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HANDELSCONSULTING PROVIDED NS INTRESSENTER WITH A KEY COMPONENT FOR FUTURE BUSINESS



HandelsConsulting is the largest student run consulting firm in Scandinavia. We bridge the gap between academic knowledge and the business world by adding practical experience to the student's theoretical skills. At the same time we provide businesses with expertise from the Gothenburg University of Business, Economics and Law.

We offer various consulting services to the market, in relation to the student's field of study, such as business, finance, logistics, sustainability and law. At the moment, the firm consists of 70 people working parallel with their studies. The diversity of student working together results in a great width of expertise, and having students from all the university's different fields enable us to deliver a wide range of projects.

The company was founded in 1997 and has delivered over a thousand different projects to private companies and public sector. A large part of the clients are recurring costumers, which indicates that the ambition to always deliver top quality results has been successful.

HandelsConsulting has a close relationship with the School of Business, Economics and Law in Gothenburg, where the firm has access to the most recent knowledge and research. In addition to our partnership with the university, we also work close with our partner companies: Ekan, PREERA and MAQS Law Firm who provide us with education and support when needed.

A letter from the CEO

Striving to continuously improve our business is an inherent trait in our company culture. This mindset is something we have always aspired and as a result our company has experienced a tremendous development ever since the start in 1997. Today, we are the largest student run consultancy firm in Scandinavia.

We give the students of the School of Business, Economics and Law in Gothenburg the opportunity to gain the experiences necessary for entering the real business world - experiences that we know cannot be attained only through theoretical studies. At the same time, we offer businesses in Sweden and abroad, qualitative consulting services at highly competitive prices - competitive prices that are characterized by the hard work of our ambitious, curious and innovative student consultants.

As appointed as CEO for HandelsConsulting in the beginning of 2015, I intended to ensure our employees personal growth and continuing to create value for our customers. As I look back over the past year, I can proudly say that we have managed to succeed to attain these goals.

The experience of working at HandelsConsulting helps students to develop new kinds of skills that are needed in modern economies and societies. Developing self-confidence in business and actually experiencing entrepreneurship at an early stage during the education is one of the many opportunities we value. This has led to an accumulation of driven student within the organization, and is also the main reason why we usually attract great talents from different fields of study. We depend on the motivation, the willingness and the commitment of our students in order to succeed and this year was no exception.

More specifically, this year consisted of primarily three accomplishments. Firstly, we have worked to increase the quality in our sales process. In the beginning of the year we saw an opportunity to expand our sales and we set our minds to develop the processes in order to increase the efficiency. Secondly, we have been working with different strategic development projects to ensure the long-term growth of our company. For instance, the development of a public procurement department within our business area Public Sector has lead to remarkable success. The third undertaking has been to keep ensuring a steady growth of the market in our business area Stockholm, with the goal to make the business area stand for 25 % of our revenues during the upcoming years.

The main purpose of this publication is to provide you with insight to our daily work as well as to a few topics currently being discussed at our university. We present you with a sum up of a the most exciting projects we have conducted recently as well as of essays written by our fellow students and colleagues at HandelsConsulting.

These are our conclusions.



KIND REGARDS,

Hannes Forssberg Malm
CEO HandelsConsulting

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HOW TO RECOGNIZE OPPORTUNITIES FOR DIGITAL TRANSFORMATION

Technological advancements have vastly changed the playing field for many traditional corporations. Particularly, developments of IT have allowed companies to fundamentally improve their business in many ways, such as expanding and refining customer segments, streamlining internal processes, improving customer relationships & communication and re-designing the supplier networks.

The fundamental nature of an open market society is that it doesn't allow for a status quo over time due to competitive pressure, which by extension means that incumbent firms need to constantly adapt to changing industry conditions by transforming the way they do business. This process of adapting to the changing environment can be a great hurdle for large corporations, but at the same time it may offer great competitive potential for those able to capture and implement the opportunities before others, especially if they consistent doing so.

“How to make the company successful at this is one of the major questions that managers in incumbent firms are faced with today.”

But no matter what any of them think or do, it must all start with an idea. In this study we will focus on investigating in what way a business can recognize (i.e. not capture and implement) opportunities to undertake digital transformation initiatives. We will do this by identifying typical practices and key success factors that companies with different innovation strategies face and how they differ depending on what part of their business they want to improve upon. Research taking a holistic view directly on the subject of is sparse, but an empirical foundation can be extrapolated from theories in related fields. For example, the fields of innovation management provides us with various tools and techniques that can be used in the innovation process, such as corporate foresight and innovation jams. It also gives us strong reason to suspect that companies can use different innovation strategies and approaches to the level of pro-activeness in their innovative efforts.

Commonly referred to as ideation, most research in this stage have been performed on an individual level by investigating entrepreneurs. In the following paper we will be translating this research into the context of large and established firms and complementing it with our own empirical findings. For detailed information on how to successfully implement specific initiatives we refer you to the comprehensive works of other authors on topics as change management theory.

‘How can Large Established Companies Recognize Opportunities for Digital Transformation?’ This thesis investigates how large established companies can recognize new opportunities to digitally transform. Previous research directly on this subject is scarce, and what little is available is written by employees of various consultancies with economic interests, and therefore might be subject to bias. The purpose of our research is to investigate the research question by analysing related literature on fields such as innovation management, ideation, and entrepreneurship in the context of large established companies, and provide the same companies with insights on how to better recognize opportunities for digital transformation.

On the basis of these theories we hypothesize two main archetypes of digital transformation strategies we call followers and creators.

► In order to investigate the research question, we hypothesize a conceptual framework to allow a structured analysis of the literature. This hypothesis is tested through case studies on five large established companies, as well as with one IT- and business transformation consultancy acting as an 'expert'.

One of the primary differentiators of the types of digital transformation opportunities companies look for is the level of activeness of their strategy. There is an abundance of literature on the subjects of transformation and innovation strategy, and the major theme among them is how the companies balance development against risk. For example, Dodgson, Gann, & Salter, (2008) presents four levels of innovation strategy that describes this rather well. Companies with a passive innovation strategy takes a 'wait and see' approach, allowing other to take the costs associated with developing innovation and the risks that follow the implementation of them. Most likely these companies are protected by high barriers of entry or some other competitive advantage, but it could also be that these companies simply lack the capability to innovate. On the opposing side you have the reactive, active and proactive have a greater focus on active innovation and the difference between them is mainly how much risk they are willing to take on.

Another related theory is four opportunity recognition strategies (Timmons & Spinelli, 2009). This theory is based on the element of opportunity recognition commonly known as active search, i.e. the individual's attempt to actively find opportunities through a systematic search for opportunities or generating ideas by methods such as prototyping and brainstorming. But most importantly, it differentiates between two internally consistent theories of opportunity recognition called discovery and the creation, where discovery of opportunities is based on the assumption that opportunities already exists, and where creation of opportunities is based on the assumption that it is the actions of the entrepreneur that create the opportunities.

Though the debate often turns philosophical (i.e. are opportunities created or discovered?), one could make the argument that both versions exists. If you consider opportunities to be relative (i.e. that every potential improvement is an opportu-

nity, even if the underlying idea or technology isn't innovative), then some opportunities are created by the innovative use of the idea or the technology, while some opportunities exists because you discover the possibility to mimic another actor. This is an important distinction since it can be directly applied to the two extremes of the digital transformation strategies for large corporation. It is reasonable to assume that since companies who are more active in their digital transformation have the desire to innovate, they are more likely to pursue the creation of opportunities and thus would need to use tools, methods and techniques best suited promote the type of actions that lead to opportunity creation. At the same time, companies who deploy a more passive digital transformation strategy are probably not as interested in developing new and untested ideas themselves, and thus they are more likely to benefit more from using the tools, methods and techniques designed to promote opportunity discovery.

On the basis of these theories we hypothesize two main archetypes of digital transformation strategies we call followers and creators. This allows us to investigate how the tools, methods and techniques intended to improve the quality and quantity of a recognized opportunities for digital transformation differ between companies with different levels of activeness in their innovation strategies. This split of the strategic element has similarities with the classic 'lead of follow' issue of corporate strategy (Perry and Bass, 1990) and the related concept of first mover advantages (Robinson, Fornell and Sullivan, 2006; Lieberman and Montgomery, 2007). If we take our example to the extreme, the creators would be the first movers that assume most of the risk and costs associated with being the first to create the opportunity and undertake a specific type of digital transformation initiative, while the late movers would be the followers who discover the opportunity to use a tested and tried method to improve their own business practices. In reality, most companies are likely to be somewhere in the middle of these two extremes, but by using these two archetypes of innovation strategy to categorize companies we may be able to give practitioners more insight while keeping the model simple and easily absorbed.

FINDINGS

After structured analysis of the literature and case studies on five large established companies, our findings indicate that few companies have an outspoken strategy for how they want to identify new opportunities to transform in the future, but many expresses a desire to have one due to the potential benefits of becoming a leader in the development of innovative use of technology. Our findings did not support the hypothesized framework in full, but it did support a slightly modified version consisting of two elements determining the best suitable tools, methods and techniques that companies can use to improve recognition of new opportunities for digital transformation. These elements are the innovation strategies and the intended area of business impact of the transformation opportunity.

The innovation strategy element consists of two archetypes of innovation strategies, where a company taking the 'creator' approach differs from the companies taking the 'follower' approach by being more pro-active in their innovative efforts. The intended area of business impact refers to the three main types of business outcomes a transformation opportunity may have. Or in other words, what the opportunity is supposed to transform; the value proposition, internal processes, or the business model. The final framework did not differentiate between the three areas of intended business impact for companies taking the 'follower' approach since we found no considerable differences between the practices used by companies identified as 'followers' in any of the three. Neither did results from the expert interview or the literature.

However, the difference between these three areas was supported for companies taking the 'creator' approach. This gave us four different paths that companies can take if they want to improve their ability to recognize opportunities for digital transformation. None of them are mutually exhaustive, meaning that a company may follow all four path simultaneously if they willing to allocate the resources to do so. However, it is a core assumption of our research that companies need to continuously evolve with a changing market, which means that the 'follower' approach for how to recognize new opportunities to digitally transform is a basic capability that all companies need to have.

Our findings indicates that companies taking the 'follower' approach should build capabilities to monitor their direct competition through for example benchmarking or collaborative innovation networks. In addition to this, external best practice solution provider's offers companies a way of staying on-par with the rest of their industry. However, the choice of which external actor to hire is a key success factor and may drastically affect the outcome, and the technological maturity and future potential of their offered solutions must be accounted for, as with all major investments. Hiring a driven and knowledgeable work force is also key for making the best use of collaborative networks and to keep the internal knowledge on recent industry trends to a high level. Companies taking the 'creator' approach need to consider what type of impact the opportunity to transform will have before deciding on the best ways to recognize new opportunities. Conventional

methods to generate ideas, such as workshops, innovation jams, shark tanks and collaborative partner networks can be put to good use and their output may be even further improved by directing the search efforts towards strategic goals, and by including a wide range of individuals with varying experience, such as employees from different functions, business partners, or universities. Setting up knowledge mechanisms such as open office floor plans, social platforms and networks, or other ways of facilitating social interaction across functions may also greatly improve the idea generation throughout the company. These companies also have a lot to gain from creating role models and evangelizing novel ideas by setting up a corporate culture and incentive systems to reward individuals who engages in idea generation. For transforming the value proposition, the main sources that companies draw knowledge from include users of their products or services, as well as start-ups and external customer experience experts.

In addition to the techniques used by 'creators' independent of the intend area of business impact, as mentioned above, a few other ways of specifically recognizing opportunities to transform the value proposition has been identified. Data, or 'big data', -analysis can be used to compliment direct user enterprise feedback systems to anticipate future trends in customer behaviour or demand. Mapping the specific pain-relievers addressed by start-ups may also provide insight into these future trends, or to other innovative uses of technology. When the company wants to transform internal processes, the 'users' turn into 'employees'. Feedback and knowledge-sharing systems can be used to identify new novel ideas for how the internal processes can be made more effective or cost-efficient just as well as R&D efforts can be directed towards goals with benefits to operational efficiency.

Another very interesting technique is the exploratory experimentation with new technologies. For example, companies can for a relatively low cost purchase various devices that are distributed to keen employees with the purpose of finding ways to utilize these in the everyday work. Our results also indicate that a 'problem-based approach' can be taken to direct the search of new opportunities through either of these methods, meaning that the first step in any idea generating effort is to locate 'problems' within the company and then try to solve or mitigate these. This approach makes the objective clear and tangible for a wider range of the work force who can then easily engage in idea generation while increasing their intrinsic motivation due to the personal relevance of the 'problem'.

Lastly, transforming the business model or creating new business models, is the most difficult element to assign specific methods of recognizing opportunities to. The reason for this is the ambiguity of the concept of business models when put next to the value proposition. The transformation initiatives that is most often discussed by our case companies often overlaps both of these, and our findings may therefore be subject to the limitations of the interviewees understanding of the definitions used in this thesis. However, all agree that, in addition to conventional idea generation techniques, the active monitoring of start-ups coupled with the use of technological insight experts are vital to anticipate future disruptive business models.

This is a summarized version of the master thesis "How to Recognize Opportunities for Digital Transformation" written by Karl Hemvik and André Lindberg. Read the full version including list of references, at the Gothenburg University database GUPEA.

What elements of the management control package

get most attention in a start-up?

Being a start-up company is connected to many challenges, one of them being operating in a constantly changing surrounding. Having good control systems in these firms could in this case be crucial for becoming successful.

In the past five years Nordic tech companies were sold for a total of 2,6 billion EUR and more than half of these companies originated from Sweden. Sweden gets extensive attention from the outside world for its lucrative business climate and entrepreneurial spirit, despite its relatively small population and high tax levels. In recent years, Swedish tech start-ups have gotten a large amount of attention, both in Sweden and internationally, due to successful companies such as Spotify and Skype making their way through the competitive market. This boom of IT firms triggers the curiosity in the tech start-up industry and is one of the factors that make it interesting to study them more closely.

Management control is necessary and needed to make an or-

ganisation work. In companies today, a wide range of different control systems are used to control the operations. There are endless options when it comes to tools for managing and controlling different parts of the organisation. Management control systems (MCS) as a package is therefore interesting, to see how companies combine different elements of the MCS to control their business.

As well as many other expressions, MCS have various definitions. Several of these definitions appear to agree on the fact that MCS are established to yield power and/or to influence behaviour, in order to ensure that enough resources and direction is given within the organization for the employees to actively strive towards the objectives of the firm.

The many unique characteristics and challenges of start-up

companies in their early stages of the life cycle, triggers the interest to investigate the management control package in these types of firms. Since the circumstances and conditions differ from other companies that have developed over time and established a stable and well-functioning organisation, it becomes interesting to see what characterizes the management control package in a start-up. The fact that the IT industry is a field where innovation and technology is in constant change adds to the curiosity in the subject. As start-ups within the IT industry often are fast growing, it becomes interesting to investigate how the use of the MCP develops over time as the company and its operation grows.

Keeping the business alive at its early stages when the resources are scarce and the market might not be fully evolved and ready for the product, makes the management control difficult and different from more developed firms that have been running their operation for a longer period of time. For example, typical challenges that tech start-ups face is keeping up with the constantly changing technology, choosing the right partnerships and the recruitment of competent employees.

“As start-up companies grow, and there is a need for more people than the dedicated founders and there is a challenge in finding people with the right competences, as well as to attract them to the growing start-up firm. A common trait in a start-up company is the inability to provide as high rewards as bigger firms are able to. Not getting high financial compensation requires other reward factors to motivate employees to stay as well as to attract new staff to the firm.”

Further research around the phenomenon of management control systems within the field of innovation and entrepreneurship has been done by Davila, Foster & Oyon (2009). In the article Accounting and Control, Entrepreneurship and Innovation: Venturing into New Research Opportunities they highlight the importance of having management control systems in innovation and entrepreneurial firms and discuss if this could inhibit the creativity of the employees. Fariborz Damanpour (1991) offered empirical evidence showing that management control systems could be harmful when used in these types of companies.

According to Davila, Foster & Oyon (2009) that is not the case. They support their recent studies, that to be able to grow as a company management control systems have to be introduced in these firms as well. It is suggested that to be able to create a motivational environment, as these firms need to do, management control systems as objective-setting processes, performance measurement and compensation schemes has to be introduced. Davila, Foster & Oyon (2009) claims that although the innovation and entrepreneurial firms are in no need of the most formal management control systems, the fact that dynamic firms also need some kind of management control system is clear. They opine

that management control systems are a key element within these firms as well, especially to be able to grow.

Granlund & Taipaleenmäki (2005) study in their article the practices of management control in new economy firms, with a corporate life cycle perspective. New economy firms, or NEFs, are defined as fast growing firms that operate in the information and communication technology business, characterized by their R&D and knowledge intensity as well as their venture capital financing. The new economy firms are often Internet based. The authors see differences between control practices in NEFs compared to firms that are active in more traditional operating environments. Through the article, Granlund & Taipaleenmäki make a number of observations. One of them is that typically, new economy firms allocate very limited financial resources towards their financial control activities. The interest within the firm simply lies in different issues than the accounting system. Another typical trait for NEFs is that investments in administrative systems are not considered as crucial, when the authors observed what types of financial control activities are most preferred, the result was a basic budget and reporting activities. The task that received the least amount of attention in NEFs was the ones that in other firms is usually seen as the core of financial control, such as strategic planning, performance measurements and internal financial analysis. Granlund & Taipaleenmäki also express the importance of considering the time horizon of management control in new economy firms. In these types of companies, there is a strong future orientation and the planning has a distinct short-term focus, especially in the early stages of the company's lifetime. In the early stages, NEFs operate more as reactors to the constantly changing environment where uncertainty prevails. In general, Granlund & Taipaleenmäki highlight the importance of considering the phase of the company's life cycles when conducting a case analysis.

FINDINGS

Four start-up firms within the IT industry have been interviewed to answer the thesis. All the interviews were conducted on the basis of the same question sheet.

Based on studied companies a number of indications can be seen. Firstly, the indication of culture control being of great importance as a control element within the firms is seen. There is also an indication of the firms being controlled through short-term planning and non-financial measures through a top-down concept but with a great deal of communication with the rest of the team. The motivation for the employees' lies in other factors than the strictly financial compensations, instead the non-financial motivations are predominant. Over time, there is an indication of implementing a more formal structure and management control as well as an increased focus on financial measures. There is a general indication of the firms being controlled in a more informal way.

Current thesis contributes with an indication of what elements get most attention in start-ups within the IT industry. Being of an explorative character, the indications and conclusions made will lay the foundation for further research within the area.

This is a summarized version of the bachelor thesis "Management Control Packages in a start-up context -an explorative study of start-up companies in the IT-industry" written by Malin Dahlbom and Sofie Hansson. Read the full version including list of references, at the Gothenburg University database GUPEA.

In Which Direction is the Market for Payment Solutions Heading?

For innovative and constantly developing markets, updated information is vital for a continuing success. In the spring of 2015, Verifone faced a situation where change in consumer's behaviour have led to major changes for the market of payment solutions. In order to gather further knowledge to be able to meet new competition, Verifone turned to HandelsConsulting and asked for assistance with a market research.



Verifone Sweden AB is the leading provider of card terminals with associated equipment and services in Sweden. The company provides solutions for electronic payments to all kinds of environments - from the small corner shop to the shops in the large international group. As a part of the Verifone Group, headquartered in US California, transactions transforms daily into opportunities for online trading.

With customers and partners in more than 150 countries, including the world's best-known retail brands, financial institutions and payment providers, Verifone has more than 20 million payment terminals and more than 20,000 payment solutions for e-commerce platforms have been installed around the world.

As the payment and commerce landscape grows increasingly complex with new technological innovations, change in consumer's behaviour have led to major changes for the market of payment solutions "Today's merchants are showing increased interest in the revenue opportunities payment devices can bring with all the new ways of interacting with consumers. With innovative software applications that enable a broad range of capabilities using the device as a conduit, we are looking at a new way to handle payments" according to Anok Bhanot (2015), Verifone.

Even though they have a strong history and track record of success, Verifone still do face tough challenge. After all, Verifone was there when payments as a definable industry was created in the early 80's. From the introduction of the first payment card it took nearly six decades for plastics to overcome cash and check use. The move from plastics to digital for the con-

sumer, and from multi-channel to omni-channel for the merchant is happening in just a fraction of the time it took to go from paper to plastic, Bhanot (2015) argues.

When Verifone turned to HandelsConsulting for help, they wanted an update on what drives the market for payment solutions and in which direction it is heading. They also needed a better understanding for the competitors and their strategies in order to develop an even more efficient sales strategy and to be able to make well-informed decisions about the future development of the business.

HandelsConsulting gathered information about the current market and Verifone's competitors through qualitative interviews with industry experts and competitors, and complemented with profound desk research. To get an overall picture of the market, the industry experts were working in different fields of the payment value chain.

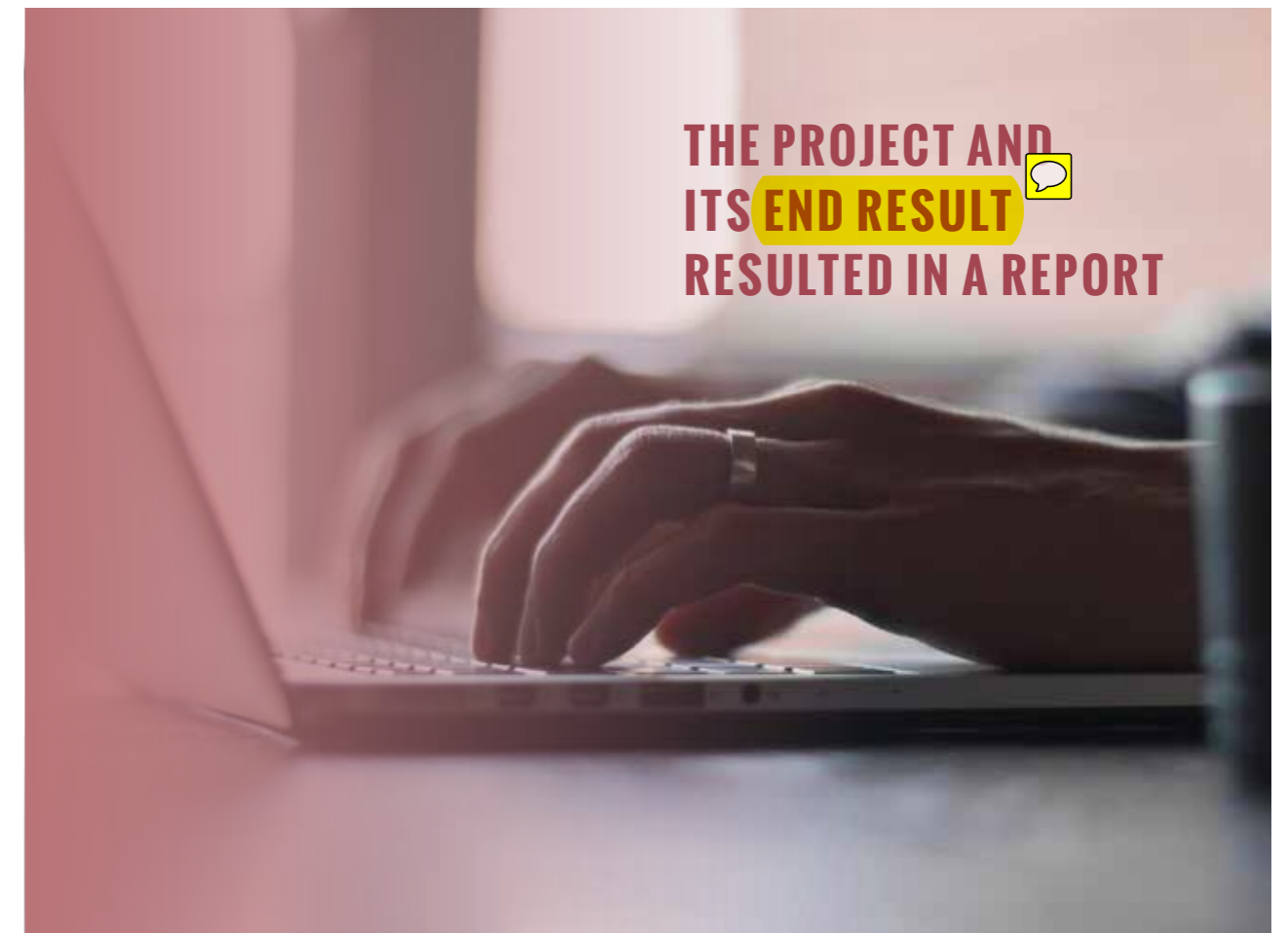
HandelsConsulting delivered a report with the main findings and a conclusion about how the market for payment solutions has developed and in which direction it is going. In addition, a list of competitors with comprehensive information about their strategies and their unique selling propositions was delivered. For Verifone, the new and updated information was needed in order to meet new competition, as well as to guide the company into the near future. Moreover, Verifone received advice on suggested areas to focus on, together with a follow-up project for possible specializations in different areas of the completed project. Verifone was satisfied with the result.

HANDELSCONSULTING

A project by
HandelsConsulting for
NS Intressenter

HandelsConsulting provided NS Intressenter with a key component for future business

In the summer of 2015, NS Intressenter turned to HandelsConsulting and asked for assistance for a comprehensive business research. NS Intressenter faced a situation where they needed to gain knowledge about a potential object of acquisition and its potential to grow. In order to help them with a big business decision, HandelsConsulting delivered conclusions and key components for future business.



THE PROJECT AND ITS END RESULT RESULTED IN A REPORT

NS Intressenter is a Swedish investment company whose mission is to be an active owner to create long-term favorable value growth and acquires to develop companies.

In 2013, Nicklas Storåkers, Karl-Johan Persson and Tomas Billing was in search for an “unpolished diamond” in the service sector. With nearly 1 billion to invest, they were seeking to develop a new, profitable company with the potential for growing fast. According to DI (2013), they said that there may be software companies, e-commerce, companies in the financial and consumer services, but that they were looking for a company that has come a long way and is already showing up profitability and excluded no sectors in services. Regarding competition from other venture capitalists, NS Intressenter’s goal is to enter and operate in the long term, rather than just buying and reselling after some years which many entrepreneurs think is important.

NS Intressenter faced a situation where they needed to gain knowledge about a potential object of acquisition and its potential to grow. In order to help them with a big business decision, HandelsConsulting provided them with a comprehensive market research to conduct competitive analysis through qualitative interviews and quantitative studies. The mission included, but were not limited, to gain knowledge about the customer satisfaction, product quality and market position of the potential object of acquisition.

In terms of cooperation, NS Intressenter describes the consultants of HandelsConsulting as “ambitious, responsive accurate.” They particularly appreciated the professional processes with regular reconciliations. NS Intressenter has been supported by students before and therefore had heard HandelsConsulting. The mission was also affordable compared to other respondents, but one concern the company had before the start of the project was that it would be difficult to obtain consultants on short notice for the project start in July. This concern, however, soon disappeared when HandelsConsulting was very flexible and took on the challenge during a week and had consultant ready to start the project already the following day after.



“The report has come to be used as a key component of NS Intressenter further analysis”

In conclusion, NS Intressenter describes the contact with HandelsConsulting as very good and are satisfied with the project. The project and its conclusions resulted in a report which has come to be used as a key component of NS Intressenter further analysis. The customer describes HandelsConsulting genuinely interested and would hire the company for subsequent projects.

Sources: Bolander, Hans, Dagens Industri, 6 may 2013. <http://www.nshintressenter.se/wp-content/uploads/2013/05/artikel.pdf>.

HC | Conclusions

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