix and nobody is willing to take responsibility. They want the authority but not the responsibility and accountability. The authority, responsibility and accountability should go hand in hand.*

The interviewees proposed increased follow-up and training to make sure responsibilities are understood. Another suggested solution was to change the structure to improve accountability. An example was to adopt account management organization structure with clear responsibilities. According to interviewees in the sales organization, an important issue is to increase accountability in taking care of customer relationships. A commentary from a representative of network sales elaborates on this issue:

> *Personally, I would prefer account management organization. It might be good to have certain people taking the complete responsibility of each given account. This is my personal view of improving accountability that is now lacking.*

The structure was changed from line organization to a matrix organization. There is however employees who would appreciate the line structure over the matrix. An account from network sales:

> *Change matrix organization to line organization. It is difficult to get a matrix organization to work well. It is really hard to introduce discipline into a matrix organization. Now we are definitely lacking accountability.*

One of the main challenges in matrix structure is the dual reporting and responsibilities. Employees may have confusion of reporting lines and responsibilities as sometimes the goals of the two managers may be unclear or even conflicting. Furthermore, the complexity goes beyond product and geographical setting as the organization is in small silos causing war on resources. An account from segment sales manager illustrates typical challenges in the organization. According to him, reporting to two different divisions hamper the decision-making in the organization:

> *Dual responsibilities are causing lack of accountability and indecisiveness (in technology unit with reporting responsibilities to two different divisions)*

These to divisions have partially conflicting objectives resulting in challenges in for example product development, which is partially shared between two different divisions.

The troubles in the organization are manifested in the internal service as well. When a project starts, it may be difficult to people aboard if it is uninteresting from the employees perspective. Hiding behind the matrix enables neglecting unwanted assignments. An account from a network sales manager reports his concern:

> *I am astonished about service in our organization: I always have to ask twice even when I am talking with the right person responsible for the job. It is sometimes hard to get things done. My personal feeling is that*

we are too complicated organization and sometimes the roles and responsibilities are unclear. We fail at taking the responsibility.

It is clear that if responsibility is not taken and accountability of consequences is lacking also decision-making is affected and evidently slower than would be beneficial.

Decision-making is slow due to the fact that it is sometimes unclear who owns the issue.

The accountability is a challenge in every phase of the customer projects. Sometimes it concerns co-operation between different functions and divisions. Sometimes it is a question of sharing the responsibilities within a team among the nearest colleagues. However, in all cases it is a question of personal responsibilities. Responsibility and accountability have to be personal. The worst form of irresponsibility is the one that is reflected to the customers directly influencing the cash flows and reputation of the corporation. A manager in project management shares this distress about accountability:

Commitment and quality must be improved both in products and in engineering. We are promising more in terms of time and quality than we can deliver. It is understandable that we have to take risks, yet we should not take stupid risks, or not at least promise something we cannot deliver on time in purpose. It is not a question of mere sales and project management but the whole of the organization. Where is the commitment to the projects? The production says we dot have the time. Sales says we have to give promises to the customer and they appeal to the delivery times that were promised to them by "someone" yet they do not take the responsibility. Who is accountable?

One way of dealing with the accountability related issues is deeper co-operation and integration of different units and functions. Moreover, low-performing units deserve to be monitored more closely after initial trust has been broken. By aligning goals of the different parts of the organization and increasing co-operation by integration many of the problems brought up by the interviewees could be solved.

Integration

As mentioned earlier, co-operation between the different functions and groups within the organization is often a challenge. Especially the network sales organization is somewhat isolated from the rest of the organization. Moreover, the interviewees were wondering why the corporation has two separate sales organizations.

> *Our company has a dual sales strategy and I still do not totally understand why the segment and network are not more closely integrated.*

The performance of network organization is according to the company processes monitored by the segment sales directors. According to the interviewees, this is not working very well at the moment as the segment sales directors are overloaded with work. Due to limited resources the monitoring of the network sales is lacking at the moment. Given the current structure and tools it may be difficult to improve the follow-up of network organizations. A manager in sales engineering shares his views about the issue:

> *I do not understand why the segment organization and network organization are not more integrated? I think the business sales directors are overloaded and having too many people to take care of.*

Despite the clear difficulties there are also benefits to be gained from the networks structure. Having independent and empowered network companies help to establish locally responsive organization with deep customer relationships. However many of the interviewees were complaining about the lack of accountability in network companies at the same time addressing the importance of local knowledge. The solution could be higher integration to segment sales while keeping the network sales as separate organization with customer responsiveness as their primary goal. An account from a representative of network sales:

> *Local knowledge and know-how should be respected and valued. There should be more local expertise.*

There are clear benefits to be gained from local responsiveness. The responsiveness can be achieved by empowering the network organizations and by increasing co-operation between the functions to provide best possible and locally adaptive solutions and services. Therefore, closer integration to segment sales could in fact even improve customer responsiveness of the organization as the following account from network sales points out:

> *There should be deeper co-operation within the networks and the segment sales. The segment sales should be more involved locally to understand and respect the local needs. There are some guys in some of the networks that I know who are account managers in one segment, and I am responsible for that country and I have no clue for an entire year what they have done. And that is ridiculous. I have complained to the sales director responsible for that area half a year ago and nothing has changed.*

Integration would make also resource sharing easier. Today the company is too much silo focused resulting in fights over resources. Moreover, the efficiency suffers from too small units as sick leaves and unexpected demands for resources may paralyze the small units. An account from a segment sales manager:

> *Sales engineering should not be that segmented as it is today: we should make product teams; we are too deep in silos. When you get below critical mass of people the efficiency will go down. In each silo there is so little people that we are forming bottlenecks always when someone is absent, for example on a sick leave.*

The different functions and groups are time-to-time blaming each other instead of taking action themselves to improve ways of working. A more integrative approach would definitely help. There is evident willingness to deeper integration of network- and

segment sales. Therefore, the management of the company should take action to study this possibility further.

Empowering the Local Units

As brought up earlier responsiveness to the local customer needs is a key issue for the corporation. The customer interface needs to be able to swiftly respond to customer requests. The responsiveness can be helped with integration but also through empowering local units. According to the interviewees, achieving high-level of responsiveness requires taking the decision-making power closer to the customer. This is a shared opinion throughout the organization as the following account from a manager from contract management illustrates:

> *Too much of the decision-making power has been taken away from the sales personnel. Decision-making is all too bureaucratic and slow nowadays.*

Some of the network salesmen have taken the power conflicting with internal procedures to increase customer responsiveness. Decisions are made under the radar and company processes are neglected. One of the root causes is lack of monitoring but also the feeling of lacking power. The salesmen use workarounds to get things done bypassing the official processes. In that sense the local companies and network sales have even too much power according to the interviewees.

> *"The network guys have maybe even too much power to make decisions as they take the power by using their personal network to get things done. They use power under the radar. Sometimes they have too much power to decide over projects that never should have been made but are done due to personal interests of the network sales guy.*

There are several suggestions the interviewees made to improve the situation regarding the structure of the organization. The suggestions from interviewees included:

1. Deeper integration of the two sales organizations
2. Making the network companies profit and loss responsible
3. Introducing account management organization
4. Introducing line management
5. Introducing more strict control
6. Reducing the number of contracting entities

Challenges Related to Co-Operation

Co-operation is key for efficiency in any given matrix organization. Securing information flows and knowledge sharing is a great challenge for the top-management of the corporation. The small empowered and task-oriented units need to be able to seamlessly co-operate and share resources. Well-functioning horizontal support is a prerequisite for an efficient matrix organization. The challenges related to co-operation were brought up by many of the interviewees.

The key themes were:

1. Co-operation between divisions
2. Co-operation with production
3. Co-operation between functions
4. Decision-making myopia

Co-Operation Between Divisions

As brought up earlier the divisions are independent, profit and loss responsible units with high level of independence. However, the divisions also share resources especially in production. The top management has as strategic goal to increase co-operation between the divisions to further strengthen the corporation's ability to provide valuable integrated solutions and services to the customers.

One of the drivers to increase co-operation is to gain efficiency and increased transparency between the divisions. At the moment at its worst it might be that the different profit and loss responsible units are sub-optimizing their operations from company perspective as they are maximizing their own volume and profit, not looking at the bigger picture. There are clear benefits to be gained from closer co-operation as the following commentary from a representative of sales engineering reveals:

> *It is a terrifying scenario if we would be forced to raise prices following the manufacturing division due to the margin pressures of our own division. There is a risk that with this cost-based strategy we can end up in a situation where we have out priced ourselves due to rigid sub-optimizing against the interests of the company. A lower total margin could be optimal for us when optimizing total profitability of the company. We should not be in cost based business where we are now. We should go for value-based business. Our division should get deeper information about pricing of the joint ventures and also about pricing of the manufacturing division. There should be more transparency.*

At the moment the co-operation is already working quite well within the divisions yet there is a lot room for development especially when it comes to sharing resources. As mentioned before the communications between segments and networks is lacking hindering much of the co-operation. There should also be resource sharing between segments. The actual pain point is co-operation with industrial operations. The co-operation with production organization of the case corporation is perceived as difficult and resource consuming as an account from a sales manager states:

> *There is a need for rules for co-operating with service-focused division and with industrial operations. It is now it is a bit of an undefined area and we do not know who is in charge of what. We need a clear hierarchy to the organization – who is responsible, who decides. Responsibilities are now quite clear in our division but when it comes to co-operating with industrial operations and services it gets more difficult to say who is in charge.*

Co-Operation with Production

A great number of interviewees pointed out that the co-operation with production units of the corporation is difficult. The root cause for the challenges is the lacking customer orientation of the industrial operations organization. An account from a segment sales manager illustrates the challenges. One of the key issues the manager brought up is the willingness and tendency of the production organization to standardize solutions. However, the so-called NSRs (non-standard requests) are greeted with irritation by the sales organization because from the sales point of view there are no standard solutions. The offering should be always tailored according to customer needs.

> *The production is the super-monster of our company. They have no customer orientation whatsoever. It is just like the Finnish Kela, manned with bureaucrats. It can take weeks or even months to get them to answer questions. Sometimes they do not take responsibility on issues that clearly belong to them. Now we must apply personal networks to get things done. This is a shared feeling among my colleagues. The biggest problem is the NSRs. There are no standard solutions in our company! We have no choice but to tailor our offering according to customers needs. Concretely, the lacking customer orientation means that our customers do not get fast response to their requests. The dividing line between performance and non-performance is in fact the same than in Lutheran church and Catholic Church. The more south we go the worse it gets. Holland has for example has many problems. If we do not get the price – we cannot answer to customers request. It may take months! And the sometimes the answers are useless or incorrect.*

According to the interviewees alignment of goals is a big issue in the organization. There are political power struggles in the organization as a result from conflicting goals. An account from a sales director:

> *There is a need for more flexibility and aligned goals for the industrial operations.*

The main goals for production are the volume and efficiency related. Hence, the production has high incentives to standardize the products whereas sales require tailored solutions for the customers. Moreover, succeeding in service transition strategy the organization needs support for integrating product solutions and services. There are also challenges related to tailoring the products to the customers, which requires engineering efforts.

> *The engineering department of industrial operations is supposed to work for our division as well, but since their usage of time is decided within industrial operations they tend to give their own development projects higher priority.*

The responsibilities of divisions are not always entirely clear and there are fights over resources. Fights over resources also sometimes lead to delays because we are unable to use the reserved production slots due to the tight schedule of the industrial operations. Project management reported this as one of the biggest challenges. There is scarcity of engineering resources. According to the interviewees, these challenges have to be time to time escalated to the top management.

> *There are many production locations and that is causing difficulties. The engineering department of production division is also a great challenge in some product lines. We are late in deliveries due to engineering during production. The engineering responsibilities between our division and production are poorly defined and are done in different ways in both organizations. The responsibilities are sometimes unclear.*

The root cause is that overall the sharing of costs is sometimes unclear. The principles for sharing costs between divisions are ambiguous and poorly defined. An account from an interviewee representing project management:

> *Interdivisional cost sharing is unclear, cost allocations are poorly defined*

Moreover, an account from a segment sales manager reveals the cause for the lack of customer orientation in the production units. The production should consider the needs and wants of the customers of the corporation. Optimizing own operations and excellent engineering is not sufficient to provide world-class solutions and services. Currently the production is shifting many engineering responsibilities to the technology units of the two industry focused divisions.

> *The industrial operations should be involved in customer work as they do not understand their purpose now. They are in their own silo and use our divisions technology unit as their buffer. They have no customer orientation whatsoever.*

The challenges in co-operation with production have great impact to the business of the whole corporation. The strategic goal of the organization is to be the leading solutions provider in the market with best available technology and services. This requires efficient and high quality product development. Sometimes there are challenges in responding and anticipating the future trends and developments. Moreover, according to the interviewees, the responsiveness of the development unit of industrial operations should be improved as an account from a manager in sales engineering states:

> *The interdivisional coordination and co-operation principles are lacking, industrial operations is also much too slow in development and is lacking customer focus. They make us to follow, not to lead the market since they start understanding the need for development only when the order books for the factories are already empty.*

An account from the business control sums up the difficulties. In the end, it is always a question of resources:

> *A lot of energy is wasted on fighting internal battles over money.*

Co-Operation Between Functions

The gate model business process encourages the co-operation between the functions. The gates and milestones of the model require cross-functional teams. The co-operation of the functions is a prerequisite for efficiency and high quality of operations. The co-operations between functions however have pain points as the goals of the functions are not always aligned, but there are conflicts in interests. The co-operation structures and processes are important questions of strategic management.

As brought up earlier there is demand for closer co-operation and integration between networks and segment sales. Moreover, the project management should be also more closely integrated to sales. That development would lead to better customer relationship management and higher quality solutions to the customers.

> *We need more co-operation in decision-making in earlier phases of projects, starting latest in offer review phase. Ok, sales may think that this is time consuming. At least in system integration projects we need a team with various competences to validate our offer and the solutions. All in all, we should address more the importance of the offer review. Sometimes when project management participates only during contract review, there is little to be done. It is often just a handshake.*

From customers perspective it is important that the information flows within the organization efficiently and that every employee in the customer interface would have access to best and up-to-date customer specific knowledge. Moreover, the quality and suitability of technical solutions to customer needs depends on the understanding the corporation has. Therefore, it is defined in the gate model that in demanding projects sales should co-operate with project management early on to increase the customer specific knowledge of project management even during the sales phase of a project. Correspondingly, the project managers should share knowledge with sales during the execution phase of the projects.

> *Co-operation between networks and our divisions project management must be improved. To improve we need established and*

continuous communications with the project management. Increasing co-operation between sales and project management would be a quick fix to improve our customer responsiveness. In fact there are some individual project managers co-operating actively with sales already today. We could measure how these project managers and their projects succeed compared to the others. Sales and the project management should not be separated entities. We would benefit from tighter co-operation in customer relationship management. We need more communications between networks and PM. At the moment a large part of our project management organization is working mostly isolated from sales due to the fact that their management is not sharing the information with sales. Correspondingly sales management should report proactively to project management.

Increasing co-operation is not only a question of increasing customer responsiveness but also a way to learn and improve. The sales would certainly benefit from more feedback on how their actions affect the later phases of the projects. There is a need for cooperatives as the following account from a representative of project management organization illustrates:

We need more co-operation efforts with sales. It is good that PM is participating in the early phase in some projects. But also the sales should participate in the execution part of the project to see how things turn out and how the sales phase affects the execution.

All in all, the organization is suffering from a certain level of decision-making myopia. Increased co-operation could possible increase also mutual understanding of the importance of other units and functions and potentially widen the perspectives of the decision-makers to decrease decision-making myopia.

Decision-Making Myopia

As described above there are challenges both in interdivisional co-operation and in co-operation between functions. The root-cause for many of the challenges is according to the interviewees' decision-making myopia. Similarly, as the functions and sub-organizations are fighting over resources also decision-making is too often silo focused and based on maximizing benefit for the home team, not for the benefit of the whole corporation. Moreover, some people are afraid of internal competition and therefore keeping information and decision-making to themselves, as an account from a manager in segment sales states:

> *There is a small group of people who are not willing to share what they know to avoid internal competition.*

It is a great challenge for the management of the organization to get the people to understand that it is beneficial for all of the individual units to increase the competitiveness of the whole corporation instead of optimizing the performance of the single units. According to the interviewees, there is need for structural changes and more processes for cross-functional co-operations. A good example is the industrial operations and the industry focused divisions. The production is really dependent on sales, yet they are time-to-time sub optimizing the performance of the corporation by focusing mainly on their own operations.

An account from network sales reveals the difficulties with silo focus. As a large corporation there is need to foster internal entrepreneurship and the different units need to seek to constantly improve their efficiency and competitiveness. However, these ambitions should not result in conflicting objectives within the corporations. In the worst case scenario the competitiveness of the whole corporation is jeopardized due to silo focus.

> *Industrial operations and our division are like Siamese twins –one cannot live without the other. Still they cannot be completely integrated. The real challenge is the co-operation with services. They are at the moment too stand-alone although we should be looking at*

lifetime solutions and in the coming years should become one entity. There should be simplification and integration. We absolutely need services. At the moment I find it personally quite hard to discuss with the services. There is need for simplification and integration between services and our division. There are too many pockets within our company and it is all monopoly money. What we should do is to evaluate the implications and the total solution including the total profitability of the order –not by profit centers but from the perspective of the whole of the whole corporation. Also here the integration of services would help.

Widening the focus is not only a question of overall efficiency, but it helps to increase quality and may increase motivation and commitment. Conflicts resulting from silo focus are hampering overall efficiency, as an account from a manager in the project management organization reveals:

We are too much focused on our own work here. There is clearly silo thinking. For example the sales should participate in the end discussions. There is information discontinuity between communities practice in our company. We need to concentrate our forces to remove the barriers and to improve resource fluidity. Today there is sometimes inefficient use of resources due to holding back resources in some segment when others would need them and vice versa. You want to keep your own people on idle to be able to hastily respond. We might also want to use for example project managers in all segments maybe even divisions to secure resource fluidity.

According to the interviewees, a lot of frustration culminates to the co-operation with the industrial operations. Root-causes are poorly aligned goals and lack of mutual understanding of customer needs and strategy of the corporation, as a manager from project management points out:.

Industrial operations unit is a typical silo organization. They have strong production and product focus. There are some problems with monopoly money but it may be impossible to avoid that without strict rules. We should have more open discussion within the whole corporation where the money comes from.

The co-operation between divisions and functions can be increased by strategic decisions. Moreover, the decision-making myopia is a great challenge for the corporation and corrective actions needs to be taken by top-management. The interviewees suggested the following improvements

1. Widening the perspective in strategic decision-making within the divisions and functions
2. The top-management of the corporation need to take great care to improve alignment of goals within the organization
3. Structures should support cross-functional and interdivisional co-operation
4. Integration stimulates co-operation
5. Encouraging co-operation with cross-functional processes

Challenges Related to Resource Allocations

The matrix organization is designed to enable leveraging resources in lean task-oriented units. Horizontal support and sharing resources are key enablers of efficiency. Allocating resources is part of the company level strategy. Within divisions the resources are then allocated further and utilized with the best available knowledge. Resource allocations are however disputed and challenging to say the least. As brought up earlier, there is war over resources between units and sharing resources over boundaries is at the moment not working at optimal level. A key element in steering the use of resources is measuring of efficiency.

Resource Fluidity and Sharing

From the corporation perspective it is beneficial to standardize know-how within the organization to increase possibilities for resource sharing. Standardization also decreases risk as the know-how of employees can be more easily replaced. From the

unit perspective it sometimes seems more beneficial to concentrate more efforts on specialization. However the key to efficiency is to be able to recognize the needs for specialization and on the other hand the tasks that can be standardized.

> *We are emphasizing too much the need to standardize know-how and skills. Specialization within units might be a good idea.*

Designing the organization to operate with lean resources has also its downsides. According to the interviewees, the price of shortage of employees is paid on claims resulting from mistakes or delays during the project. Moreover, performance of the use of resources needs to be measured in order to be able to allocate resources where they are most valuable.

> *We pay the price in undermanned projects in claims. There is no follow-up and guidelines for sharing costs are also unclear.*

Measuring the Efficiency of Use of Resources

At the moment the performance of the organization is measured with key performance indicators (KPIs). The main challenge related to KPIs is that they are not being monitored and therefore they lack efficiency. Moreover, the KPIs are to some extent lacking effect, as they are not always very relevant. In addition to KPIs, the organization has a feedback process based on the gate model and moreover giving feedback is encouraged throughout the organization, yet it is not systematic. An account from a segment sales manager illustrates this issue:

> *I am not sure if I have KPIs and I am difficult to steer on that since bonuses don't really do me good that much. I don't care too much about it (After checking the interviewee found the list of KPIs). However, these are not being monitored. Actually, I have been complaining to the sales director that nobody does reporting. The people in quality and operational development think that they can control us with KPI's and procedures. I don't object those but the Q&OD have to realize that it is just going trough the movements.*

One challenge is also that the goals set to different parts of the organization vary a lot making it sometimes impossible to compare. The key to efficiency is not measuring as such, yet it is surely beneficial to measure performance and set implications for failing to comply. Moreover, communicating the goals is of high importance and achieving goals should be also personally beneficial for the employees in terms of remuneration.

> *We are not working according the KPIs in sales engineering. Different segments have different targets and goals. I would like to see the segments working more together. Also sales engineering and sales should be targeting the same goals. I don't see any KPIs in Sales Engineering at the moment.*

About Resources in Development Projects

According to the interviewees, the efficiency of technology units development operations is questionable. It may be a question of envy and it certainly is a question of lack of understanding of development operations. The current general perception is that the performance of the development projects is not sufficiently monitored, as an account from a segment sales manager states:

> *Our technology unit should be measured. The performance needs to be monitored. They are a cost center with too much freedom.*

In development projects the outcome is often uncertain and therefore communicating the potential of the project outcomes is of key importance when motivating employees. Moreover, understanding is key to increase the acceptance of use of resources in development projects. Transparency increases acceptance. The employees were questioning the purpose, the use of resources and also the decision-making in development projects.

A commentary from a manager in sales engineering:

> *Overall implications of using manpower in development projects are not always being evaluated, managing development projects are sometimes lacking clear decisions and structures. They are too much ad hock designed.*

As brought up earlier the war on resources is a pain point and it is also manifested in development projects. There is willingness to improve overall efficiency of resource use and some interviewees had a doubt that this is not vey well taken care of in the technology units. An account from a manager from project management organization:

> *In projects you should always have limited timeframe and budget. There should also be some checkpoint in between. However, in technology unit of our division and in the technology unit of production this project culture is maybe not implemented very well. The development work takes often too long. It may be that in the future our division will have a lot of products that are not being produced at our company like the situation is now in our other industry focused division. We just develop the solutions and products that are being produced elsewhere. Our division has no experience of managing production and purchasing before.*

The suggested solution is to implement project management culture in the technology units.

Summary of Challenges Regarding Strategic Decision-Making

As brought up earlier, the challenges in strategic-decision making can be divided to three categories: structural challenges, co-operation related challenges and to resource related challenges. Many of the operational challenges have their roots in these strategic pain points.

1. Challenges related to the structure of the organization
    - Accountability
        o Hiding behind the matrix structure
        o Complexity of the structure is causing ambiguity
        o Without personal responsibility there is no responsibility
    - Integration
        o The organization is divided to too many silo-focused units
        o Integration of network sales and segment sales
        o Conflict of interests
    - Empowering the local units
        o Empowerment and accountability should go hand in hand
        o Network organizations isolated and uncontrolled

As a whole the current structure does not support service transition strategy the best possible way. Based on the statements of the interviewees it is highly recommendable to evaluate whether the current structure really supports service transition strategy in an optimal way.

2. Challenges related to co-operation principles
    - Between functions
        o Challenges with alignment of goals
        o Resource sharing is not working optimally
    - Between divisions
        o Issues of monopoly money
        o Sub optimization
        o Internal war on resources
    - Decision-making myopia
        o Silo-focus is hampering overall performance of the corporation

There are challenges with misalignment of goals in the organization. Partially conflicting goals are causing disagreement and inefficiency in the organization. A related issue is the war on resources as the different divisions and functions prefer to keep their resources to themselves instead of sharing.

3. Challenges related to resource allocations and steering on performance
- Resources in sales projects
  - Enforcing the key performance indicators is needed
  - Steering on performance is lacking
- Resource fluidity and sharing
  - Improved transparency and co-operation needed
- Measuring the efficiency of use of resources
  - What gets measured gets done

There needs to be steps taken from silo focus to co-operation that benefits the whole corporation. Sub optimization is decreasing the performance of the corporation.

4.3 Summary - the Key Findings

The main findings of the empirical research are summarized here (see figure 14.). The research concentrated on the challenges regarding decision-making, accountability and discipline in the case company. Also structural challenges related to service transition strategy were studied. Furthermore, the structure of the organization was evaluated from decision-making perspective.

The management of case company wanted to understand the decision-making in the organization and the related challenges. One of the focus areas was to understand if there was lack of discipline related to the agreed processes and if yes, what kind and why. According to the research, it can be stated that there are discipline related challenges. Also the evaluation of the successfulness of the gate model implementation was conducted to understand root causes for lack of discipline. These challenges are partially caused by unsuccessful implementation. Moreover, the gate model is not optimally suitable for all purposes and it is perceived as too complex.

Secondly, the overall challenges, controversial procedures and inefficiencies related to decision-making and structure of the organization were studied. These challenges were identified and elaborated in the previous chapters. The inefficiencies were largely related to unsuitable tools and unnecessary heavy processes in the organization. Processes, practices and ways of working are not always efficient. Moreover, lack of incentives and understanding are causing maverick behavior. To pursue the new strategic goals of the organization there is a need to evaluate the suitability of the current structure and train the personnel. Focus on services, solutions selling and systems integration requires new skills, processes and tools.

Third objective was to find out if the employees are aware of their responsibilities and do they feel accountable. According to the research, results there are also accountability related challenges due to several reasons. The key challenge is the complexity of structure and the resulting role ambiguity. Moreover, there are conflicts of interests and

co-operation is lacking. The silo focus has led to war on resources and is hampering the goal of leveraging the small task-oriented units.

Finally, the goal was to come up with suggestions for improvement related to decision-making in the case organizations. The improvement proposals are introduced and elaborated in the final chapter of this thesis.
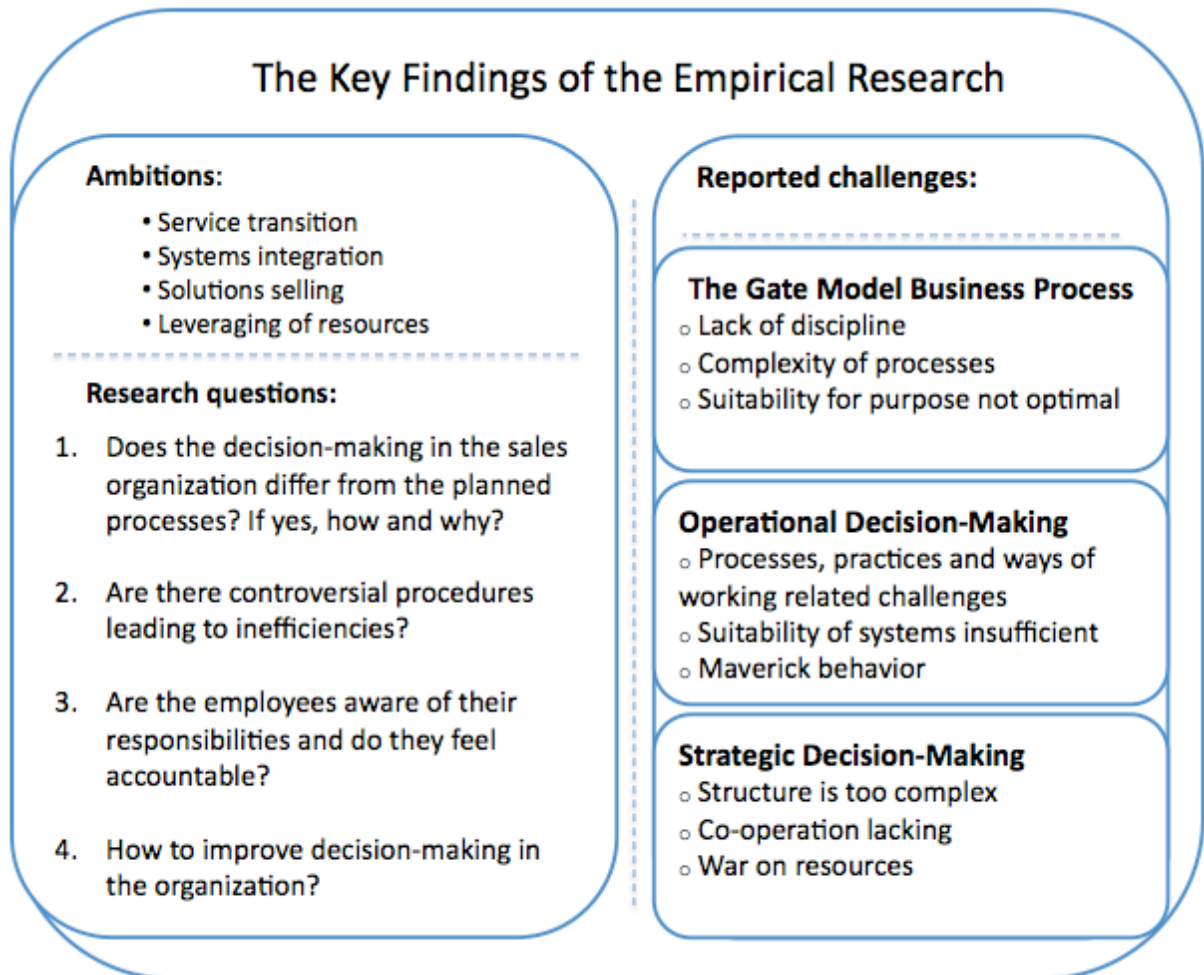
The Key Findings of the Empirical Research

Ambitions:
- Service transition
- Systems integration
- Solutions selling
- Leveraging of resources

Research questions:

1. Does the decision-making in the sales organization differ from the planned processes? If yes, how and why?

2. Are there controversial procedures leading to inefficiencies?

3. Are the employees aware of their responsibilities and do they feel accountable?

4. How to improve decision-making in the organization?

Reported challenges:

The Gate Model Business Process
- Lack of discipline
- Complexity of processes
- Suitability for purpose not optimal

Operational Decision-Making
- Processes, practices and ways of working related challenges
- Suitability of systems insufficient
- Maverick behavior

Strategic Decision-Making
- Structure is too complex
- Co-operation lacking
- War on resources

Figure 14. The key findings of the empirical research

To summarize there is significant development potential related to decision-making in the case organization both from strategic and operational perspective.

5. Conclusions

In this final chapter the conclusions of the thesis research are being presented. The main results of the empirical study are being discussed in relation to the theory of chapter two. Managerial recommendations for the case company are being presented in the end part of this chapter.

5.1 Key Findings From the Perspective of Earlier Research

The purpose of this study was to contribute to the research of decision-making, accountability and service transitions in multinational manufacturing organizations. Another objective was to provide managerial recommendations on how to improve decision-making in the case company from the perspective of accountability, responsibility and empowerment among the employees of the sales organization. Also the organizational structure of the case company was studied and evaluated from the decision-making perspective.
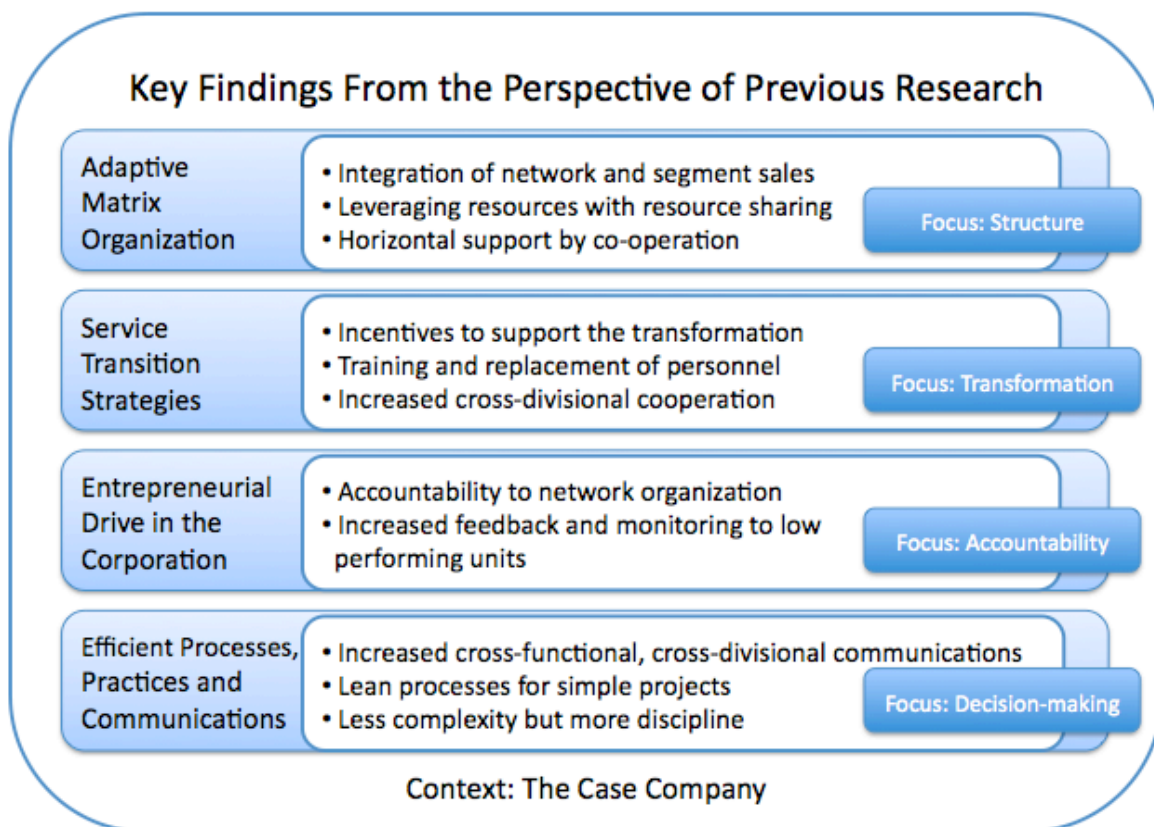

Figure 15. Combined key findings: findings of empirical results from the perspective of previous research

The main research question is the following:

- What are the main challenges regarding decision-making and employee accountability in multinational matrix organizations?

Secondary questions are:

- How to support and facilitate decision-making in multinational matrix organizations?
- What kind of challenges does service transition, focus on solutions selling and system integration cause to structures and decision-making in manufacturing organizations?

Here the key findings of this thesis are presented from the perspective of earlier research according to the research questions (see figure 15).

What Are the Main Challenges Regarding Decision-Making and Employee Accountability in Multinational Matrix Organizations?

The case company struggles with typical challenges plaguing matrix organizations. The matrix structure is causing role ambiguity and lack of accountability. Entrepreneurial drive is lacking yet the network companies are demanding high level of independence and decision-making authority. Complexity of the structure enables avoiding unwanted tasks. The employees are not fully aware of their responsibilities. According to Bartlett & Ghoshal (1990), confusion and unclear roles and responsibilities are typical challenges in matrix organizations causing lack of accountability.

Part of the accountability challenge is the geographical diversity of the multinational case corporation. Small and relatively independent network companies are at their best entrepreneurial and task oriented (Sy & D'Annunzio, 2005). The network companies are the least integrated units in the corporation. There should be entrepreneurial drive in the network companies and in the corporation as a whole. Authority and responsibility should go hand in hand. However, the network companies are not profit and loss

responsible. Dual reporting lines are causing confusion especially in cases with conflicting goals. Hence, there are conflicts of interests between network companies and rest of the corporation. There should be deeper integration of network and segment sales due to overlapping responsibilities and low obedience in network companies. All in all, there is a need for improved co-operation. Co-operation is highly encouraged in the case organization, but actual horizontal support is lacking. Morgan, Kristensen and Whitley (2001) address the importance of cross-border communications and co-operation in successful decision-making.

Another key challenge is the business process of the case company. The gate model and related processes, ways of working and tools are perceived as too complex. Lack of obedience (regarding the gate model) of some employees is evident leading to a vicious circle of discouraging also others from using the systems such as CRM. Some of the key performance indicators such as updating CRM are neglected. Corrective measures need to be taken to increase monitoring and feedback, especially in the network sales organization. Otherwise the network companies will continue to underperform.

Co-operation between different functions and units is key to efficient use of resources. Hence, there is a lot to be gained from aligning the goals of different units and thus increasing incentives for co-operation. Alignment would facilitate co-operation and remove conflicts. Due to conflicts of interests the units, divisions and functions are partially failing in sharing resources. Different ways of working due to incomplete harmonization and maverick behavior is causing barriers for leveraging company resources.

The accountability is clearly an issue in the organization. Especially the network sales organization is plagued with maverick behavior and lack of discipline. The root causes are conflicts of interests and lack of monitoring. Moreover, also role ambiguity all over the organization causes lack of discipline. Ambiguity is a common cause for lack of discipline in multinational matrix corporations. Sy and D' Annunzio (2005) argue that without mutual understanding the responsibilities may be unclear and accountability in the organization is lacking.

In the case company the aim is to form a network of interdependent but entrepreneurial units to achieve this goal the commitment to shared corporate goals needs to be improved. Today the organization is affected by conflicts of interests and power struggles. Extensive training and re-evaluation of the current organizational structure can be recommended.

How to Support and Facilitate Decision-Making in Multinational Matrix Organizations?

The structure and management system of the organization should encourage efficient decision-making through clear role responsibilities (Sine, Mitsuhashi & Kirsch, 2006). Ensuring accountability and at the same time allowing flexibility are prerequisites to be responsive in the changing environment (Gupta & Govindarajan, 1991). This combination can be achieved by matrix organization model, which is empowering employees from the management down to the each individual at the lower level. Successful matrix model requires striking a balance between coordination and entrepreneurial culture. At the case organization the goals is to form an interdependent network of small and task-oriented units with partially centralized control. There should be also support for easy transfer of resources within organization. The matrix structure must be flexible and adaptive by nature. (Sy & D' Annunzio, 2005)

In the case company there is a call for lean, fit for purpose processes, ways of working and tools. Currently, the business process is perceived as too complex resulting in lack of obedience.

The engagement of the employees requires implementation of the strategy of the company down to the single employee level. At the moment the corporate strategy is not clear to all of the employees. Cyert & March (1963) address the importance of implementing the macro-level goals of the organization in to the micro-level to make sure that the goals of the organization are aligned and understood.

Any multinational organization is made up of the employees that form various subgroups. This is also evident in the case corporation. Hence, managing the transnational social space in organizations if of key importance. Every employee represents one or multiple interest groups and sometimes individuals belong to several groups with conflicting interests. The alignment of goals and cross-border learning can be facilitated with efficient communications and cross-border co-operation. According to Morgan, Kristensen and Whitley (2001) the interlinking and communications between different units and social groups within the multinational corporation are of key importance. Successful decision-making requires cross-border co-operation in the case company and in multinational corporations in general. (Morgan, Kristensen and Whitley, 2001)

Based on the previous research a suitable structure is the single most important factor in supporting the strategy and efficient decision-making in any multinational corporation. The structure forms the basis for pursuing the corporate strategies. Secondly, the internal communications culture and mechanisms are of key importance to engage and motivate the employees of the organization. Efficient communications also enable cross-border learning and innovation within the organization. Thirdly, the ability to adapt and renew the business strategy and processes is important in the ever-intensifying global competition. Fourthly, the manufacturing companies like the case company in this thesis should consider and evaluate the option of adapting service transition strategies. Finally, the scholars suggest looking at organizational strategies, structures and decision-making as constant evolution.

The scholars are unanimous that for MNCs it is important to be able to be locally adaptive, globally tapping into economies of scale and finally perceiving their business strategies, structures and processes as a continuum.

What Challenges Does Service Transition, Focus on Solutions Selling and System Integration Cause to Structures and Decision-Making in Manufacturing Organizations?

The case company is driving a service transition strategy requiring change in the way the company has been selling its products and services. The company has changed focus to providing integrated systems and solutions rather than products. The change will influence the whole business process. The new focus on providing solutions requires different set of skills, structures and tools compared to product sales. (Oliva & Kallenberg, 2003)

According to Salonen (2011), multinational manufacturing corporations are facing great challenges in the core business, as the competition increases and the possibility to maintain cost or technology leadership are scarce. This development is evident in the case corporation. Moreover, the margins are eroding as a result of price pressures from Asian low-cost manufacturers. All in all, outlook for product sales is challenging. Therefore, to remain competitive there is a strong incentive to adapt service orientation and systems integration approach to support the declining margins in the core manufacturing business. The service business is a mean for leveraging experience and know-how spillovers of the manufacturing business. The transition process should be seen as continuum rather than as an abrupt change and the idea is not to substitute but to complement the original manufacturing business. (Salonen, 2011)

The key groups of employees are the sales personnel that need to take the change in strategy to customer interface. Transformation will not succeed without the full support and commitment of the employees. Successful execution will require also structural changes in the organizations. One of the key challenges is the lack of incentives for the sales personnel to pursue service orientation and systems integration sales. A great challenge is to increase cross-divisional co-operation between the industry-focused divisions and with services. Moreover, some of the sales personnel are resisting the change. Not all salesmen are ready or motivated to learn new ways of working. (Salonen, 2011)

According to Piercy (2006), the sales force of many major companies is poorly aligned with the strategic goals of the organization. This is partially evident in the case company. More specifically, there is a need for increased customer orientation in the organizations through letting the sales to the boardrooms (e.g. Piercy, 2006; Salonen, 2011). Also, in the case company the lack of customer orientation is one of the main concerns especially for the network companies responsible for the customer interface. However, it can be stated that the company is at the moment driving change to a more customer-oriented direction. The data from the interviews with the case company employees was well aligned with the findings of Salonen (2011).

Recommendations for further research

The challenges related to decision-making in matrix organizations should be studied further. Especially the sales perspective is interesting. While research on matrix organizations and decision-making is abundant the sales perspective has received less attention. Moreover, research over cross-cultural decision-making in sales organizations would add another interesting perspective to the discussion.

5.2 Recommendations for the Case Company

This final chapter is dedicated to providing recommendations to the management of the case company. Significant development potential was recognized during this study. The data from the interviews and previous research provides the basis for these recommendations. The highest improvement potential was identified in improving engagement, accountability and discipline within the case organization. There is also a clear need to revise the structure of the organization. Although there is no perfect structure for multinational organizations, there are best practices that help cultivating entrepreneurial drive, responsibility and accountability to support the employees in achieving the company goals.

The recommendations for the case company are presented and elaborated according to following structure:

- Introduction of effective line management and stronger leadership culture
- Ensuring cross-border co-operation, communications and efficient use of corporate resources
- Clarifying strategy, steering on performance and establishing more effective roles and responsibilities across the networks and segments
- Revision of current organizational structure
- Gate model repetition and responsibility check with all of the employees

Introduction of Effective Line Management and Stronger Leadership Culture

Evidently there are challenges with discipline that indicate lack of monitoring in the whole organization, but especially in the network sales. The implications of lack of monitoring are manifested in lack of personal responsibility. Hiding behind the matrix structure is a common challenge in the organization.

To improve discipline there is a need to define personal responsibilities of the employees more clearly. The organization currently suffers from role ambiguity. Without clear personal responsibilities there is no accountability. Obedience must be increased by making clear what exactly people are expected to do and how to do it.

There are also downsides with line management, but increased monitoring would add incentives to carry the personal responsibility. Line management can be substituted by increasing resources on leadership to encourage taking personal responsibility.

The solution is the introduction of line management. However, in a multinational organization there is a need for introducing interfaces for sharing some specialized key resources between the business lines to increase overall efficiency. By coordinating and sharing these special capabilities cross business line borders the organization can avoid falling to both strategic and structural traps of overly simplification of simple line management and correspondingly too much complexity of the current matrix model.

Ensuring Cross-Border Co-Operation, Communications and Efficient use of Corporate Resources

There are disputes over profit and costs sharing and too little resource fluidity due to decision-making myopia. Furthermore, alignment of the goals of different entities is lacking.

The interviewees are asking for structural measures to increase co-operation. An example would be more training within cross-functional teams. For example network sales, segment sales and sales engineering could train together. Training in cross-functional teams would increase possibilities for co-operation and to enable mutual understanding of roles and responsibilities of different entities within the case company.

Similarly, harmonizing the goals of the different entities to better support the goals of the whole corporation would be beneficial. The goals should be aligned throughout the multinational corporation.

Also increasing transparency to profitability and customer share of wallet would be beneficial to co-operation between the entities within the corporation. Additionally, transparency would help the corporation to make better overall decisions regarding customer categorization and pricing, as the customer profitability would be known. At the moment there are some challenges related to pricing in different entities as every profit and loss responsible entity has the incentive to optimize their own profitability also at the cost of the profitability of the whole corporation.

Clarifying Strategy, Steering on Performance and Establishing More Effective Roles and Responsibilities Across the Networks and Segments

The network companies are asking for more decision-making power but are also lacking in accountability. However, frustration is also fueling the lack of responsibility and accountability. Furthermore, accountability could be incrementally improved with integration, further training and empowering the employees in the network companies. Moreover, the strategy of the corporation is somewhat vaguely present in the sales

organization and salesmen are not always certainty what is important and what are the main goals. To summarize: at the moment there is lack of clarity regarding priorities and direction causing frustration in the organization.

An option to consider would be rethinking the role of the network companies and segment sales. The increased power the network companies are asking should go hand-in-hand with responsibility. Therefore, the case company should consider the option of engaging the network companies by making the network companies' profit and loss responsible. In any case the performance of the network companies should be monitored more thoroughly than it is currently being done.

Revision of the Current Organizational Structure

The results of the research implicate that there is a need to conduct a revision of the organizational structure. There is high development potential to facilitate cross-border co-operation, communications and learning.

The need is most evident in the sales organization. The revision process should include benchmarking of competitors, other global organizations, benchmarking of some of the relic structures in the acquired companies. Moreover, recent recruits from competitors could be interviewed to dig up best practices. To sum up the evaluation of the current structure should include evaluation of various possible setups.

Background for the need of revision:
- The current structure is not fully supporting the transformation to service-business neither systems & solutions selling
- There is discontent regarding the decision-making in the network companies
- Transition from product centric organization to customer orientated organization?

The question is whether the current setup really is the best possible structure to support execution of the strategy of the case company.

There is a clear need to validate the structure of the company and also to search for the best practices already in place in parts of the corporation. As mentioned before this research was concentrating on finding the key challenges, not on validating the current structure.

Gate-Model Repetition and Responsibility Check with All Employees

There is an evident need for retraining the gate model and the related processes. The current lack of discipline related to gate model causes a variety of challenges and risks for the case company. Well-functioning systematic processes are in the core of efficient world-class operations.

There is a significant gap between the intended gate model processes and the actual ways of working at the moment. The gate model business process forms the core of the operations in the case company and therefore the processes should be enforced to secure the quality of internal operations. However, there are also pressures to develop the model and related processes further to reduce resistance related to the model.

Firstly, the business process does not optimally support proactive sales efforts. Secondly, the model is perceived as too complex and rigid. Thirdly, there are conflicts of interests between the functions making gate model related co-operation sometimes difficult. The interviewees sometimes see the processes related to the gate model as burden rather than helping the company.

Furthermore, there is a need to revise and repeat the training of RACI –model (responsible, accountable, consulted, informed) used for assigning personal responsibilities. Currently, the personal responsibilities are unclear for too many employees causing various difficulties and inefficiencies.

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Appendices

Appendix 1:

Decision-Making in the Case Organization – The Interview Guide

Interview principles:
- Semi-structured interviews divided under six themes

    o The interviewee's can answer with their own words and bring up additional issues. Examples are encouraged, since they often provide valuable insights.

    o The interviewer makes sure that all the themes are covered in each interview

- The interviews are conversation-like giving the interviewee the sense that he/she is being listened, valued and that his/hers opinion counts. The interviewee may also have the feeling of control. However the interviewer takes care that the conversation revolves around the research issues.

- Motivation of the interviewee:

    o The interview is conducted to collect data for my Master's thesis. It will be explained to the interviewee that his/her time is well spent since the purpose of the research is to study leadership and-decision making in the case organization. The bottom line in the research from interviewee's point of view is that the management and decision-making are studied to find out ideas for improvement. That is why his/her contribution is extremely important and highly appreciated.

    o Applying S.P.I.N (Situation, problem, implication, need-payoff) framework when possible: the goal is to find motivation for the interviewee to take his/her time for the conversation. Establishing common ground and aligning interests are the keys.

    o Preparations are important: who am I interviewing, where does he/she come from, preparedness to answer questions about the thesis & defining terms & explaining questions. Interview is a two-sided conversation.

    o Confidentiality: the answers cannot be traced back to the interviewee

    o Politeness through the interviews & proper introduction to the theme:

"Hi, my name is Janne Karlsson. I am a student from Aalto University School of Economics. I am conducting a research for my Master's thesis about decision-making in the case company's sales organization. The decision-making and management principles are studied to find out ideas for improvement. Your contribution is extremely important and highly appreciated."

What are we trying to find out?

1. Does the decision-making in the sales organization differ from the planned processes? If yes, how and why?

2. Are there controversial procedures leading to inefficiencies?

3. Are the employees aware of their responsibilities and do they feel accountable?

4. How to improve decision-making in the organization?

1. The interviewee's own work
(Warm-up questions)

- Job description, responsibilities?

- Connections within the organization?

- Connections in daily work between sub-organizations?

2. The organization trough gate-model

- Describe your own organization from management perspective **KEY**

- Describe management culture in the organization

- The underlying management principles in the organization **KEY**

- Cross-border collaboration & sharing of ideas and knowledge

3. Decision-making

- Describe the decision-making in your organization **KEY**

- Detailed ABC –who is responsible for categorization **KEY**

- Is the decision-making in your organization in line with the processes agreed? **KEY**

- o If not, please describe these situations

- o If not, are there some phases of the process where the decisions conflict with the process

- o If not, have you been forced to situations where your decisions have been in conflict with the agreed process?

    - ▪ If yes, why?

    - ▪ If yes, in what kind of situations?

- Describe Knowledge and idea sharing in your organization

- Employee empowerment & participation encouragement

- Describe hierarchy in your organization

- How would you change decision-making in your organization **KEY**

- Describe how feedback is dealt with **KEY**

- The role of segment management, the role of local organization and the role of division management in decision-making

- The role of support systems in decision-making

Examples (Great input for analysis, encouraged under each theme, but especially regarding decision-making)

- Describe your own decision-making experiences in your organization **KEY**

- Describe a typical decision-making situation **KEY**

4. Sales Process description

- Describe typical sales process **KEY**

- How are sales arranged, what elements belong to sales in your organization? **KEY**

- Would you like to make changes to the process?

- How are tendering & offers handled

5. Resource allocations

- How are investment & R & D decisions made, which organ decides? **KEY**

- Describe who participates in R&D

- How are the decisions over resources made **KEY**

- If you were to decide –how would the allocation be arranged?

6. Development ideas

- How would you develop management & decision-making **KEY**

- Enablers / barriers for development

- Suggestions for better decision-making and management **KEY**

- Suggestions for improving

- What would you change in your own work

'KEY' –marking indicates key question, which is discussed with each of the interviewees