Organizational structure vs. Value creation

A case study of Cargotec handling industry

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ABSTRACT

Title: Organizational Structure vs. Value Creation: A Case study of Cargotec Handling Industry.

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Background: The customer is the key for the long-term survival of most businesses in today’s highly competitive market. With this in mind, companies are re-organizing their structure to better/ faster serve their customer and also to provide more value to their customers. This has become an important concept in Sales.

Purpose: The purpose of this study is to advance the understanding regarding how factors related to Organizational structure influence customer value creation.

Theory: Knowledge sharing and communication, Inter-departmental relationship, Position of decision making.

Method: The research was conducted through a qualitative study with a deductive approach. A single Case study was made on Cargotec Handling Industry in Lidhult, Sweden. This was done in two steps. Firstly, we had a comprehensive lecture on how the company was organized and secondly, we conducted a semi-structure interview with employees of the company. We also had some information from internal secondary source.

Results/Conclusion: As the aim of this research was to advance the understanding regarding how factors related to organizational structure influence customer value creation, three factors are identified and these factors are interrelated with each other in an organization to influence customer value creation.
**Further research:** However, further research could investigate more factors related to organizational structure that influence customer value creation. This can be done for a multiple case study in order for the results to be of high quality.

**Keywords:** Customer value creation, Organizational structure. Knowledge sharing/communication, Inter-departmental relationship, Position of decision-making.
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1 INTRODUCTION

This chapter is intended to introduce and give background information to the area of research. The authors will first give a brief background on Organization Structure. A brief discussion on customer value and its creation will then follow which will lead us to the problem discussion that reveals the problem area of our research. Finally, the purpose and delimitations of our research will be presented.

With the present state of the world economy and the aspect of globalisation, competition has become fiercer. This is playing to the advantage of the customer who has now become more sophisticated and aware, asking for better value than before for even lower prices. This phenomenon has let firms under pressure, forcing them to continuously increase product and services that will create superior value to their customers better than their competitors in other to stay in competition, Levitt 1980, in Slater & Narver (1995).

In order to create this superior customer value, most firms have to adopt a structure that will focus on responding to customers’ needs and the delivery of value to their customers. Homburg et al. (2000) terms this type of organisational structure “customer-focused organisational structure.”

In Chandler (1972) the structure of an organization is the design of the organization through which the enterprise is administered. This structure is made up of two aspects; firstly the lines of authority (decision making) and communication between the different administrative offices and officers (authority) and secondly, the information and data flow through these lines of communication and authority. Olson et al (2005) also mentioned that, organizations are structured in a particular way in order to coordinate work in the organization that has been divided into smaller tasks.

Following Olson et al. (2005) view of organisational structure, it is clear that the different tasks in a company are performed by different departments. These different departments have different expertise with different knowledge. For companies to achieve their goals, Grants (1996) argues that there should be a proper coordination of the different departments.
In order for the different departments to be properly coordinated, there must be the exchange of information from the different departments and a good communication between them. This is the view of Allen (1977), who stresses on the benefits working group rip by having a good communication.

Combining Chandler (1972) and the view of Olson et al. (2005) on organisational structure, three factors can be deducted that have an influence on the structure in attaining its goals. These are:

- knowledge sharing and communication
- interdepartmental relationship
- Position of decision making.

These three factors are inter-dependent on each other, as the various departments need to work in collaboration to sharing knowledge. Knowledge sharing is mostly influence by proper communication which in turns influences the various decisions taking in the organisation.

**Fig. 1:** Relationship between the factors
1.1 Background

Early organizational structure had a hierarchical pattern whereby the younger employees in the organization served the older ones. In some countries, like Britain, during organizations in the early days, where structured in such a way that, both employers and employees regarded one another more or less as equals, Hoag et al. (2002).

The American railroad industry has been thought by scholars to have probably exerted the greatest influence on the development of the traditional organization structure. This is because it was amongst the first business ventures to move out from under one roof. Scholars are however divided over this. Some scholars argue that, the US Army was the first to influence traditional organizational structure because by 1827, the Baltimore & Ohio (B & O) railroad company had hired a number of US Army’s engineers and later large industries where also structurally organized. But other scholars are of the opinion that the traditional organization structure was influenced solely by the railroad companies. The US Army introduced various administrative controls to the railroad company. The company was structured according to their staffs. Since the B & O Company was not the only railroad company to benefit from the Army’s engineers, we can then conclude that, the US Army was the first to come about with the traditional organization structure, Hoag et al. (2006).

The hierarchy of authority through which functions and duties were coordinated in railway companies (organizations) and other organizations that follow them became a permanent structure to this day. In 1855, B & O rail organization created a hierarchy of jobs in their organization and the relationship between the various hierarchies was clarified between them. The responsibilities and duties of the various departments were defined and their activities were limited accordingly.

One of the most widely studied organizational variables is organizational structure, Pfeffer (1982) and Scott (1992), in Homburg et al. (2000). The structure of an organization is very important in the coordination of activities to achieve the goal of the organization. As Galbraith et al. (2001) in Homburg et al. (2000) puts it, such coordination can be achieved through a range of mechanisms such as hierarchical reporting relationships, information systems, cross-functional teams, matrix structures and coordinator positions.
Most organizations today are structured in such a way as to focus on their customers. Homburg et al. (2000) called this phenomenon “customer-focused organizational structures”. This is because the customer is the life wire of all organizations. Homburg et al. (2000) defined customer-focused organizational structure as a structure that has groups of customers related by industry, application, usage situation, or some other non-geographic similarity as the primary basis for structuring the organization. When an organization is structured focusing on their customer’s business, there will be long-lasting relationship between the organization and the customer. By so doing, organizations will know their customers business and can make a positive impact on their customer’s business, by providing more value to them, since a long-lasting relationship has been build between the organization and the customer and the organization also knows much about the customers’ business, Homburg et al. (2000).

Organizations structure can have an impact on its strategy, because of the relationship between organizations structure and the decision-making process in the organization, Bourgeois & Astley et al (1988) in Fredrickson (1986). By this, Bourgeois & Astley et al (1988) meant that, an organizations structure affects the decision-making process in the organization. This relationship between structure and decision-making process was emphasised by March & Simon (1958) in Fredrickson, (1986). They said that, an organization’s structure imposes boundaries of rationality that accommodate members’ cognitive limitations. By limiting responsibilities and communication channels within an organization’s structure, it allows the organization to achieve its goals, because information about a customer can flow faster and quicker within the organization and this can have profound impact on customers’ businesses, since decisions are taken faster and quicker within the organization and customers can get whatever product or information they want from the organization. This adds value to the customers’ businesses by always getting what they want faster and quicker Fredrickson, (1986).

Lastly, a centralised organization structure is one in which the right to make decisions is concentrated and lies in the hands of a small coalition of top-level executives. This type of organizational structure might be a drawback to customers because it leads to delays although it ensures that decisions are tightly coordinated. Information from customers might take a longer time to reach the top-level executives where decisions are taken. This might lead to a
11 slowdown in the customers’ businesses, which might be harmful to the customers and the organization as a whole in the long run, Fredrickson (1986)

1.1.1 Customer value

Different authors have come up with different definitions of customer value. Ingram et al. (2007) who said that what constitutes value will likely to vary from one customer to the other, depending on the customer’s situation, needs, and priorities. But customer value will always be determined by the customer’s perception of what they get in exchange for what they have to give. Earl, (1995) mentioned that, customer value can be align as such; product quality, service quality, price, image, and relationship.

Anderson & Narus, (1998); Flint & Woodruff, (2001); Khalifa, (2004) have the view that the characteristics of customer value are subjective, customer-focused, evolving over time, contextual, and subject to alternatives.

1.1.2 Customer value creation

Firms exist to deliver value to another party that cannot create such value or only to a higher cost. In the business-to-business world, these values help to create more value than the company receiving the created value. This is the emerging customer value paradigm and the theory of the firm, Hunt (1999); Hunt & Morgan (1997); Slater (1997).

The creation of value requires a set of activities that runs from far beyond the firm that produces a product to the end-customer, involving different actors performing different activities, in what Parolini (1999) terms a value-creating system.

1.2 Research problem

In the 21st, competition has become very intense in business, especially with the advent of globalised economy, a borderless Europe and a decline in economic growth. This has led to a fast changing business environment, where the customer has become more sophisticated and
competition stronger between firms. One way by which firms can withstand this changing environment is by using, or re-aligning their capabilities in order to create value to the customer; Susi & Paolo (2009).

There are several ways by which organizations are handling this fast changing business environment. One way to resolve this issue is to adapt their structure to one that will produce the most value for the customer. As Hales & Rabey (2011) puts it “Business that continue working the way they always have are becoming increasingly irrelevant in the modern world.” This re-structuring of organizations to produce the most superior value to their customers is achieved by coordinating work in the organization that has been divided into smaller tasks. How this coordination is achieved; by whom and with what resources tells if the organization will be successful or not, Mintzberg (1981) as stated in Olson et al. (2005).

With this in mind there is still a gap in research on how to align these capabilities in an intra-organizational context to create value to customers, Srivastava et al., (2001).

Today companies are organizing to be more responsive to their customers` needs, which will in turn impact on the customers` businesses. One of the structural factors that come into play for organizations to make an impact on their customer’s business thereby creating value to the customer is good communication between different departments in an organization. Communication in organization can be formal or informal, Katz & Khan (1995). When the structure of an organization becomes too complex, this can block communication within the organization and hence can retard information and knowledge flow. This can have a negative impact on customers` businesses by delaying delivery time and lack of improved or innovative product because knowledge is not shared amongst the different departments of the organization.

According to Drucker (1973), satisfying the customer is the mission and purpose of every firm’s existence. This can only take place when there are good inter-departmental relationships. Customers’ needs will be satisfied when there is unity in an organization, but when there is disunity amongst the different departments it can have a negative impact on the customer, because delivery time can be delayed or low product quality.

The decision-making process can also have a great role in delivering high quality products and on time, thereby satisfying and creating more value to their customers. When decision-
making in an organization lies in the hands of a few top-ranking individuals, it usually takes longer time for decisions to be made, because it usually follows a hierarchical step-by-step process, which will be longer and slower to reach these top-ranking individuals. This can have a negative impact on customers’ businesses for the reason already mentioned above.

The important role that the company structure is playing when focused towards creating value for the customer is understood, but how factors impacting on the structure to create value is what we want to research on. With this in mind, the research problem of this thesis will be constructed around:

How do factors related to organizational structure influence customer value creation?

1.3 Purpose

Most customers in the 21st century expect more (value) for less (price) from their producers/suppliers. To achieve this, organisation are re-organising their structure to meet their customer’s expectations. The purpose of this study is to advance the understanding regarding how factors related to organizational structure (knowledge sharing and communication, inter-departmental relationships and position of decision making) influence customer value creation.

1.4 Delimitations

Due to time constrain, we limited our research to a single case study. We also limited our research to the equipment division of Cargotec which is a global company with several business divisions located in different parts of the world. The reasons to choose the equipment division located in Lidhult (Sweden), are that we are studying in Sweden and had easy access to the company.

This thesis also looks at “value” from an organizational (company) perspective and not from the customer perspective.
Another limitation is related to the sample size. We choose to interview two employers of Cargotec, both with more than 10 years of experience since it was difficult to get access to many employers. However, we also had some secondary source of information from the company. We acknowledge the risk of this because the interviewees might be biased in their response concerning the topic and our results cannot be generalised to other companies. Hence, multiple case studies would have been preferred but due to time constrain, this was not possible.
2 THEORETICAL FRAMEWORK

In this chapter, we are going to define some theoretical concepts, explain different relevant theories and thereby create a theoretical framework behind our research area; Organization structure and customer value creation. We will start by giving an overview of how Organizations can be structured. This will help the reader better understand how the different concepts influence the structure. With the help of these theoretical concepts and explanations, we are going to analyse our empirical findings. This chapter builds a theoretical background for our study.

The structure of an organization can be defined as “the design of organization through which the enterprise is administered”, Chandler, (1972:14). Chandler went further by saying that, this structure includes two aspects, first, “the lines of authority and communication between the different administrative offices and officers, and second, the information and data flow through these lines of communication and authority”. These lines and data in the structure of organizations are essential to carry out the basic goals and policies of such organization and also in bringing together the total resources of the organization for it to be successful.

Organizations are structured in order to coordinate work in the organization that has been divided into smaller tasks. The success of the company will depend on how the coordination is achieved, by whom and with what resources, Mintberg, (1979).

Organization structure as Olson et al. (2005) puts, it are defined by three constructs, which are formalization, centralization and specialization. Walker & Ruekert (1987) noted that these constructs are essentially important in shaping an organization’s performance. Olson et al. (2005) describes formalization as “the degree to which formal rules and procedures govern decisions and working relationships.” This is also the point of view of Lin & Germain, (2003) who stress on fact of written rules and procedures.

Centralization as explained by Olson et al. (2005) is the degree of the position where power lies in the organization structure which maybe at the top management or the middle or bottom management. In a similar view, Lin & Germain (2003) spoke of decentralization and made mention of it as “the extent to which decision-making discretion is pushed down to the lower levels of the organization.
Specialization “refers to the extent to which employees engaged in similar or closely related tasks are group together”, Galbraith (2001:192). He went further to classify organizational structure into three main forms, either as a Functional Organizations, Product organizations or Matrix organizations. According to him, a product organization is one that carries out specialized tasks, usually producing large volumes of product and services at low cost, usually with a centralized command system. In such an organization and as said earlier implantation of decision, Lin & Germain (2003). A setback is poor communication with other functional departments and simultaneously completing all tasks at the same time.

Product organization according to Brooks, (2009:196) is also termed divisional organization where each division is responsible for the complete activities of a product. He further argues that because of the autonomy of each division, there is better coordination and communication between the various divisions and can quickly react to changing business environment. A Matrix structure does not have a specific way to define it. But a distinguishing feature of matrix structure is that, employees have two and sometimes more reporting relationships, Brooks (2009:198). Galbraith, (2001) further emphasized on this aspect by saying that, a matrix organization has a dual authority relationship within the organization and matrix structure tries to have a balance of power between the product management and functional side of the organization as such, matrix structure is usually preferred to capture the benefits of both forms of structure in consideration.
Standard's Pure Matrix Organization

![Matrix organization structure](image)

--- Technical authority over the product
--- Formal authority over the product (in product organization, these relationships may be reversed)

FIG 2: Matrix organization structure (Source: Galbraith, J. R., 2001:36)
2.1 Knowledge sharing and communication

With the present state of the world economy of which economist term the 4th economy or mind based economy, knowledge has become a very important part in organization especially in the business world, as it can help in differentiating a company from its competitors and optimizing business goals, Rieg (2005); Tsai (2002).

When knowledge is properly managed in an organization, it becomes an important source of competitive advantage due to the fact that the knowledge is spread over different units as such imitation becomes difficult for competitors, Grant (1996), Kagut & Zander (1996), Spender & Grant (1996). Tsai (2002) argues that the coordination format of the different units has an effect on intra-organizational knowledge sharing as the knowledge is detained in the different units. This is also the view of Allen (1977), Tushman (1979), in Cummings (2004) who stresses on the benefits of working groups within an organization in the engagement of information exchange.

When members of diverse group from different function work together, they draw expertise in the group where knowledge is shared and this can lead to fast completion of projects especially in new product development project, Eisenhard & Tabrizi (1995); Griffin & Hauser (1992); Pinto et al. (1992). In such project works members usually have a dual reporting system to the project leaders laterally and to the managers vertically. Like this, there is an increase of information and knowledge sharing as the network becomes wider, Burt (1992) in Cummings (2004). This process becomes even easier in multiunit organization with an informal or lateral structure where knowledge sharing is more voluntary and personal, Galbraith (1973). This is also the view of Lee & Zwerman (1975), in Kreps (1990) who stress that lateral communication flow favors interpersonal relationship between employees, Lee & Zwerman (1975) in Kreps (1990).

Galbraith (1973) argues that in a vertical or bureaucratic structured organization, workers are made to share knowledge by orders, which are less valuable than the horizontal knowledge sharing organization. Kreps (1990) has same point of view as he argues for the communication style, identifying two kinds of vertical communication, the downward and the upward communication. He explains downward communication as information from top to bottom of an organization that he claims at times there may be information lost and misinterpretation before it gets to the bottom. For the upward communication information flows
from the bottom to the top of the organization and permits to be more involved in the daily exchange of task related information and the set back being that at times employees may not have direct contact with the hierarchy.

Organization rip great value when they open up their learning process to external partners like customers, suppliers, alliance partners, universities in a lasting manner, like this there become and extensive network of information and alternative meaning of critical information, Glazer (1991); Miles & Snow (1992); Mohr & Spekman (1994); Ruekert, Walker & Roering (1985), in Slater & Narver (1995).

**2.2 Interdepartmental relationship**

Firms are pressured to continuously increase product and services that will create superior customer value either from the customers or from the competitors, Levitt (1980), in Slater & Narver (1995). Sawhney & Piper (2002) argue that for the creation of superior value to the customer, organizations should have a common vision within the multiple functions of the organization. They went further to explain that an organization should be viewed as an interrelation of processes than interaction of functional units. Hauser et al. (1996), in Conduit & Mavondo (2001) is of the same view stressing that to provide superior to the end customer, it is important for superior value to be provided along the value chain which comprises internal customers. Mohr &Jackson (1991) defines internal customer as any other employee of the organization.

Unfortunately, the interdepartmental relationship is not always cordial as an organization is made of departments of the same lateral lines with each having its sub-goals. Under such conditions, some departments may intentionally or unintentionally interrupts the attempt of another department reaching its sub-goals, Robey et al. (1989:1173). Drucker & Bloch (1993) put forward the point that departmental managers turn to consider their departments the most important within the organization, undermining the other departments and at times at the detriment of the organizational objectives.

At the bottom line, management must ensure that there is perfect collaboration amongst the different functional departments in order for the organization to attain its overall goals. As
Bloch (1993) puts it, the management of an enterprise requires balancing of a variety of needs and goals, and working with multiple objectives. There should not be a search for a totally overriding done. The need to sell generates marketing objectives but, at the same time, companies depend on human resources, finance and physical resources, for which must be subordinate objectives. Therefore the overall success of the enterprise depends on the effectiveness of initial specialization and recombination. Ideally, as part of a unified planning process, goals and sub goals are assigned to departments so that they can negotiate them if necessary and develop plans for their execution. Departmental heads should analyse their differences, resolve them and have their plans approved and possibly revised by the top management.

2.3 Position of decision making

Logic will give a centralized decision-making the most appropriate for organization to coordinate its activities, Fredrickson (1986). Centralization is the level to which decision-making and the evaluation of outcome of such decision is concentrated, Fry & Slocum (1984); Hall (1977).

Mintzberg (1979) in such an organization, the power of decision making remains in the hands of a few top executive. He further argues that it is this type of organization is best for a leader or founder of a small firm.

Fredrickson (1986) argues that in such an organization, there may be the lost of opportunities from stimuli as it may not be responded to until it comes to the knowledge of a decision maker. Further there may be delay to initiate a process a complete failure to respond to an opportunity.

At the other end of a centralized organization structure is the decentralized decision making organization. Baums & Stalker (1961) term this type of organization and organic structure when competing in a complex industry. Alder (1999), in Lin (2003) argues that organization with such structures are likely to be more efficient, effective and adaptive due to that fat that decentralization by its self gives room for flexibility, creativity and responsiveness.
Due to high level of uncertainty good information flow amongst organizational unit is needed to gain knowledge, Gupta & Govindarajan (1991). Mintzberg (1991) proposed that experts from the different functional units should be teamed up in during projects to accomplish specific task. They went further to recommend the integration of managers with the task force to improve adjustment within and between the teams. Like this, there shared information and flexibility of decision-making in an informal manner, which promotes innovation and creativity.

Gupta & Govindarajan (1991) recommend that organizations should make use of this kind of liaison structures with cross-unit committees; integrators roles shared databases and matrix structures to promote information sharing and discussion. According to Bahrami (1992) and Narver (1995), this form of organization continues to evolve becoming more of a formal structure. Miles & Snow (1992) are of the same view and stress on the fact that this structures are becoming more stable supplemented by project teams, multi-functional groups and hence they can achieve divisional form market effectiveness. Slater S. and Narver (1995) puts forward the argument that such organization can be better aware and respond faster to competition and market changes, with better information exchange effectiveness and reduce time lap between decision-making and implantation. He went further to state that, these structures temporal teams for some activities like new product development, strategic assessments and formation of new management processes.

2.4 Research problem and research discussion

The research problem in this thesis is formulated in the introduction in chapter one. It is about how different organizational structural factors, such as knowledge sharing and communication, inter-departmental relationship and position of decision-making in an organization influences customer value creation. From the research problem, we see that, in an organization, these factors influence how an organization creates value for its customers. The most successful organizations in the 21st century are those that are “value-driven”. Organizations that provide more value to their customers for a lesser amount have a great impact on the customer. There will be a very strong bond between the organization and the customer, which will be of great importance to both parties in the long run. The customer will
rip the benefit of more value while the organization will rip the benefit of a long and lasting relationship with the customer.

As defined by Chandler (1972, the structure of an organization is the design of the organization through which the enterprise is administered. This structure is made up of two aspects; firstly the lines of authority (decision making) and communication between the different administrative offices and officers (authority) and secondly, the information and data flow through these lines of communication and authority. Olson et al. (2005) also mentioned that, organizations are structured in a particular way in order to coordinate work in the organization that has been divided into smaller tasks.

In the theoretical chapter, an organization is structured in different departments that have to work together to attain the goals of the organization and in this light, the organization should be perceived as interrelation of process of the different functional units, Levitt (1980). From the above explanations, in this question we will be finding out how knowledge is shared between the different departments of our case study company and also how this influence customer value creation.

According to Sawhney & Piper (2002), for organizations to create superior value to their customers, the different departments of the organization should have a common vision and goal. They further emphasised that, organizations should be viewed as an inter-relationship of processes rather than interaction of functional units.

**Research Question 1: How does knowledge sharing and communication within an organization influence customer value creation?**

For organizations to provide superior customer value there should be a good inter-departmental relationships as organizations are usually or made up of different departments. Also, a good inter-relationship between different departments of an organization is essential for good communication between the departments within the organization and hence can also influences the decision making process within the organization. It may occur that within an organization, the different departments may have sub-goals that may interfere with each other Robey et al., (1989). This can act as a setback to customer value creation. In such a situation, the different departments have to come to a consensus to work towards a common goal.
We will be finding out the reasons why and how the relationship between the different departments of our case study company influences customer value creation with this question.

**Research Question2: How does inter-departmental relationship within an organization influence customer value creation?**

In most organizations, there are various individuals who take decisions on behalf of the organization and at various levels. The position of decision-making in an organization is very vital to the organization in the process of creating value to the customer. In a centralised organizational structure, the position of decision making lies in the hands of a few top executives, Fry & Slocum (1984) and Hall (1977). In a matrix or decentralised organizational structure, the position of decision making in the organization lies in the hands of several individuals and at various levels.

When decisions are taken at different positions in an organizational they have different effects on the value creation Galbraith (2001).

**Research Question3: what position in an organizational structure is decision-making most appropriate for customer value creation?**
Figure 3: Conceptual model.
3 METHODOLOGY

This chapter will present the various methods chosen by the authors for this study. There are alternative methods available for researchers when carrying out a research. These methods include; research approaches, designs, data sources, research strategies, data collection methods, data collection instruments, sampling, data analysis methods and quality criteria. First, the different methods are presented and explained, followed by a choice of method used in the study by the authors and finally a motivation of why that particular choice is best suited for the study.

3.1 Research Approach

3.1.1 Inductive vs. Deductive Approach

There are two types of research approach widely acceptable in social sciences, the inductive and the deductive research approach, Bryan & Bell (2011). The former considering a theory coming up after the data collection and analysis, where there is no theory on which a case can be built on in real life. Strauss & Corbin (1998), in Thomas (2006) state that in inductive approach, “the researcher begins with an area of study and allows the theory to emerge from the data”. In the other hand, the deductive approach which demonstrates a relationship between the theory and the research, for which in the bottom line, test an existing theory with the empirical findings. For Merton (1969), in Bryman & Bell (2003), the deductive theory acts as the driving from for the hypothesis that comes from it which then guides the data gathering process. It follows a step wise linear process whereby one step precedes the other Bryan & Bell (2011:13)

Fig 4: Linear Deductive approach
They further indicated that there may be situations the linear form does not really hold. Some of the reasons they forwarded that may lead to a change in the researchers view of theory as a result of data collection analysis includes; new theoretical ideas maybe published by others before the researcher has generated his or her own findings; the relevance of a set of data for a theory may become apparent only after the data have been collected.

As the research questions were formulated from the literature of existing theories, and these theories will act as a guide to the data collection, leading to findings, a deductive approach was made use for the study.

### 3.1.2 Qualitative/ Quantitative Approach

There are two major research methods available for researchers when carrying out research in the business field. These methods are qualitative and quantitative research methods and they both differ in the way data is collected and analysed Saunders et al. (2009).

Quantitative research method is most often used when a researcher wants to measure for example; customer behaviour, knowledge, attitudes or opinions towards something specific such as a product. This type of research method is normally formalized, highly structured and easily controllable variables by the researcher Strauss & Corbin, (1998), Sanjeev (2010).

Generally, it is identified with a few variables and a large number of units. In quantitative research, there is gathering of large amount of data which is then transformed and presented in the form of numbers and statistics Bryman & Bell (2009).

The aim of a quantitative research method is to make generalizations based on the processed results of the investigation Bryman & Bell (2009)

While a quantitative research employs measurements, a qualitative research does not, Bryman & Bell (2009:26). By this, they meant that, in a qualitative research, quantitative data is not collected or generated. This method often has the emphasis on words rather than quantitative collection or generation of data. In qualitative research, qualitative techniques such as interviews, observations, focus groups can be used.

The authors decided to use a qualitative research method considering the research problem of the study. This will enable us to get a deeper understanding of the purpose of the study and
research questions, and detailed information was needed from a specific organization (Cargotec) of which numerical quantification would have been difficult.

### 3.2 Research Design

“A research design provides a framework for the collection and analysis of data” Bryman & Bell (2011: 40). According to Yin (2009) a research design connects the empirical data of a research to the research question(s), which ultimately leads to the conclusion. It is a logical plan to follow to answer your research question and hence fulfil the purpose of your research. Research design is a structure that guides researchers to execute a particular research method and also the analysis of the findings gotten during the research, Bryman & Bell (2011).

Saunders et al., (2009) also stated in his book that, a research design is the general plan of action on how researchers will go about to answer their research question(s). He also claims that, the research question(s) should be very well defined.

There are three ways available for researchers to collect and analyse data. These are; exploratory research design, Causal research design and Descriptive research design.

Exploratory research designs are facts finding research, most often used by researchers to clarify their understanding of a problem. For example, if the researcher is unsure of the precise nature of a problem. It is very important because, exploratory design may proof that, it is not necessary to carry out the research, Saunders et al. (2009:139). It is usually carried out at the early stages of a research to help the researcher clarify the research problem and direction.

Causal design research studies are studies which examine whether one variable causes or determines the value of another variable, Bryman & Bell (2011).

“The object of descriptive research is to portray an accurate profile of persons, events or situations”, Robson (2002:59), in Saunders et al. (2009:140).

Descriptive design also describes the phenomenon under study with the help of models or theories. Descriptive design can also be said to describe the situations, Yin (2009). In
descriptive design, the empirical data collected is analysed with the help of theories in the research area.

There are two alternatives available for researchers to take when conducting a descriptive research design. These are; cross-sectional or longitudinal research design. For this thesis, we used cross-sectional research design. This is because we are studying a phenomenon at one point in time and based on this single observation, conclusions are drawn, Bryman & Bell (2011). It was not possible to conduct a longitudinal design because we are not studying a phenomenon that varied over time and also because we lack financial resources and had very limited time available to us. We were supposed to be finished by May ending 2012.

Also available for cross-sectional design are two alternatives, single cross-sectional design and multiple cross-sectional designs.

In our research, we use a “descriptive research design” to collect and analyse our data. This is because we are conducting a qualitative research (case study) and we want find out how the structure of organizations (companies) influence customer value creation (value-delivery). We also used in-depth interviews to collect our data. This data we obtained was of primary source. This means that it was originated by our research for the specific purpose of addressing our research problem and question(s), Malhotra (2004).

Since some theories and models are already available in our research area, a descriptive research design best suites this scenario for collecting and analysing our data and lastly, a single cross-sectional design was use because of lack of financial resources and time constrain

3.3 Data Sources

When carrying out a research, it is necessary to collect data so as to analyze thereby solving your research problem, Bryman & Bell (2011). Data sources can be classified into two. These are: Primary sources and Secondary sources, Krishnaswami & Satyaprasad (2010).

Primary data is data is new data collected specifically for the purpose of your research, Saunders et al. (2009). Shah & Jha (2009:4) also explain that, primary data is data collected
for the first time and in its original form. They identify five different types of primary data; direct personal inquiry, indirect oral inquiry, information from local agents and correspondents, mailed questionnaires and questionnaire to be filled in by investigator. The advantage of primary data is that, the researcher can collect the required and relevant data necessary for their research purpose and question(s). However, it has a drawback in that, it is costly and time consuming, Saunders et al. (2009), Krishnaswami & Satyaprasad (2010).

When researchers decide to re-analyse data that have already been collected for some other purpose, such data are known as secondary data, Saunders et al. (2009:256). Such data can also help researchers to answer or partially answer their research question(s) (Ibid.). This data has been collected for other purposes other than for the research at the time. Sources of secondary data include; International organizations, government agencies, industrial and trade associations, service organizations, libraries, business publications and web pages.

Some advantages for researchers to use secondary data include, it is less costly and saves time for the researcher not having to collect new data for their research, and some data can be of high quality and may help the researcher clarify or solve the research problem. Secondary data may provide necessary background information which can help in the analysis of the findings and may also provide alternatives for primary research methods. However, secondary data have some limitations. These include; lack of availability, lack of relevance, inaccuracy and insufficient. To bypass these limitations of secondary data, researchers can evaluate the data by looking how it was collected, if it is accurate, current, why it was collected, if it is useful and if the source is credible Bryman & Bell (2011); Ghauri & Grønhaug (2005).

Ghauri & Grønhaug (2005) divide the secondary data in two categories: internal and external secondary data. Internal secondary data is information provided internally by a company to a researcher, which would not be available elsewhere. External secondary data is information that is publicly available for everyone, provided that someone knows where to look.

As Yin (2012) clearly puts it, case study research is not limited to a single source of data, as in the use of questionnaires for carry out surveys; the authors used two sources of data since we are carrying out a case study research which we wanted to get an in-depth understanding of a phenomenon. These were primary and secondary data. The primary data was generated
from semi-structured interviews we had with two managers from the company and secondary data from text books, scientific articles, the company’s website and some other material provided to us by the company. The secondary data was also very valuable to us and guided the primary data collection.

3.4 Research Strategy

As Saunders et al. (2009) puts it, the choice of a research strategy undertaken by a researcher is guided by the researchers’ research question(s) and purpose or objectives, the extent of existing knowledge, the amount of time and other resources available to the researcher. The research strategy should enable a researcher answer a particular research question(s) and meet the objectives or purpose of the research.

Different types of research strategy include; experiment, survey, archival analysis, history and case study, Yin (2009). The characteristics of these different research strategies are shown in the figure below as presented by Yin (2009)
**Research Strategies.**

<table>
<thead>
<tr>
<th>METHOD</th>
<th>Form of research Question</th>
<th>Requires Control of Behavioural Event?</th>
<th>Focus on Contemporary Events?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Experiment</strong></td>
<td>How, why?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Survey</strong></td>
<td>Who, what, where, how many, how much?</td>
<td>No</td>
<td>yes</td>
</tr>
<tr>
<td><strong>Archival Analysis</strong></td>
<td>Who, what, where, how many, how much?</td>
<td>No</td>
<td>Yes/no</td>
</tr>
<tr>
<td><strong>History</strong></td>
<td>How, why?</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td><strong>Case Study</strong></td>
<td>How, why?</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Table 1 *Source; Yin (2009:8)*

**Experiment:** Investigators are able to study causal relations and changes in variables. Simple experiments investigate whether there is a relationship between two variables. More complex experiments however are concerned with the size of the change and importance of two or more variables, Saunders et al. (2009). The types of researches using experiment is exploratory and explanatory researches, with the purpose of answering “How” and “Why” questions, Saunders et al. (2009).

**Survey:** Are most commonly used in deductive research approach, mainly when conducting business and management research. It is generally used for causal and descriptive research, answering to questions:” Who”, “What”, “Where”, “How many”, “How much”. Using surveys, gives the researchers the opportunity to collect large amount of data from a sample, Saunders et al. (2009).

**Archival analysis:** Refers to researches that are using administrative registers and documents as their source of data. The data include both historical- and recent documents, Saunders et al.
Research questions in this case are more focused on the past and current changes. The research can be exploratory, descriptive and explanatory. However, data collection can be difficult because the limitations by the nature of administrative records and documents, Saunders et al. (2009).

**History:** Historical research is often cited together with comparative research, Babbie (2007). According to Mahoney & Rueschemeyer (2003), it can be defined as a study that focuses on a wide range of topics, providing a large amount of historically grounded explanations, with important outcomes. When conducting historical study, there is a wide range of data available, which have been described by various authors. Historical research is mainly used in qualitative approaches, Babbie (2007).

**Case study:** According to Yin (2003) a case study can be defined as an empirical investigation about a contemporary phenomenon, in a real-world context. Case study research is used, when the aim of the study is to conduct an in-depth examination about a single, or several cases. The in-depth understanding about in a real-world context offers the possibility to get new learning/understanding about the case and topics under investigation (Yin, 2003). It generates answers to questions such as: “Why”, “What”- when the study is descriptive and “How”- causal studies.

Since we are carrying out a qualitative case study research and we intend to generate and analyse our empirical data within an organization, therefore the research strategy to be used which will better suit our purpose and answer our research question will be a case study. With this case study, we will get an in-depth analysis of the case in question and get a deeper knowledge of the organizational structure as a whole. Also, the reason the authors decided to use a case study strategy is because our research question is about “How” and we do not have control over behavioural events in our research.
3.5 **Data collection method**

After choosing our research strategy (case study), the next step was to choose a suitable method of collecting our data. The methods involved in gathering such data can vary depending on which approach researchers are taking. Qualitative research involves exploratory design, which is founded on samples to demonstrate in-depth understanding of the research subject, Malhotra & Birks (2003).

Due to the fact that this paper is conducting a qualitative research on a case study, the method, which will be used, for gathering relevant data is in form of in-depth interviews.

### 3.5.1 In-depth interview

By using in-depth interviews, a researcher can gain more quality, depth and value from their data, Aaker et al. (2011). The method in general is a two-way face-to-face communication between the interviewer and respondent, which lasts between 30 minutes to over an hour, Malhotra & Birks (2003). The aim of the in-depth interview is to explore the respondent’s beliefs, motivations, attitudes and feelings on a subject matter, Malhotra & Birks (2003); Aaker et al. (2011). It is very relevant for the interviewee to be in a state where he/she feels comfortable and relaxed enough to provide the interviewer with qualitative information, Malhotra & Birks (2003). Therefore, it is also vital that the researcher carrying out the interview should contribute towards a relaxed atmosphere by probably starting the interview with greetings and general societal questions before probing into questions about the research and not push the interviewee towards an answer, Aaker et al. (2011); Malhotra & Birks (2003).

A tool, that interviewers can take advantage to thoroughly explore underlying opinions from the respondents is called probing. It can be explained, that probing is follow-up questions that interviewer asks to gain better understanding and which are of importance to the subject matter, Saunders et al. (2009).

In-depth interviews can be divided into two depending on the procedure and structure: unstructured-, semi-structured interviews.

Unstructured interview is when there is a two-way communication between interrogator and respondent in an informal manner, Saunders et al. (2009). In this situation there is no list or catalogue with questions to be asked, however, it is important that the researcher has a notion
about the topics that he/she would like to receive data about, Saunders et al. (2009) Malhotra & Birks (2003). After stating the initial question, which is in general in form of open-ended, the participant is encouraged to speak freely about the topic in relation to opinions, behaviour, motivations, attitudes and so forth, Saunders et al. (2009); Malhotra & Birks (2003). In comparison to the unstructured interview, the form of semi-structured interview requires that the interviewer makes use of a list with questions and themes that he/she would like to ask the participant about, Saunders et al. (2009); Malhotra & Birks (2003).

It is also more common that audio and note taking is used during a semi-structured interview, Saunders et al. (2009).

There are several advantages and challenges by conducting in-depth interviews. These include: the ability get insight of the respondents beliefs, opinions, attitudes and feelings; sensitive topics can be easily discussed because of the two-way communication and the ability to arrange interviews including two people, compared to group sessions (Malhotra & Birks, 2003). Challenges of in-depth interview include: answers can be bias, costly to conduct. Furthermore, the construction of questions for interview may not be a complex procedure; however, to analyze the data obtained can be difficult. Therefore, there is a great need to have a theoretical understanding for simplifying the analytical process, Malhotra & Birks (2003).

In this thesis, the authors made use of semi-structured interviews, due to the reason that respondent’ opinions, beliefs, motivation, attitudes and feelings are needed about the subject matter. In addition, for the sake of the stated purpose, it is also necessary to take use of semi-structured interview form to comprehend several variables that are of interest of this paper whereby, follow-up questions were asked during the interview. We also had an informal meeting for the company where by a detailed explanation of the organization’s structure was presented to us. This took place over a period of three days and lasted for about 2-3 hours in each day.
3.6 Data collection instrument

3.6.1 Operationalization and measurement of variables

Saunders et al (2009) came with the notion that, operationalization is a deductive view of how a research should proceed. They went forward by saying that, during operationalization, concepts in the research, which are defined and explained by different authors in the theoretical framework of a research, are translated into tangible indicators of their existence, Bryman & Bell (2011) also supports this idea, According to them, operationalization entails devising measures of the concepts in which the researcher is interested.

Operationalization is a process which involves several steps, starting by selecting the major concepts of a research topic and the purpose of the research in order to obtain a measurement, Krishnaswami & Satyaprasad (2010)

In this research, the main concepts from the theoretical framework will serve as an outline for the structure of the operationalization. These concepts are; customer value creation, organizational structure, knowledge sharing and communication, inter-departmental relationship, and position of decision-making. This is shown in the figure below, which is our operational framework.
<table>
<thead>
<tr>
<th>KEY CONCEPTS</th>
<th>Customer value creation, Ingram &amp; Schwepke (2002)</th>
<th>Question Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Value</td>
<td>Customer value creation, Parolini (1999)</td>
<td>4</td>
</tr>
<tr>
<td>Organizational Structure</td>
<td>What is organizational structure, Chandler (1972)</td>
<td>1</td>
</tr>
<tr>
<td>Why organizations are structured, Mintzberg (1979)</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Knowledge Sharing and Communication</td>
<td>How knowledge is managed and shared within the organization, Grant et al. (1996)</td>
<td>10</td>
</tr>
<tr>
<td>Information flow and communication between different departments of the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inter-departmental Relationship</td>
<td>How activities are coordinated by different departments (Mohr &amp; Jackson, 1991)</td>
<td>14</td>
</tr>
<tr>
<td>Why relationship between different departments, Levitt (1980)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Position of Decision Making</td>
<td>Where in an organization is the power to take decision lies, Mintzberg (1979)</td>
<td></td>
</tr>
<tr>
<td>How those different structures influence decision making in an organization, Guapta &amp; Govindarajan (1991)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Fig 5. Operational Framework
3.6.2 Interview guide/questionnaire design

Yin (2003:107) identifies the following types of interview guides; the in-depth interview where the respondent is asked of a matter and his opinion about the matter, interview with more structured question, seeming to be in lines with a survey and most likely to produce quantitative results and a focused interview. For the focused interview he argues, a respondent is interview for a period of about an hour with the interview likely to be open ended. Yet the interviewer tries to keep the interview in a conversational manner while maintaining the same inquiry protocol, Merton et al. (1990) in Yin (2003). The latter kind of interviews can be used to corroborate already known or established facts and avoiding other topics of broader open-ended nature. As well, the method is perfect when deliberately trying to get the views of persons having different perspective of a known fact. Yin (2009) advices that face to face interviews are very important while dealing with case studies, as with humans, the behaviour should also be considered. He further states that, interviews should be considered verbal reports because interviews can be subject to common bias, poor recall, and poor or inaccurate articulation. The authors used a focused interview where open-ended questions were asked to interviewees over controlled period of time. The interview was more conversational but was kept within the confines of the inquiry as some ideas of the facts were known. This was more preferable to the purpose of the project to the other types identified. Face to face interview was made during this project as it was a case study where evidence was needed and was provided by well-informed interviewees.

3.6.3 Pretesting

The purpose of pre-testing the questions in the interview guide is to ensure that the questions are understandable and relevant for the purpose of our thesis, Bryman & Bell (2011). Pretesting was done by the authors to ensure that, the questions where easy to read and understandable so that the semi-structure interview was accurate and reliable, Malhotra (2010). We gave the questions to some students of Linnaeus University to check if they could read and understand the questions easily and if the language was also proper. Although pretesting is usually done with experts in the field of study, it can also be carried out with non-experts in the field of study. It was difficult for us to get experts in the field of study for our research that is why we had to pre-test the questions with students. The problems identified with the questions were eliminated and a final and improved version of the interview guide was made.


### 3.7 Population and Sampling

During a research, when the research problem is specified and an appropriate research design and data collection instrument developed, the next step for a researcher in the research process is to select those elements from which the information will be collected. The researcher can decide to collect information from each member of the population or from a portion of the population by taking a sample of elements from the larger group, and on this basis, infer something about the larger group (population), Ghauri & Gronhaug (2010).

A population is a total of units (people, cities, regions, firms, etc.) that share the same characteristics, from which the sample is chosen, Bryman & Bell (2011).

During a research, if the group of interest is too large and difficult to investigate, sub-group (sample) is created and investigated as being representatives of the population, which is referred to as the sample, Saunders et al. (2009).

We are going to use sampling in this research. Our sample was chosen from companies in Sweden which are involved in business-to-business, of which Cargotec, which is our case study company is part of. Within this sample, we are going to carry out in-depth interviews with workers with a 20 years experience in the company. This group of workers can be said to be our sub-sample.

#### 3.7.1 Sampling Frame

Sampling frame can be defined as a list of parts composing a population, from which the sample is selected. In case the sample is representative of the population, the sampling frame will include all (or almost all) the members of the population. It is necessary to make sure that the sampling frame is complete, accurate and up-to date, Saunders et al. (2009), Babbie (2007).

We chose Cargotec from this list because we had easy access to the company. A member of this research had worked there and therefore could make easy contacts. Also, we chose this sample because the company was willing to provide access to us when it comes to date collection and interview with workers in the company.
3.7.2 Sample Selection and Data Collection Procedure

Respondents were chosen based on their knowledge on the field of study (research area) which is organizational structure and customer value creation. Based on this, the product line manager and sales manager where chosen for the interview because they have been working with the company for more than 20 years and had much knowledge about the organization’s structure and also they had a lot of knowledge about their customers.

Their names are not mentioned in the diagram below for confidentiality.

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Working duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondent 1</td>
<td>Sales Manager</td>
<td>20 years</td>
</tr>
<tr>
<td>Respondent 2</td>
<td>Product line manager</td>
<td>20 years</td>
</tr>
</tbody>
</table>

Table 2

3.8 Data Analysis Method

In qualitative research, data is generally derived from interviews and observations although in some cases, it can be generated from questionnaires. There is usually a large amount of unstructured material which has to be analysed which can be seen as a disadvantage of qualitative data analysis over quantitative which does not produce such large amount of data, Bryman & Bell (2007)

In qualitative research, data is usually analysed using non-numerical examination and interpretation of observations for the purpose of finding out underlying meanings and patterns of relationship while in quantitative research, data is usually analysed using numerical representation and manipulation of observations for the purpose of describing and explaining the phenomena that those observations reflect, Babbie (2004).
There are different techniques in analysing qualitative data. These include; pattern matching, explanation building and time series analysis and replication logic. Of these techniques, Yin (2012) stipulates that, pattern matching is more suitable for case study.

We are going to make use of explanation building technique in this research since we had just two respondents and it will be easy for us to write down all the information we obtain from the interviews and hence compare it with the theoretical concepts.

We believe pattern matching will not be suitable since we don’t have many respondents on which to match key concepts from the interview with the theoretical concepts.

Finally, it will be challenging to make generalizations from the case study research. According to Yin (2012), when it comes to case study researches, it is possible apply analytic generalization. It implies of using the studies theoretical framework and illustrates the reasoning, how this can be applied in other situations. Firstly, researchers will illustrate the findings and their relationship with the concepts, theories and so on. Thereafter, the same theoretical proposition that can be associated to other situations, where the same concepts or constructs might be applicable will be applicable.

3.9 Quality Criteria

3.9.1 Content validity

According to Saunders et al. (2009:157), the validity of a research work is about whether the findings of the research are really about what they appear to be about. Bryman & Bell (2011:159) further emphasised on the notion of research validity by saying that, “validity refers to the issue of whether or not an indicator (or set of indicators) that is devised to gauge a concept really measures that concept”. To ensure the validity of a research, the concepts in the research must measure what it was intended to measure, Gray (2009). To increase the content validity of our research, we collected our data from multiple sources. Primary data was collected from in-depth interviews with employees of the Cargotec and the company provided secondary data. We used semi-structured interviews to collect our data and the questions where first send to our thesis tutor to review them. We also drafted a list of concepts in the research area on which we will base our questions and send to the individuals involved in the company, so that they can be better prepare for the interview and will provide us with all and credible information on the concepts on which we want to get information.
about. We also made a list of the concepts around which we will base our interview and send to the interviewee so that he should be better prepare for the interview and probably do some research on what he feels he does not have much and better information about.

3.9.2 Construct validity
Yin (2009:40) defines construct validity as “identifying correct operational measures for the concepts being studied. For case study research, the following criteria have to be taken in order to maximise the construct validity of your research.

- use multiple sources of evidence;

- establish chain of evidence;

- have key informants review draft case study report.

To increase the construct validity of our research, we had two sources of data collection. Primary data was collected from the interviews we had with experts in the company and secondary data was given to us from the company. These two data where compared to each other before analysis to maximise construct validity of our research.

The draft of our report was send to our thesis tutor for reviewing before presenting the final copy. The questions were also pre-tested.

3.9.3 External validity
Yin (2009:40) in his book defines external validity as “defining the domain to which a study’s findings can be generalized”. In our research, in order to increase the external validity, we used relevant and already existing theories in our research area. In order to have a high external validity, Yin (2009:40) put forward two proposals:

- use theories in single-case studies;

- use replication logic in multiple-case studies.

A case study research can also have high external validity when multiple case study is use so that it can then be generalised but we use a single case study research because of time constrain( we were supposed to be done by before the end of may 2012) and also because we lack financial resources as bachelors students.
The recordings of the interview transcript are saved in order to assure evidence of the findings. A different researcher can make use of these findings of our research in case he/she wants to replicate our research.

3.9.4 Reliability

According to Gray (2009) a research (case study) has high reliability if other researchers have the possibility to access the data in order to evaluate or replicate it.

According to Yin (2009:40) the reliability of a research is to demonstrate that, sections of your research such as data collection procedures can be repeated by another person and with the same results.

We improved the reliability of our research by collecting information from multiple sources. We collected our data from both primary sources and secondary sources. We also send back the responses we got from the various respondents in the company for them to justify if what we wrote in our interview transcript was actually what they said during the interview. All our data were available for could be access by a different researcher in case he/she wants to replicate our research.
4 EMPIRICAL FINDINGS

The aim of this chapter is to present the responses we got from the interviews with representatives of the company. We will begin with a brief description of the Cargotec Sweden AB, in Lidhult. This will be followed by presenting the most important parts of the interviews with representatives of the company with regard to the concepts of this thesis highlighted in the theoretical framework.

4.1 Cargotec Sweden AB Lidhult

Cargotec is the name of the mother company with three daughter brands at Hiab, Kalmar and Macgregor. Cargotec delivers cargo and load handling solutions and services for the biggest shipping companies in the world as well as for small and medium-sized local operators. They employ approximately 11,000 professionals and are present in 120 countries in the world. Cargotec’s cargo and load handling solutions are used worldwide in all cargo flow hubs. They also offer a wide of services for their customers including maintenance, repair, spare parts and training.

The mission of Cargotec is to improve the efficiency of cargo flows and the vision is to be the world’s leading provider of cargo handling solutions.

Cargotec’s value plays a major role in the organization’s structure. These values include

-Global presence-local service; the company is close to their customers in order to satisfy their needs at any point in time thereby creating value to their customers,

-Working together; the entire organization cooperate together to achieve customer satisfaction

-Sustainable performance; they are reliable, competitive and maintain a long-term relationship with their customers.
4.1.1 Company Description

As earlier mentioned, Cargotec is made-up of three brands. These are Hiab, Kalmar and Macgregor. The Kalmar brand is the equipment division of Cargotec and has production plants in Lithult (Sweden), Ottawa, Stargard, Lingang, Bangalore and Partners. It has the following departments; Product development, Marketing, Pricing and Servicing (which is considered separate from the mother company, Cargotec)

The Hiab brand is on-road load and cargo handling products and solutions. They are utilised in moving goods and materials where needed.

The Kalmar brand is cargo and load handling solutions and used in ports, terminals, distribution centre and within heavy industries.

The Macgregor products are used in marine transport and offshore logistics.

The Kalmar brand is the global market-leading brand in container handling solutions in ports and terminals where containers are handled by ship-to-shore. Their products include; cranes that handle cargo from ship-to-shore, yard cranes, shuttle and straddle carriers, reach stackers and empty container handlers. Products also produced by the Kalmar brand (Lidhult) include; forklift trucks used by heavy industries, terminal tractors used by distribution and logistics centres. The Kalmar brand also includes port automation applications with unmanned container handling technology, on-board smart features and remote maintenance products developed in co-operation with customers and partners.

4.2 Responses from the interviews

The researchers conducted one-to-one interviews lasting for approximately 45-60 minutes. During the interviews, the interview-guide line was strictly followed as follow-up questions were asked. It was recorded by the researchers and immediately transcribed after the interview to increase the validity of the answers. After transcription, a copy was send to the respondent for justification of what they said. This was done also to increase the validity of our research.
4.2.1 Organizational structure.

When the interviewees were asked how the organization was structured, they said they have a matrix structure. The reason for this structural type is to capture the benefits of alternative structures. They also made mention of the fact that, in this structural type, there is balance of power between the different departments in the organization and decisions can be taken at various levels. Other reasons which they made mentioned of why they are structured this way was because; they have maximum focus on products and customers so that each department can have more support to each other in order to keep competitive product and have the best products in the market. They also said that, to have all the different departments in the company on one roof will face difficulties to function properly and in order to function properly and maximise resources, they choose to be structured in a matrix.

The company has also experience some structural changes over the years. At first, it was just the Kalmar (Equipment) division and when the company merged with the other company to become Cargotec that is when they adopted this matrix structure to better serve their customers all over the world.

When asked about the main goal of Cargotec in relation to their customers, they said that, the main goal of Cargotec is to be the world’s leading provider of cargo handling solutions and in relation to their customers to achieve this goal, they focus more on customers and they let their customers to be part of the structure. They want to have a good relationship with their customers and get a better picture of their customers and if they know their customers need, they can be able to provide solutions and this can only be possible if they have a good relationship with their customers.

They made mention of the fact that, most customers like to have one contact person in an organization whom they can contact in case they want to make an order for a product/service and will not have to make several contacts. Their matrix structure best suits this scenario.

They provide more value to their customers because they want their customers to be more competitive. In order to achieve this, they want to know their customer’s business better than themselves and by so doing; they can provide their customers with better technological advanced products which will be beneficial to the customer. Their customers can use such products for a longer time and they also provide better service for their products.
All these can be summarise into a slogan as they mentioned to us “Let the customer think about their core business and they think about the solution (machines)”

4.2.2 Knowledge sharing and communication

The respondents acknowledge that, there is knowledge sharing and communication between individuals of each division within the organization and also within individuals of different divisions within the organization. Within the organization, knowledge sharing and communication can either be formal or informal. They mentioned that, formal knowledge sharing and communication is when employees are educated by top-ranking officials or experts. This usually takes place during seminars and follows a particular format. For example, a customer might order a product with unique features. For such a product to be produced, employees of the production department must convene a meeting and discuss (share knowledge) on how to produce this particular unique product for the customer. Informal knowledge sharing and communication is when employees exchange ideas probably during coffee breaks or lunch breaks, when employees are interacting with each other and those not usually follow a particular format. This type of communication and knowledge sharing is widely utilised in the organization because a lot of formalities in formal knowledge sharing and communication will turn to slow down organization activities and might lead to delays in serving the customer.

There is increased communication between the different divisions of the organization and hence leads to knowledge sharing made mentioned by one respondent. Also, since the organization has as a strategy to be located closer to their customers, they are said to be customer-focused, by better serving their customers at any point in time. In order to achieve this, there is good communication between the different divisions of the organization and during this communication process, there is sharing and exchange of ideas and knowledge on how to create value to their customers by providing better offerings and serving the customer in a better way.

One respondent stipulated that, communication and the sharing of knowledge is very essential in the organization, as employees have to communicate and share ideas with each other in their daily working life.
Communication and knowledge flow in the organization is in all directions. This usually takes place between employees/individuals at various positions in the organization but most often between employees within a specific division in the organization. By this, they meant that, within the organization, there is no particular direction of flow of information but at different directions.

**Scope (network)**

The network of knowledge sharing and communication is vast within the organization. Each employee has relationships within the organisation and with employees of other organisations from whom they can obtain knowledge and when this knowledge is put together with all the other employees, the network becomes expanded and vast. There is no common data for information and knowledge sharing. One responded stipulated that, “the communication network is very broad as each employee has a relation with other employee with the organisation and also with his external relation. When all this is put together, the network becomes really broad but there is no common data where information is stored”.

Also, Knowledge and communication network is extensive as workers in the organisation have their different sources of information and ideas from other external sources. In this way, it extends way out of the organisation.

**Customer involvement**

Knowledge and communicating with the customer has a vital role in creating value for them. Products are created for the customer and so ideas coming from them are very relevant to configure products that will satisfy their needs. The respondents said that, Cargotec does not have direct link with customers but they communicate with the customers through their regional sales representative located in different parts of the world who have direct link with customers. When a customer orders a product with special features, this information is passed onto the company via their regional sales representatives who have direct contact with the customer. This communication network is very important so that the company will produce this product with special features for the customer, which is of added value to the customer.

They also made mention of the fact that, it is very important for the organization to get ideas and communicate with the customers. In this way, it is easier to understand the needs of the
customer and produce products that will satisfy this need. They also get feedbacks from customers so as to continuously improve the value of products.

4.2.3 Interdepartmental relationship

Collaboration

When asked about how the different departments collaborate, the respondents said that, the different department collaborate well to accomplish their tasks. Department are interrelated and have to work together to complete a specific task. Employees of the different department usually work in project teams, which require communicating and sharing of ideas. There are also meetings with representatives of the different department for diverse issues. Interdepartmental teams usually pay a visit to a newly acquired important customer to understand his business and work closely with such a customer. The respondents commented that, “There is much collaboration amongst the different department such that, we usually have regular task related meetings with representatives of the various departments to bring up new ideas and take decisions, as we always works in teams during projects. When we have a new and important customer, a team made up of representative from each department visits the customer to create a long lasting relationship with such a customer and better understand his business, as such make propositions”

Projects are mostly carried out in teams that are composed of workers of the different department and there are regular interdepartmental meetings. For example, when a customer needs a product with specific/special features, the different departments have to collaborate and find out if it is feasible for the organization to produce such a product.

Conflicts

Conflict situation do occur but it is not so common. It is mostly conflict of goals where the activities of on department may interfere with the goals of another department. Each department has its own goal from the overall goal of the company and that is what usually brings up conflicts. In any way these conflicts are resolved in a team-wise manner to the best interest of the company and the customer. For example, a customer might need a product with a service contract. If the customer finds the service contract too expensive, he/she might not purchase the product again but the production department is interested to produce such a
product for the customer. Conflict usually arises in such a scenario but it is usually resolved amicably within the organization.

**Management implication**

Management has facilitated interdepartmental collaboration by creation of teams involving representatives of the various departments. Those teams look into various issues of the organisation. There is the involvement of management personnel in the team to have direct involvement in its activities. One respondent stated that, Management has facilitated the creation of teams that look into diverse issues in the organisation like product decision, idea generation and conflict resolution. This team is made up of representative of the different department with a representative of the management in the team to have direct concern with its activities.

Mostly there are in departmental meeting with management personnel. Most of the projects are team based and there is the involvement of the top management which helps to facilitate the activities like for the team concerned with idea generation.

There are usually interdepartmental meetings and there is the representative of the top management. Projects in the organisation are mostly carried in teams from the different departments and there top management representative helps to facilitate those projects and example is the team concerned with idea generation.

**4.2.4 Position of decision making**

**Decision making method**

Decisions are mostly made in a team especially for decision that involves products. This team as mentioned earlier, is made up of representatives of the different departments. The respondent stated that, if a customer wants a product with special features different from the standard product, such a decision is usually made by a team made up of representative of the different department for the organization. That is, the production department must review such a request from the customer and see that it is feasible to produce the product; also the sales department must see into it that, the organization should make profit in embarking on such a command from the customer, so as other departments.
**Position of decision body**

The position of the decision making body is low in the organisation chart as most of the members of the decision making team are departmental managers and are low in the organisational chart and they then send feedback to the top hierarchy. When a customer orders a standard product, the sales representatives who is located closest to the customer takes the decision on behalf of the organization. This is because, this is a standard product and the organization already has knowledge on the production, but if it is a unique product with special features, the sales representatives then contact the sales manager at the sales department of the parent organization who then meets with the production manager at the production department and a decision is made on whether to go ahead and produce the product or not. Top managers don not have a lot to say on the production of products.

**Reasons for position**

The reason given is that the departmental managers are quite close to the customer and understand their needs best than the upper management. Like this, decision taken at this level will be more valuable in serving the customer needs.

Decision making at this level also enables flexibility. This is in relation to the responses from the market and the customer as business keeps changing so fast. They stated that, business environment is changing very fast and taking decisions at the departmental level makes it more flexible and responsive to this changing business environment. This also makes the organization to respond better and faster to the customer’s needs.
5 DATA ANALYSIS

In this chapter, and as has been mentioned earlier in the methodological chapter, the data collected will be analysed based on the theoretical framework. The analysis of the data will follow the pattern as it appeared on the empirical using similar headings.

5.1 Knowledge sharing and communication

Types of knowledge sharing and communication

Both respondents affirm the importance of knowledge sharing and the role of communication within the organization in the creation of customer value. If it is considered that the creation of customer value follows a chain with each section of the chain detaining a piece of the knowledge and only through communicating and sharing these different pieces then can a concrete whole be created and most especially when this is properly coordinated. This is the view of, Grant (1996), Kagut & Zander (1996), Spender & Grant (1996), presented in the theoretical chapter who argued that knowledge sharing place an important part in the competitive advantage of an organisation as it is spread over different units and becomes difficult to be copied by other organizations.

In the organisation, there are two ways in which knowledge is shared and the same pattern communication flows. These are the informal and the formal pattern. Both patterns are important but the most favoured pattern of knowledge sharing and communication is the informal pattern. This pattern consistent with Galbraith (1973) explanation in the theoretical part who said that an informal or lateral structure in other words decentralised favour knowledge sharing as it is more voluntary and personal as opposed to what he said in a vertical or bureaucratic structure where is less valuable as it is made to be carried out by orders.

Scope of knowledge sharing and communication

The company enjoys a fairly extensive network in which they can acquire communicate and share knowledge. This is due to the fact that being a multi-national company with many employees there is the tendency of a fairly vast internal network and with the constituents of
the internal network; each has an extended external network. This makes the network to be even more extensive and this can be very valuable to the company. This is a related view to Burt (1992) concept of working groups in an organization especially in multi national organization with dual reporting system, which increases the network of knowledge sharing and communication.

**Customer involvement**

The organization is structured in a way that the customer’s opinion is of paramount importance to the organization. Information coming from the customer has a vital role in the creation of value to them. The frontline personnel are in constant communication with the customer to understand the problem better and get feedback from them. This is because the users of the products are the customers and any information that comes from them can act as a valuable tool to innovate the products. This is just a confirmation of Glazer (1991); Miles & Snow (1992); Mohr & Spekman (1994); Ruekert, et al. (1985) in Slater & Narver (1995), who explained that organization rip great value when they open up their learning process to external partners like customers, suppliers, alliance partners, universities in a lasting manner, like this there become and extensive network of information and alternative meaning of critical information.

**5.2 Inter-departmental Relationship**

**Collaboration**

The organization is structured into various specialized departments, which perform the regular daily task. Though the departments are specialized in the task they are performing, the activities of the different departments enhance, the activities of the others, or guide the activities of the others. This coincides with the arguments put forward by Sawhney & Piper (2002) that for superior value to be created, an organization should be seen not at the interaction of the different functional units but as an interrelation of them. In this light the, company found it more valuable bring personnel of the different departments together as teams when working as project rather than allowing the activities of one department to be completed before moving to the next which will be time and resource consuming. There is the regularity of interdepartmental meetings, which reinforces the collaboration.
leading to the better and faster idea generation. Gupta & Govindarajan, (1991), in the theoretical chapter commented on this point as the explained that due to high level of uncertainty of which requires good information flow, organization should bring experts from different units to accomplish specific task.

Conflicts

Though the different departments work interrelated, it does occur that there are some conflicting situations between different departments. These conflicts are usually brought about by differences in the different departmental goals. In the organization, different departments have their goals, different from the overall organizational goal. It may occur though rarely that the activities of one department interfere with the activities of another department reaching it goals. This aspect is in line with Robey et al. (1989) of conflict with organizational department with different sub-goal of which some department may intentionally or unintentionally interrupt another department from reaching its sub-goal.

Management implication

The management of the organization is involved in the collaboration of the different department by the creation of teams which permit the member to collaborate to accomplish tasks together and other diverse issue with on outstanding being conflict resolution. As has been seen earlier of the creation of team by management, the interdepartmental conflict resolution idea with the organization is clearly seen in Bloch (1993), who explained that management assign sub-goals to different departmental heads that they can analyse their differences, negotiate them and possibly resolve them.

In the other hand, management is directly involved in the collaboration of the different departments by it being represented in the teams formed of the different department. It helps to facilitate the collaboration of activities in the teams. This falls in line with the recommendation of Mintzberg (1991) for managers to be integrated in task force to improve adjustment within and between the teams.
5.3 Position of Decision Making

Decision making method

The organization mostly uses a team-based decision method most especially decisions concerning products and customers. For the fact that most tasks in the organization are carried out in teams as has been mentioned, with members from the different departments, the teams are responsible for the decisions on those projects. Looking back at the theoretical chapter, this is a reflection of Mintzberg’s (1991) proposal of team formation between experts of different department where there is a high degree informal decision making in the team.

Position of decision body

Decisions taken in the organization are mostly centred at the departmental level, for those that directly touch customers and their needs. When those teams are constituted of members of the different departments they are taken at the lower end of the organization chart. An image of a decentralized decision making organization can be figured out when considering the definition of decentralization by Lin & Germain (2003) as being, “the extent to which decision-making discretion is pushed down to the lower levels of the organization.” On the other hand, the team members give feedback to the hierarchical bosses, who can then throw in a bit of their own thoughts and support. This type of a structure where there is a dual relationship in an organization was seen earlier in the matrix structure presented by Brooks (2009), of which Galbraith, (1973) claimed such organizations tries to have a balance of power and rip the benefits between the product management and the functional of management.

Reasons for the position

The reason for the low position of decision-making was to stay quite close to the customer. At this position, the customer needs are better understood and can be taken care of. Also at this position, it is easier to response to the fast ever-changing business environment. Alder (1999) made mention of this aspect of decentralized organizational structure being more efficient and effective and adaptive due to the fact that decentralization give space for flexibility, creativity and responsiveness.
The dual relationship aspect of the organization is found in Slater & Naval (1995) comment on the benefits organizations gain by using such a structure between the time lap of decision making and implementation, considering that an advantage of a hierarchical system is the effectiveness in implementation of generated idea as argued by Lin & Germain (2003)
6 CONCLUSIONS

This chapter of the study aims to provide an answer to the purpose of the study with the relevant question that came up.

For a recall, the purpose of this study was: The purpose of this study is to advance the understanding regarding how factors related to organizational structure (knowledge sharing and communication, inter-departmental relationships and position of decision making) influence customer value creation.

From the purpose, a conclusion will be made on the relevant factors within the organisation structure that impacted most customer value creation which were

- knowledge sharing and communication
- interdepartmental collaboration
- position of decision making

Knowledge sharing and communication plays a very big role in the creation of customer value as it is only through sharing of knowledge can product and processes can be innovated. With company knowledge sharing follows two paths, the informal and the formal path but the most favoured is the informal path as it is most valuable and most used by employees of the same rank. Customer’s involvement in part of the organisational network is very vital.

Customer value creation in an organisation is carried out within a series of interrelated activities within the different departments of which their collaboration is very vital for the creation of value. The best way of reinforcing the collaboration in the organisation to create value is through team based tasks. Conflicts are unavoidable when the different departments have their sub-goals different form the organisation’s goal, but it is the management responsibility to see into it that such conflicts are resolved in the best possible way in order not to hinder value creation.

The position of decision-making in an organisation has a role great role in customer value creation. Decision that directly have an impact on the customer should be taken quite close to the customer where there needs are most understood and can be taken care of best and can
favour flexibility and responsiveness. Notwithstanding, this decision should be supported and
boosted by the management, which favours a rapid execution of such decision, which has a
role in value-creation as time by itself is valuable.

6.1 Managerial Recommendation

In conducting this research, a case study was used to understand how different factors
(knowledge sharing and communication, inter-departmental relationship and position of
decision making), related to organisational structure influence customer value creation. With
an in depth interview during the research, we could gain a better understanding on how these
factors are affected by the organisational structure.

From the knowledge gained through this research, some recommendations will be made to
companies aiming to adapt their structures for superior customer value creation.

- Management aiming for such goal should bear in mind that all the factors listed above
  are interrelated to each other and not be treated as independent factors.

- Knowledge sharing and a good communication should highly be encouraged in
  the company. Informal communication pattern should be prioritised and in a
  more lateral pattern to enable more interpersonal relationship. Employees should
  be encouraged to have an extended their net work, with information from the
  customer being the vital.

- Team should be formed when carrying projects that will draw expertise from
different departments. This will help shorten the completion time of such
projects. Management should give a free hand to department heads to resolve
their conflicts of interest, but should have involved in their coordination.

- Decision-making should not lie in the hands of top managers but should be
decentralised to department level. This will keep decision making body closer to
customers. In this case, customer’s needs are better and faster responded to.
6.2 Further Research

This study of how organisational structure affects customer value creation was limited to just a single division in a company. Research could be made in the overall company structure. Also, just three factors of the company structure where considered on the effect on customer value creation. Other factors could also be research up and create a connection with these three that have been researched here.

Lastly, a multiple case study of industries in business-to-business could also be researched, so as to be able to make generalizations to the entire industry.
REFERENCES


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Appendix 1

Interview Guide.

Customer Value Creation.

1. What are the goals of the company in relation to their customer?
2. How has this structure help in attaining these goals?

Organizational Structure

3. How will you describe the structure of Cargotec?
4. Why do you think the company is structured this way?
5. Has the company had any changes within the last few years, If so, what prompted such changes?
6. What are the benefits of Cargotec to be structured in this particular way?

Knowledge Sharing and Communication

7. Does the company have a common database?
8. How does the different unit or departments collaborate with each other in task related issues?
9. Where does the generation of product innovation or development come from?
10. Are individual ideas towards value generation encouraged in the company?

Inter-departmental Relationship.

11. During product development process, who are those involved? If it is a mixture of personnel’s, how is the reporting done?
12. Are customers involved in product development? If so, how?
13. Is it common for a customer to engage in a large order or machine with the company in a very fast transaction?

14. How do you assure customer satisfaction within the varying base of customers you have?

**Position of Decision Making**

15. How does the process of decision-making take place?

16. Who are those responsible for decision making within the company and why?

17. How does the structure of Cargotec (Matrix Structure) influence the process of decision making within the company?
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