Vaasan yliopisto
UNIVERSITY OF VAASA

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Strategy development and renewal due to changes in value chain

Case: Mutual Insurance Company Fennia

School of Management
Master’s thesis in Strategic
Business Development

Vaasa 2023

UNIVERSITY OF VAASA
School of Management
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Title of the Thesis: Strategy development and renewal due to changes in value chain. Case: Mutual Insurance Company Fennia
Degree: Master's Degree in Business Studies
Programme: Department of Management
Supervisor: Marko Kohtamäki
Year: 2023
Pages: 90

ABSTRACT:
Business strategies must develop at a fast pace to stay relevant. In a changing business environment, strategy development is essential to stay alive. Value chain changes affect the strategy, and when changes are made in the value chains, they also affect the strategy. Partnerships are becoming increasingly essential for companies, and the competition to have good partnerships is hard. Knowing how partnerships should be nurtured and led to development is essential.

This study examines how value chain changes affect the strategy and how service partnerships should be led and developed from both sides. Data is collected as secondary data from the company, annual reports, sustainability reports, and other written material provided by the company. Data is also collected through interviews that show how service partnerships should be led and developed.

The findings of this study show that when changes are made in the value chain, the strategy must develop as well. The findings also show how the company strategy has developed over the years and how the focus has shifted. In order to do innovative business with motivated personnel, the company strategy focused much on customer service and customer satisfaction.

The deepened cooperation with partners also required insight from the partners and the company on developing the partnerships. The findings show that depending on the answerer, cooperation is seen differently. However, the main goal is that both partners benefit from the cooperation and understand why the cooperation is essential. If the partners see the current state of the cooperation or the target state differently, the development of the partnership may be complex.

KEYWORDS: value chains, strategy development, value systems

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1 Introduction

This study was conducted to understand how value chains and strategies are constantly related and how service partnerships should be led and developed to maximize the benefit to both parties. In this chapter, the background of the study will be described, and the research problem will be presented. The study's research questions will also be shown, followed by the structure of the thesis.

1.1 Motivation for the study

This topic is essential to study to increase the understanding of how business strategies develop and how changes in value chains affect the strategy. Business environments evolve, and companies must adapt to the changes. (Miles, Snow, Meyer, & Coleman, 1978). Strategy development is complex because when a company has established practices or old habits, they are hard to break. Even if the practices or habits the organization needs to change, they would have been successful earlier and led to good results. (Durmusoglu, McNally, Calantone, & Harmancioglu, 2008).

In this thesis, the main goal is to examine how the value chains affect the strategy and if changes in the company's value chain will force the strategy to develop or if it could stay the same as earlier. This thesis will also analyze the development and leadership of partnerships to help understand the importance of cooperation. Strategy development is needed to keep a company's strategy relevant. Strategies must also consider changing business environments. Digitalization is going faster, even within insurance companies. Insurance companies use digital platforms, and the channels where customers can acquire products must be digitalized. Digitalization also increases efficiency and makes customer experience differentiation simpler. (Gordon, Heussner, Sheth, Shah, 2022).

Zwart (2016) had a different idea about developing strategies within insurance companies. He had an idea about how to disrupt the whole insurance sector by offering people a choice when they need insurance and when they do not. This new idea would mean that customers could take broader insurance when needed. For example, if customers know that they are performing activities that can be considered dangerous. This way, the insurance would also be more tailored and made to match the customer's needs. According to Zwart, the market for smaller insurance products that are more niche is growing because customers are looking for more customized solutions. (Zwart, 2016.)

The study aims to do research as a case study with a real company's strategies to compare and research. It is relevant because studying how companies develop their strategy and how the new strategy takes place gives an insight into how successful strategies are built and how they are developing. The way of studying strategies depends on the researcher. This thesis will mainly concentrate on Mintzberg, Ahlstrand, and Lampel's dimensions of the ten schools and Campbell, Edgar, and Stonehouse's four approaches to strategic management.

1.2 Research gap

There are three ways in which this study contributes to the literature. The first point is that the study can catch up on the future research idea that Zhau, Calantone, and Voorhes (2018) had about strategy change and hopefully deepen the understanding of how strategy changes develop. Strategy development is essential to find a competitive strategy for the company. Competitive strategies are all about how to do business differently and maintain the company's advantage. Competitive strategies require flexibility and the ability to respond to market changes and changes in competition faster than before. (Porter, 1985a).

As a second point, it will deepen the understanding that Floyd and Woolridge (1992) pointed out over three decades ago about the importance of understanding the company strategy. These points will also be accompanied by the third way of contributing to the literature because, as Durmusoglu, McNally, Calantone, and Harmancioglu (2008) found out in their study and mentioned above as well, it is difficult to break established practices in organizations, old habits can be very deeply rooted into the business environment. It gets even more challenging if the old practices have led to good results earlier. The competitive advantages and capabilities of companies will also be studied. With the help of studying competitive advantages and capabilities of companies, the understanding of strategy development will also increase and help to develop and lead partnerships.

The thesis will also help to understand how value systems and value chains affect companies' strategies. Porter's value chain concept and framework in 1985b have developed and focused on sectors other than the manufacturing sector, which was the main point. The value chain concept is helping other business areas to create and establish competitive advantages and benefits from it. (Linkov, Carluccio, Pritchard, Bhreasail, Galaitsi, Sarkis & Keisler, 2019). The research approach to this study is a qualitative case study with data collected by the case company and interviews conducted with employees and business partners.

1.3 Research problem and theoretical contribution

This thesis focuses on a research problem to discover how changing value chains affect the companies' strategies. The terms strategy and value chain are more thoughtfully explained in chapter two. The literature review also shows that companies' strategies are well-linked to the companies’ value systems and the value chains inside the value system. Because of this, the thesis research question is:

How do the value chain changes affect the company's strategy?

The research problem in this thesis is:
If changes happen in the value chain, the company strategy must also change.

The hypothesis that the thesis is working with is that if the priorities in the value chain change, then the strategy must develop to match the value chain. The results from this thesis will show that when a company’s value chain changes, then the company’s strategy must develop as well.

The two research questions that will help to do this thesis are:
How does the new strategy serve the value chain?
How does the new strategy give the company a competitive advantage?

The theoretical contributions that this thesis will show are a comprehensive framework for strategy development, value systems, and value chains. The thesis will also show a comprehensive framework for competitive advantages and capabilities that will help the strategy development ant to lead and develop partnerships. The managerial implications that this thesis will give are to help managers understand how linked the value system with the value chains are to the company's strategy and how important it is that both the value system and the strategy are leading the company in the same direction.

1.4 Structure of the thesis

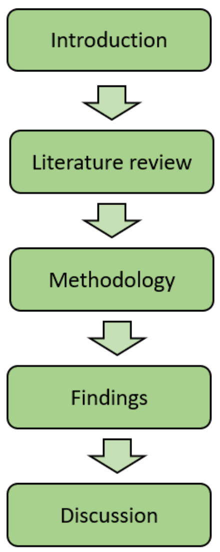

Figure 1. Thesis structure

The structure of the thesis is built as shown in the Figure 1 above. It starts with the introduction chapter, including the study's motivation, the research gap, the research problem, and theoretical contributions. In the second chapter, the chapter begins by explaining the core terms of this thesis. The chapter continues with the literature review that gives the thesis the theoretical view of the topic from strategy development, strategic management development, competitive advantages and capabilities, development and leadership of partnerships, value systems, and value chain points of view. At the end of the chapter is a summary of the literature review. The third chapter focuses on the methodology, including research strategy and method, case selection, data collection, and data analysis. The fourth chapter starts with an introduction to the case company used in this thesis and continues by presenting the empirical findings found in this thesis. In the fifth chapter, the discussion part discusses the empirical findings of the theoretical part presented earlier in the second chapter. The fifth chapter concludes the main findings and shows the theoretical and managerial implications. The last chapter also presents the limitations of this thesis and gives future research suggestions.

2 Literature review

This chapter presents a comprehensive framework for strategy development, strategic management development, competitive advantages and capabilities, value systems, and value chains. This theoretical framework aims to help the reader understand the research results and provide a perspective on strategy development and value systems studies. At the beginning of this chapter, three core terms are defined: strategy, value chain, and cooperation. The literature review has been focusing on research and articles from a longer perspective to get a wide range of information.

2.1 Core terms of the study

Several terms are essential to understand to be fully able to get the most out of this study. To minimize the chance of misunderstandings and offer an understandable view of this research, the three sections below will explain three core terms used in this study. These terms are used because, with the help of well-defined terminology, people can communicate efficiently regardless of which industry they are most familiar with. With the help of good terminology, it can increase clarity and reduce possible ambiguity, increasing the text's quality. Terminology helps people understand specific topics and makes the text more precise and understandable. (Mayra León, 2020). According to the Cambridge Dictionary, 'terminology' means expressions or unique words are used concerning a particular activity or subject. (Oxford Dictionary, 2023).

2.1.1 Strategy

The term ’strategy’ can be explained in many ways, traced far back to the ancient Greeks. For the ancient Greeks, a strategy meant a chief military commander or another highly staked chief. The term 'strategy' is far more recent; it has been used since the twentieth century. (Ghemawat, 2002).

Different researchers have different ways of explaining it. It is not easy to define strategy; you would likely get a different answer depending on whom you ask, but the answer will mostly point in the same direction. One usual answer is that strategy is a plan or something similar, like a direction, a guide of actions to take in the future. Mintzberg, Ahlstrand, and Lampel (1998) defined strategy as a pattern that keeps behavior consistent. One reason strategy can be explained in so many ways is that people think differently about strategies and what strategy is. Another challenge with the term is that depending on which level to look at, there are different types of strategies inside a company. (Rehman Bukhari, 2019).

Johnson and Scholes (2005) say, "Strategy determines the direction and scope of an organization over the long term, and they say that it should determine how resources should be configured to meet the needs of markets and stakeholders." Michael Porter (1996) defines strategy as a process where a company performs activities differently according to competitors or performs similar activities as competitors perform, but they perform them differently. Porter also says that companies can only outperform their rivals if they can do something differently and preserve the difference. The customer value that the company delivers to customers must also be of a higher value than the competitors' value, or the company must be able to deliver a customer value that is delivered cheaper than what the competitors do.

The strategy definition used in this study is the definition that Hendry, Kiel, and Nicholson made in 2010. "Strategy is something that people in organizations "do" rather than something that organizations have." This definition is used because the definition matches the study in a good way. It also makes the quote from Peter Drucker memorable, "Culture eats strategy for breakfast," which does not state that the company strategy is irrelevant; it simply means that the culture of the company must align with the company's strategy or otherwise, the strategy will be challenging to implement. (Engel, 2018).

As we can see, there are multiple ways of defining the term' strategy,' and the definitions have been changing during the studies that have been made on the topic. From the ancient Greek chief military commander or another highly staked chief (Ghemawat, 2002) to Michael Porter's 2002 definition, ' strategy' is a process where the company performs activities. Finally, the definition used in this study, which is the definition made by Hendry et al. 2010, is that strategy is something that people in organizations "do" rather than something that organizations have.

2.1.2 Value chain

A value chain is a system that is formed by smaller subsystems. Each of the subsystems has inputs, transformation processes, and value-delivering outputs. (Porter, 1985b). Porter framed the value chain concept and focused mainly on the manufacturing sector, helping the manufacturing sector to create and establish competitive advantages, but the value chain concept has evolved. Business areas not operating in the manufacturing sector also benefit from the value chain concept. (Linkov et al. 2019). In their study from 2017, Nauhria, Makarand, and Pandey discovered that by using value chains, the efficiency in companies can be increased. This means that the company's also can earn higher revenues because the time and magnitude o their value deliveries will increase and at the same time the company will be able to reduce their costs.

A value chain can be used to structure companies so that everyone working in different parts of the value chain has a common understanding of the bigger picture. With the help of the value chain analyses, maximizing shareholder value and building strategic competitive advantages is possible. The complete range of activities that are required for a product or service to be delivered is described by a value chain. A value chain is not tangible; it is a framework that helps a company to understand where the value is created for the customer and to interact with stakeholders and system operations. The value chain shows where the value is in the company. The value chain also shows how the value can be created or lost, before the desired services are delivered or used, depending on the product. (Linkov et al. 2019).

Supply chain thinking and value chain thinking are different. Supply chain thinking is useful for commodities and for the market and business environment for commodities. Value chain thinking is instead suitable for products that are differentiated or segmented. The main goal in value chain thinking is that the products or services are designed to increase profitability to the company at all stages in the value chain. The added value is achieved by segmenting the market with differentiated products. The material flow in value chain thinking focuses on quality, service, and agility. In supply chain thinking the material flow focuses on efficiency and market access. In value chain thinking strategic information is seen as a tool. Strategic information may be shared with trusted partners and the strategic information may be seen as an act of trustworthiness and an important source of competitive advantage. In supply chain thinking the information is strictly confidential and protected by the company. The relationships in value chain thinking are collaborative and focused on shared risks, benefits, and resource allocation. In supply chain thinking, the relationships focus more on market power and supply chain efficiency and partners are held at arm's length. (Fearne, Martinez, Dent, 2012).

Value chain management also focuses on a more extensive scope than supply chain management. The management activities in value chain management focus on every step. Value chain management aims to deliver maximum value at the least possible cost, and to achieve that, the activities are managed from the raw materials to the end product or end user. In supply chain management, the activities focus on getting the raw materials and sub-assemblies cost-effectively and smoothly into a manufacturing operation instead of ensuring maximum value is delivered. Instead of thinking of "What is best for my company and me now?" the thinking must shift to "What can I do to maximize the economic, environmental, and community benefit to all members in the value chain?". (Ilyas, Banwet, Shankar, 2007)

2.1.3 Cooperation

Cooperation is when a company builds alliances, cross-sector partnerships, or other inter-organizational relationships. (Castañer & Oliveira, 2000). Gazley (2017) says that when a company decides to cooperate with another company, the decision is always both cognitive and psychological and includes the choice to trust others and share resources and information. In 2003, Hardy, Phillips, and Lawrence said cooperation is a collaboration. Hardy et al. define collaboration as a cooperative and inter-organizational partnership that evolves through continuous communication.

Gulati, Wohlgezogen, and Zhelyazkov (2012) define cooperation as the "Joint pursuit of an agreed-on goal in a manner corresponding to a shared understanding about contributions and payoffs." From this point of view, cooperation is seen as a behavioral outcome. The quality of cooperation can also vary because it depends on the partner's agreement and motivation. It can be highly cooperative if both partners are highly motivated and use appropriate time and resources. However, both partners must negotiate how much time and resources the partners are willing to put into the cooperation. (Gulati et al., 2012). In cooperation, both partners must agree on the set rules. If partners of a cooperation engage in opportunistic behavior, it can result in a win-lose situation instead of nurturing the cooperation, and competition takes over the cooperation. In these scenarios, the level of trust may decrease when the partners become more suspicious of each other. Daudi, Hauge, and Thoben (2016).

Salvato, Reuer, and Battigalli (2017) say cooperation is "Joint work performed by persons who share a common goal, where the alignment of interest is central." To make a successful cooperation, both partners must commit to not taking advantage of each other if opportunities to take advantage present themselves. (Todeva & Knoke, 2005).

2.2 Strategy development

“Environmental conditions evolve continuously, and because of that, firms need to change to adapt to new environments”. (Miles, Snow, Meyer & Coleman, 1978).

Strategy development or change is complex because established practices are hard to alter, even if the organization requires a change. The old habits and practices have often led to successful results, but changes must be made when the business environment changes. Change processes are rarely smooth and easy, even if there is a clear need for a change. (Durmusoglu, McNally, Calantone, Harmancioglu, 2008) When new strategies are executed, different dilemmas can occur. According to Lowy (2015), there are three kinds of execution dilemmas: primary dilemmas (the "what"), secondary dilemmas (the enabling "how"), and leadership dilemmas. The primary dilemmas state the "what" that must be achieved to succeed; the dilemmas include integration and challenges with time and resources. The secondary dilemmas are connected to the primary dilemmas: confidence, morale, and change are all important, even if they are not the core in the same way as the primary dilemmas are. The leadership dilemma is to do all that is required without losing the respect and trust of the employees. A strategy implementation with no dilemmas is almost impossible, so converting the dilemmas into positive forces is essential. Lowy (2015) has made a five-step process to manage the dilemmas: detection, acceptance, diagnosis, design, and action. (Lowy, 2015)

One reason that causes the need for development in both strategies is that industries change over time. The industry changes can be viewed from McGahan's (2004) four trajectories that affect industries differently. First, the industry's core activities can be threatened. These activities have been profitable earlier; when these activities become threatened, the activities are less important to suppliers and customers than before because new alternatives come from outside the industry. The second threat threatens the core assets of the industry. These are the knowledge, brand capital, and resources that have been the profitable assets that made the company unique earlier. When these assets cannot generate value in the same way as earlier, they fail and are replaceable. If the core activities and core assets from the same industry are threatened with obsolescence simultaneously, a radical change occurs. Radical change is relatively unusual and causes significant changes to the whole industry. (McGahan, 2004). The industry's change trajectory is progressive if the threats do not threaten core assets or activities. The third change trajectory is creative, which occurs if the core activities are stable but there are threats toward the core assets. The fourth change trajectory is intermediating change; this happens when the core activities are threatened by obsolescence, but the core assets can still generate value for the company. (McGahan, 2004).

Even if strategy development is required, strategies only sometimes develop as wanted. To successfully develop strategies, it is essential to understand the intended strategy and the emerging strategy. An intended strategy is a strategy that is desired and deliberately formulated or planned by the managers. (Johnson & Scholes, 2005). A planned or written strategy is not the same as the outcome of the strategy. As time passes, the planned intended strategy evolves into an emerging and realized strategy. As shown in the Figure 2 below (Mintzberg et al., 1998). An emergent strategy differs from the intended strategy that was desired. The emergent strategy forms through organizations' daily routines, activities, and processes. These daily routines, activities, and processes lead the way to the direction the organization is going in the long-term perspective. (Johnson & Scholes, 2005).

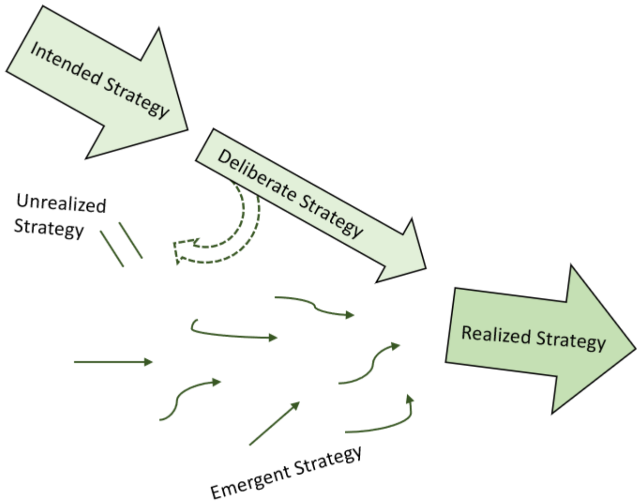

Figure 2. Intended and emergent strategies. (Based on Mintzberg, Ahlstrand, & Lampel, 1998).

Companies must be flexible when the pace is only increasing in the current business environment. Furthermore, companies must be able to respond to market changes and competition changes faster than before. Companies look more alike than before, but the importance of benchmarking is still increasing. The differentiation of companies is crucial if a company wants to outperform its competitors. It is not enough to be different; the difference must also be kept. It is not only just a few activities that show if a company has advantages or disadvantages; it is a result of the company's activities that they are performing. Porter (1985a) states that competitive strategies are all about how to be different. So, with competitive strategies, companies must deliberately choose to deliver a unique mix of value to the end customer by performing different activities.

Strategies consists of different parts. Hambrick and Fredrickson (2001) say a strategy contains five parts, each answering a question. The first is arenas: In which arenas will the business be active? The second is vehicles: How will the business get there? The third is differentiators: How will the business be different from the competitors so that we win in the marketplace? The fourth is staging: At what speed and with what kind of steps will we move toward the goal? The fifth is economic logic: How will we obtain returns and make a profitable business? Of course, smaller questions within each part make the strategy unique and fit for the business area where the company operates. In the first part, 'active,' deciding which product categories, market segments, and geographic areas to focus on is crucial. In the second part, 'vehicles,' it is essential to consider internal development, joint ventures, and acquisitions. The differentiation question also includes, for example, image, customization, price, styling, and product reliability. In the fourth part, 'staging,' the possible expansion speed and sequence of initiatives are two essential things to consider. In the fifth and last part, 'economic logic,' the questions are often about costs and prices. Is the business's main goal to maintain the lowest prices with the help of advantages from scale or scope or to have premium prices because of unique services or product features? (Hambrick & Fredrickson, 2001).

When developing strategies to achieve a sustainable strategic position, conscious decisions must be made. Trade-offs are required, and trade-offs are essential to the company's strategy. The trade-offs also help the company to see what the purpose is and to focus on the purpose that the company has. The main goal for a company is to deliver more excellent value to the customers than the competitors do, and the value must also be delivered at a lower cost than the competitors. (Porter, 1996). When a company chooses which trade-offs to make, it distinguishes itself strategically from other companies. When building a strategy, it is essential to define the company's scope, to know what customer or offering to focus on, what geographic location, and what vertical integrations. These boundaries help to focus on the company strategy and to stay relevant. (Collis & Rukstad, 2008).

Also, strategy approaches have been developing over time. Mintzberg & Lampel (1999) divide the strategy formation schools into ten pieces. Starting with design school, which is a process of conception. The design school was the first perspective of strategy formation. Looking at strategy formation through the lens of the design school strategy formation is a piece that makes the fit between the company's strengths and weaknesses internally and externally, as the threats and opportunities. The aim is that the company's management forms a clear and simple strategy in a process that is well thought through.

The strategy needs to be formally analytical and informally intuitive so that the whole company can implement the strategy. The design school was the dominant view of how strategy processes went into the 1970s. There are arguments about how the design school views influence teaching and practicing even nowadays.

The design school view did not develop but grew into different variants that can be combined with other views. The design school is the school that has the most influential view of the process of strategy formation. The SWOT analysis is an example of a tool used in the design school, showing the company's strengths and weaknesses and the opportunities and threats in its operating environment. In the design school, the implementation of the strategy was seen as when the strategy was agreed upon, it was implemented. The design school has been criticized for its assumption of universality. (Mintzberg, Ahlstrand, Lampel, 1998).

The planning school is the more formal process of strategy processes, which started to grow in the mid-1960s. The planning school was the dominating strategy formation school by the mid-1970s, but it faltered in the 1980s. Even if it started to falter in the 1980s, the planning school remains relevant and an essential branch of the literature. The strategy formation process in the planning school is formal and includes specific steps and checklists. In these processes, the prominent people are the human resources instead of senior managers. (Mintzberg & Lampel, 1999). The planning school looked at strategy processes as an assembly of a machine; if all the required parts were there and assembled according to an assigned blueprint, the end product would be finished as wanted. In these cases, the expectations of the end products were a brand-new strategy formed by controlled conscious planning processes. (Mintzberg et al. 1998)

The positioning school was the third school after the planning school and became dominant in the 1980s. The positioning school is an analytical process. Compared to the planning school, the strategy processes became reduced and put into generic positions selected through formal analyses of the chosen industry's situation in the positioning school. The strategy process was based on data and included strategic groups, value chains, and game theories with an analytical view. (Mintzberg & Lampel, 1999). The processes of strategy formation continued to be viewed as controlled processes that were continuously ongoing and finally produced a finished deliberate strategy ready to be implemented. In the positioning school, the focus was more on selecting the strategic position; in the earlier planning school, the focus was set on coordinated sets of plans; and in the design school, the focus was more on strategic perspectives. (Mintzberg et al. 1998)

At the same time, Michael Porter's analysis of the five forces developed and offered a framework to assess and evaluate a company's competitive strength. Together with the model of competitive analysis, Porter also developed generic strategies and the value chain. (Porter, 1985).

Michael Porter's five forces model consists of:

1. Threat of New Entrants; Which shows how high entry barriers the industry has for newcomers. If the barriers are high, the competition is low, and the business environment is friendlier. If the barriers are low, the business environment has higher competition.
2. Bargaining Power of Suppliers: All suppliers and companies want the highest price for their products, and if there are multiple suppliers to choose from, the bargaining power for the suppliers is low. If there are a limited amount of suppliers for the buyers to choose from, the bargaining power that the suppliers have is higher.
3. Bargaining Power of Buyers: The amount of power the buyers have relies on the buyer concentration versus company concentration and how high the switching costs are for the buyer. The available information and price sensitivity also affect the buyer's bargaining power.
4. Threat of Substitutes: If the company's product is threatened to be replaced, the threat of substitutes is high. The competition in this area depends on what kind

of products the company offers and how high the chances of innovations are in that business area.

5. Intensity of Rivalry: All four previous factors are parts of competition in the business environment, but the intensity of rivalry differs depending on how they work. For example, if there is a threat of substitute that threatens the whole industry, it may force the competitive companies to work together.

Mintzberg and Lampel (1999) explain the entrepreneurial school as a visionary strategy process, a completely different strategy formation view. The entrepreneurial school concentrated the process on the chief executive, broad perspectives, and visions instead of precise plans or positions. The entrepreneurial school's idea was that a great leader with a big vision was something that an organization needed. The great leader also maintained close control over implementing their formulated vision. (Mintzberg & Lampel, 1999). The earlier schools concentrated on having planners plan the strategy, but here, the primary responsibility was on one single person. This entrepreneurial school rose because planning was faltering, and vision was rising. The vision that the company's great leader would have could be vague or precise, but it should be a possible and desirable future state of the company. The company would have a path to follow by focusing on that vision. The strategy was to be promoted by that one leader with personal control of the implementation. (Mintzberg et al. 1998).

The cognitive school is a mental process where the thought is that if the strategies are developed inside people's heads as different frames or models, then it is essential to think of what could be learned about the processes happening inside people's heads. The research on cognitive biases started to grow in the 1980s, and the research in this field continues. A newer branch of the cognitive school adopted a different view of the strategy process. This view was more subjective and interpretative and thought that cognition is used to create strategies more as creative interpretations instead of objectively mapping reality. (Mintzberg & Lampel, 1999). In the cognitive school, the strategies that develop inside people's heads develop differently depending on how the person deals with inputs from the environment. The inputs from the environment do not go straight to the concepts or schemas; the inputs go through distorting filters and develop from there. (Mintzberg et al. 1998).

The learning school was the school of all the descriptive schools that grew and challenged the prescriptive schools that always had been dominant. Strategy processes are emergent, and strategists are everywhere in the organization. Developing strategy-making as a learning model is the lens through which the learning school finds the strategy processes. (Mintzberg & Lampel, 1999). In the learning school, the idea is that strategies emerge as people. The people can act as individuals or as a group when they learn about their company's capability to deal with different situations. This group gradually started to work in patterns. The proponents of learning school started to ask how strategies are formed in the company, not how they are formulated, but how they form. The problem was that the implementation processes failed even if strategies were formulated. The learning school stated that strategies first appear as patterns from the past and evolve from there to plans for the future and, if lucky, to perspectives to guide. (Mintzberg et al. 1998).

Mintzberg and Lampel (1999) present the power school as a solid negotiation-focused process of thinking where the focus on strategy-making is based on power. Inside the power school are two different orientations: micropower, which sees the inside organization strategy development as a political process involving bargaining and confrontations. The other orientation is macro power. Macro power sees the organization as a power machine that uses its power over others in strategy negotiations with alliance partners. Politics in a company can result in different outcomes, four specific points of view presented by Mintzberg et al. (1998). Firstly, if politics are used as a system of influence, it can place the company's strongest people into leadership positions. Secondly, politics may ensure that all sides of an issue are considered when other influential systems may promote only one. Thirdly, to stimulate a necessary change that is blocked by other systems, politics may be required. Furthermore, as a fourth point, politics can make the path for change execution easier.

Strategy formation is also a profoundly social process rooted in culture. The cultural school sees strategy formation that way, and the literature stream of cultural schools needs to be more robust and primarily focus on culture in significant strategic changes. (Mintzberg & Lampel, 1999). The cultural schools see the beliefs acquired by an individual as something that comes from a nonverbal socialization process. The tighter the interpretations and activities are, the more deeply ingrained the culture becomes. In a company, the people can only partially describe which beliefs underpin their culture because the origins may remain indistinct. Because of this, the strategy takes form above this, embedded within collective intentions as a deliberate strategy, even if the strategy is not entirely intentional. (Mintzberg et al. 1998).

Mintzberg and Lampel (1999) consider the environmental school as a reactive process that concentrates on the demands of the environment. The strategy processes concentrate on the expected responses from organizations that face particular environmental conditions and ecology matters that limit strategic choices. The environmental school says that if the company does not respond to the forces from the environment, the company does not survive in the business environment. If the environmental conditions become hostile, companies cluster together in different niches, but if the hostility continues, the companies die. The business environment consists of four dimensions responsible for the differences in companies. Firstly, stability: a company's environment can be everything from stable to dynamic; if the customers want the same kind of service or product from year to year, the company knows what to expect. If the business environment is more dynamic and innovations enter the market, the company's environment is more accessible to predict. Secondly, complexity: a company's environment can differ from simple to complex depending on what kind of services or products they offer. The business environment is complex if the company requires specific knowledge of its own business. Thirdly, market diversity, the business environment can vary from integrated to diversified depending on whether the company has multiple customers or sells all its services or products to the same buyer. As a fourth and decisive point, hostility. A company's environment can be anything from munificent to hostile, depending on how it chooses its customers. All these four dimensions affect how the company's business environment works. (Mintzberg et al. 1998)

The process of transformation, or the configuration school, is a school that is divided into different sides; one of them is more academic and descriptive, and it sees organizations as configurations, behaviors, and characteristics that are put together as coherent clusters. These clusters integrate the claims that other schools have made in their place. In machine-type organizations, the planning works well if the environment is relatively stable. In more dynamic environments, entrepreneurship is more common. (Mintzberg & Lampel, 1999). The configuration school point-of-view is that companies are configurations of their characteristics most of the time. In distinguishable periods, these companies adopt structures that match their context and engage in certain behaviors that conduct strategies. The stable times that the company has are occasionally interrupted by transformation processes. The interruptions and stable periods are like patterned sequences that can describe the company's life cycle. To strategically manage the company, it is essential to periodically recognize the need for interruptions and maintain stability for the rest of the time. (Mintzberg et al. 1998). The dimensions of the ten schools explained above can be seen below in Figure 3.

	Design	Planning	Positioning	Entrepreneurial	Cognitive	Learning	Power	Cultural	Environmental	Configuration
Sources	P. Selznick (and perhaps earlier work, for example by W.H. Newman), then K.R. Andrews	H.I. Ansoff	Purdue University work (D.E. Schendel, K.J. Hatten), then notably M.E. Porter.	J.A. Schumpeter, A.H. Cole, and others in economics.	H.A. Simon and J.G. March	C.E. Lindblom, R.M. Cyert and J.G. March, K.E. Weick, J.B. Quinn, and C.K. Prahalad and G. Hamel.	G.T. Allison (micro), J. Pfeffer and G.R. Salancik, and W.G. Astley (macro).	E. Rhenman and R. Normann in Sweden. No obvious source elsewhere.	M.T. Hannan and J. Freeman. Contigency theorists (e.g. D.S. Pugh et al.).	A.D. Chandler, McGill University group (H. Mintzberg, D. Miller, and others), R.E. Miles and C.C.
Base Discipline	None (architecture as metaphor).	Some links to urban planning, systems theory, and cybernetics.	Economics (industrial organization) and military history.	None (althought early writings come from economists).	Psychology (cognitive).	None (perhaps some peripheral links to learning theory in psychology and education). Chaos theory in	Political science.	Anthropology.	Biology.	History.
Champions	Case study teachers (especially at or from Harvard University), leadershop aficionados - especially in the United States.	"Professional" managers, MBAs, staff experts (especially in finance), consultants, and government controllers - especially in France and the United States.	As in planning school, particularly analytical staff types, consulting "boutiques", and military writers - especially in the United States.	Popular business press, individualists, small business people everywhere, but most decidedly in Latin America and among overseas Chinese.	Those with psychological bent - pessimists in one wing, optimists in the other.	People inclined to experimentation, ambiguity, adaptability - especially in Japan and Scandinavia.	People who like power, politics, and conspiracy - especially in France.	People who like the social, the spiritual, the collective - especially in Scandinavia and Japan.	Population ecologists, some organization theorists, splitters, and positivists in general - especially in the Anglo-Saxon countries.	Lumpers and integrators in general, as well as change agents. Configuration perhaps most popular in the Netherlands. Transformation most popular in the United States.
Intended Message	Fit.	Formalize.	Analyze.	Envision.	Cope or create.	Learn.	Promote.	Coalesce.	React.	Integrate, transform.
Realized Message	Think (strategy making as case study).	Program (rather than formulate).	Calculate (rather than create or commit).	Centralize (then hope).	Worry (being unable to cope in either case).	Play (rather than pursue).	Hoard (rather than share).	Perpetuate (rather than change).	Capitulate (rather than confront).	Lump (rather than split, adapt).
School Category	Prescriptive.	Prescriptive.	Prescriptive.	Descriptive (some prescriptive).	Descriptive	Descriptive	Descriptive	Descriptive	Descriptive	Descriptive and prescriptive.
Associated Homily	"Look before you leap."	"A stich in time saves time."	"Nothin' but the facts, ma'am."	"Take us to your leader."	"I'll see it when I believe it."	"If at first you don't succeed, try, try again."	"Look out for number one."	"An apple never falls far from the tree."	"It all depends."	"To everything there is a season..."

Figure 3. Dimensions of the Ten Schools. (Based on Mintzberg & Lampel, 1999).

2.2.1 Strategic Management Development

There has been development in the strategic management approaches over time. In the 1950s and 60s, strategic management was strongly influenced by the aim to gain efficiency through planning and control. The market or industry fit was often the perspective from which these developments were driven. The market or industry structure influences the strategy adopted by organizations. These processes resulted in strategic groups that impacted the future market and industry structure. (Campbell, Edgar & Stonehouse, 1999).

Like Mintzberg et al. (1998), Campbell et al. (1999) divided strategic management approaches into four pieces. In the first piece, prescriptive or planning strategy, strategy implementation, and strategy formulation are considered logical, rational, and systematic processes. When approaching strategies from the planned approach, strategists set targets for the business after analyzing the business and the business environment. After setting the targets, the strategist selects and implements strategies that will achieve these targets. The prescriptive or planning strategies have been criticized because there is often a significant discrepancy between the planned and realized strategies. If the business environment is highly turbulent, precise plans become irrelevant, making it hard to act flexibly when needed. It is argued that successful strategies need creativity, and with highly planned strategies, creativity often needs to be improved. However, systematic planning makes it possible to see complex business activities and organize the information. (Campbell et al. 1999).

Campbell et al. put the emergent or incremental strategies as a second piece. An emergent view of strategy sees strategy as something that must evolve because companies consist of complex social organizations that operate in environments that sometimes change rapidly. Because of the circumstances, the strategy's evolution will happen due to the interaction between the company and stakeholders and between the company and the business environment. The risk is that, in the end, the company does not have a strategy with the emergent approach, and it can be challenging to evaluate whether targets are achieved because it is impossible to measure targets if they are not set. The flexibility in a company can be increased with emergent approaches, and it can form a basis for organizational learning. (Campbell et al. 1999).

As a third piece, there is competitive positioning. Competitive positioning was the dominating school in strategic management from the 1980s to the 1990s. In the 1990s, the approach was criticized, but Porter's framework, such as the five competitive forces, is still used today by both academics and managers. The approach to strategy in competitive positioning is outside-in; it means that the company first observes the market by, for example, the five forces framework and understands the customer's needs before selecting an appropriate generic strategy with value chain analysis to ensure that the activities that the company is performing are adding value to the customer. The positioning schools model means that the organization's performance depends on the activities, tactics, or strategies buyers and sellers display. These depend on different criteria such as prices, investment, advertising, technological development, etc. (Campbell et al., 1999).

As a fourth and final piece is the resource- or core-competence based strategy. Resource- or core-competence-based strategy’s most significant difference to the competitive positioning approach is that the individual company's need to achieve competitive advantage is highlighted more than the industry where the company works. This means that the strategy approach for resource-based strategies is inside-out. Resources, skills, knowledge, or technology that distinguishes the company from its competitors are the company's core competencies. These distinguish results eventually in the company's competitive advantages. Learning and collaborative business networks are also highlighted in this strategy approach. The resource-based approach does not yet have well-developed analytical frameworks, which has been criticized for that. (Campbell et al. 1999)

The planning school and the competitive positioning adopt highly structured views of strategic management and are often seen as related. The approaches of emergent strategies and resource- or core-competence-based strategies are also connected since both focus on learning and organizational knowledge. All the approaches complement each other in many ways because they show a different perspective of the same situation in the business environment. (Campbell et al. 1999) Campbell et al. suggest that to achieve a successful strategy, the strategy must be planned and emergent and look inward and outward. The approaches to strategic management is seen below in the Table 1.

Table 1. Approaches to strategic management (Based on Campbell, Stonehouse, and Houston, 1999).

Approach	Theory	Advantages	Criticisms
Prescriptive or planning strategy	Strategy management is a highly formalized planning process. Business goals are set, and strategies are made and implemented to achieve the goals.	Clear visions provide clear focus for the business. Performance can be measured and monitored when objectives can be targets. Possibility to allocate resources to specific objectives. Logical and rational approach.	Often major discrepancies between the planned and the realized strategy. Planning in a dynamic and turbulent business environment may be unproductive. Prescriptions can repress creativity. If plans are followed to tight, it may lead to missed business opportunities.

Emergent or incremental strategy	Strategy emerges and develops over time	Emergent strategies increase flexibility if the business environment is turbulent. If the stakeholder interactions are changing the strategy is often emergent.	Danger that the lack of clarity makes the strategy drift. Difficult to evaluate the work when the targets are not defined.
Competitive Positioning approach to strategy	The competitive advantage is a result from the company's position in the business environment. The business analyses the strength of the competitive forces in its industry and selects an appropriate generic strategy. Value-adding activities are added to support this. The strategy approach is outside-in.	Developed analytical frameworks, Porter's five forces, value chain, generic strategies. Easier to simplify complex business environment with structures. Good for identifying opportunities and threats in the business environment.	Understates the importance of different competencies depending on business. Generic strategies have been widely criticized.
Resource- or competence-based approach to strategy	Companies must identify and build their core competencies. The strategy approach is inside-out.	The importance of the individual business in acquiring competitive advantages is emphasized. Vision, creativity, and strategic intent are highlighted.	The analytical frameworks are currently poorly developed. The importance of the business environment is underestimated when determining competitive advantages.

2.3 Competitive advantages and capabilities

Porter (1985b) sees competitive advantages as being divided into two basic types. The two basic types are cost advantage and differentiation advantage. If a company can deliver a product or service similar to a competitor's product or service, but at a lower cost, the company has a cost advantage. If a company can deliver a product or service that exceeds the benefit of the competitor's product or service on the market, the company has gained a differentiation advantage. Both these advantages, the cost advantage, and the differentiation advantage, are known as potential advantages. Potential advantages describe the company's position in the business environment.

A company is seen to have a competitive advantage when competitors cannot gain the same benefits as the company when the company's value-creating strategy is implemented. The ability to sustain the competitive advantage depends on whether the value-creating strategy is easily duplicated by competitors or not. Even if the company achieves a sustainable competitive advantage, the competitive advantage will not last forever; it requires development. In an industry where all competitors are identical and have the same resources and strategy, they will achieve the same efficiency and effectiveness; it would not be possible to have a sustained competitive advantage. (Porter, 1985b).

However, if a company becomes the first mover, it gains some first-mover advantages. Sometimes, first-movers can sustain their competitive advantages over other firms by possessing distribution channels, developing goodwill with customers, or achieving a positive reputation before other companies can implement their strategies. The business environment must be heterogeneous within the controlled resources to achieve first-mover advantages. (Barney, 1991). In their study in 2000, Cockburn, Henderson, and Stern stated that to understand the dynamics of competitive advantage, it is essential to make strategic adjustments consciously. Their study also showed that companies that were behind in the competitive advantages from the start moved more rapidly to catch up with the competitors that were more advanced. This would mean that if an industry has first-movers, its advantage would not be sustained for long because the competitors will catch up more rapidly.

In 2007 Wang and Ahmed (2007) stated that there are different types of dynamic capabilities, such as adaptive, absorptive, and innovative. A company's dynamic capabilities are the company's ability to foresee, sense, create visions, and seize new business opportunities. The company's ability to reconfigure and modify the company's resources based on the business environment is also a dynamic capability. According to David Teece et al. (1997), a company's dynamic capabilities generate a sustainable competitive advantage. Companies' advantage lies in how well they can change capabilities like routines, behaviors, resources, or assets. Barney (1991) includes all organizational assets, processes, information, knowledge, firm attributes, and capabilities to the company's resources. Dynamic capabilities contribute to the company's competitive advantage and organizational strategy by forcing it to renew itself when the environment changes. If the company cannot renew itself, it cannot survive. The dynamic capabilities are essential even if the company operates in a stable environment. (Teece et al., 1997).

Kay (1993) says that distinctive capabilities result from one or more of the four sources: Architecture, the unique relationships towards suppliers, distributors, or customers, which the company’s competitors do not have. This unique network can be either internal or external. Reputation includes several parts, such as superior product quality, design, service, and business characteristics. Innovation is the ability the company has to successfully develop and design new products or services ahead of its competitors and improve its value-adding activities. Strategic assets are the competitive advantages that a company has from assets such as patents, copyrights, or natural monopolies.

Prahaland and Hamel (1990) explain a company's core capabilities as "Core competencies are the collective learning of the organization, especially how to coordinate diverse production skills and integrate multiple streams of technologies." A company's core capability should be three different things: it should allow it to enter and successfully do business in several markets. A core capability should also give the company's customer more value from the product or service provided than the competitor's product or service. Furthermore, as a last thing, a core capability should be difficult to imitate for competitors. A company's capabilities are information-based processes in the company, and they are specific to the company. The capabilities can be either tangible or intangible. (Amit & Shoemaker, 1993). Core competencies can also be defined as the company's fundamental core. (Teecee et al. 1997).

In 1993, Amit and Schoemaker stated that companies often see some company-specific resources and capabilities as crucial to the company's performance. These resources and capabilities can be technical know-how, the capability of designing and engineering, financial resources, or the ability to respond to market needs. The challenge for the company is to identify these specific resources and capabilities that the company has so the company can develop them and retain them in the future. These specific resources and capabilities are the differentiation that the company needs to achieve a competitive advantage.- The company resources are the available factors that the company owns or controls; these resources convert into final products or services of the company with the help of other company assets, technology, trust, and more. The resources also consist of knowledge that can be traded, such as patents and licenses, financial assets, such as property and equipment, human resources, etc. (Amit & Shoemaker, 1993).

Trade secrets and company-specific information are challenging to transfer to another company because the asset may consist of tacit knowledge and high transaction costs and transfer costs. (Teecee et al. 1997). The capabilities of a company are the company's ability to use the resources that the company has in combination with the company's processes to achieve the desired service or product. The base of capabilities comes from the company's human capital, where information is exchanged, developed, and carried. (Amit & Schoemaker, 1993). With the help of good capabilities, a company is efficient. It can perform the necessary activities more effectively to produce the company's desired product or service to the end customer. The capabilities of a company are not acquired at a rapid pace; they accumulate over time. A company's capabilities can help achieve a sustainable competitive advantage, but they cannot give the company sustainable competitive advantages alone. (Collis, 1994).

2.4 Developing and leading partnerships

Vesalainen (2006) explains how suppliers and customers see things from a different perspective when they are negotiating about the same thing. From the supplier's side, it also depends on the point of view of the production manager, who focuses on the forecasted information and size of orders, or the key account manager, who is oriented and focused on adding value through new services. On the other side of the table, there is the customer who focuses on the purchase price and dependency or competition as a network and the development of the network, depending on what point of view the customer is using. These different perspectives can be seen in the Figure 4 below.

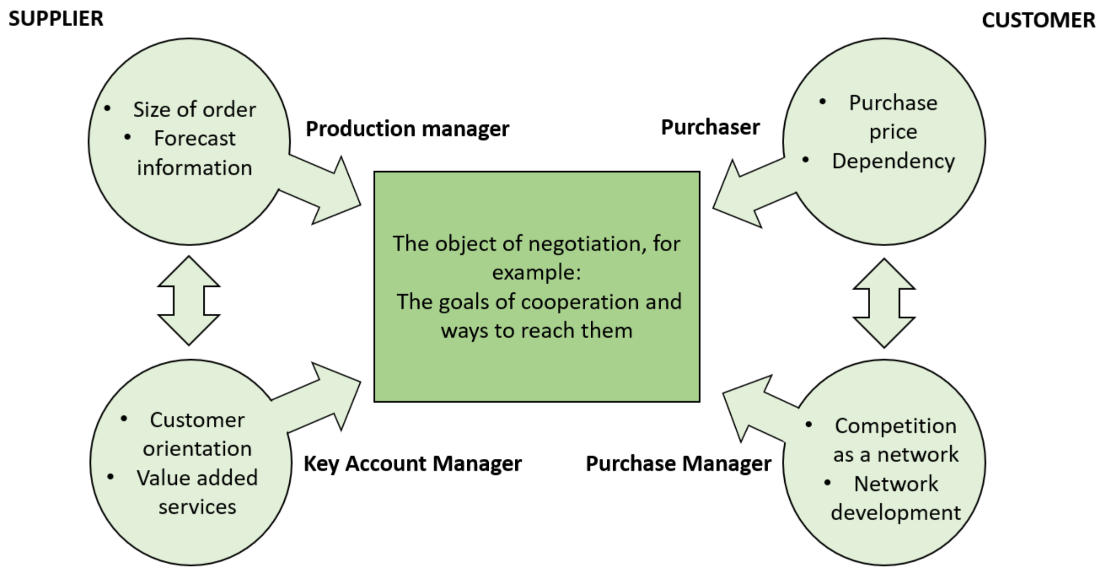

Figure 4. Different perspectives depending on role. (Based on Vesalainen 2006).

The cooperation in companies can be done both horizontally and vertically. When cooperation is done horizontally, the partners are often competitors and at the same stage of the value system. In vertical collaboration, the cooperation is usually done with suppliers, distributors, and customers, and the partners are at different stages of the value system. Cooperation can benefit the company by linking core competencies, resource access, and risk reduction. Problems can also occur from cooperation if the cultural differences between the partners are too significant or if conflicts occur. (Campbell et al. 1999). In this case the cooperation is done vertically.

Different organizational roles give people different expectations from the company and the cooperation. (Vesalainen, 2006, p. 40). The common goal for both partners is to develop the partnership and cooperation to a reasonable level together. The development of a partnership can be done in multiple ways. The development of a partnership can be done in multiple ways. Vesalainen, 2006 shows different options for how the effort in the development process can be put into partnership development as shown below in Figure 5.

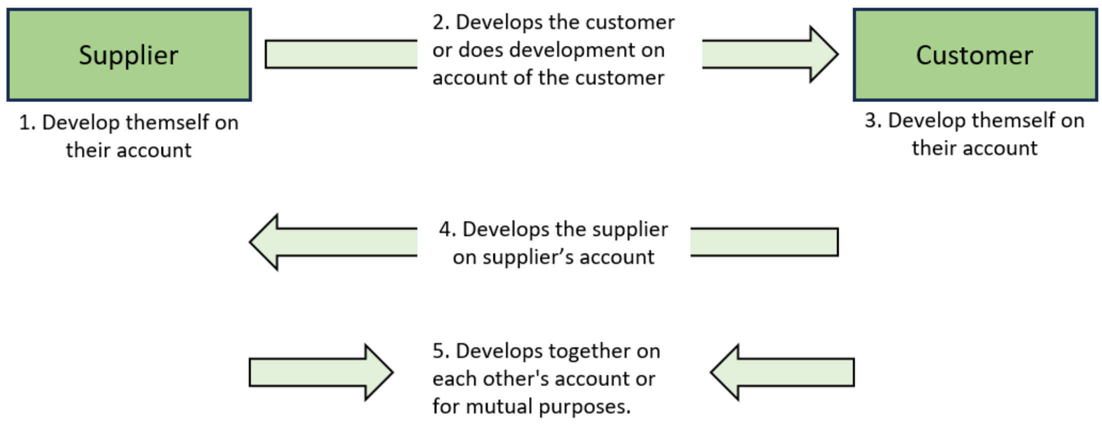

Figure 5. Effort in the development process. (Based on Vesalainen, 2006, p. 61).

If the parts have the same perception of the current state, but the targets in the target state differ, it is time for them to discuss why the target state differs and how to proceed to a state where development is possible. When both parties agree on both the current state and the target state, and the target state does not differ from the current state, there is no possibility for the development of the partnership. The partnership is already at such a level that development is impossible for these parts. (Vesalainen, 2006, p. 188). Even if partnership development is not possible for these parts when both are agreed on the current state, and the target state and the target state are already reached, there still can be parts where the partners can develop their business together.

If the partners agree on the current state and the target state, but the current state differs from the target state, the partnership can be developed. Here, building a target and step-by-step action plan to reach the goals together is essential. (Vesalainen, 2006, p. 188). With the help of an action plan, the cooperation will find steps on how to proceed and measure the outcome of the partnership.

Both parties of cooperation must understand the current state and the target state in the same way. In the partnership strategy analysis framework below based on Vesalainen (Figure 6), we see that depending on whether the differences are in the perceptions of the current state or the target state, the outcome of the partnership is different. When partnerships are led and developed, the first step is finding common ground and understanding the current state. If things differ in the perception of the current situation between the partners, these things should be solved, and the partners should reach a common understanding through discussions. It is important to investigate why the perceptions of the current state differ and what causes the differences. The differences can be that the different parties make different perceptions of the same state, but the differences must still be solved. (Vesalainen, 2006, p. 188).

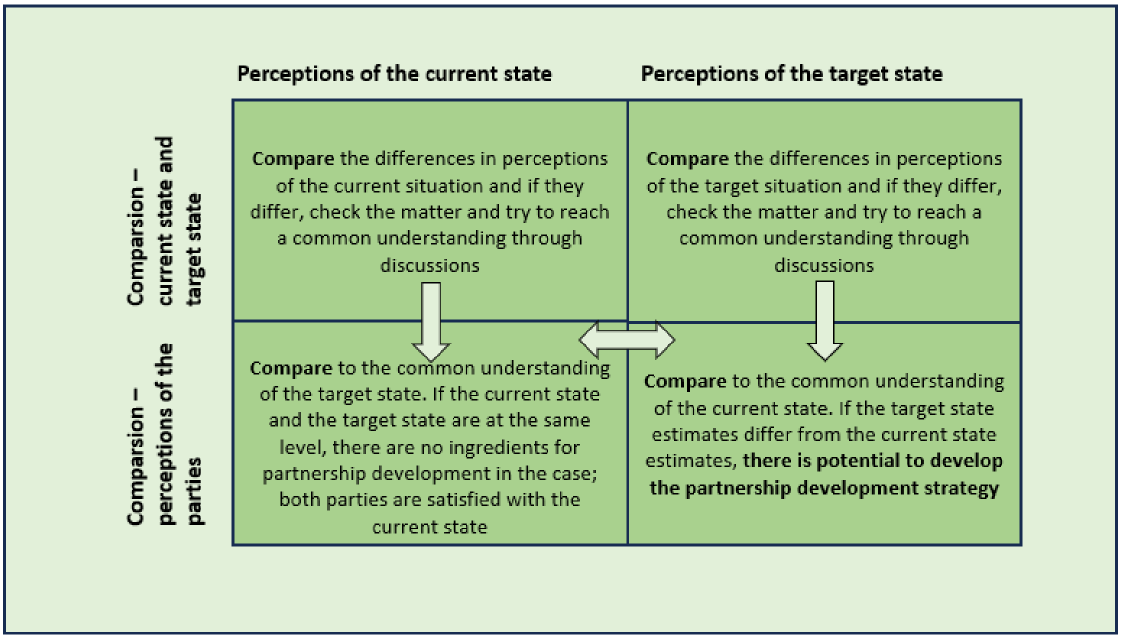

Figure 6. Partnership strategy analysis framework (Based on Vesalainen, 2006, p. 188)

When leading and developing partnerships, trust and reputation are important parts of it. Trust can be defined as the confidence that an individual holds in the assurance that their vulnerabilities will not be exploited within a transaction or used towards the company. (Barney & Hansen, 1994). The more people in the organization have positive experiences with a trusted partner, the more unified and stable the collected trust. (Vesalainen, 2006, p. 52). Trust is essential in partnerships. Barney and Hansen (1994) define trust in the same way as Sabel (1993), that trust can be defined as the assurance that none of the parties involved in an exchange will exploit the vulnerabilities of others. Except for trust, reputation is an essential part of the development and leadership of partnerships. A company's reputation includes several parts, such as product quality, design, service, and business characteristics. (Kay, 1993). Trustworthiness is realized when exchange partner demonstrates its credibility and reliability, thereby earning the trust of others. Different types of trust can be defined, Barney and Hansen (1994) categorize trust into three distinct forms: weak form trust, semi-strong form trust, and strong form trust. Weak form trust is characterized by restricted opportunities for opportunistic behavior. When the involved partners do not have significant vulnerabilities, the trustworthiness tends to be high, and trust becomes the norm. In these cases, the trust does not depend on contracts or commitments. When there are no vulnerabilities, the change of opportunistic behavior is minimal, and a weak form of trustworthiness will exist. If the partners have significant vulnerabilities, trust can still emerge but is often protected through governance devices. This kind of trust is called a semi-strong form of trust, where the partners are confident that their vulnerabilities will not be exploited because exploiting the vulnerabilities would be irrational. Examples of semi-strong forms of trust would be contingent claims contracts and strategic alliances. Strong form trust represents the highest degree of resolute trustworthiness where trust emerges whether or not there are significant vulnerabilities or social or economic governance mechanisms. In a strong form of trust, opportunistic behavior would hurt the company's values, principles, and standards of behavior. The trustworthy behavior of a strong form of trust develops from the principles and standards the partners agree on regarding behavior.

2.5 Value systems and value chains

A value system is situated between the macro and micro business environment where the company is operating. The value system is the path the service or product goes from the supplier to the end customer. Each company has its value chains inside the value system consisting of primary and support activities. A value chain is pictured below in Figure 7.

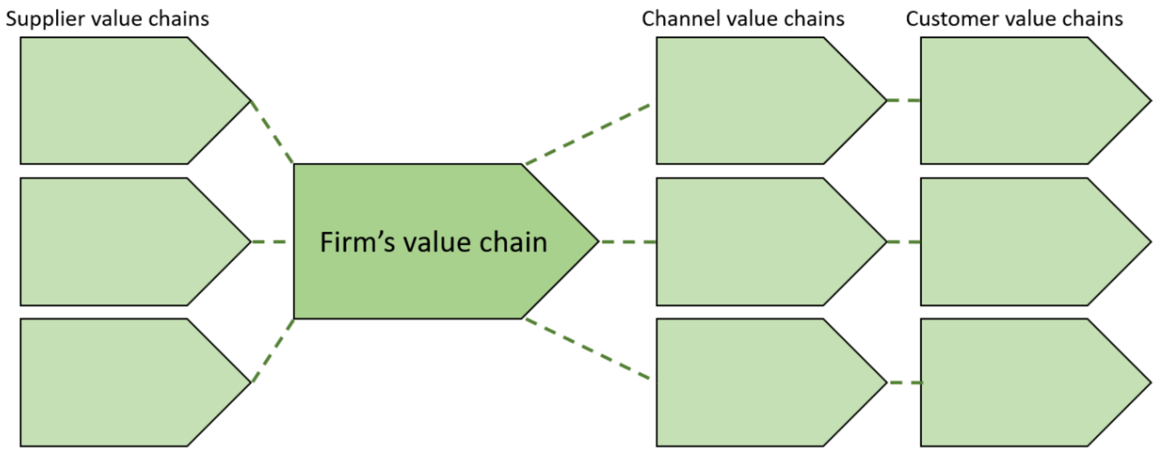

Figure 7. Value system. (Based on Porter, 1985a).

In 1985, Choi explained that Porter's (1985a) value chain model was initially developed for the manufacturing industry and would be challenging to apply to other industries, such as the service industry. The activities performed in a manufacturing industry versus a service industry are different in many ways; service industries most often include people and personal contacts differently than the manufacturing industry. In Choi's (2007) research, it is clear that applying the value chain model to the service industry is also possible. (Choi, 2007). Porter (1985a) says that every company is a collection of activities whose main task is to support its product, deliver, market, produce, or design.

As a concept, a value chain is how a company's activities are divided into activities performed to support, deliver, market, produce, and design. The value is easily measured by the amount customers are willing to pay for a company's product. The business is profitable if the company’s created value is higher than the costs of performing the required activities. Suppose a company wants to have a competitive advantage over the company's competitors. In that case, the company's value activities must be performed either at a cost that is lower than the competitors or the company must be able to create a premium product or higher differentiation. The company’s value activities can be put into two primary categories: primary and supporting activities. The activities that are used to create the physical creation of the service that the company provides, markets, delivers, supports, and sells are the primary activities. The support activities are the activities that allow the primary activities to happen, such as human resources, technologies, the firm's infrastructure, and procurement. (Choi, 2007).

The different parts in the value chain are all linked; one part affects another. Parts of the value chain can be optimized, but it always has consequences on other parts and will require trade-offs. If the sales department starts to sell a product cheaper than before, the market share for that product and the customer complaints about the price will increase, but at the same time, the profit decreases, which would affect the whole value chain at some point. (Porter, 1985a). There has been criticism towards value chains because the value chains' primary focus is on a company's activities regarding cost analysis. The soft factors companies have are not included in the value chain model. In Choi's study, the hotel managers thought there were multiple strategic issues they had never considered before that were included in the value chain model. (Choi, 2007).

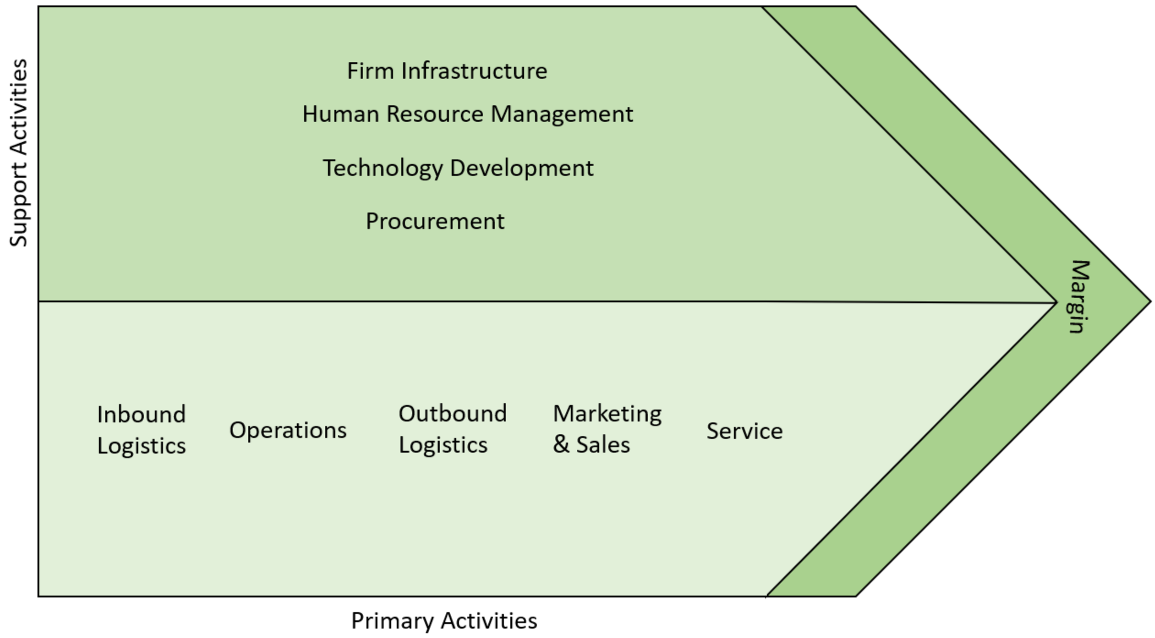

Figure 8. Value chain. (Based on Porter, 1985a).

The Figure 8 above shows the structure of the value chain based on Porter (1985a). The primary activities of a value chain are: Inbound logistics, which oversees the acquisition of resources from external suppliers and and other resources from the outside. The inbound logistics also includes the relationship with suppliers. Inbound operations may also include raw materials; these outside resources are the company's inputs. All the actions and processes in volved in converting inputs into outputs fall under the category of operations. The output is the product or service sold by the company. The outputs are the core product and are sold for a higher price than the transformation from input into output for the company to be profitable. Outbound logistics, all the activities required to store, collect, and distribute the output to the customer. Outbound logistics also involves overseeing the internal and external systems related to customer organizations within the company. Marketing and sales are all the activities that inform buyers about products and services, advertising and brand building, communication, and why consumers should choose the product or service. Service: All the activities that concern product support and customer service or are required to keep the product or service effectively working after the delivery. (Tardi, 2023).

The support activities of a value chain are: Procurement, which includes the activities requiring the acquisition of inputs or resources. The procurement maintains relationships with vendors and all other activities related to securing the necessary materials and resources. The activities in human resource management are the activities involved in recruiting, hiring, training, building, and maintaining an organizational culture. Technology development, all the activities that are needed to perform research and development, hardware, software, procedures, and technical knowledge. Infrastructure includes activities such as quality assurance, government relations, legal activities, general management, accounting, finance, administrative activities, and public relations. (Tardi, 2023).

When studying companies' value chains, it is essential to understand which competencies the core competencies are and what activities are provided better by an outsourced company. Companies often have multiple value chains inside their value system. There, where supply chains help the company to manage the supplies and supply network, the value chains help to understand where the value is. Value chains can also show how the value can be created or missed before the service or product is delivered as an end product or delivered to the final customer. (Linkov et al. 2019).

Value can be defined in different ways because value means different things to different people. In the business area, which includes customer service and service quality, value can be measured as the satisfaction a person receives from the activity or service that has been performed. This definition of value is subjective and depends on the individual's experience. (Tzokas & Saren, 1997). Another way to define value is as the price customers are willing to pay for the products or services a company offers. It is also essential to consider that if the customers do not perceive the value they will receive, they will not pay for it. (Porter, 1985a). Walters & Lancaster (1999) provide a definition of value as the favorable balance between acquisition costs and benefits. They further explain relative value as the satisfaction perceived from various alternative value offerings. A value proposition, on the other hand, is a statement that outlines how value will be delivered to customers. The value proposition holds vital importance, both within the organization and externally. (Walters & Lancaster, 1999).

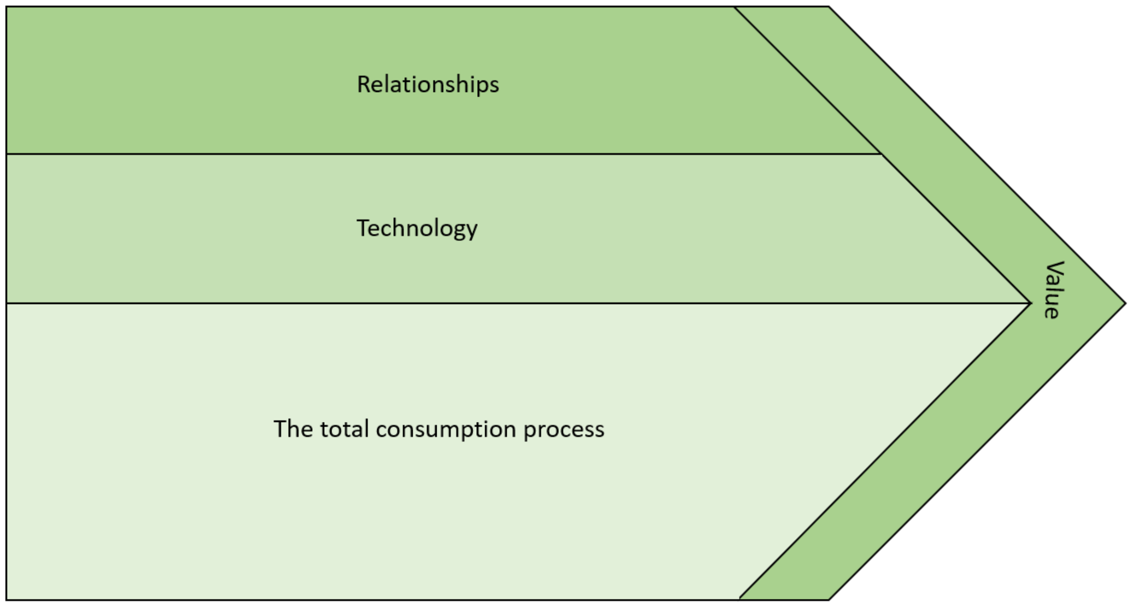

Figure 9. The value chain of the customer. (Based on Tzokas & Saren, 1997).

Tzokas and Saren (1997) made a value chain from the customer's perspective, including relationships, technology, and the total consumption process, as shown above in Figure 9. Relationship activities are the activities performed by an individual as belonging to a group that can be all from an extensive group as a nation or a smaller one as close friends or neighbors. Another activity included in the relationship activities is the one performed by an individual included in relational terms. The technology activities in the customer value chain include activities that are related to material technologies; this could be, for example, products. The technology activities also include culture and other activities related to human technologies. Tzokas and Saren (1997) see the role of culture as a technology that will support the customer's symbolic appropriation of the product. In Tzokas and Saren's (1997) opinion, material technologies contribute to the context of product use. The customer value chain aims to understand the customer's desires holistically.

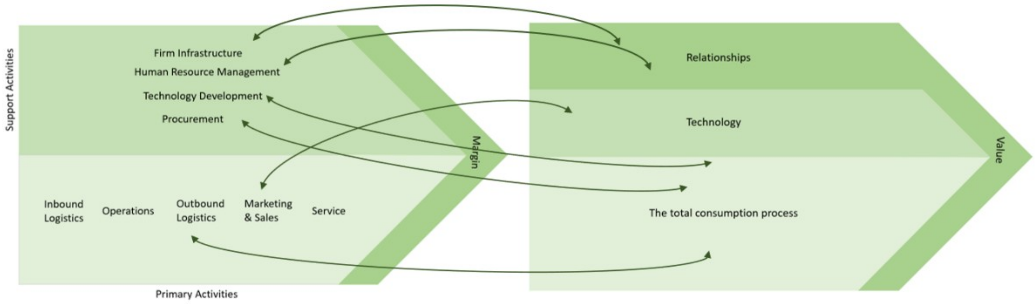

Figure 10. Linking the value chain of the company and the customer value chain of the customer. (Based on Tzokas & Saren, 1997).

When the company's and the customer's value chains are related, it is possible to find a framework with a holistic view of the company's and the customer's relations. These linked value chains can be seen above in Figure 10. Tzokas and Saren (1997) state that with the help of this framework, it is possible to illustrate platforms that will help to build value relations and create value. In Tzokas & Saren's (1997) opinion, this value chain relationship suggests that instead of having to separate value chain systems that earlier have used their activities to create value, the value chain of the company and the customer's value chain can work synergistically. The two value systems depend on each other, and the company's competitive advantage lies in the ability to blend the two value systems into each other in a way that creates value for both the customer and the company. (Tzokas & Saren, 1997).

The activities in a value chain can also be considered a collection of technologies, as Porter did in 1985b. Porter said that technology is included in every value activity of a company. The technology in a company's value chain affects the customer's value chain. For example, the procurement methods that the customer has are affected by the order process technology that the company provides. (Porter, 1985b). The value system, value chains, and strategy are all linked together. Nauhria et al. (2017) describe the relationship between value-creating strategies and customer value from a financial perspective from a car manufacturer's point of view; the insights can also be used in other industries. If the value-creating strategy is to increase the quality of manufactured products/services, the customer value perspective would be an improved product performance, leading to an increase in market shares from the financial perspective. If the value-creating strategy reduces manufacturing costs, the customer value perspective would be competitive product prices. From a financial perspective, it would mean an increase in profits. If the company is looking for an increase in sales revenue, the strategy for creating more value would be to reduce the manufacturing or assembly time and, by so, reduce the delivery time or to manufacture flexible products with specific customer requirements that would give the customer customized products. (Nauhria, et al. 2017).

Below, in Figure 11 is an illustrative representation of a hypothetical value system for an insurance company based on Walters and Lancaster (2000). This illustrative representation help to understand the different parts of the value system. The customer value comes from the customer value criteria, in this case, from customization, competitive pricing, and reliability, and from the customer acquisition costs, the needed specification, search, and maintenance. The key success factors to reach the value proposition are sales distribution, cost competitiveness, and responsiveness. With the help of the key success factors, the company can redeem the value proposition that includes claim handling, quality, and reliability. The corporate value also adds to the value proposition and the value strategy and positioning. The value strategy and positioning include inputs from information management, such as customer research and competitive activities, and relationship management, such as customer focus, product development, and market development. Information management also affects straight on the value and cost drivers. The value and cost drivers affect the organizational structure and management, such as customer focus, knowledge, and partnerships. The value and cost drivers also affect production with flexibility, production processes, and quality control.

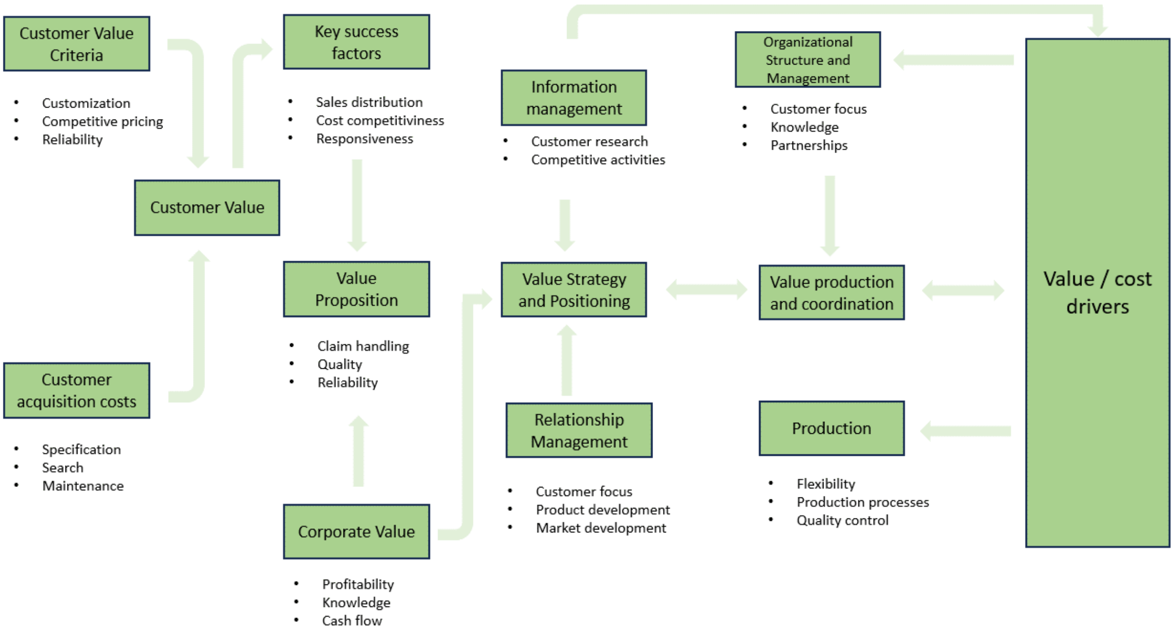

Figure 11. Value system. (Based on Walters & Lancaster 2000)

2.6 Literature Review Summary

This literature review chapter presents a comprehensive framework and relevant research for value systems, value chains, capabilities and resources, and strategy development. The chapter also explains the term's strategy, value chain, and cooperation. Theoretical insights from this research are used in the later comparison with the empirical data in Chapter 4.

3 Methodology

This chapter explains how this study's research was done and the research process. The thesis was conducted as a case study and focused on qualitative data analysis of secondary sources. As a second source, interviews were used to understand how partnerships work and how to develop the partnerships in a way that would benefit both partners. This aim of this study is to respond to the research question: How do the value chain changes affect the company's strategy? The hypothesis that if the priorities in the value chain change, then the strategy must develop to match the value chain would also be tested to follow a deductive method. This study also shows the need to develop processes and resources when cooperation is conducted and developed.

3.1 Research strategy and method

The strategy of this research was to find the changes that have been made to value chains inside strategies in different parts of the company. Utilizing qualitative business research allows to concentrate on business phenomena within its contextual framework. It is possible to understand why things develop in specific ways. (Eriksson & Kovalainen, 2015). The research was done by studying the received material from the case company. This study was intended to make three contributions to the existing literature. As starters, the future research idea from Zhau, Calantone, and Voorhaus (2018) about strategy change and deepened understanding of how strategy changes develop to find a competitive strategy for the company. The findings show that changes in the value chain happen so that the company can keep up with the competitors. The changes are essential so that the company can have a competitive strategy. The changes in the value chains show that the theory Porter (1985a) has was true. Companies need to enhance their flexibility and adapt more swiftly to shifts in the market and competitive landscape than in the past.

As a second point, Floyd, and Woolridge (1992) pointed out the importance of understanding the company strategy correctly. The company's strategy material shows that the strategy is written in such a way that it is easily understood. In this study, the implementation of the strategy is a part that was not studied. Because of that, it is impossible to say further if the strategy is understood and implemented fully. Even if the strategy is renewed and the value chains have changed and shifted focus, many parts are still going in the same direction as before. It is good because breaking established practices in organizations is hard when the old habits are deeply rooted in the business environment. (Durmusoglu et al. 2008). The effect of value systems and value chains and their way of helping to create and establish competitive advantages (Linkov et al., 2019) has been helpful in this study and helped to sort data out.

Qualitative research can be used as a term for a broad variety of methods and approaches to study. The collected data and used information are primarily nonquantitative and often in written form or as visual materials. (Saldaña, 2011). Qualitative research is a synonym for all data collected that are non-numerical or generate non-numerical data. (Saunders, Lewis, Thornhill, 2007). There are different genres of qualitative research, and in this thesis, the genre used is case study. In a case study, the study focuses on a single unit for the analysis. It can be one organization, one group, one person, and so on. A case study gives a deeper understanding of the selected case. A case study can be done with one or multiple cases. (Saunders et al., 2007). Interviews were also used in this study; the interviewees were selected to give a broad insight into cooperation. By selecting interviewees with a different point of view to cooperation, the answers became broad and showed that cooperation is more complex than it can seem. The selected interviewees can be seen in the Figure 12 below.

Informant	Title
Person 1	Manager, service partner 1
Person 2	Manager, service partner 2
Person 3	Director, insurance company
Person 4	Team leader, claims
Person 5	Account manager
Person 6	Account manager
Person 7	Account manager
Person 8	Account manager
Person 9	Development manager

Figure 12. Selected interviewees.

In qualitative research, several approaches can be used: deductive, inductive, and abductive. A deductive approach is when conclusions are drawn from facts and evidence, also used in this thesis. (Saldaña, 2011). There can also be a combination of different approaches in qualitative research. (Saunders et al., 2007). The deductive research process progresses through different steps:

1. Deduct a hypothesis.
2. Express the hypothesis in a way that indicates the relationships between two concepts.
3. Test the operational hypothesis.
4. Examine the findings.
5. Modify the theory if needed.

(Saunders et al., 2007).

3.2 Case selection

The case company was selected on the base of data access. The case company also had a recently renewed strategy and was a good case company for the occasion. There were many annual and responsibility reports to use and analyze. This case was also interesting because the insurance sector and car dealership cooperation are developing rapidly. The methods of how this is developed through the years show how value chains and strategies work together. The aim of this case was also to show how important it is to understand the company's value chain when strategies are developed. The company itself is well known and has a long history, and the company is a mutual insurance company, which means that the customers own the company. When the customers are the owners instead of the usual stockholders, the need to increase the customer value is even more significant. When the customers own the company, it makes it one significant factor why one of the company's values is to create the maximum value for their customers.

3.3 Data collection and analysis

This thesis relied on written, secondary documentary data for its research and by interviewing people selected based on their knowledge to obtain multiple perspectives on how cooperation should be led and developed. The data was collected from annual reports, sustainability reports, and other written material provided by the company. The interviews were made in September 2023, and all interviewees answered the same questions:

1. How should service partnerships be managed?
2. How should service partnerships be developed? Any specific resources or processes?
3. How do you think the structure of service partnerships are built?
4. How important is it to build a trust relationship in a service partnership?
5. How can improvements be brought to the operation of service partnerships?

The annual reports and sustainability reports that were used were from the years 2017-2022. The company has annual reports that go further back, but the strategy changes started to happen in 2017, and that is the reason why that year was used as the starting point. The 211 pages of responsibility reports gave insight into the strategy development that was needed to be able to complete this research. Some of the data was also required through work experience from the company since all data is not available for everyone and is meant for inside use only. While some of this data may be affected by personal opinions and prejudices from long work experience, the aim has been to keep a professional view of the data and keep personal biases out of the thesis.

The data was analyzed by looking into the old value chains inside the strategy parts and by analyzing what decisions and parts from the new value chain forced the strategy to develop simultaneously. The data obtained from the interviews was analyzed and organized using the data structure framework developed by Nag, Corley, and Gioia (2007) as seen below in Figure 13. With the help of the data structure, the data becomes more accessible and easier to analyze. It also became easier to find the main themes and see the pain points.

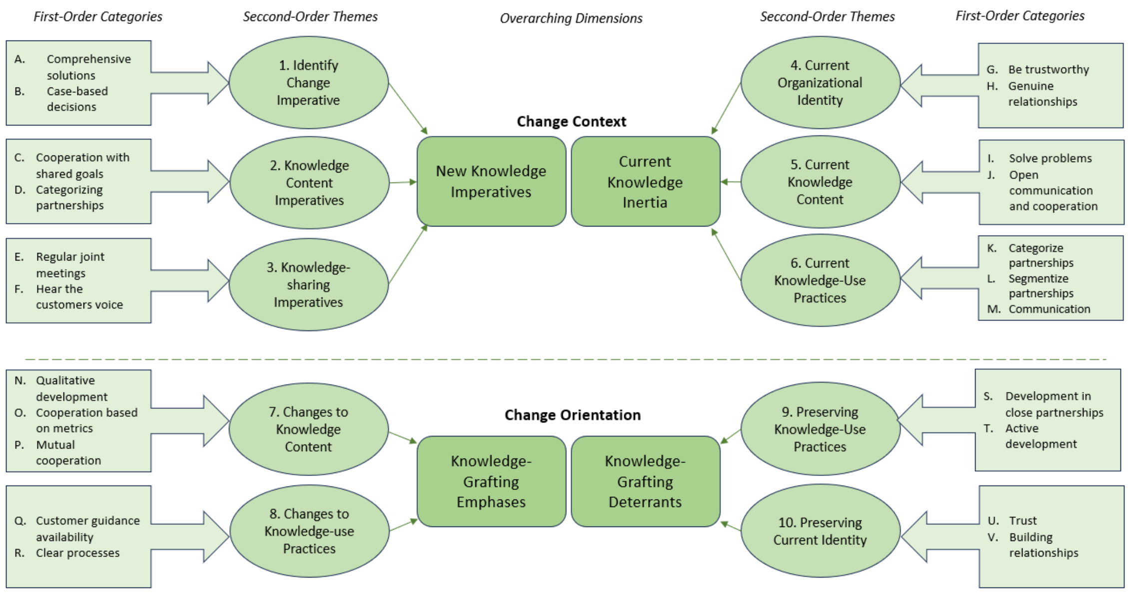

Figure 13. Interview data structure (Based on Nag, Corley & Gioia, 2007)

4 Findings

The goal of studying the material was to understand how the case company's value chain changes had affected the company's strategy. The hypothesis that was the ground of this study was that if the priorities in the value chain change, the strategy must develop to match the value chain. The research questions that helped to study the material were: How does the new strategy serve the value chain, and how does the new strategy give the company a competitive advantage? To better understand the findings from the material, this chapter will start with an introduction to the case company.

4.1 Introduction to the case company

The case company in this study is the mutual insurance company Fennia. The oldest root in the company goes back over 140 years, when a group of entrepreneurs and social influencers established a domestic fire insurance limited company in 1882. The main reason was that the entrepreneurs needed an insurance company that understood their needs. Another reason was that a domestic company would balance the market. In 1928, the second branch of the company was born. A group of entrepreneurs established The Mutual Insurance Company for Entrepreneurs; the insurance company was made for statutory accident insurance. It was important for the entrepreneurs to establish a mutual company where the customer simultaneously was the company owners so that the company would work for the benefit of their customers.

The two companies merged in 1983, which is how Entrepreneurs Fennia was born. In 1998, Pension-Fennia and Life-Fennia were established, and later that year, all three companies formed the Fennia Group. The company has been growing over the years, but the main goal is still the same. In the middle of an unpredictable life, the company wants to promote the customers' peace of mind with the help of insurance, risk management, saving, and financial management. Life is made to be lived and experienced. That is why there is Fennia.

The company's vision and mission are to be the most attractive, responsible operator in their chosen customer group and for their employees who share their values. The company exists for entrepreneurship and life. For the company vision to be realized, the company has three goals: create as much value as possible for the customers, offer an attractive work environment, and do profitable and responsible business. These goals can be achieved with their customers, competent and motivated employees, strong balance sheets, high-quality data, and reliable systems. People make a difference. Fennia is building the future of Fennia together, with customer value first. With the help of this, the customers, the company owners, can enjoy their entrepreneurship and life.

4.1.1 Findings from the material

There have been multiple changes in value chains over the last few years. In the cases studied for this study, the starting shot for the whole renewal started in 2017 when the strategy for 2018-2022 started to develop. The company strategy changed at the start of 2023 when the new strategy period started with a new strategy and values. In the material, the study has also focused on studying two more minor strains of the strategy and how they have developed simultaneously as the company's big strategy. The two more minor strains are the strategies of service partners and car dealerships that had been more different and spread during the first strategy period.

For both the strategy concerning the whole company and the more minor strategy strains concerning the service partnerships and the car dealerships, the most significant questions were: How will we do business? With whom are we going to do business? Overall, the strategy periods have been three to five years, which is good because the business is shifting fast. In recent years, the company has been effectively focusing on the company's core business. The damage inspections have been divested to Finnish Loss Survey SVT Ltd, and investment activities have also been divested. As Campbell et al. stated in 1999, companies should concentrate on their core business to achieve competitive advantage, and companies can outsource all activities that are not seen as core business to other companies and here we see that the company has been focusing on its core business. The Figure 14 below shows how the insurance company outsourced damage inspections and investment activities to companies who have these as their core activities.

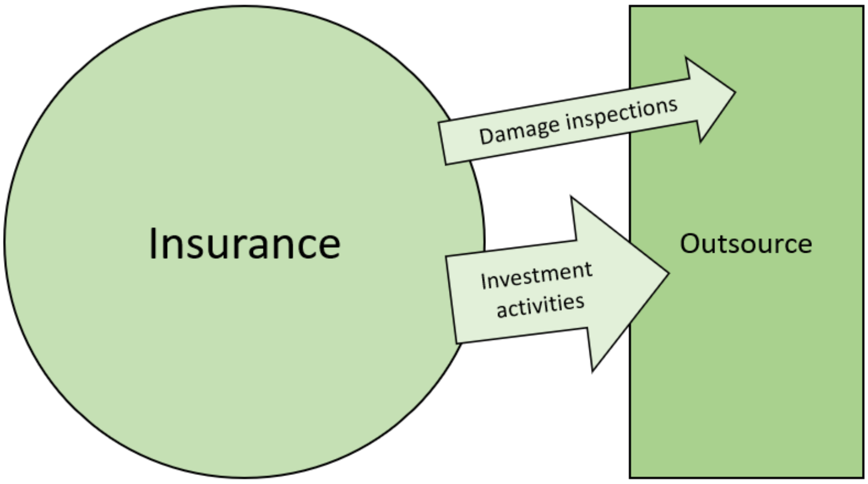

Figure 14. Outsourcing other business than core business.

4.1.2 Company Strategy 2018-2022 and 2023->

To understand how the strategy has developed it is essential to start with looking at how the strategy looked between 2018-2022. Fennia had four strategic goals for the years 2018-2022:

1. Innovative personnel
2. Growth in the B2B sector
3. Efficient in households
4. Solidity

The mission of the Fennia group for these years was to exist for entrepreneurs and life. Moreover, to be a reliable partner for entrepreneurs and their close ones because of understanding their needs. To be a partner for households who are entrepreneurs of their own life. The vision was to offer the best customer experience. The goal was that the customers feel that the service was so good that they have a reason to stay and a willingness to recommend the services further.

The first goal that the company had was innovative personnel. This strategic goal was necessary because, with personnel that can be innovative and change, the strategic goals are possible to achieve. The aim is for the personnel to work so the customers feel secure and confident that everything is in order. The company focuses on entrepreneurial activities daily and works bravely, determined, goal-oriented, committed, and enthusiastic, like the employees would be working for their own company. By focusing on the employees, the employees will work in a way that will result in the best customer experience in the market.

The second goal that the company had was growth in the B2B sector. This strategic goal would be achieved by building a comprehensive experience from the services in the Fennia group. The services would be produced efficiently so that the entrepreneurs would not have to spend more time on it than necessary. Fennia has always been the entrepreneur's company; we wanted to focus on that.

As a third goal, the company had efficiently in households. The goal was to serve the entrepreneur as a private household by helping their family manage risk. The services would also be offered to other private households, not only the ones with entrepreneurs. The households would improve the insurance risk diversification and give the company a more stable risk position.

The fourth and final goal was solidity. The Fennia group has excellent solidity, and with the help of that, the company can meet the obligations that the company has given to the policyholders. To retain the solidity, the company must understand the risks that the company is taking and only take risks that the company can carry.

The strategy and company values were renewed at the end of 2022. The company's mission did not change when the strategy got renewed; it is still that Fennia exists for entrepreneurship and life. The new strategy has a vision that Fennia wants to be the most attractive, responsible operator in the chosen customer group and for the employees who share their values. For the company vision to be realized, the company has three goals:

1. Create as much value as possible for the customers.
2. Offer an attractive work environment.
3. Do profitable and responsible business.

To reach these goals, the company wants to reward its customers for their ownership, invest in the development of customer experience, lead the business with high-quality data, clarify procurement models, and bring responsibility into all aspects of the business. At the same time, the work culture is going through changes where the goal is to build an inspiring and attractive work culture that is uniformly managed and where everybody has a chance to develop with the help of constant learning. The new company values are fair, responsible, brave, developing, and together. Votes received the company's new values from the employees because the goal is that the company values are going to guide everyday activities.

The first goal, to create as much value as possible for the customer showed that the company did not take customers for granted. Customers are free to choose which company to use, and customers are more conscious of choices. Because of this, it is essential that the customers feel that they are gaining the value they expect. The second goal to offer an attractive work environment is essential if the company wants to attract employees who want to stay there. The importance of being able to recruit employees who are qualified for the work and who are always motivated to do the best for the customer is of great importance. The third goal to do profitable and responsible business was clear. A company's goal would always be to be profitable. It would have been enough to be profitable earlier, but the business must also be responsible. The company must take its social and economic responsibilities seriously.

4.1.3 Changes in the strategy

The value chains changed with the old strategy, focusing more on the employees and the customer experience without forgetting sustainability, which became more critical over the years. The new strategy became clearer and went from innovative employees to offering an attractive work environment. It is challenging to attract excellent, innovative personnel and even harder to make them stay; the work opportunities are broad. The growth in the B2B sector and efficiency in households merged to create as much value as possible for the customers. Instead of dividing the two different customer segments in the strategy, the strategy focuses on customers without considering whether they are companies or private households. Solidity became a profitable and responsible business because more is needed to have great solidity; the business must also be responsible.

As stated earlier in the thesis, the environmental conditions for businesses evolve and change, and that is why company strategies must develop to have a chance to adapt to the new environmental conditions. Here, the company tried to achieve a competitive advantage and a sustainable strategic position in the insurance market, making trade-offs to distinguish itself from other competitors. It is seen that here, the case company defined the scope the company wanted to reach and set boundaries to help the company to focus on the new strategy and to stay relevant.

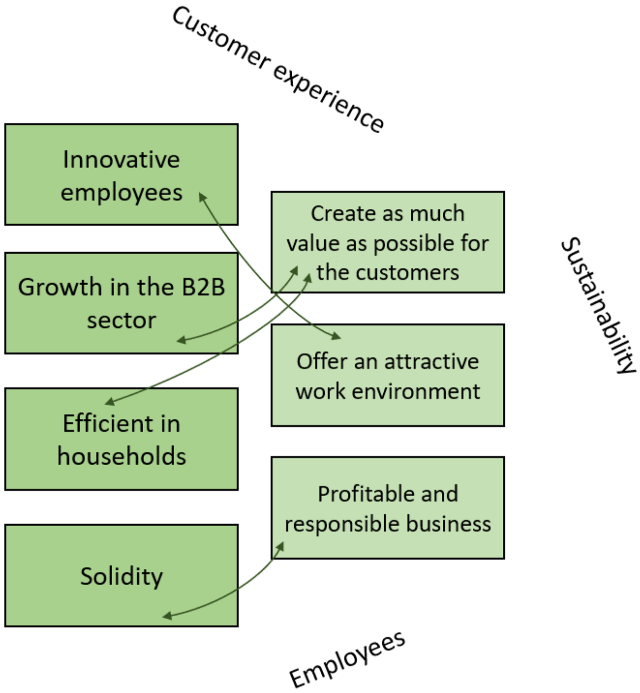

Figure 15. Old and new strategy.

The Figure 15 above shows how the changes in the value chains made the focus areas in the strategy develop and focus on the areas in improved ways.

4.2 Service Partnerships Strategy

The findings show that as a result of new value chains inside the strategy where the new value chain was divided into two parts, general repair shops and brand repair shops, the strategy needed to develop as well. This new value chain focused on building sustainable partnerships to help the company and the partners. In the service partnerships, decreasing the payments by centralizing purchases was also important. Another main decision was about what cars to direct to what place for repair and how to direct them. For the strategy to match the new value chains and to develop the strategy, a step-by-step map was created. The first step of developing the strategy was to identify the partners and understand how the company's customers are divided into different areas. Finland is a big country with significant differences between the areas. It became more complicated when it was realized that finding brand repair shops for all the brands the car importers would like to have represented in some areas is more complicated. It is essential to find brand repair shops as widely as possible to increase the customer experience and decrease waiting times. When the areas were divided, all the area's biggest service partnerships were listed based on how many payments they had received during the previous year.

The second step was to understand that during the previous year, the general repair shops that had been used were mostly general repair shops that only had one location. Of course, the quality and prices in these general repair shops are primarily excellent and valid, but to be able to ensure a certain quality of the work and to ensure prices that had equal levels around the country, it was essential to find a more significant partner to be the general repair shop partner. Customer service would increase with the help of a more prominent general shop partner with a broad nationwide network and multiple locations. The customer experience would also be more accessible from a single general repair shop than dozens of general repair shops. Of course, even with a new general repair shop partner, there still would be customers who used other general repair shops, but the goal was to focus most of the work on the partners.

Another finding from the previous year was that only a marginal amount of the payments was targeted to the partners; the rest of the payments had gone to service partners that did not have a partnership with the company. As mentioned, most general service partners have excellent quality work and reasonable pricing, but the pricing can differ nationwide.

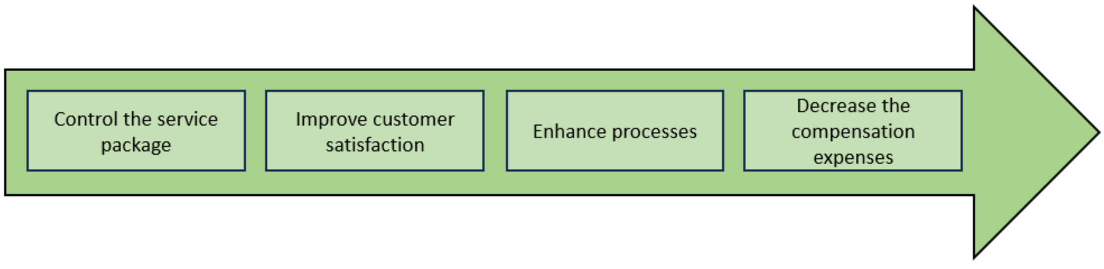

Figure 16. Visions of the improvements.

With the help of these changes in the value chains and the developed strategy, the company had a vision of what the improvements would do. The vision is shown in the Figure 16 above. The vision was that with the help of the improved strategy, it would be easier to control the service package, improve customer satisfaction, enhance processes, and decrease the company's compensation expenses. The control of the service package refers to the trust that the trusted partners would perform their work with a certain level of quality and within a set time frame. The improved customer satisfaction would be achieved with a good reception at the partner with a fast and reliable schedule for the reparation and work well done. The enhanced processes for the company and the partner would be achieved through cooperative development work. The compensation expenses would decrease with the help of pricing that the company and the partner would agree on.

FOUNDATION / GOALS	STEERING Efficient damage case steering to partners	COMMITMENT Broad cooperation with chosen partners	COOPERATION Common cooperation goals and targets
POSITIVE CUSTOMER EXPERIENCE	Customer awareness of the partnership	Joint service development	Addressing deviations and measurement of recommendations
DECREASED COMPENSATION EXPENSES	Competition for the partnerships	More comprehensive and longer contracts	Comparing, information sharing, and learning
EFFICIENT COMPENSATION PROCESS	Efficient claim handlement	Process development, digitalization, and integration	Sharing cost savings

Figure 17. Critical cornerstones of managing compensation partnerships.

To manage compensation partnerships better in the future, the critical cornerstones for the partnership were founded; they can be found in the Figure 17 above. The main goals for the partnership were positive customer experience, decreased compensation expenses, and an efficient compensation process. The foundation for the partnership was efficient damage case steering to selected partners, broad cooperation with chosen partners, and common cooperation goals and targets with the partners. The positive customer experience would increase with the help of customer awareness of the partnership and the company's and partners' joint service development by addressing deviations and measuring customer recommendations. The compensation expenses would decrease through partnership competition, more comprehensive and longer contracts with the partners, comparing, information sharing, and learning from each other. The compensation process would be more efficient with efficient claim handling, process development, digitalization, and integration. The efficient compensation process would also generate shared cost savings.

FOUNDATION / GOALS	**CHOOSING THE PARTNER**	**AGREEMENTS**	**COOPERATION**
POSITIVE CUSTOMER EXPERIENCE	• Service accessibility • Service quality • Partner's knowability • Brand representations	• Joint service development • Coordination of processes	• Addressing deviations and measurement of recommendations
DECREASED COMPENSATION EXPENSES	• Average compensation • Repair time • Service prices	• More comprehensive and longer contracts • Annual credits	• Comparing, information sharing, and learning
EFFICIENT COMPENSATION PROCESS	• Helping the customer efficiently in the event of an accident and handling the claim effectively	• Increasing partner responsibility and self-direction	• Sharing cost savings

Figure 18. Strategic goals for partner selection and agreement.

To execute this new strategic decision and value chain, the company needed to set strategic goals for the partner selection and the agreements. The Figure 18 is seen above. To increase the positive customer experience, the chosen partner must have excellent service accessibility, good service quality, be a known service partner, and have broad brand representations. These were the main strategic goals in the partner selection. The customer experience would also be cheerful with the help of the company's and partners' joint service development and coordination of processes. Addressing deviations and measuring customer recommendations also had an important role. To decrease the compensation expenses, the price of the average compensation was necessary, as well as the repair time and the service prices. The prices were seen as less important than the customer experience, and it was more important to have more comprehensive and longer contracts than the competitors and have annual credits. The compensation expenses would continue to decrease with the help of comparing, information sharing, and learning from each other. The essential parts of an efficient compensation process were the ability to help the customer efficiently in the event of an accident and to handle the claim effectively. Increasing partner responsibilities and making the partners more self-directed would also generate shared cost savings.

This new strategy would serve the value chain by focusing on the new main areas, for example, the importance of increasing the positive customer experience when the new partner is chosen. The new strategy would also give the company a competitive advantage if the company would be able to give the customers better service accessibility and higher service quality with shorter repair times. Another significant competitive advantage is the cost savings shared between the company and the partner. This new strategy is also aligned with the company’s new strategy.

4.3 Car dealership cooperation

The findings show that changes were made in the value chains concerning the car dealership cooperation while the focus changed in the service partner sector. The former focus area was on the new car market and in big brand stores with the idea that all big brand stores were equally important partners, and that the new car market was the segment that the company wanted to focus on. When the service partnership value chain started to focus on finding partners with similar values, the car dealership cooperation was deeply connected to that work. With the help of solid cooperation with the car dealers, the service partners were also easier to find, and the connections and cooperation went deeper. These changes led to the that instead of having all big brand stores as partners, the company started to evaluate the partners and choose the ones with similar interests and values. The new value chain also shifted focus from the new car market to the used car market. This kind of change is making a big difference in how the strategy around the value chains must develop and adjust.

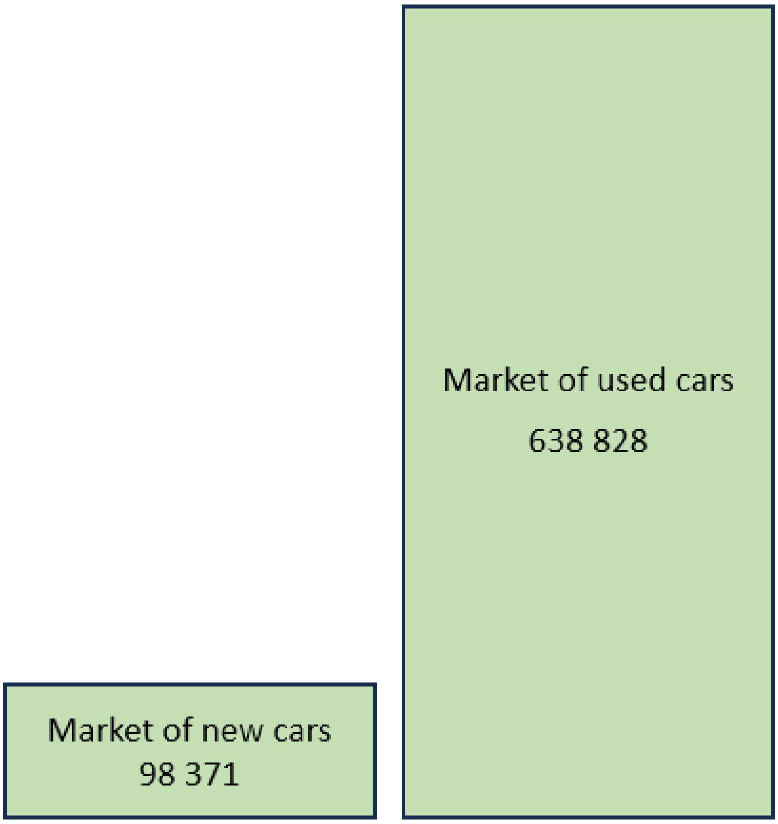

Figure 19. The car market in Finland 2021.

The change in the customer segment also enables market growth because the used car market is six times bigger than the new car market. As seen in the Figure 19 above, in 2021, there were 98371 new cars sold in Finland, and at the same time, there were 638828 used cars sold that same year (Autoalan Tiedotuskeskus, 2022).

There was another significant change in the new value chains: the company focused on deepening the cooperation with the new partners. This deepened cooperation was made by focusing on two different parts. The first was done to help the partners to get their insurance products. This first part meant the company wanted to offer the partners a white-label cooperation. A white-label cooperation meant that the partner could brand the insurance product as their own, but the insurance company provided the insurance for the product. These products make it easier for the car dealership to get their customers to commit to the chosen car dealership's brand and services. The product was also easier to sell to the customer for car salespeople or the sales assistants working at the car dealership when they felt the product was a part of their repertoire. The product was produced in cooperation with the company and the partner, where the partner honestly had a chance to impact the end product. Depending on what kind of car dealership the partner had and what kind of cars they were offering their customers, the product could be altered to match their specific needs. This cooperation resulted in mutual benefits for both the partner and the company, creating a win-win scenario. All cars sold by the partner still needed to have insurance from somewhere, and by partnering up and cooperating with the insurance company, the cooperation connection went deeper and could benefit the company. It was an excellent way for the insurance company to reach out to customers unfamiliar with the particular insurance company and reach out to new customers.

Another change that was made was conceptualized training. Conceptualized training meant that the company offered conceptualized training for the partners. The training is essential for the partners because the law and the insurance distribution directive also require them. The Insurance Distribution Directive, known as IDD (EU 2016/97), was enacted by the European Parliament and the Council to regulate insurance distribution. It came into effect on February 23, 2016, and as a result of this directive, the Insurance Mediation Directive was repealed. The directive mandates that individuals engaged in offering insurance must possess a good reputation and continuously uphold and enhance their professional competencies. This statutory requirement is further reinforced by the law, which stipulates a minimum of 15 hours of annual professional training. These qualifications are required from both the insurer and the insurance agent. The direction exists to ensure that operators receive equal treatment and that customers are equally protected. There are various insurance distributors; even if they are different, they are covered by the IDD (Finanssivalvonta, 2023).

One example of conceptualized training could be that the company could offer the partner training about the insurance contract law and what the partner must consider when offering insurance products to their customers.

These changes required changes in the strategy because they changed the whole ground of the cooperation. With the help of the white-label cooperation, the company and partner got closer and received a deeper connection and understanding of each other's businesses. With a better understanding of how the partner's business works, it is easier to develop cooperation and make it more fruitful for everyone.

The company conceptualized the required training to help the partner fulfill the 15 hours required by the law by offering the partner the training. This kind of training is different from the partner's core competence and, therefore, easier to get from the company with the core competence.

These changes align with the company's new strategy to create as much customer value as possible. These changes also show that the company is willing to put effort into the partnership and the partner's business to help them achieve as much value as possible. These changes also show that the focus changed much when the main focus from the brand stores selling new cars shifted to the used car dealers.

4.4 Developing and leading partnerships

Different people have different roles in organizations. Because of these roles, how they look at how partnerships should be developed and led is different. This is shown in the results from the interviews made to explore this area further. The interviewees were selected based on giving a broad perspective on this, from the company's perspective from different levels to two current partners. As explained earlier in the thesis, suppliers and customers see things from different perspectives, even if they are negotiating about the same thing.

The interviews showed that comprehensive partnerships and case-based decisions have been on the agenda from the insurance company's point of view. However, the cooperation has yet to succeed in the expected way. Comprehensive solutions and case-based decisions are parts of the identified change imperatives that are important to consider reaching new knowledge imperatives. One reason the comprehensive partnerships and case-based decisions did not succeed the way the insurance company wanted is that the partner needs to see the current state of the partnership as similar to the insurance company. The insurance company wants the partnership to be a complete entity when the partner feels that it can have multiple partners and divide the different parts of the business to different partners, where they can reach the best benefits. An apparent conflict of interest must be solved before any partnership can develop. A challenge cooperation can stumble on is if both parties are not heard equally. To prevent both parties from being heard equally, cooperation management should be done with both partners. The viability of each one's business is also essential. However, trade-offs may be required in cooperation, and if the trade-offs are done, the cooperation is more accessible to develop. Managing partnerships by looking at the whole account would benefit the company and the partners and make the cooperation easier. When making decisions concerning cooperation, the decision-making should be case-based. Then, it will be fairer to the customer and consider their unique needs. When the whole partnership is seen as a complete unity where the pieces act together, the partnership becomes more fruitful and beneficial for both parties.

As seen earlier in the thesis from Vesalainen (2006), the importance of agreeing on what the current state is and what the target state is is evident. The partnership's goals for the cooperation must be set, and both parties must agree on the goals and the strategy to reach them. Different kinds of partnerships are good to categorize to easily understand the different characteristics of the partnerships. Cooperation with shared goals and partnership categorizing are part of the knowledge content imperatives that help form new knowledge imperatives.

The interviews' findings showed some main points that the interviewees thought were essential for the partnership leadership and development. As a first point, regular joint meetings to follow up on where the strategy is going and if the cooperation is going in the decided direction is essential. The regular joint meetings help to share knowledge between the partners. In the joint meetings, the partners must remember to hear the customer's voice; if it gets silenced, it may not revert to giving comments and development ideas that would benefit the cooperation. Regular joint meetings and listening to the customer's voice are critical parts of the knowledge-sharing imperatives. The identified change imperatives, knowledge content imperatives, and knowledge-sharing imperatives form the new knowledge imperatives, as shown earlier in Figure 13.

Secondly, the current organizational identity identifies itself with genuine relationships and trustworthiness. The need for genuine relationships means that trust in cooperation is essential even in the future. Genuine relationships can only be built over time with partnerships that last. Trustworthiness also grows from the ability to solve problems and open communication and cooperation, which the current knowledge content has. To be able to preserve the current identity, trust between partners is essential. The importance of trust is shown in the interviews and earlier in theory when Vesalainen stated that the more people in the organization have positive experiences with a trusted partner, the more unified and stable the collected trust. Without trust, cooperation is just a cold agreement that can be done based on contracts. Genuine partnerships can only be built by trusting each other. With the help of trust, the partners can share information and documents from which the cooperation can benefit and give insight into each other's business.

As a third point, the knowledge in the companies. The current knowledge-use practices include partnership categorization and segmentation, not to forget communication. Multiple interview answers said dividing and sorting partnerships depends on volume and profitability is essential. With the help of this kind of partnership categorization and segmentation, finding a model that works for the size of cooperation done with that segment is easier. With the help of a proper model, the leading and development will be more accurate according to the size or style of the cooperation. The leading and developing will not be as successful if made similarly in completely different-sized companies. The partnership segmentation and strategy based on the size and importance of the partnership also saves both time and resources because this way, the required resources can be put where they matter the most. To help the company mark out partners the company wants to avoid cooperating with in the future, the company could set up certain limits that the partners must reach to cooperate with the company.

To do qualitative development consistently, cooperation based on metrics and cooperation, the knowledge must be at a reasonable level. The knowledge also includes customer guidance availability and transparent processes. In qualitative development, the goal is that partnerships should be led and developed professionally and systematically to succeed. Without proper knowledge, the amount of work that slides away from the partners to non-partners would be difficult. Customer guidance availability is essential to decrease the work that slides away and keep the partners happy and at reasonable prices. It is crucial to develop partnerships in a way where quality and cost management are considered. The quality of the partnership benefits both partners. ESG matters should be considered, and the measurement of cooperation is essential. With measuring, it is possible to say if the cooperation is going in the right direction and developing as wished. Measurement and evaluation are essential to development; the development must have a goal. The commitment from both parties to the agreements made is essential if the cooperation is going to succeed. Processes are also a part of knowledge. The processes in the companies must be transparent so that even if people change in organizations, the new people understand the importance of cooperation and what has been done before. The connection between the partners must be seamless, and both parties must keep their end of the deal. If both parties do not benefit equally, the motivation to keep promises could be lower.

In the table below, the interview answers are categorized based on themes shown in Figure 13 earlier in the methodology part of the thesis. The table shows more comprehensive quotes from the interviews to help readers understand the findings.

Table 2. Themes, Categories, and Quotations.

Second-Order Themes and First-Order Categories		Representative Quotations
1.	**Identify change imperative**	
A.	Comprehensive solutions	A1. From the insurance company's point of view, the most profitable option would be a centralized solution based on pure purchasing. For decades, we have tried to build comprehensive partnerships, including the car dealership's insurance, car sales insurance sales, and purchases from the dealership's service. From the insurance company's point of view, all these three parts are connected, but from the partnership's view, this trinity consists of three loose parts that can all be handled by the company that gives them the best benefits. Correspondingly, the car dealership tries to get as much work as possible from all insurance companies for its service repair shop. So, looking at it from this point of view, it would be cheaper for the insurance company to tender their service purchases and purchase them from the cheapest operator, considering necessary quality aspects. – Manager 5
B.	Whole account – case-based	B1. Service partnerships should be managed by looking at the whole account. This means that decision-making should be business case based. Each decision should be considered from what makes the most sense overall. Insurance sales, service repair shop purchases, insurance transactions, and other possible cooperation must be considered. Geographic locations should be considered as well. The quality of the service and related factors must be non-limiting, i.e., the company must determine minimum requirements with which it is possible to deepen cooperation and partnership. – Director 3
2.	**Knowledge content imperatives**	
C.	Cooperation with shared goals	C1. By starting the cooperation by defining shared goals. After these goals are set, build a strategy together about how to reach these goals. The most important thing is to understand each other and that everyone understands the common goal. An alliance

		model could be motivating for both parties. – Manager 1
D.	Categorizing partnerships	D1. Partnerships should be managed by sorting the partnerships into categories and giving each category its own strategy and operating method into each category. The most important categories get the most invested time and money, and the time used for management is focused on them—regular meeting practices both at operational and strategic levels. The less essential categories are mostly just informed about things, and the billing is monitored. – Manager 9
3.	**Knowledge sharing imperatives**	
E.	Regular joint meetings	E1. Regular joint meetings with follow-ups and reviews from both sides. Both sides must also be well aware of how cooperation works. – Manager 2
F.	Hear the customers voice	F1. The models that are used at this moment are good. Sometimes, the customer's voice should be heard more. The management should be done more together and cooperate with the partners. The challenge is that both partners strongly think about their own business and viability, which is natural, but if trade-offs are required but not done, it becomes problematic. – Manager 6
4.	**Current organizational identity**	
G.	Be trustworthy	G1. Be trustworthy against each other. – Manager 8
H.	Genuine relationships	H1. With a more professional and systematic operation and building commendable personal relationships with key persons, genuine trust could be achieved. When the partnership is reasonable, the personal relationship should also be built at lower levels (repair shop and claims handling) so that both parties can understand each other better and develop operations in a better direction. – Team leader 4
5.	**Current knowledge content**	
I.	Solve problems	I1. Listen to the customer and work together. Try to help each other with whatever problems turn up. Try to fulfill the customer's wishes together. – Manager 6
J.	Open communication and cooperation	J1. With open communication and cooperation on both sides, even here, the clear role assignment and game rules are important. – Manager 1
6.	**Current knowledge-use practices**	
K.	Categorize partnerships	K1. It must be possible to divide partnerships into different strategic categories regarding the structure and volume of cooperation. – Team leader 4
L.	Segmentize partnerships	L1. Different size partners must be divided into different segments. – Manager 8
M.	Communication	M1. With the help of trust and with open communication and cooperation. – Manager 5
7.	**Changes to knowledge content**	
N.	Qualitative development	N1. Partnerships should be developed so that quality, total costs, and ESG matters develop favorably. – Manager 9 N2. Qualitative development and cooperation based on metrics are essential. There must be things that are possible to measure to ensure that the cooperation is going in the right direction and developing. It is of paramount importance that there is a commitment to agreements. – Director 3

O.	Cooperation based on metrics	O1. The alliance model should play a more significant role in operations. Measurement and evaluation of the results produced by the measurement are an essential part of development. – Manager 2
P.	Mutual cooperation	P1. Cooperation should be mutual and more open from the workshop side. – Manager 7
8.	**Changes to knowledge-use practices**	
Q.	Customer guidance availability	Q1. In a more professional and systematic direction to get the most out of purchases. Our level of customer guidance ability is still modest after years of training and development, resulting in us paying a considerable amount of service invoices to workshops that are not our partners. These non-partners charge the company higher fees than our partners and are, at the same time, work that is away from the cooperated partners. – Team leader 4
R.	Clear processes	R1. When both sides adhere to agreed matters and work with clear, measurable things so that the benefits of the partnership can be verified. The processes must be clear! – Manager 8 R2. In a way that benefits both parties and with a seamless connection. The processes must be so clear that even if people change, the process remains. Clear process descriptions. There are certainly no extra resources on either side, so it is important that both parts do their part with clear role assignment and game rules. – Manager 1
9.	**Preserving knowledge-use practices**	
S.	Development in close partnerships	S1. By trust and cooperation. – Manager 9
T.	Active development	T1. The operating model could be developed in a close partnership, where results are actively sought together. For example, by identifying one or some development points that both parties then develop together actively. This could be done by meeting every month with these selected issues and monitoring these issues' development. By this, both parties use resources for the development. When the results for the first issues are achieved, the next thing is selected for active development. This is one option for development, and according to my interpretation, this model is suitable in this world, where different things and information come from everywhere all the time. When information overwhelms, things sometimes get mixed into a gray mass, which does not progress or develop anywhere. – Manager 1
10.	**Preserving current identity**	
U.	Trust	U1. In principle, doing cold purchasing activities without any closer cooperation is possible by following agreements. However, such a relationship could not be called a partnership. In a service partner partnership, all parties (customer, service partner, and insurance company) benefit if we reach a genuine partnership, which is why a genuine partnership is worth striving for. Operations are developed in genuine cooperation, and better, more efficient solutions are always sought. As a result, the customer experience improves, service partner operations become more efficient, and repair costs remain reasonable. – Manager 5

	U2. Really important. – Manager 6 U3. Vital. – Manager 2
V. Building relationships	V1. Building trust is the basis thing, the basis for everything in a partnership. Trust includes openness in sharing information and using the information received in a manner worthy of trust. Cooperation is more productive for both when trust is in order. – Manager 7 V2. Of paramount importance. – Director 3

It is clear that depending on what perspective the interviewee is looking at, the answers are different. If the interviewee is thinking of the own company's profitability as the primary goal or if there are goals on deepening partnerships and doing good cooperation. We see that trust and communication are the building blocks that all interviewees say are the primary building blocks that the cooperation needs if the goal is to improve. Trust is necessary for improvements to be made according to the answers. There is also a demand for even higher levels of trust by reaching personal relationships with key persons in the cooperation. It is not easy to reach that level of trust or knowledge in a business environment, but in long-term cooperation, it is possible.

The answers above confirm the same thing as the theory Vesalainen said before: both cooperation parties must understand the current and target states in the same way. In the partnership strategy analysis framework earlier in this thesis, we saw that depending on whether the differences are in perceptions of the current state or the target state, the outcome of the partnership is different. One way of developing the cooperation in the desired direction would be to use the framework shown earlier in the thesis (Figure 6) from Vesalainen to examine whether the partners see the current state as similar and if the target state form both partners is at the same level.

This development process is easiest done by reaching a common understanding through discussions. If the perceptions differ, it is essential to determine why. With the help of trust and understanding, which came up as two central themes, these discussions would be easier to have, and the cooperation and development of the cooperation would more likely be successful. With the help of an action plan, the cooperation will make a roadmap that will show the following steps on how to proceed and measure the outcome of the partnership. As seen in the interview quotes above, partnership measurement is essential. With measurement, it is possible to say how much value the partnership brings to both sides.

4.4.1 Capabilities and resources in developing partnerships

Multiple capabilities help lead and develop partnerships. As the interview answers show, building and maintaining a trustworthy relationship with stakeholders is essential. Relationship building comes with active communication, active listening, and an ability to empathize with the partner. As Amit & Shoemaker stated earlier, with the help of cooperation, both partners can focus on their core capabilities and, by doing so, give the customers higher value from their provided products or services than their competitors. With the help of company-specific resources and capabilities, the cooperation can thrive. When both partners can use their technical know-how, the capability of designing and engineering, and the ability to respond to market needs by cooperating, the companies can achieve sustainable competitive advantages.

Building a relationship takes time and is a continuous process. It is vital to think strategically and holistically about the partnership in the cooperation. Understanding the partner's vision and mission is essential so that the cooperation is working towards the same goal. To quickly adapt to changed market conditions or customer needs is also essential. With the help of a good reputation, it is easier to find possible partners to cooperate with. As Kay stated in the theory before, a company's reputation consists of several parts, such as product quality, design, service, and business characteristics. The challenge that cooperations face is like Amit & Shoemaker stated, that for the companies to utilize their resources and capabilities in the best possible way, both partners must identify them to develop and retain them in the future.

As we learned from Wang & Ahmed earlier, the company's dynamic capabilities that help the company to seize new business opportunities and create vision help in the cooperation process. Cooperation is a dynamic environment, and the company must be able to modify the company's resources based on the cooperation needs. These dynamic capabilities can also help both parties in the cooperation to generate a sustainable competitive advantage. (Teecee et al. 1997). Suppose the partners can adapt their capabilities rapidly. In that case, the possibility of generating a sustainable advantage increase, and even if the company's business environment is stable, the dynamic capabilities of the company are essential.

Negotiation skills and influence skills are also of great weight. Complex issues will appear in partnerships, and both parties must be able to negotiate. Negotiation skills require emotional intelligence and flexibility. Negotiation and influence skills can also be seen as distinctive capabilities that result from the unique relationships with the partners. (Kay, 1993). Some company-specific information and trade secrets are challenging to transfer to another company, even if the companies cooperate. The asset may consist of tacit knowledge, which is hard to achieve. (Teecee et al. 1997). The capabilities and resources of a company help to successfully cooperate, but it is essential that both partners are well aware of the company-specific resources to be fully able to utilize them.

By cooperating, the company could gain competitive advantages that the competitors did not have. The competitive advantages would only last for a while, and it is essential to understand the dynamics of competitive advantage and consciously make strategic adjustments. Understanding strategic adjustments is essential because, as stated in the theory, companies that did not have competitive advantages from the beginning moved more rapidly to catch up with the more advanced competitors.

5 Discussion

This thesis's research question was: How do the value chain changes affect the company's strategy? As a motivation for this study, the assumption made by Durmusogly et al. (2008) that when an organization has established practices or old habits, they are hard to break if they have been leading to success earlier was used. In the study, we see that the changes made in the value chains in the company's case did change its strategy and in a new direction from before, even if they had been leading to successful business. However, it can be safe to assume that the established practices took work to break.

The hypothesis in this thesis was that if the priorities in the value chain change, the strategy must develop to match the value chain. Furthermore, the value system is complex and has many different parts. However, the strategy must also develop when changes are made in small parts of the value chains. Digitalization is advancing faster, and digital processes and customer experience differentiation are essential (Gordon et al., 2022). Digitalization was seen in the company's case when they pointed out customer experience as a company value and a big part of its strategy because customers mainly acquire insurance from digital channels.

The case company focused clearly on improving the customer experience and focusing on the partners and deeper partnerships. In one way, the case company has followed the idea on how to develop strategies within the insurance company from Zwart (2016), not in a way that the insurance only is active for short periods, but with the white-label opportunity from partners where the product can be niched into the business environment where it needs to fit. Hambrick and Fredrickson (2001) stated that strategy is contained in five parts: arenas, vehicles, differentiators, staging, and economic logic. When studying the strategy parts of the case company, it is clear that the strategy consists of these five parts, each answering the relevant question to help the strategy formation. For example, in the new strategic decisions in the value chains, the company first answers the question by deciding what market segment to focus on. After that, the internal development was chosen as a vehicle, and as a third differentiator, the customization was in focus. The fourth part, staging the expansion speed, was considered, and in the last, economic logic, the costs and prices were considered.

This thesis aimed to show that when a company's value chain changes, the company's strategy must develop as well, and this was demonstrated in the case of the company's strategy development. The company has made changes in the value chains, and the company's strategy has been developing; it is impossible to say if the strategy would have been developing in the same direction even without the strategic changes that were made in the value chains concerning the service partnership strategy and car dealership cooperation. The interviews showed that changes have been made, and more changes and developments are required to reach the company's goals according to the partnerships and deeper cooperation.

It is possible to apply Porter's (1985a) value chain to industries other than the manufacturing industry to which it was initially developed, even if it is difficult (Choi, 2007). The problem is that the activities performed in the manufacturing and service industries are different. Porter (1985a) says that every company is a collection of activities; this is true, but the different activities depending on the company's business environment vary, and the model is more complex to implement in the service industry than in the manufacturing industry. As a concept, the value chain seems easy to apply to an insurance company as well because the value chain shows how the company's activities are divided into activities performed to support, deliver, market, produce, and design. The value is easy to measure; the value is the amount the customer is willing to pay for the company's product. Quickly said, the business is profitable if the company can create a value that the company can charge more for, that the costs to perform the activities are. (Choi, 2007) Like with service partnerships, if the company wants to cooperate with different partners, the company must deliver such value at a lower price or with outstanding service that the partners want to cooperate with this particular company. A partnership's rules differ because the partnership should benefit both parties. However, a company only wants to cooperate if it benefits from it.

In a value chain, all parts are linked together. If one part gets modified, it affects the other parts. It is the same as in partnerships; trade-offs are required, and all modifications affect other parts. Trade-offs are the issue with comprehensive partnerships that must consider many parts; there will always be required trade-offs. If the sales department wants to sell more at a lower price than before, the market share would increase, but the sales profit would decrease, and the viability of the business would decrease. This is seen as a challenging factor between the car dealership cooperation and service partnerships, even if it would benefit both parts to have a comprehensive cooperation, it is hard for two different actors to work seamlessly together against the same goal with the same partner. Both parts want to be the partner who brings the most value to the third partner, and both parts wants to to profitable business. The value chain has been criticized because it does not consider a company's soft factors (Choi, 2007). These soft factors are complicated to give a concrete value because they are difficult to measure in money.

The company's strategy changed, focusing more on the employees and the customer experience. The customer's perspective on the company's activities can be looked at from Tzokas and Saren's (1997) value chain from the customer's perspective. The customer perspective value chain includes relationships, technology, and the total consumption process. The company aimed to create as much value as possible for the customers and do profitable and responsible business.

At the same time, the value chains inside the service partnership and car dealership co-operations developed. The goal was for the company's and the customer's value chain to be related to finding a framework with a holistic view of the company's customer relations. According to Tzokas and Saren (1997), the company's competitive advantage lies in the ability to blend the customer's value chain and the company's value chain to create value for both the customer and the company. Ultimately, the value system, value chains, and strategy are all linked together.

As Miles et al. said in 1978, environmental conditions are subject to continuous evolution, necessitating firms to undergo adaptive changes in response to new environmental contexts. These environmental contexts changed when the case company focused on the service partnership strategy. The business environment changed, forcing the company to change its value chains and, because of that, also parts of its strategy. Even if Porter (1985a) states that the most important thing is to be different, most companies in the same industry look more alike than before. The importance of benchmarking is increasing, but at the same time, companies must differentiate.

A company's goal is always to deliver a more excellent value than the competitors can offer and at a lower cost than the competitors. (Porter, 1996). Competitive strategies must be found and created due to the company's activities. (Porter 1985a). Cooperation requires trade-offs, and a company must choose the most suitable trade-offs. By choosing the trade-offs, the company distinguishes itself strategically from other companies. As seen in both the service partnership strategy and the car dealership cooperation strategy, trade-offs are required, and the trade-offs help the company to know its purpose, follow its strategy, and stay relevant. (Collis & Rukstad, 2008).

The two research questions that helped the thesis were:

How does the new strategy serve the value chain?
How does the new strategy give the company a competitive advantage?

The case company's strategy shows that the new strategy required trade-offs to serve the value chain. When the service partnership and car dealership cooperation focus on building stronger partnerships and focusing on them, it inevitably causes some smaller partnerships to be traded off. The new strategy also gives the company a competitive advantage if the strategy is followed and correctly implemented. When the company has a strong vision and mission of becoming the most attractive, responsible operator in their chosen customer group and has employers who share their values, it still requires work to reach the goals. It is important to remember that even in cooperations where development and strategies are made, they rarely develop as wanted. As Johnson Scholes (2005) said, the intended strategy evolves into an emerging and realized strategy. Because of this, the strategy's desired outcome must be evident in the cooperative.

If the value-creating strategy increases the quality of the manufactured product or service, like the case company, then the customer value perspective would be an improved product performance. In this case, the selected partners must increase customer value with the help of the cornerstones shown earlier in this thesis (see Figure 13). This improved customer value would increase market shares from the financial perspective, leading the company against the visions of improvements (see Figure 11 earlier in this thesis).

Teecee et al. (1997) stated that with the help of a company's dynamic capabilities, the company can generate a sustainable competitive advantage. The company must decide on how to generate the best sustainable competitive advantages by using the dynamic capabilities that the company already possess. The partnerships and cooperations that exist must be evaluated. Teecee et al. (1997) count on changing capabilities like routines, behavior, resources, or assets into a company's capabilities. Barney (1991) includes all organizational assets, processes, information, knowledge, firm attributes, and capabilities to the company's resources. Without dynamic capabilities, a company cannot survive (Teecee et al., 1997). If the company wants to attract the best workforce available, the appreciation for the dynamic capabilities that the company possesses must be shown outside the company as well. The dynamic capabilities are of different kinds: adaptive, absorptive, and innovative. Utilizing dynamic capabilities, a company can anticipate, perceive, formulate strategic visions, and capitalize on emerging business opportunities. (Wang & Ahmed, 2007).

When leading and developing partnerships, it is good to remember that insurance companies face new challenges and brutal competition and must freshen up their business model and ideas for creating value. As a result, models like white labeling, coinsurance, and flow reinsurance are growing. Insurers may increasingly distinguish between product design, distribution, and balance sheet risk retention by doing so. The main thing in Finland is most likely the white labeling. Development must lead capabilities across customer insight to achieve a competitive advantage. (Balasubramanian, Mehta, Reich & Dattani, 2022).

When leading and developing partnerships, it is seen from the study that both the company and the partners must have the same perceptions of the current state and the target state to develop a partnership further. (Vesalainen, 2006). As seen from the interview's measurement, follow-ups on the development are crucial. It is impossible to say whether there has been progress without measuring it. The measurements can also motivate the partners to improve; no partner wants to be the worst. When looking at the different interview answers, it is clear that the answers are different depending on the person's position and role in the organization. When the interviews were conducted, this was a vital point-of-view that was wanted in the study. To be able to have as broad views as possible, it was necessary to have interviewees with different roles and responsibilities. The answers also got a broader perspective when two different partners were interviewed.

Furthermore, as Vesalainen (2006) explained, suppliers and customers see things from a different perspective, even if they are negotiating about the same thing. These different perspectives can also be seen earlier in the study in Figure 16. The interview data was structured and analyzed based on the structure analysis from Nag, Corley, and Gioia (2007). The main themes that stood out from the interviews were the need for comprehensive and case-based solutions. Many of the answers pin-pointed the importance of trust and genuine relationships.

Development is needed when the goal is to lead and develop the partnerships professionally. The interviews show that development is wanted from both the company's and the partner's sides. The development must be made to benefit both parties, and the development must be measurable. The communication in the cooperation must be open, and eventual problems must be solved together. Problem-solving requires insight into each other's businesses, which is why trustworthiness is essential. The companies must trust each other and be able to show vulnerabilities and possible vulnerable material to help each other overcome the problems and develop.

In order to make development processes more manageable, the partnerships could be divided into categories and segmented. The different categories and segments are then getting the attention that the precise category needs and the characteristic needs of different segments are better considered in the process. The categorization and segmentation would benefit both the insurance company and the partners. The findings also show that with the help of regular joint meetings, the state of the cooperation and the knowledge between partners can be shared. When focusing on the partner's businesses, it is also important to remember the customer's voice; in the end, the end customer makes the business possible. All parts of cooperation must also understand that trade-offs are required to succeed.

Competitive advantages are essential to the company. In the interviews, it could be seen that trust is essential. Trust and the establishment of trustworthiness can serve as sources of competitive advantage. However, the three types of trust described earlier in the thesis are not all equally possible sources of competitive advantage. In cases where partners possess a weak form of trust, trust is less likely to function as a source of competitive advantage. A weak form of trust typically emerges in markets characterized by intense competition, where acquiring competitive advantages can be challenging. In highly competitive markets, the chance that all partners have reached a weak form of trust is high, and because of this, trust is not a competitive advantage to anyone.

In a semi-strong form of trust, the partnership between the partners is economically valuable. If a semi-strong form of trust is wanted to be developed into a competitive advantage, the partners must ensure that the competitors have a different level of trust. This is hard because if most competitors have the same governance skills, the possibility of creating similar conditions for each other is easy. Because of this, a semi-strong form of trust will exist between them all.

If a strong form of trust is economically valuable, all partners with a critical role must be strong form trustworthy. If any partner engages in opportunistic behavior, it becomes imperative for all partners to invest in social and economic governance mechanisms to establish a semi-strong form of trust. If there are two strong forms of trustworthy partners in an exchange where both partners understand each other's vulnerabilities and understand that these will not be exploited, a great partnership can be developed. When reaching a strong form of trust, competitive advantages can be gained. For example, if multiple competing companies want to cooperate with the same company but one is strong form trustworthy, the others are semi-form trustworthy. The semi-strong, trustworthy companies must invest in costly governance to create a semi-form trust. The strong form trust company has a tremendous competitive advantage in this case.

When a strong form of trustworthiness is formed between partners, the relationship evolves, people change in companies, and new information appears. Trust should still be seen as a source of competitive advantage, but it is not automatically a competitive advantage. It needs investments in the form of time and money. (Barney & Hansen, 1994). In this case study, the level of trust between the company and the partners is a strong form of trustworthiness.

5.1 Theoretical and managerial implications

This thesis's theoretical contributions aimed to give a comprehensive framework for strategy development, value systems, and value chains. The first point was to catch up on the future research idea from Zhau et al. (2018) about strategy change and deepen the understanding of strategy development. This study has shown how value chains and strategies in the case of a company develop in a way that hopefully gives the company a competitive strategy.

The second point was to deepen the understanding of Floyd and Woolridge (1992) and the importance of understanding the company strategy to work towards it. In this thesis, we have seen that it is necessary to understand the company strategy to develop it. We have also seen that employers must have a strategy that employers can work towards.

A third aiming point in this study was the assumption made by Durmusogly et al. (2008) that established and well-working practices are hard to break. Even when the development work was good and had good intentions, it always takes work; in this case, the well-working and well-established old practices and habits were challenging to work through. Hopefully, this study helps to understand how value systems and value chains affect the strategy and their importance inside a company. Porter's value chain concept and framework (1985b) give an excellent discovery ground. Linkov et al. 2019 also show that the value chain concept helps many business areas establish competitive advantages.

This thesis's managerial implications were to help managers understand how closely linked the value system with the value chains are to the company's strategy and how important it is that both the value system and the strategy lead the company in the same direction. This thesis also shows how important it is to develop and lead partnerships in a way that both sides understand and agree on and how important trust is in cooperation. With the help of the interviews, it is also possible to see how different parts of the cooperation see the cooperation and what changes should be made to develop it even further. The importance of transparent processes and the need for all employees to have a clear vision of the company strategy must be sharpened more.

5.2 Suggestions for future research

One suggestion for further research would be to conduct a similar study to other insurance companies and compare the studies. It would be interesting to see if similar companies are making similar strategic decisions or if they are widely spread. Another suggestion for further research would be to conduct this kind of study with more primary rather than secondary data. The primary data would give a deeper insight and understanding of what is happening inside the company and why different decisions are made. The problem with, for example, interviews for the primary data is that the information that managers can give and share about the company's strategic decision-making needs to be improved. Another suggestion for further research would be to concentrate on the partners of the insurance company, select a few from them, and conduct the study from their point of view. This study would also give the insurance company valuable data to develop the cooperation. The challenge in this kind of study would be that if the partners need to understand the value that they could benefit from the study later on, it would be hard to get them to put their time and effort into it.

5.3 Limitations

All studies have limitations, such as this one. One limitation is that the study is limited to one single case study and company. If the study would have been made on a more significant number of companies, the study would have been broader and more generalizable. For example, if the study had been made as in the further research ideas by comparing different insurance companies' value chains to each other, the study would have shown the business sectors' strategic visions in a different and much more profound way. Another limitation of this study is the data used in the study. It is harder to understand why different strategic decisions have been made using secondary data. The limited number of interviews conducted for the development and leadership of partnerships also made the study narrower. The limited amount of data also made it harder to conclude. Another limitation of this study is the methodological approach of the study; in qualitative research with a case study, the study focuses on a single unit or company for the study, even if a case study can also be done with multiple cases. (Saunders et al., 2007).

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