Importance of estimation of market potential

A case of Sandvik Tooling

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2011
Abstract

Title: Importance of estimation of market potential - a case of Sandvik Tooling

Level: Bachelor Degree in Business Administration, 15 ECTS-Credits in Marketing

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Date: 2011-05

Aim: The aim of this thesis is to study in which way Sandvik Tooling and certain other international companies’ measure and estimate the market potential

Method: I have used a qualitative method. This means that I have focused on the big picture rather than solely on parts from the collected material. The qualitative method was based on interviews with 12 respondents, both within Sandvik AB and with employees from other international companies. Furthermore, I have made an interconnection between my empirical and theoretical part in order to draw conclusions on the findings.

Result & Conclusions: The study shows some important factors, which may affect a company’s effort to measure and estimate the market potential. They are; gaps may easily appear when customers and companies have different views on quality, price and productivity, too large amounts of information, the importance of new ideas and perspectives. A company can minimize their problems and any errors within the collected material if they work after similar framework, consisting of clear structures and methodologies.

Suggestions for future research: Future research could be to do a similar study, to identify methods to measure and estimate market potential for Sandvik Tooling but within an international setting. Then compare this result with my result to see in which way the perception of market potential differs in the different countries.

Contribution of the thesis: From my research, I have got an understanding that the process of measuring and estimating companies market potential is not an easy mission. Especially among the companies, which consist of different business areas, product areas and segment areas. I hope the study will be interesting for the employee’s working with market potential and business development, to see that people within the same company may have different views about this subject. I also believe that managers in general would benefit from this study, to understand that their employees would like to see a more similar framework within the company, when it comes to measure and estimate market potential. During this thesis, I found a deficiency of scientific articles about the subject, measuring a company’s market potential. It had been interesting to see if my results corresponded to previous results in the same subject.

Key words: business areas, benchmarking, estimation, market potential, market shares, measuring
Acknowledgements

First of all, I would like to thank Sandvik Tooling, who has given me the opportunity to write my thesis at their company. This opportunity gave me a chance to come in contact with reality in a positively way. I would like to especially thank my supervisor Mikael Lövblad at Sandvik Tooling, who has in a positively way supported me, given me feedbacks and guidelines throughout the process.

I would also like to thank all my interview respondents, which helped me and kindly shared interesting information as a basis for this thesis. These are employees ‘from;

- Sandvik Tooling
- Sandvik Coromant
- Sandvik Mining and Construction
- Walter
- Erasteel Kloster AB
- Korsnäs AB
- Scania AB

Finally, I would like to thank my supervisor Akmal Hyder, at the University of Gävle. He has given me critical reviews on my thesis and good advices, feedbacks and guidelines throughout the process.

Gävle 2011-05-23

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1. Introduction

In this introductory chapter, the choice of the topic and an explanation of the problem are given. This part also describes the purpose of this thesis and the author's delineation of the study area.

1.1 Background

Söderholm (2008) mentions in his study, that various factors may affect businesses in different ways. It depends on the companies, in which way they will react to these new trends. He says further, it is difficult for companies to anticipate these possible unexpected events in a correct manner. The result from Söderholm showed however, unexpected events that affect a business both positively and negatively will have a strong significant impact on a company’s market position in the future. Those companies which are prepared for unexpected events and in the same time have built up a strategy to retain their market potential have a major advantage over its competitors who has not done that. There are factors that can affect a company's future successes and profits. According to Aaker (2008) these factors may be new technology, consumer-, government- and economic trends, which may affect a company's future position. These trends will affect businesses in different ways according to the relationship between the factors and the specific company.

I can imagine that companies and individuals were hard hit by the effects that came out from the financial crisis in 2008-2009. The companies were probably influenced in different ways, depending on where at the company’s life cycle they were. Enormous and established companies might have it easier than the smaller start-ups, in their survival of unexpected economic factors which occurred. Some manufacturing industries may have been influenced, if their businesses sold fewer products. The employees in turn, could have been affected significantly if they lost their employments because of the huge decreases in sales.

A good strategy when the companies’ goal is to retain their position on the market is to do a benchmarking. Kotler et al. (2008) argue that benchmarking is a kind of a process. Since companies have an ability to compare their own products and working processes with their competitors. At the same time, they have an opportunity to make a similar comparison with other market leaders who act in other manufacturing industries.
1.2 Problematization

Benchmarking is one improvement tool that companies can use when they want to improve their performance of retaining and creating new market shares to the companies. Previous studies have shown that these companies which use benchmarking as both an evaluation tool and an improvement tool will get most benefits out from this. They have for example, the opportunity to compare their business against their competitors’ activities in a more easily way. A common problem for companies might be that they believe that the benchmarking tool will solve all their problems within the company. It is therefore important that companies consider what purpose the benchmarking is supposed to have for their business. (Andersen & Petterssen, 1995)

According to Anand & Kodali (2008) there is abundance of literature that deals with various kinds of benchmarking models. These different models can create problems and confusions for some companies which are considering using the benchmarking tool. The company’s goal may be, to maintain and increase its market potential. Instead, it might turns out that the company must put all their focus and efforts on issues which explain what model will suit their company best. How do companies really know what model they will use and which one best suits their business? I assume that another common problem for companies would be to determine the purpose and objective of the benchmarking. Would they do it against internal organization or to an external company? There will always be concerns and questions with regard to a company’s way in measuring their market potential in a best possible manner. Different firms may face different issues and problems.

I think a common problem for international companies may arise when working with their market potential. Most of them consist of different business areas, product areas and segment areas within the same company and this includes also Sandvik AB. The process with market potential may be more time-consuming to implement because of the amount of different employees´ involved. When more people are involved in various decision-making and estimations, it may take extensive more time before the companies are ready to interpret in the actual mission. The different employees’ may also perform different judgments and estimations of the importance of the market potential. Several, may not care about what the market potential really say instead, only care about the size of these figures. Therefore, I think it is important that all employees´ are aware that these figures of potential, doesn´t always tell the whole truth about a company´s success.
During the work with my thesis, I found good information and scientific articles about the benchmarking subject. Both when it came to general information about benchmarking but also in a more specific way how other companies directly had used this tool of benchmarking. To find more specific information about measuring and estimating market potential was not as easy. Especially information, how other companies measure their market potential and also to find problems that is common for companies to encounter during the process with measuring and estimating the market potential.

1.3 Purpose and research questions
The aim of this thesis is to study in which way Sandvik Tooling and certain other international companies’ measure and estimate the market potential. I experience that Sandvik is an interesting company to investigate in, when it comes to market potential. Sandvik AB consists of three different business areas, Sandvik Tooling, Sandvik Mining and Construction and Sandvik Material Technology. These three divisions consist of a number different product areas (brands) and customer segments. The products from Sandvik Tooling for example are sold by a variety of international product areas, Sandvik Coromant, Walter, Safety and Domer etc. Sandvik Coromant has approximately 30 000 products in their offer, while Walter has a little less range of products to offer the market.

Each business area from every country within Sandvik Tooling is reporting their submitted findings of their market potential to their respective company. For example, Coromant in Germany submits their report to headquarter in Sandvik. They in turn, compile these sales from the different countries within the same products before they send these reports forward to another department. The process within measuring the market potential will therefore involve different people, problems, perspectives etc. before the figures are ready to be interpreted for the actual mission.

The following research questions are studied;

- Which recurring problems do companies usually face, in their quest to measure and estimate market potential?
- In which way do the companies facilitate the work for their employees, when it comes to measure and estimate market potential.
1.4 Delimitation
In this thesis, I have limited my investigation to two different areas. The first is Sandvik Tooling, which is one business area within Sandvik AB. The second area consists of three international businesses, Korsnäs, Erasteel Kloster AB and Scania. This area also includes Sandvik Material Technology (SMT), which is another business area, within Sandvik AB. The same basic issues and methods will be used in these two areas in my qualitative research. The study is only based on the employees' perspectives and perceptions about this topic, to identify methods to measure and estimate the market potential.
1.5 Disposition

Chapter 1 – Introduction
In this first chapter, the choice of the topic and an explanation of the problem are given. This part also describes the purpose of this thesis and the author's delineation of the study area. For the convenience to the readers, there is a disposition with a brief explanation of each chapter.

Chapter 2 – Theoretical framework
In this chapter, I present the benchmarking tool in a more comprehensive manner. I start to explain what the concept of benchmarking is and continue to explain why companies use benchmarking as a tool. Then, in a more detailed approach explain the different models which are available in the market, to finally explain various methods, which can be used in the different benchmarking models.

Chapter 3 – Methodology
In this chapter I describe the method used for preparation of this thesis. For example, which kind of research I have assumed from. I give the readers an explanation in which way the existing theories, personal interviews etc. has been processed to get access to the most relevant information for this topic.

Chapter 4 – Empirical part
In this chapter, I give the readers an over-looking presentation of the companies, which I have been in contact with. I also make a brief presentation of each respondent before I discuss the relevant information, which I have received during my interviews.

Chapter 5 – Analysis
In this chapter, I present my analysis. It is based on an interconnection between my empirical and theoretical part. I choose to use three recurrent headings, which are available in my empirical part; methods of benchmarking, structures for reporting and gaps.

Chapter 6 – Conclusions
In this chapter, I tie my work together. See, if I have achieved the objective of this thesis and answered my research questions. I will communicate for the readers and give some own reflections. Finally, I give my suggestions for further research.
2. Theoretical framework

In this chapter, I present the benchmarking tool in a more comprehensive manner. I start to explain what the concept of benchmarking is and continue to explain why companies use benchmarking as a tool. Then, in a more detailed approach explain the different models which are available in the market, to finally explain various methods, which can be used in the different benchmarking models.

2.1 What is Benchmarking?
Camp (1989) defines the word benchmarking in a simple way and succeed at the same time to capture the right keywords as other authors after him uses. "Benchmarking is the search for the best business practices that will lead to outstanding performance through the implementation of these methods." Anand & Kodali (2008) say that most authors make use out of different definitions of the word benchmarking. However, there are a number of keywords that they have as a common denominator in this area, for example, measurement, comparison, identification, implementation and improvement. Andersen & Petersen (1995) think that it might be a challenge for several companies to confess that other companies may perform better than their own business.

Bhutta & Huq (1999) state that it is important for a company to recognize their own shortcomings and in the same time have an understanding that some other companies can perform better. It is also important that companies have a desire to understand how they can introduce this learning into their own business. According to Andersen & Pettersen (1995) companies may improve their operations by setting up goals which are on a similar level as the best actors in the same area. They also argue that this may result in a greater willingness to find different solutions and achieve these goals by the companies. Karlöf (2000) thinks that benchmarking is a tool for streamline a working process within a company.

2.2 Why Benchmarking?
Asrofah et al. (2010), Karlöf (2009), Adebanjo et al. (2010), Watson(1994) and Andersen & Pettersen (1995) state that one purpose with benchmarking is to find new ideas and help companies to improve their business. They all argue that there are several advantages with using benchmarking as a tool. One advantage with benchmarking is to get a better picture of a company’s own strengths and weaknesses.
It may help a company to increase their market shares, increase their profitability and to continually improve their operations and customer satisfaction. Karlöf (2000) says that it is important that companies works with both hard and soft factors. Hard factors might be the measurement values and the figures while soft factors may be more the actually design of quality in the working processes etc. The companies have to learn that it is more important to work smarter than faster. A negative effect which arises when a company only concentrates on the hard factors may be a difficulty to detect differences in the organization and control system.

Aaker (2007) states that companies which currently find themselves in an unexpected world, where new technologies daily arise can have more difficulty to pick out the real winners from the losers. Due to this fact, it can be important for a company to set up a strategy that has to do with benchmarking if they want to succeed and gain stronger market potential. Atkinson and Brown (2001) reinforce in their study the above observation, that the rapid development of new technologies is an instrumental factor which affects businesses.

2.3 Types of Benchmarking
According to Karlöf & Östblom (1993) companies may have an opportunity to perform measurements that would otherwise not have been made if they use benchmarking as a tool. Companies which invest time and effort in this tool may have a high probability to succeed in creating good contacts and relationships. There are different methods and types of benchmarking processes which a company can use. However, the common purpose for them is to develop a good benchmarking cooperation over time which may lead to more market shares and stronger market potential in the future.

2.3.1 Internal & External Benchmarking
Karlöf & Östblom (1993) state that companies can make use of an internal or external benchmarking partner. Karlöf (2000), Maire et al. (2005) mean that the internal benchmarking may become a necessary ingredient for the companies in the future. An internal comparison may help companies to strengthen themselves and gain new perspectives, ideas within their own business areas, product areas and segment areas.
Zairi & Youssef (1996) reinforce in their study the above observation that an identification of internal benchmarking partner should be the most useful tool for a company. This approach is a company’s first step to develop and streamline their operations. Yasin (2002) argues that an internal benchmarking partner can help a company to see its own activities from a more critical perspective.

If a company chooses to work with an external benchmarking instead, it means that a company compares their activity against various companies (Maire et al., 2005). According to Andersen & Pettersen (1997) the external benchmarking is divided into three different groups, dealing with the competitive, functional and the generic benchmarking. The competitive benchmarking aims to focus on the best competitors on the market, which may not be the best alternative. There can easily appear some lack of information because companies are not allowed or willing to share important information with their competitors. The purpose of functional benchmarking is to do this study against a branch organization, towards customers or suppliers. In this study, the companies have the opportunity to learn from each other and in easier manner share interesting and relevant information with each other. The purpose of generic benchmarking is to compare the business with companies in completely different industries.

Bhutta & Huq (1999) state, that a company’s benchmarking partners should be seen as world leader in their specific niche. Anand & Kodali (2008) however, highlight the importance of not using a large number of benchmarking partners. This may reduce the impact of the benchmarking process.

2.3.2 Performance-, Process- and Strategic Benchmarking
According to Andersen & Pettersen (1995) when a company has decided to do an internal or an external benchmarking they must think about which area they really want to benchmark. For their help, there are three different processes to choose from, depending on what they want to compare. It is performance-, process- and strategic benchmarking. They say that the purpose with performance benchmarking is to compare how profitable a company is compared to its competitors. Asrofah et al. (2010) consider that the performance benchmarking is focused on making a true assessment of competitors’ market position, by making a comparison in terms of products and services.
Adebanjo et al. (2010) describe the performance benchmarking as a tool to compare the similar results that a company has accumulated. It may have been a benchmarking against some financial measures, such as costs, labor costs, etc., but also to non-financial measures such as staff turnover, complaints about the business, etc. According to Andersen & Pettersen (1995) and Bogan & English (1994) the purpose with process benchmarking is to gain knowledge from the market leaders. Companies would also focus on the daily operation of a business process. If companies have a strategy how to deal with complaints, billings and call recruits it may facilitate to more rapid improvements.

Andersen & Pettersen (1995) and Maire et al. (2005) state that the purpose with strategic benchmark is to provide business information about the market situation and discover solutions. This may give companies an advantage in the development of their new strategic plans and positioning in the enterprise. According to Zaire & Youssef (1995), Asrofah et al. (2010) and Partovi (1994) strategic benchmarking is a method to gain a greater understanding of strategic issues. It will help companies to create a long term relationship and alliance with their benchmarking partners. In the same time provide support in the company´s quest for greater competitive advantages and greater market potential.

**2.3.3 Different classifications of benchmarking**

Anand & Kodali (2008) argue that benchmarking only should consist of two different classifications, internal and external benchmarking. All other processes such as strategic, performance, functional, generic, etc. should instead be included under these two. This may facilitate the benchmarking work for the companies and simplify and reduce the great confusion which might otherwise easily occur.
Anand & Kodali (2008) have made a simple scheme, with a short explanation of the different benchmarking types which are named in the text above.

<table>
<thead>
<tr>
<th>Type</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal</td>
<td>Comparing within one organization about the performance of similar business units or processes</td>
</tr>
<tr>
<td>Competitor</td>
<td>Comparing with direct competitors, catch up or even surpass their overall performance</td>
</tr>
<tr>
<td>Generic</td>
<td>Comparing with an organization which extends beyond industry boundaries</td>
</tr>
<tr>
<td>Functional</td>
<td>Application of the process benchmarking that compares particular business functions at two or more organizations</td>
</tr>
<tr>
<td>Process</td>
<td>Pertaining to discrete work processes and operating systems</td>
</tr>
<tr>
<td>Performance</td>
<td>Concerning outcome characteristics, quantifiable in terms of price, speed, reliability, etc.</td>
</tr>
<tr>
<td>Strategic</td>
<td>Involving assessment of strategic rather than operational matters</td>
</tr>
</tbody>
</table>

**Figure 1.** Classification of benchmarking by Anand & Kodali (2008)

### 2.4 Methods of Benchmarking
In recent years, books and articles have been published, where the authors explain in which way the process of benchmarking is done. However, it has been shown that there are different approaches when looking at benchmarking as a method and there are also different ways to perform it. According to Bhutta & Huq (1999) and Partovi (1994) some companies use 33 different steps when they are working with a benchmarking process, while others only need four to succeed with this work. They state that the most common way is to use four to eight steps. The main ingredient in benchmarking is the same, regardless of the amount of steps a company uses. The reason in different steps may depend on that the companies use a method that will fit their own work.
Another reason may be that they have got previous experiences from these kinds of steps. Karlöf (2000) says that those companies which have more experiences in the process of benchmarking may be content with less methodological steps, as they already know about the different elements which are included in each step. The pioneer in this topic, Camp (1989) used a ten step model, when he helped the company Xerox with their development of the company.

Anand & Kodali (2008) mention that Xerox was the first company to use a benchmarking model in 1979 and this model has since then been used in a large area. We can find this model everywhere in the literature. However, no changes have been made on this model since the emergence. Bhutta & Huq (1999) describe this process in a more profound way when they explain the ten-step process, which were invented by Camp (1989). The benchmarking process arose when Xerox wanted to identify possible manufacturing costs. They began in a small scale. They examined how some competitors managed to sell excellent photocopiers at a cheaper price, than what the actual value was for the parent company to produce them.

2.4.1 Collection of materials
According to Bhutta & Huq (1999) information is probably “the heart of the benchmarking process”. Karlöf (2009) believes that this task requires a certain sense of detailed planning. Companies, which learn to plan their work with collecting information, will be able to access more interesting and relevant information than those who doesn’t. Andersen & Pettersen (1997) reinforce the statements and continue to describe the importance of a thorough and careful preparation. They mention that a positive effect of being well prepared is that a company will have better access to more relevant and interesting information. At the same time have greater opportunity to establish a long term relationship with their partners. Karlöf & Östblom (1993) argue that the actual design work is closely linked with the actual interviews, as data collection is not only about collecting hard quantitative and financial data. They also think that it is important for companies to have knowledge of their own business performance and work processes. It will facilitate the management of good and relevant information that the company latter can benefit out of in its benchmarking process. Andersen & Pettersen (1997) say that there are three different levels, which companies can obtain relevant information from, when they are benchmarking their competitors / partners.
1. **A level of performance** explains how well their partners are in comparison to themselves. When a company talks about performance, it is often a description that mentions how well a process has been implemented or used. Examples of common measurements at this level are quality, time use and the actual cost for the implementation process.

2. **A level of method** allows and enables a company to achieve a performance level that they desire. It is a description of the work process. It can be a description in words but it is also important to describe the work process with the unit's dimensions in number.

3. **A level of condition** allows and enables a company, that they can perform a work process in a certain way. There are specific factors that cannot perform the process in the manner they are doing. These factors are not decisive for the process design but have a significant role in this process. Companies must therefore learn that different conditions will affect businesses in different ways and that most can be changed.

### 2.4.2 Analysis of the collected material
When a company has managed to collect the amount of material they want, they must begin to analyze from this. Authors, including Andersen & Pettersen (1997) and Karlöf & Östblom (1993) have almost the same view in regard of which elements would be included in the analysis phase. These are, collect and sort through all information and data, examine the quality and credibility of the gathered data and explore and find different gaps, in the company's performance process.

**1) Collect and sort through all information and data.**
Andersen & Pettersen (1997) and Karlöf & Östblom (1993) state regardless of which method a company uses in its efforts to collect information and data, it is common that they may receive large amounts of information. There may be information from interviews, brochures, copies, personal notes etc. It is important that the team, who work with this benchmarking process, understands the importance of making the material more concrete to later facilitate in the analytical work. It can though, easily becomes a disadvantage to collect plentiful of information. Companies should set up a plan for collecting data and try to work after it.
2 Examine the quality and credibility of the gathered data;
According to Anderssen & Pettersen (1997) and Karlöf & Östblom (1993) it is important to explore the material and search for factors and elements, which are misplaced. It can be figures and information which clearly differs from the rest of the process. The cause may be, that the teams who work with the company´s benchmarking interpret the material different. It may also be some failure within the notes and records, which in turn can lead to detunes.

3) Explore and find different gaps, in the company's performance process.
According to Andersen & Pettersen (1997) a gap arises when a company compares its own performance level for their own process towards their own benchmarking partners. The potential gap that comes up between these two companies is the difference in how the different activities are performed. It's not the size of the gap a company should focus on. It is more interesting to understand why this gap has arisen. Asrofah et al. (2010) say that the goal here is to identify the gap between production and consumption in the enterprise. By using this information, the company can more easily create methods to close these gaps.

Zairi & Youssef (1996) state, that it is important to do both a qualitative and quantitative data analysis. This may help to reduce the performance gaps that otherwise easily can arise. Companies should set up a basic framework for action to be done. However, it is important that the companies are flexible and look at the individual´s needs to get the best outcome of this benchmarking process. This in turn can lead to reduced gaps in the business.

Karlöf & Östblom (1993) think that companies must be able to draw up accurate and relevant conclusions. The findings may help the entire organization to create better results and sustainable competitive advantage against its competitors. Andersen & Pettersen (1997) want to point out that it is important to investigate in which direction the gap will evolve over time. Bhutta & Huq (1999) briefly mention the gap analysis in reality for Kodak, when they did a benchmarking on two companies in the 1990's. When Kodak had received all relevant data in both numbers and text, they grouped this into a variety of charts. These charts showed in a concrete way, how Kodak performed against their two partners. Some weaknesses that Kodak already had the knowledge about became more evident in this lineup but also special strengths became more visible in this way.
A main reason why companies use benchmarking could be, that it helps the company in its efforts to gain increased market potential. A company can choose if they want to do an internal or an external benchmarking. If a company consists of different business areas, product areas or segment areas etc. it is easy to do an internal benchmarking. An internal benchmarking can help the company to find some own strengths and gain new perspectives within their own business. If the company rather wants to gain information and get new ideas and perspectives from other companies, it is necessary to make an external comparison. The external benchmarking is made in different ways, depending to which external company they look at. The external benchmarking is divided into three different groups, competitive-, functional- and the generic. The company can see, whether they should focus on the best competitors on the market, at branch organizations or at companies in completely different industries.

When the company has decided if they should do an internal or external benchmarking, they must think about which area, they want to investigate in. A company can chose from three different processes. It is the performance-, strategic- and the process benchmarking. These aims are more to look how profitable a company is compared to its competitors, to gain knowledge from the leaders in the market or to provide business information about the market situation.

There are different approaches and ways of performing a benchmarking method. Some companies need only four steps to perform a benchmarking process, meanwhile other need far more steps. There are two methods that occur in every process, regardless the amount of steps. It is to first gather the information and material and then analyze this. The purpose with this is to find any new perspectives or deficiencies in this area.

**2.5 Summary of the theoretical part**

A main reason why companies use benchmarking could be, that it helps the company in its efforts to gain increased market potential. A company can choose if they want to do an internal or an external benchmarking. If a company consists of different business areas, product areas or segment areas etc. it is easy to do an internal benchmarking. An internal benchmarking can help the company to find some own strengths and gain new perspectives within their own business. If the company rather wants to gain information and get new ideas and perspectives from other companies, it is necessary to make an external comparison. The external benchmarking is made in different ways, depending to which external company they look at. The external benchmarking is divided into three different groups, competitive-, functional- and the generic. The company can see, whether they should focus on the best competitors on the market, at branch organizations or at companies in completely different industries.

When the company has decided if they should do an internal or external benchmarking, they must think about which area, they want to investigate in. A company can chose from three different processes. It is the performance-, strategic- and the process benchmarking. These aims are more to look how profitable a company is compared to its competitors, to gain knowledge from the leaders in the market or to provide business information about the market situation.

There are different approaches and ways of performing a benchmarking method. Some companies need only four steps to perform a benchmarking process, meanwhile other need far more steps. There are two methods that occur in every process, regardless the amount of steps. It is to first gather the information and material and then analyze this. The purpose with this is to find any new perspectives or deficiencies in this area.
3. Methodology

In this chapter, I describe the method used for preparation of this thesis. For example, which kind of research I have assumed from. I give the readers an explanation in which way the existing theories, personal interviews etc. has been processed to get access to the most relevant information for this topic.

3.1 Qualitative research

In my study, I have been using a qualitative research. According to Christensen et al. (2010) a qualitative analyzes can be characterized in different ways. It is common that the data consists of words, texts and symbols. A qualitative analyze may help the authors to mainly focus on the big picture rather than solely focusing on parts from the collected material.

I conducted 12 interviews and this resulted in a large amount of data material. Starin & Svensson (1994) and Silverman (2007) say that a qualitative method often results in a large amount of collected material. Sometimes the observational material is the main data source for these sorts of research. Corbin & Strauss (2008) mean that one advantage with a qualitative research is that the researcher may use different kind of sources, alone or in combination. It can be, interviews, observations, videos, documents, memoirs, historical documents, and other sources not listed here.

When I started to work with my collected data, I realized at an early stage that I needed a strategy. This strategy was supposed to help and sort the most relevant information for my thesis. Christensen et al, (2010) mean that researchers may use three different processes, to facilitate the work within the amount of collected material. It is the reduction-, structure- and the visualization process. Usually, the different processes take place simultaneously. They mean that it is more common that the reduction and structure process is in the initial stage of the analysis. While the structure and the visualization process takes place in the analysis final stage.

According to Christensen et al, (2010) the reduction process is aimed to continuously reduce the amount of data and re-organize, summarize and code the material. Corbin & Strauss (2008) define the coding as an “extracting concepts from raw data and developing them in terms of their properties and dimensions.”
They also say that the researcher has to start brainstorming all the material to have an opportunity to open up the data. Christensen et al. (2010) explain that next step, the structure process, will give the researcher a benefit within the codes. It means to place all key words together and try to relate them into a common pattern. The last process, the visualized is when the researcher transforms the collected material to short and structured summaries.

3.2 Choice of subject
I have always thought about Sandvik as an interesting company. It is a major global and international company with different businesses areas, product areas and segment areas. Some friends of mine, which are working in different business areas in Sandvik, have almost the same good views of Sandvik as an employer. They think that Sandvik is an interesting place to work at and in the same time feel that the company cares about its personnel. They also experience that Sandvik gives their personnel a great opportunity to develop within the company. When I began studying at the University of Gävle in the autumn of 2008, my goal was to write my thesis for Sandvik. I believed this would feel more reality-based, than if I chose to write my essay in school about an own selected topic.

In January 2011, I was in contact with my prospective supervisor from Sandvik Tooling and he told me about the subject they wanted me to investigate in and write my thesis about. It was, to identify methods for measuring market potential at Sandvik Tooling. On my first real tutoring session with my supervisor from Sandvik Tooling, we set up guidelines for this thesis.

3.3 Course of action
According to Christensen et al. (2010) it is common to distinguish between data by dividing it into different categories depending on when, how and why it would be collected. The two categories are primary and secondary data. Secondary data is information that has been collected by someone else for use in a different order. There may be information that can be found in public and commercial databases, etc. Primary data are newly collected data that the author adapts to solve their own problems such as personal interviews, questionnaires, observations, etc. (Christensen et al., 2010) I will use information from both primary and secondary sources.
My primary data is collected from all my different interviews and my tutoring sessions with my two supervisors, both from the University of Gävle and from Sandvik Tooling. Meanwhile my secondary data is found in different articles, journals and books.

My first major task was to reflect on relevant theory for my topic, identify different methods to measure market potential at Sandvik Tooling. Finding theories about market potential and companies’ way to measure their market shares was not that easy. Instead I started to think about factors, which may affect a company in their way to gain stronger market potential. I realized that benchmarking would be an interesting theory to write about, because this process can help a company to get knowledge about other businesses. With help from my supervisor at school, we decided to divide the subject about benchmarking into four areas.

1. What is Benchmarking
2. Why Benchmarking
3. Types of Benchmarking
4. Methods of Benchmarking

I think these four areas are the most important parts, when looking for a simple explanation and overview of the benchmarking topic. It may help the readers to better understand my future empirical work, analysis and conclusion.

3.3.1 Collection of articles and journals
I chose to spend an entire week of work with trying to find the most relevant and interesting articles for my thesis. I quickly realized that there was quite a jungle out there with articles and various databases and therefore, I reserved an individual consultation with a librarian at my school. She gave me some advices, in which way I could get hold of relevant articles for my topic. I have used different databases but three of them, Emerald, JSTOR and Google Scholar more than the others. I believe, that in Emerald, I have found new published articles. While on JSTOR, the articles have been published a few years ago. In this way, I have been able to use both new and old studies in the same field.

My supervisor from school gave me the proposal to study in the list of references when I had found one of interest. In this way, I could in a more easy way find additional relevant articles in the same area. When I started with this method, I quickly realized that the majority of the authors used the same sources of similar references. This could mean that some of my selected articles also were of great significance for the other writers.
In the end, I chose 13 articles, which I assume, I could get great use of in my thesis. In order to facilitate the use of these articles, I used an own system. I read through the articles and then chose the paragraphs that I felt myself get benefit of. Then, I made some notes in the marginally with the purpose to create me a quick overview about each paragraph. I numbered each article from 1-13. My goal with this system was to facilitate the work with the articles. I thought this, in a positively way could strengthen my theory part if I had different opinions from various authors.

3.3.2 Interviews
During one of my meetings with my supervisor on Sandvik Tooling, we discussed how my interviews would look like. We also discussed the numbers of interviews I should conduct, both internally and externally. He gave me names for eight internal respondents, meanwhile I was supposed to find four external companies by myself. The number of internal interviews has though been increased to nine during this work. The external interviews have instead been decreased to three. It has been difficult to acquire the right employees, which are currently working with market potential etc.

I started to contact my respondents for interviews and tried to stick to my schedule and implement these interviews during the weeks 15-17. It ended with 10 personal interviews. My internal interviews at Tooling, Coromant and SMT were all performed here at Sandvik. I also made two telephone interviews. One was to an external company with their headquarters in Stockholm. The second was to Walter, a product area which belongs to Sandvik Tooling but are stationed in Germany.

I have chosen to use semi-structured interviews. I used an interview guide as basis with ten prepared questions. The structure of the interviews has come to be altered slightly because the contents and the questions have been tailored to each individual interview. Regardless, the number of the questions the interviews took approximately 35 minutes to complete. It simplified my task as all my respondents agreed that I recorded them. This gave me an opportunity to focus on the interviews and it became easier to ask supplementary questions. However, in one of my telephone interviews, I only wrote notes, because the right equipment was not available.
3.3.3 Statement of work
When all my 12 interviews were completed, I had almost 6.5 hours of recorded material which I had to begin processing. I chose to transcribe all the interviews word for word, to get a better understanding and holistic view of the complete interview. My supervisor at Sandvik Tooling advised me to use a coding system, when I started to compile all the empirical work I had received. According to Corbin & Strauss (2008) open coding requires a more thorough work with brainstorming and analysis of the gathered data but it is a good process if the authors want to reduce the amounts of materials. I have chosen to use the same methodology as the authors Corbin & Strauss mention, when I started processing my data with the coding system. The only difference is that they use a program which is built to handle this kind of process, while I’m using a simple excel sheet.

Everything I analyzed from my twelve interviewees, I present as small memos, to facilitate to my further work with this thesis. Memos are some important details from my interviews. These can be a sentence or a solid piece, depending on how important I believe it is against my aim to this essay. Each memo is assigned a number and a title that reflects what I believe the raw data is all about in this particular piece. According to Corbin & Strauss (2008)” thinking is the heart and soul of doing a qualitative analysis. Thinking is the engine that drives the process and brings the researcher into the analytic process”. In the end in my analysis, I have selected a number of themes on the basis of the data received from these memos. Hyder & Fregidou-Malama (2009, p. 265) reinforces this. They state that it is important to arrange the data inductively under some headings.” In this kind of research, subjective interpretation is not only an alternative but also a necessity to capture the diversity and the uniqueness of the issue under the study.”

3.4 Reliability
It is important that the content of the paper reflects the reality and this may result in a high level of credibility (Christensen et al., 2010) I decided to let all my respondents take part of their transcribed interviews. This, before I began my next steps related to the actual compilation and the coding system. If I got a confirmation from each respondent, that I had interpreted and understood their interviews in the right manner, I expected and hoped that this could increase my credibility in my analysis and conclusion. It was 10 of my 12 respondents, which confirmed my request. Most of them had made some changes in their material. These who didn’t answered, I took for granted they were satisfied with their interviews.
4 Empirical part

In this chapter, I give the readers an over-looking presentation of the companies, which I have been in contact with. I also make a brief presentation of each respondent before I discuss the relevant information, which I have received during my interviews. I have selected a number of themes on the basis of the data received at the time of my interviews.

4.1 Presentation of the companies
In my thesis I have chosen to do my interviews with employees from different business and product areas in Sandvik AB. I have chosen to start from Sandvik Tooling, which is one of the three business areas at Sandvik. The other two business areas are Sandvik Mining and Construction (SMC) and Sandvik Materials Technology (SMT). In every business areas there are different product areas or customer segments.

First I investigate two different product areas within Sandvik Tooling. The first is Sandvik Coromant, which are the largest and a leading premium brand in this business. The second is Walter, this is also one of the famous brands within Sandvik Tooling. I have also done an interview with Sandvik Materials Technology (SMT).

To obtain further experiences and knowledge on the subject, I have also done interviews with other companies as well. The common characteristic of these companies was that they operate in an international market. It was less important to choose the companies from the same branch. The other companies were Erasteel Kloster AB in Söderfors, Korsnäs in Gävle and Scania in Södertälje

4.1.1 Sandvik Tooling
Sandvik is a high-technology engineering group with advanced products and world-leading positions in selected areas. The Group had in 2010, 47 064 employees around the world. They had sales in more than 130 different countries. In 2010 they had a sales for 83 billion and their operating profits achieved 11 020 million. (Information about Sandvik, newspaper to the stakeholders at Sandvik AB)
Sandvik Tooling is primarily working with tools and tooling systems for metalworking applications. They offer their customers products, which are manufactured in cemented carbide and other hard materials. These products are sold by a variety of international product areas such as Sandvik Coromant, Walter, Safety, Domer etc.

Sandvik Mining and Construction is specialized in equipment, tools and services in industries for mining and construction. Their business is built on three distinct customer segments, Underground Mining, Surface Mining and Construction.

Sandvik Materials Technology develops metallic and ceramic materials. They are world-leading in metallurgy and R&D activities. Their business is built into five product areas, Tube, Strip, Wire, Heating Technology, Process Systems and MedTech.

*Information about Sandvik, newspaper to the stakeholders at Sandvik, 2011*

4.1.2 Korsnäs
Korsnäs was established in 1865 (*Information from the official homepage at Korsnäs*). It is one of Sweden’s manufacturers of paperboard and paper. Korsnäs is owned by Kinnevik Investment AB. This Group also owns the Metro, Viasat, Tele2 and agricultures etc. Korsnäs has 1800 employees in Sweden, spread across the three product units. Headquarter and the first production unit for Papers-board mill is located in Gävle. The other two product units operate in Frövi and Rockhammar. In Frövi, they produce the Carton Board and in Rockhammar, they produce the Mass Mill. *Interview with the respondent from Korsnäs*

Korsnäs consists of four product areas: Liquid Packaging Board, Carton Board, Sack & Kraft Paper and White top Kraft liner. In 2010 Korsnäs had a sales for 8 178 billion and their operating profits was 926 million. They also had 90 % of Export shares. *Information from the official homepage at Korsnäs* Their products are based on renewable raw materials. Korsnäs has world leading expertise in terms of both resources and raw materials, skills in people and technology in manufacturing these products, etc. Korsnäs only uses “fresh fibers” in their production. The purpose with this is to produce best quality of products. *Interview and statement from the respondent from Korsnäs* The respondent from Korsnäs says; "If you want the best quality of a car, you don’t buy a used car”
4.1.3 Erasteel
Erasteel Kloster AB is a world leader in high speed steel. They focus on high performances in industrial organizations. It is a Swedish company within the French Eramet Group. Eramet was established in 1676 and employs today 15 000 people around the world. Erasteel Kloster is located in three different places in Sweden: Söderfors, Långshyttan and Vikmanshyttan. They have around 400 employees, spread across these three places. (Business Page for Erasteel AB) They have all been active within the steel business since 1500-1600’s (Article in the newspaper from Söderfors). Erasteel have an international sales force and eight production facilities in Europe, America and in Asia (Business Page for Erasteel AB).

4.1.4 Scania
Scania is a leading manufacturer of heavy trucks, buses and industrial- and marine engines. In 2010, Scania delivered 56 837 trucks. A large part of their business consists of products and services. Their service and customer financing provide customers with transport solutions. Their goal is to give their customers the best profits and help them economically. The entire organization of Scania is focused on developing its working methods. To best meet the customers’ need. They deliver customized vehicles and services.

Scania is active in around hundred countries in the world and has over 35 000 employees in various positions. Headquarter is located in Södertälje, where most of the 5,300 employees working with administration. Scania’s research and development activities are also based in Södertälje, which employs of 2900 people. (Information from the official homepage at Scania) In 2010, Scania had a sales of vehicles and services for ~ 78 billion and their operating profits reached to 12 746 million. (Information from the annual rapport at Scania)

4.2 Presentation of the Respondents
I’ve done 12 interviews: 10 men and two women. The reason for this large difference in gender was that I only concentrated on certain positions of profession. Respondents were chosen to address the research questions properly. I have chosen not to use the respondents’ real names to retain a part of their anonymity. Since I only have conducted one interview with each of my external companies, as well as SMT and Walter. I have chosen to present them as, respondent from Korsnäs, respondent from Scania and so on. However, when it comes to Sandvik Tooling and Coromant, I will present them differently.
I have made four interviews with employees from Coromant and three interviews with employees from Tooling. I will present them as following, respondent 1C (Coromant), respondent 2C (Coromant) etc. The same method will be used for the three employees at Sandvik Tooling as respondent 1T (Tooling), respondent 2T (Tooling) etc.

**Respondent 1T** is working with Business Development at Sandvik Tooling. He is working with business intelligence and analyses the impact on the world around us, as a company.

**Respondent 2T** is the Vice President at Pricing & Profitability Management at Sandvik Tooling. He is working with price and profitability strategic management, from the perspective of a business area. One of his main responsible is to deliver both growth and money to the company. Another responsibility is to create a price leadership in the market. He says;

“There are probably as many theories about the price leadership as there are people on the market.”

**Respondent 3T** is a Senior Manager at Pricing & Profitability Management at Sandvik Tooling. His main responsibility is for the strategic customer pricing. It works with planning and customer base. He tries to make sure that the customers have the opportunity to grow in a profitable manner in the future. Another task for him to decide is whether the company should go for small or large customers. Or should they instead only go for reselling customers.

**Respondent 1C** is working as a Market Analyst at Sandvik Coromant. He has 30 years of experiences in working at Coromant but in different positions. He has for example worked with product management, product development and as a project manager for product development and marketing. His main responsibility is to find new growth areas, new segments and to work with the company’s long-term strategies.

**Respondent 2C** is working with Business Development at Coromant. His main responsibility is to work with the business plan. He tries to find a process, which could facilitate to get the right information for their business plan. By using this information, Coromant may be able to make the right decisions. In what direction should we go? What new market should we enter?
Respondent 3C is a Senior Manager in Business Development at Sandvik Coromant. His main responsibility is to establish Coromant’s business plan and strategies. The aim of this work is to produce a process, which will find factors and trends that may affect Sandvik. In this way, they have the opportunity to be prepared and in the same time have the chance to change their business after the volatility on the market.

Respondent 4C is the Product Manager for turning products at Sandvik Coromant. Her main responsibility is to ensure that Coromant has product offerings in turning. She develops short and long term strategies for products and develops tactics in which way they should take these new product to the market. She makes orders to the development departments, which in turn ensure that the products are further, developed.

Respondent from Walter is working with the Strategic Marketing & Business Development in Germany. Her main responsibility is to ask her sales companies on market levels, how they estimate the market potential, in the beginning of each year. Another task it to investigate in which way the potential will affect different industries for the past year and also in five years of advantage. She also sets the actual order in action how to measure Walters’s market shares.

Respondent from Sandvik Materials Technology (SMT) is a global process owner at Business Intelligent. Her main responsibility is to identify, in which way SMT could improve their work. She also investigates in which way SMT would be able to use the information they already have within the company. My respondent herself doesn’t work much with the analytical work. She develops instead different processes and tools for others to use.

Respondent from Korsnäs is the Manager Business Development Paperboard. He is stationed in Frövi but is regularly visiting Gävle. He works with the business development for Korsnäs and looks for new products. One of his responsibilities is to examine whether a new market or segment could be a potential to investigate in. He is also working with Korsnäs long-term strategies within the development of the business and market etc.

Respondent from Erasteel Kloster AB is the Scandinavian Sales Manager. He is working as the Marketing manager for Scandinavia and has charge for all sales in Scandinavia. It is especially here in Sweden, because the market in the other three Nordic countries, Norway, Finland and Denmark are relatively small.
Respondent from Scania is the Director for Scania V8 trucks. He is responsible for the “remote cars, trucks “at Scania. This area is 2/3 of the total sales for Scania.

4.3 Methods of Benchmarking
I ask six of my respondents about this issue of benchmarking. Neither of these works directly with the benchmarking process but all of them have a good knowledge and image of the subject itself. They also have a general knowledge in which way their companies were using this benchmarking tool. All of them feel that this process may help the company to gain more market shares and stronger market potential. I selected two employees from Tooling, two from Coromant, one from Erasteel and one from SMT. All six respondents agree that their companies use a kind of benchmarking. They feel that it is important to take the right decision, whom to make their benchmarking against. This may be a crucial decision, whether the companies will get some interesting and relevant information. Information, which they can take advantages from in their future strategies. Almost everybody mention that they do this benchmarking both externally and internally. They also feel that there are certainly advantages and disadvantages with both using an internal and an external benchmarking method.

Respondent 4C and respondent 3T discuss that it is difficult to share important information with the competitors working in the same area, for several reasons. One reason, nobody want to share and help other companies, especially not the direct competitors. Another reason, is, that the company may possess sensitive information that can´t be shared with others. 3T says that they usually do internal benchmarking. Sandvik has different business areas, sister companies and product areas which help them to conduct internal benchmarking. Respondent 1T says that Sandvik Tooling doesn´t compare themselves much with other companies in the same area.

If they look at their direct competitors, it is more common that each department makes comparison from their own perspectives. This depends entirely, where in the company or department you are located. The department, which works with the product development, looks from the technical perspective. 1T sees more at benchmarking from a more financial perspective. It is quite difficult to find information about just the financial area. There are however some companies, from which they can get this sort of information about. For example Sandvik’s main competitor, Kennametal in the U.S.
This company is covered by the law of U.S. This means that they require reporting information about their company, such as sales figures etc.

When respondent 2C answers on the benchmarking question he also mentions that the companies can take help from its customers in their benchmarking process. He believes, if someone succeeds to have a good relationship with their customers, it can generate useful information about the competitors. However, it is important that Sandvik examines on which information they really could rely on. He says;

“It is important to have a good relationship with your customers and don’t complicate the work too much, because it requires often more work than what the outcome will be “

Majority of the six respondents feel, if the company does an external benchmarking, it is often carried out against large industries working in other sectors. They also agree that it is not only the economic aspect they should concentrate on, when doing a benchmarking against other industries. It is more interesting to get knowledge in which way other companies work with their business models.

Respondents from SMT and Erasteel tell me that their companies will look at similar companies but it is difficult. They agree that their companies’ don’t have numerous competitors within their own industries. When it comes to the circumstance for SMT, this is because they doesn’t have direct competitors working in the same industry. Since they consist of five different product areas, they have to look at different competitors in each area. The product area Tube, for example concentrates on other competing firms in related industries.

It was only respondent 1T, who actually mentions the process which is used at Sandvik, when it comes to which area a company should benchmark in whether it is an internal or external benchmarking. Even if this task was outside his field, he thinks in particular Sandvik is using the performance benchmarking process. This is because; the company is more working with a continuous process, to get a similar picture of the business annually. The purpose with this can be, to more easily understand how the development looks like. If Sandvik sometimes is using the strategic benchmarking process, the reason can be that they think about changing their business strategy. In this way, they have the ability to get more interesting impressions and ideas from other companies.
4.4 Important common themes from the interviews

4.4.1 Structures for reporting
All 12 respondents were asked how they are measuring their market potential. All the respondents have the same view when it comes to the importance to start looking at the market. How does the market look like and how large is the market? This with the aim, to gain information about the market and the potential that exists currently on the market. All of my respondents except the respondents 2T, 3T and the respondent from SMT use otherwise statistics or some polls with their customers or selling companies. It is important that each subsidiary, product area, customer segment in each country, makes their own assessment of the amount of sold products in their own country.

The respondents from Coromant and respondent 1T explain the process in measuring the market potential in almost a similar way. The different subsidiary, product areas, segment areas can for example either buy the information and statistic from external sources or make their own estimation of sold products. They may also look at different manufacturing industries such as the automobile. Some countries such as Germany, U.S., Japan and France belong to a trade association. Information from respective suppliers is registered, monthly. The purpose with this is to obtain a more objective and reliable picture and summary of the overall market.

Because Tooling consists of different product areas, the spectrum will be incredibly large and therefore they need to divide the products into different product lines. Coromant for example is divided into drilling tools, turning tools and the milling tools. They are further divided into the automotive-, aerospace- and several other industries. The purpose within the different product lines is to create an opportunity to collect all similar products at the same place.

Respondent 4C and respondent from Walter explain in detail how the processes work with their sales companies from their positions. The information is based on the sales, which the sales companies actually perform now and back in time. For example Walter makes a five years plan in advantage to have a feeling. They also ask the sales companies in which way the potential has effect on different products areas, segment areas for the past years. By using this information, they make a more precisely measurement of the strength at the competitive market. How much of the local market do our companies have?
Respondent from Walter says that these reports are not based on actual data but more based on “the right feeling”. When it comes to Coromant’s own core areas, the reports tend to correspond quite well. The misjudgments are more common when Coromant is trying to enter new markets. Respondent at Walter reported that the company uses 13 global competitors. These global competitors have the opportunity to name four of their own local competitors. The aim is, once a year to get a view of the market picture.

Respondent from SMT has a little bit different way to work, although her company works and comes in contact with different sales units and sales companies. SMT measures their market potential differently. It is different depending on the departments at SMT. Instead of using only the information from the sales companies, they combine this with the information from some global product managers. The product managers have their idea of the amounts of sales and the sales units have their perceptions on the same issue. Respondent from SMT says; “This often leads to a meeting, when a handshaking is implemented”. By using these two information sources, SMT can finally find an estimated potential, what they believe the company can sell in the coming year. These figures will later be the basis for the production and the capacity at SMT.

All four respondents from Coromant and IT told how the process is managed when all the sales figures are available. Although, it is respondent IT, who gives a more detailed explanation in which way this process works. Since Tooling consists of several different product areas, each area is making this process individually. Each business area in every country is reporting their submitted findings to their respective company. For example, Coromant in France, submits there report to headquarter in Sandvik. They in turn, compile the sales from the different countries but within the same products. The next step in this process, headquarter sends all information and figures to a department at Tooling. They make a cross-running. If the results turn out to be almost similar in both of the departments they can make an average value based calculation on this. However, if it appears to be a miscalculation of more than 30%, the information has to go back to the country of origin with questions such as; what is the actual cause of the miscalculation? Are these figures based on actual data?

Even Korsnäs has a quite similar way to measure their market potential as Tooling and Coromant. Respondent from Korsnäs mentions that they use a certain exchange of statistics.
Korsnäs implements own studies and investigations for identification of the different markets but also get information from different marketing agencies. They start to work at a global level, looking at the magnitude of the competition in the different continents. It also becomes a kind of cross-matrix, when Korsnäs breaks down the sales. They do it by regions and products and also from different segments. He experiences, that the statistics sometimes can be difficult to interpret. Korsnäs sells their products to other packaging suppliers and they in turn sell it to different segment, this may easily contribute to misjudgments of the total numbers of sold packages.

Respondents from Scania and Erasteel point out that they put great emphases on their customers. They experience that it is important to do regularly and personally visits to their clients. Both companies try to have a continuous contact with their customers to roughly estimate the total market potential. They ask the customers about the products itself and if they have some suggestions for improvements.

Respondent 2T and 3T express similar views on this issue. The question, how do you measure your potential is a bit complex and there is a great improvement to make in this area today. Both of them address the problem that may arise in the different product areas, segments etc. The differences can be great, in their reflections of what to include in the calculations of the potential. The companies have to be aware of the different conditions and methods often found in their measuring of the potential. Most companies are aware of these differences in thinking but no actually mapping is yet found. If a company for example looks at the same customer, two different brands can have major differences in their own estimation. Which one is correct in their assumption? Respondent 2T do a parable with the development of vehicles. He says;

“How did the estimation of the potential for vehicles look like in 1850 versus 2011? In 1850 we know that there was a larger element of horse carts than today. Does this mean that there were more vehicles then, than now?” No, it is just estimation, that there were different vehicles old days.

4.4.2 Development of the companies
When I ask the respondents why they were measuring their market potential all return to the cause, to see how your own company is developing towards the market.
They also mention the comparison against its competitors. It is interesting and important to see, if the companies are developing. This can help the companies with strategies, how to develop the market in the future. It can give the companies a sign, whether they have reached their goals or help them in their endeavors to set new goals etc. It is important to see whether their companies win or lose volume on the market. If the companies, one year have less annual sales, they have to find the reasons. Is the cause that the market has decreased? Have our competitors taken some market shares from us? Most of the respondents mention that it is important to know the own market potential when they are going to implement and conquer a new market. It is important to do a risk assessment to see if the companies will get payback on the investment. Is the effort worth it? Is there any market potential to win on the new market etc.?

Respondent 4C mentions that it is important, to understand that the market potential in terms of volume does not always be the same as the potential in form of money. A new production must be related to whether the company has enough sales capacity, sales channels and marketing to succeed in this field. Respondent 3C says that it is important for the companies to understand, if they are the market leaders. A market leader can take a completely different approach than the followers. They have the opportunity to decide the price, how the market should look like etc. He says; “We try harder”

Respondent 2C imagines that Tooling Supply is working after the strategy, to first invest when they sees the needs and not in the prevention to meet the needs. It is a philosophy, which is used at Sandvik. He says, when a company bases their activities on this philosophy it is important to ensure, that they get the right predictions etc.

The business will become highly dependent on correct estimations of the potential. Respondent 2T feels that this question was a kind of benchmarking. A company can for example increase their potential with 20% and believes that this is quite good. If the market has increased with entire 90%, the question will be, whether it was so good or not.
4.4.3 Entering new markets
When I asked the respondents, in which way they use the figures they get, when measuring their market potential. Most of them mentioned that companies have opportunity to see if they have achieved their goals. Or which actions, are needed to achieve the desired objectives etc. To see if the companies have lost some market shares. It is important to figure, whether it is the market or companies, which are going in the wrong direction.

Respondents 2T, 3T, 1C, 2C, 3C and 4C argue that it is important with these figures when thinking to enter a new market. The companies have ability to investigate in which direction the world potential is developed. These figures may work as an argument, to focus on different and new markets. It can be an argument, when thinking about to start a product development project.

The market potential may tell the companies, which products and market should be developed. With help from these figures, it is easier to allocate the companies resources in best possible way. They can investigate and see if the companies possess the right needs, to enter a new market? When companies will try to prevent some business risks in the business they can investigate in the market potential. Whether the companies will grow and enter a new market or only grow within their own business.

Respondent 2C mentions that Sandvik usually works with large segments and industries. Using these potential numbers, the company gets a pretty good overall picture of the business. He says that the company ought to distribute the resources and find new niche areas. It can be areas, which have a low potential today but have the ability to increase in the future. In this position, it is important with these potential figures to succeed in producing new and fast products.

4.4.4 Quality improvements
When I asked the respondents, in which way they will measure the market potential to receive the best result. Quality improvements were a regular word in all of my interviews. It is important to continue working with the qualitative analysis. Both by the customers and in each market segments. One suggestion was to make surveys in each market, to get relevant information. This information may help the companies to build up their own business and get knowledge about what the customers requires.
It was important to have a good and regular contact with the companies’ customers and potential customers. If you only relay on available statistics, you may get the wrong result. Everything depends on, in which way different individuals interpret the data. To get the right information, you need to find the right sources. When the companies’ don’t have exactly information, it is common with estimations. It is important that the companies have a common view and agenda, in their way to work. This can lead to a better understanding among the employees, if they have a similar denominator.

4C states that it is too big amount of drawing, guessing and run today. This makes it more difficult, whether something is sufficiently enough. Today, Coromant investigate in areas which feel a bit familiar, instead of choosing differently product areas. We don’t think in this direction, that our business could be replaced. She says; it is a great danger to think like this, “more of the same “.

Respondents 1C, 2C, 2T and respondent from Korsnäs are in the same track, when they think, their companies shall do a measuring by the market. They have knowledge on their customers today and which of these they have not possessed earlier. When they have this information, it is easier to do a reasonable assessment. If the companies have knowledge about their customers work, they can assess how much these customers consume. The respondent 1C says;

“You can’t say that a car customer in Bosnia consume ten times more cuttings than a car customer in Germany”

Respondent 2T sees that there is some commotion, when Sandvik will make a prognosis. Sometimes it feels like the company changes their methods and adjusts them, only to suit today’s purpose. How will the result looks like, if the company doesn’t look at the markets total potential? The risk may be that the company will be left behind, both in the terms of skills and in terms of developed products.

Respondent from Korsnäs states that it is important for the company to follow the value chain in a better manner. It can facilitate, to get a better overview of all the products in the company. Unfortunately, it is not so easy, to have a good connection with all people in the value chain. A common risk is that important information will be lost until the end production.
Korsnäs has the knowledge that their customers today are satisfied in the various fields in the company. Therefore they can continue to work with similar players in the value chain, in order to inform them about Korsnäs products and strengths in these areas. Out of this Korsnäs will have the ability to gain a more comprehensive picture of the entire process of the value chain.

Respondent 3C mentions an example from the aviation industry. In these industries, training, quality, innovation and the finished product is the most important factors. If the production decreases from three to two days, the industry has the understanding that these products can end up with worse quality. Respondent 1C says that it would facilitate, if Coromant has an official statistics of the sales from their top 10 competitors. With good customer knowledge and statistics, the company can make an appreciation and get better quality on this topic. He says;

“The ultimate would be, if you could use the Google to get relevant information from”

4.4.5 Gaps
When I asked the respondents, in which way they work, to fill up gaps, if relevant information were missing. Numerous of the respondents had almost the same opinion. For example, it can easily arise gaps, when different countries are compiling the figures. The main risk can be that they do not possess the same approach to the assessment. The difficulty in comparing the market can complicate the results or if companies over-estimate their market potential figures. It is more common that the companies want to see some kind of potential, than not see potential at all.

Respondent 1T for example claims that Sandvik should be better at taking advantages of their strengths. The reason is that the company is performing good in some areas and worse in some. It would be desirable if the company can support each other in a more positively way. In the same time have more intellectual discussions about the togetherness.

Respondent from Scania has a slightly different approach, when he talks about gaps on the market. Scania makes deep dives in the different segments, competitions studies. They make use of benchmarking to gain some information, which they can need in their work to fill the gaps. One way is to borrow products “trucks “from their customers. The respondent has not had any problem to borrow directly from their competitors.
Respondents 2C, 3C, 4C, respondent from SMT and Walter, they all explain the same problem area. If gaps have arisen, the cause may be, that some information has not been arrived in its end destination, headquarter at Sandvik. Everybody who is working with this market potential process, know when they have to report these figures to headquarter. From this perspective, it is more a discipline aspect if some figures are missing. Sometimes it may depend on, that an employee has stop working and forgets to update this information. It is important to have a clear framework, how this process should be managed.

All of them state that it is important to have a good communication within the different countries. A good communication between those employees, who will update the figures of the potential and those who puts everything together is desirable. Internet is not so bad to use. Companies can find information there. Otherwise, they would ask people in the house or investigate in different institutions and branch organizations. Respondent from SMT says that she couldn’t see any immediately gaps in their way to work. She thinks that her company has a lack in their standardized procedure. If the company doesn’t has any clear process with this, the work will be individual and different in each country. The gap might arise, when companies base their data on facts and other more on their gut feeling. The risk with this can be that the results in quality of data are highly variable.

Since respondent from Walter is not working directly at market level, she claims that it is important to trust the employees, which are working with the market potential. She has to explain for the employees, why it is important to get correct figures in right time. She says;

“If you don’t show confidence for the employees, they may stop taking responsibility for their duties.”
5 Analysis

In this chapter, I present my analysis. It is based on an interconnection between my empirical and theoretical part. I choose to use three recurrent headings, which are available in my empirical part.

5.1 Methods of Benchmarking

Based on my semi-structured interviews, six respondents were asked about the benchmarking issue. The study indicates that it is important with new ideas and perspectives. A common reflection by these respondents are, if their companies take more advantages of new ideas and perspectives, the companies will have the ability to improve their business in a more easily way. It can help the companies to gain more market shares and stronger market potential. The respondents mention that new ideas and perspectives have the capability to give companies knowledge in their competitors’ business models and strategies. They may prevent losses of market potential. These statements reinforces by Karlöf (2009). When he mentions that the purpose of benchmarking is to find new ideas, perspectives and inspirations from other companies, to improve their businesses. These new changes may affect and state companies market position in a positively way.

The study shows that the majority of the six respondents experience that the question whether to do an internal or external benchmarking is important. The decision seems to be a crucial issue, if they will get relevant and useful information for the continuing development of their companies. Andersen & Pettersen (1997) have almost the same statement, whether to do internal or external benchmarking. They argue that it is important, that companies consider, what they want to investigate and compare. Yasin (2002) says that an internal benchmarking partner can help a company to see their activities from a more critical perspective. It can help the company to become more efficient and profitable. The study shows that some of the six respondents experience that it is more efficient to do this internally. They have different business areas, product areas or segment areas etc. within the company. These areas have good knowledge within their own business, which may facilitate both in time and cost.

The external benchmarking aims to compare a company’s activity against various companies (Maire et al, 2005). The study shows that the companies have used both external and internal benchmarking. These processes are based on the same description as Maire et al. (2005)
The respondents are well aware, that internal and external benchmarking contains both advantages and disadvantages. It shows that some of the respondents find it more difficult to implement an external benchmarking, by different reasons. Companies’ don’t want to share and help each other, especially not their direct competitors. Another reason, the companies may possess sensitive information, which they are not allowing to share with others. The study indicate instead, most of them encourage an internal benchmarking or against another large industry working in another sector. Bhutta & Huq (1999) say that a company’s benchmarking partners should be seen as “world leader “in their specific niche. They also argue that it is common that companies chose benchmarking partners which work in the same industry but which is not directly competitors. A common reflection by the six respondents are though, that a good relationship with their customers may facilitate the continue benchmarking process, whether it is internally or externally.

When a company has decide to do an internal or an external benchmarking they must think about which area they really want to benchmark, depending on what they want to compare. They can choose between the performance-, process- and strategic benchmarking process. (Andersen & Pettersen, 1995) The study shows that it is only one of the six respondents, who actually mention these processes. Even if this task is outside his field, he thinks Sandvik particular is using the performance benchmarking process. He seems to experience, that Sandvik is working with a continuous process, to acquire an annual and similar picture of their business. Adebanjo et al. (2010) reinforce this statement when saying; benchmarking is a tool to compare similar results that a company has accumulated. My respondent also states, if Sandvik sometimes is using the strategic benchmarking process, the cause may be a change in their business strategy. In this way, Sandvik has the ability to gain more interesting, useful impressions and ideas from other companies. According to Maire et al. (2005), Asrofah et al. (2010) the strategic benchmarking can help a company to discover solutions, which among other things can give companies a competitive advantage.

5.2 Structures for reporting
Bhutta & Huq (1999) believe that collecting information is probably “the heart of the benchmarking process”. The study shows that all twelve respondents highlight the importance to collect and get relevant information. This will give them an opportunity to be well prepared in different areas.
It don’t matter if it is due to benchmarking or measuring their market potential. A company, which is well prepared, will have better access to relevant and interesting information (Andersen & Pettersen, 1997). The respondents also argue that they sometimes get abundant of information’s and figures, which easily can obstruct their work. All respondents from Coromant and Tooling mention that every 60 countries are reporting their market potential to headquarter at Sandvik. These figures, will then serve as a base, when measuring their market potential.

It also shows that the company Erasteel has the same approach, about measuring their market potential. Headquarter in Paris is collecting all information and figures from the different markets, were Erasteel are located. Andersen & Pettersen (1997), Karlöf & Östblom (1993) highlight the problem of getting plenty of information and figures. Regardless, which method a company uses in its efforts to collect information and data, it is common they receive too large amounts. It is a common conclusion in both the theoretical and the empirical part. The majority of the respondents have the same view; it is good that each country makes its own reporting, since every country has best knowledge about their market. It may lead to more precise figures and hopefully less errors. It should not be forgotten that it sometimes requires small differences in the processes. It can depend on different principles of law in different countries. It can also depend in the different access to material, each country can offer.

From the study, I was able to deduce that Sandvik Tooling needs to divide their products into different product lines. They consist of different product areas and this contributes to an incredibly large spectrum. The purpose with the dividing is to get a clearer picture, that right products are reported at the right place. Coromant for example is dividing into drilling tools, turning tools and the milling tools. They are also supposed to report sold products in the automotive-, aerospace- and several other industries. Anderssen & Pettersen (1997) argue that it is important that teams, understand the importance of making the material more concrete to later facilitate in the analytical work.

Anderssen & Pettersen (1997), Karlöf & Östblom (1993) mention, it is important to explore material and search for factors and elements that should not be included here. This can be elements or figures those plainly differ from the process. Based on the study, I get the knowledge that for example Coromant in Germany, submits there market potential report to headquarter in Sandvik.
They in turn, compile the sales figures from all countries, within the same products. Headquarter send all this information and figures about market potential to a department at Tooling. Their mission is to make a cross-running with the same figures. If the results turn to be almost similar in both departments, they have the possibility to make an average value based calculation on this. One respondent says, if it appears to be a miscalculation of more than 30%, the information has to go back to the country of origin to be questioned. Their mission will be to investigate, what actually cause the miscalculation. They might inspect were these figures based on the market potential are coming from, based on actual data or estimations? Zairi & Youssef (1996) point that company should set up a base framework to facilitate their work. This might reduce the miscalculations.

5.3 Gaps
According to Anand & Kodali (2008) it can be major drawbacks, having too large number of benchmarking partners or employee’s involved. This can complicate the process and reduce the effectiveness of the process and cause that gaps occur. The study confirms that the respondents experience some gaps in their businesses. These gaps arise particularly, when different people are involved in the same process. The majority of the respondents point that this was common, when collecting information and data about the companies market potential. They especially experience this, when different countries were involved in the process of measuring a company’s market potential. The respondents are well aware, that it is important to reduce these problems. It may seem difficult because of the amount of different individuals involved. It emerges from the theory that the potential gap that arises between companies is often based on the differences in performed activities. It's not the size of the gap a company should focus on. It is more interesting to understand why this gap has arisen. (Andersen & Pettersen, 1997)

Asrofah et al. (2010) think it is important to identify the distance between the gap in production and consumption in the enterprise. If a company succeeds with this, they have the opportunity to more easily create sustainable competitive methods to close these gaps. I can deduce two important recurrent factors from my respondents. The two factors are improvements in the company's quality and a good relationship with customers. Some of the respondents think that it is important for a company to continue and develop their qualitative
One proposal that emerges from my study is to make surveys in each market to get the best quality on the figures for market potential. In this way, the respondents hope, that the most interesting and relevant information will reach their business. They have the expectation, that this information may help their companies to develop and reduce gaps on the market. Based on this study, I interpret that some of the respondents feel that the companies are performing good in some areas and worse in others. They argue for a better teamwork, more discussions among the different departments within the companies. This may increase the quality and in the same time reduce gaps in the same area.

Andersen & Pettersen (1997) say that it is important to investigate in which direction any gaps will evolve over time. My respondents mention that a good relationship with their customers may prevent any gaps between the customers and the company, the production and the consumption. These good relationships may help the companies to see if any possible gaps are emerging. The respondents feel that sometimes it is a gap between the customers and themselves, especially new customers. Which customers do only care about the productivity or cheap price? Which customers are only interesting in timely delivery? If they haven’t receive any good relationship with the customers, it is difficult to interpret their requirements in the right way. It could be more difficult to predict new gaps.

Karlöf & Östblom (1993) mention that companies must have the ability to draw up accurate and relevant conclusions. My respondents have almost the same findings, when they mention that a company can’t only relay on available statistics in their conclusion. Every signification from different information and figures depends on, in which way different individuals’ interpret. To have an opportunity to get the right information from the beginning, the companies need to find the original source. If the companies only estimate the figures for market potential it will complicate the ability to draw up accurate and relevant conclusions.

Therefore most of the respondents support a common view and agenda, in the employees’ way of work. This may lead to a better understanding and a reduction in the gap, if the employees have a similar denominator. Zairi & Youssef (1996) state, that sometimes it is important to do both a qualitative and quantitative data analysis. This may facilitate to reduce the performance gaps that otherwise easily can arise here.
6 Conclusions

In this chapter, I tie my work together. See, if I have achieved the objective of this thesis and answered my research questions. I will communicate with the readers and write own reflections. Finally, I give my proposals for further research.

6.1 The purpose
The purpose with this thesis was to study in which way Sandvik Tooling and certain other international companies’ measure and estimate their market potential. Based on the empirical result, I have got an understanding that the process of measuring and estimating companies’ market potential is not an easy task, especially among the companies which consist of different business areas, product areas and customer segments. It has been found that different methods are in use. Many of the respondents had similar thoughts and perspectives about which methods their companies used when measuring market potential. As several interviews with two departments also showed that the respondents almost had the same view of the method used in their company even if the answers sometimes significantly differed.

6.2 The research questions
In this part, it will be discussed how the research questions have been addressed.

6.2.1 Which recurring problems are common for companies to face, in their quest to measure and estimate market potential?
The study shows that the size of a company has a major impact when it comes to measure and estimate the market potential. A company, which consists of different business areas, product areas and customer segments, uses a completely different approach and method than a small business. A common conclusion from both my theoretical and empirical part is that large companies receive too large amounts of information and different figures within benchmarking or measuring and estimating market potential. This can complicate the actual process because the company may receive information that is not really relevant for the process. Another problem may be that it can be harder in large firms to communicate and make sure that the right information goes to the right person. I assume that the companies which succeed to provide their employees with the right kind of information will encourage their employees to be more responsible and careful towards their duties.
This may lead to a more accuracy, to report the right numbers at the right time. If business areas, product areas and customer segments within the same company have different visions and views, they will of course interpret how to measure and estimate the market potential differently. This study therefore suggests that a good informed employee can be a good reason to a more consistent calculation of the companies market potential. It can also facilitate when companies are making estimations of unknown areas.

This study shows that it is common that different gaps occur during the process of measure and estimate the market potential. It is important that companies have the ability to reduce and prevent these gaps, to have an opportunity to achieve their goals and expectations. The most common gaps were the amount of information, deficiencies in quality, reduced capacity and productivity. It is particularly common for these gaps to occur when employees, customers and businesses see different visions, goals and opportunities related to the same issue. This will result and affect the process and approach in measuring and estimating market potential differently.

It is important for a company to find a balance between quality, price and productivity. This is evident from Andersen & Pettersen (1997) and the current study. The respondents mentioned that it easily can appear gaps when the customers and the companies have different views in certain areas, such as productivity and costs. Based on this, I consider that a company must be aware that it is impossible to meet every customer’s need and request. It is also impossible to get all customers on the market satisfied. Companies, which start to strive for quantity rather than quality of their products may easily confront with gaps. I suppose that these gaps between production and consumption easily can reduce the profitability in the company. It might be an advantage for a company, if they at an early stage have the ability to tell the customer whether they are capable of reaching the customer’s requirements or not. If the company is honest about this and let the customer know this in time the customer will have the capability to quickly find someone else, who can meet these requirements. The company may instead have succeeded to get a potential customer for the future.
6.2.2 In which way, may the companies facilitate the work for their employees, when it comes to measure and estimate market potential?

Based on the study, I think a company can minimize their problems and any errors within the collected material if they work after similar framework, consisting of clear structures and methodologies. It would be helpful if the employees in the different countries, within the same company, can interpret the figures and material in the same way. The companies should have the ability to ensure that all employees within the company are consistent in their approach when it for example comes to measuring their market potential. Whether an employee works in Germany, China or in Russia, they should apply the same approach. It is important that companies give the same information to all employees, in which way the processes with measuring and estimating market potential will be implemented. By own experience, it is common that important information will be lost somewhere on the way but nobody really knows where the information has disappeared.

Another important factor, which may facilitate and make the work more convenient for the employees may be to make sure that the company is acquiring new ideas and perspectives. This can be of great benefit in future decisions. The respondents and also Karlöf (2009) emphasize that the companies seek new ideas and perspectives for the companies. Based on the findings, I can draw the conclusion that the companies which understand the importance with new ideas and perspectives will have a better possibility to increase their market potential in the future. Sometimes it may be easier for companies to follow old habits in their work, instead of assimilate new ideas. The reason may be that new ideas may require both more time and money to be implemented in the work.

Both this thesis and some authors, for example Yasin (2002) suggest that it is important to do both an internal and an external benchmarking to gain new ideas and perspectives. It may though, be easier to do on internal benchmarking and it will facilitate the process for the employees both financially and temporarily. If a company decides to make an internal benchmarking, one advantage is that new information will come in. At the same time, the employees will get knowledge of the business areas, product areas or the customer segments, which they are supposed to do a benchmarking against. I think though, that there is a danger to only investigate in business areas, product areas and customer segments etc. within the company.
When all different areas within the same company have been looking at each other and are aware of each other’s ideas, strengths and weaknesses, the consequence may be that no more new ideas and perspectives are generated into the company. It may be the same result if a company only chooses to hire employees’ within the company. It may be positive and good from an employee’s point of view. The employees’ have an opportunity to make an individual development within the same company. The company in turn has the ability to retain ambitious employees. I also think it is easier to prevent that same mistakes are happening in several departments within the company. This may contribute to a faster implement phase for both the employees and the company.

From a more developmental point of view, there may be a risk with only hire employees’ within the same company. In the beginning new ideas are moving around in the different departments among the employees. Eventually, it may lead to decreasing in new ideas, perspectives and inspirations among the employees. This can contribute to a worse scenario; the company may get decreased market potential because it doesn’t comply with the surroundings development, expectations and higher demands.

6.3 My own reflections
It has been an interesting topic to investigate. Before I started to work with my thesis, I didn’t know much about measure and estimate market potential. When people came to know my topic, I was met by different reactions. When I met people who I felt had more knowledge about this topic, I got different inputs and reactions than from people who didn’t have much knowledge about this. A common view was that they considered the choice of subject difficult but interesting. I realize that this subject is important regardless if a person work in a big or small company. The major difference lies in the approach and method for performing this process. I have got an understanding that the work requires considerable effort when it comes to measure and estimate the market potential in companies consisting of different business areas, product areas and segments.

It was interesting that all 12 respondents had the same view when it came to the importance of market potential. They mentioned that companies have to start looking at the market and get knowledge on factors such as, customers, competitors, new market to enter, the amount of products on the market etc.
I think this may be a contributing factor, why some of the companies in my thesis are market leaders in their field and other companies have strong product offerings and an opportunity to increase their market potential. The companies have the ability to see the entire picture of the subject and doesn’t only see to the number itself. I also think they have an awareness that customers, competitors, new market to enter, the amount of products on the market interact with each other in one way or another.

Based on the study, I have the knowledge that it is important for the companies to have a similar framework within the entire business. This will facilitate the work for all employees wherever in the world they work. I consider however that it is important to understand that even one small failure in the framework may have a great effect on the result. The quality of the output will never be better than the in reported material. If the collected figures are incorrect from the beginning, it will affect the output of the work with measuring and estimating market potential for companies. I assume that the companies which have the ability to interact the right information, the same approach and the same view of quality, capacity and production will succeed to use the same framework when it comes to measure and estimate the market potential. This may result in achieved targets, more market shares and stronger market potential.

During this thesis, I experienced that it was difficult to find relevant theories and articles about measuring and estimating market potential. I especially find a deficiency of scientific articles about this subject. I consider that it had been interesting to see if my study corresponded to previous studies. This would give me a chance to see the similarities and differences between these works. A previous study could have given me some new ideas and perspectives. It could have given me some new approaches and methods to design my empirical part on. Instead, I saw the opportunity to make a completely own framework, from the planning stage, the empirical performance to the analysis section etc.
6.4 Proposals for further research
Future research could be to do a similar study, to identify methods to measure and estimate market potential for Sandvik Tooling but within an international setting. Then compare this with my result to see in which way the perception of market potential differs in different countries. If the result markedly will differ, I argue that it would be interesting to have an understanding of the main cause since they are working within the same company but in different international settings.
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7.4 List of figures

**Figure 1:** Classification of benchmarking

Appendix

Interview Questions

1. Can you please tell me a brief description of what you are working with today

2. How do you measure your market potential at your company?

3. Why do you measure your market potential at your company?

4. How do you get information on what to measure?

5. What do you use the figures, which you obtained from the measurement of your market today?

6. In which way would you like to use this data in the future?

7. How do you think your company should measure their market potential in order to get the best results?

8. How do you work to fill any gaps, if some relevant information about market potential is missing?
   - Watching any kind of measurement indices, such as industrial production index of the SCB?
   - Watching your own competitors?

9. How is the process like for the measurement of market shares, if you have multiple departments and companies in different places / countries?

10. Do you see any advantages or shortcomings with this process?
The organization matrix at Sandvik AB