Master Thesis

Bufab Group - an Innovative Born Global in the Trading Sector

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ABSTRACT

The fast moving global market has pushed the companies into becoming more and more global and today some companies are even born in the global world. These companies that operate on many markets at the same time are referred to as born global. This study attempts to connect the context of a born global company to the topic of innovation. Literature explains that a company’s level of innovation is related to their competitive advantage in the industry or sector. This thesis concentrates on the trading sector and tries to evaluate how the internal environment of a born global company influences the development of processes of innovation, whereas internal factors are evaluated the organizational structure, strategy and culture.

Since this study is an explorative research on how certain internal factors can be of influence on the process of innovation in a company, we have chosen to conduct a qualitative single case study, for which we have addressed ourselves to the born global trading company The Bufab Group, a worldwide trader of fasteners and small parts. The Group has its head quarter in Värnamo, Sweden and has around 35 sister companies around the world.

Our empirical findings show how this trading company uses its structure, strategy and culture to influence their processes of innovation. The six innovations that have been developed in the last five years and that are a result of the ongoing process of innovation are the implementation of an automated warehouse, realizing a universal ERP system, employing the EDICOM software, using the concept of a HUB-system, introducing an Educational Manager and the introduction of a Global Account Team.

For the reason that the study is a single case study this research cannot provide any general conclusions for the sector of trading. However, our in-depth study of the Bufab Group as a born global trading company has taught us that their structure, strategy and culture show to have a positive effect on the processes of innovation. Firstly it shows how the born global context is of influence on the internal factors of the organizations. Secondly, it shows how a company that has one centralized strategy for the whole group with a relatively centralized decision making system can still manage to maintain a rather low hierarchical structure with short communication lines and an open and transparent culture. Lastly, all of these forces together have managed to enhance good communication, knowledge sharing and the creation of ideas that have been of influence on the enablement of the process of innovation.
Table of Contents

1. Introduction ........................................................................................................... 1
   1.1 Background ........................................................................................................ 1
   1.2 Framing Innovation, Business Processes and Supply Chain Management .......... 2
   1.3 Problem Discussion ......................................................................................... 4
   1.4 Purpose ............................................................................................................. 5
   1.5 Research question .......................................................................................... 5

2. Theoretical Background ..................................................................................... 6
   2.1 Defining Innovation ....................................................................................... 6
   2.2 Classifying Innovation .................................................................................. 6
   2.3 Process Innovation ......................................................................................... 9
   2.4 The Global Context and Innovation .............................................................. 9
   2.5 Organizational structure ............................................................................... 16
   2.6 Defining Supply Chain Management ............................................................ 19

3. Methodology ......................................................................................................... 21
   3.1 Research approach ....................................................................................... 21
   3.2 Research Strategy ......................................................................................... 22
   3.3 Research method .......................................................................................... 23
   3.4 Data Collection ............................................................................................. 24
   3.5 Structuring, Interpreting and Analyzing the data ........................................... 26

4. Empirical Findings ............................................................................................... 28
   4.1 The Bufab Group .......................................................................................... 28
   4.2 Account Management .................................................................................... 33
   4.3 Bufab Sweden ................................................................................................ 34
   4.4 Sister companies ........................................................................................... 35
   4.5 The business processes ............................................................................... 37

5. Analysis .................................................................................................................. 41
   5.1 Bufab, an innovation stimulating environment .............................................. 41
   5.2 Analyzing Internal factors that influence the process of Innovation ................. 41
   5.3 The Products of Innovation in Bufab ................................................................ 49

6. Conclusions and Implications ............................................................................. 56
   6.1 Conclusions .................................................................................................... 56
   6.2 Managerial Implications ................................................................................ 58
   6.3 Further Research ........................................................................................... 59

References .................................................................................................................. 60

Appendix ...................................................................................................................... 65
Table of Figures

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 1</td>
<td>Dimension of innovation space Tidd, Bessant and Pavitt (2001)</td>
<td>7</td>
</tr>
<tr>
<td>Figure 2</td>
<td>The three dimensions of innovation Teher and Tajer (2008)</td>
<td>8</td>
</tr>
<tr>
<td>Figure 3</td>
<td>Net Sales development (Source <a href="http://www.bufab.com">www.bufab.com</a>)</td>
<td>28</td>
</tr>
<tr>
<td>Figure 4</td>
<td>Bufab’s Global Account Organization (Source: <a href="http://www.bufab.com">www.bufab.com</a>)</td>
<td>32</td>
</tr>
<tr>
<td>Figure 5</td>
<td>the Product flow (Source: <a href="http://www.bufab.com">www.bufab.com</a>)</td>
<td>38</td>
</tr>
</tbody>
</table>
1. Introduction

In this chapter we will provide the context that our research will be conducted in. We will explain the born global context and we will shortly conceptually present innovation, business processes and the supply chain. Furthermore we will discuss the Problem that we have detected, the Purpose of our studies and we will propose the Research Question that our research is built upon.

1.1 Background

Globalization has gradually been changing the world for years now. Bit by bit we have reached a point where businesses are able to make profits from sales around the world without having the need to be physically present in all those markets. The process of doing business internationally has evolved in the sense that today the size of the company is not as important as before and any firm that is able to be competitive can compete internationally. This is a result of a change in the whole process of internationalization that has been researched by many scholars today.

When it comes to companies competing internationally there are many different theories developed that were predecessors to the internationalization theories. Starting from the classical theories, early market imperfection theories, later day imperfection theories to the development of international expansion, the evolution of the theories ended with the formulation of the internationalization theories (Mtigve, 2006). The process of internationalization was popularized as a result of the influence of globalization and the lowering costs of transport (Oviatt & McDougall, 1994; Rennie, 1993). The two key trends that have been of great influence in the reduction of the costs of foreign market expansion have been the globalization of markets and the technological advantages (Knight & Cavulgil, 2004). In the past the internationalization process was understood by companies to incrementally grow and enter other markets (Johanson & Vahlne 1977), whereas today the trend moves towards a different type of internationalization. This new trend includes, amongst other characteristics, rapid international expansion very soon after the formation of the company (McDougall, Oviatt & Shrader, 2003).

Besides these potential advantages of globalization such as the market expansion and technological gains, there is another trend visible in the last years, which has a more negative influence. The globalization tends to enlarge the gap between the companies and its customers, whereas the customer these days is becoming more and more demanding when it is about meeting the conditions, characteristics and circumstances that they are familiar with (Payne & Frow, 2005). In attempt to reduce this gap it is said by Kim, Basu, Naidu and Cavusgil (2010), that for born globals it is of importance that a company is customer orientated in order to be able to sense the customers’ needs and being able to live up to them; and the customer orientation is an enabler of a born global company’s innovativeness (Kim et. al., 2010). Another way for companies to deal with the gap between customer requirements and the company’s offer is by trying to gain the advantages from both the global approach, as mentioned before, and at the same time trying to sustain a certain level of closeness to their customers, which would be the local approach. The use of a strategy that reflects the global strategy approach while still maintaining awareness and acknowledgment of the necessity for local adaptations and adjustments of the business activities is referred to as ‘Glocalization’,
which terminology according to Svensson (2001) is introduced in order to being able to be more specific when talking about a company’s global strategy. Finding the right balance between the global and the local approach is often seen as a big challenge for internationally operating companies.

One of the most known internalization theories is the Uppsala Model developed by Johanson and Vahlne (1977), which considers experience as an important factor in international expansion and takes in consideration the physical distance of markets. In this model, the difference between political systems, cultures, languages and other market differences are considered. The Uppsala Model represents an opinion that companies first need to expand into their own home markets before they start their international expansion and when that happens there are certain steps that tend to be followed; beginning with occasional exports and ending with establishing a subsidiary in another country (Andersson & Wictor, 2003). However, scholars have criticized the Uppsala model in a certain deal because in a way it limits the choices of companies and does not leave space for personal decisions and judgment of entrepreneurs (Andersen, 1993). As a result of this kind of criticism, scholars investigated in what happens when companies do not apply the Uppsala Model and they decide to do their international expansion rather soon after the inception instead of choosing for the more incrementally developing internationalization process such as the Uppsala Model.

Companies choosing the rapid expansion soon after their foundation are called born globals and are generally SME’s that have decided to expand internationally much earlier that they would have if they would follow the Uppsala Model, and yet they manage to make profits and exist on the market (Oviatt & McDougall, 1994). Born global firms are known for starting to internationalize at a young age, staying relatively small in size and lacking the deeply rooted administrative heritage (Knight & Cavusgil, 2004). They depend a lot on networking and are greatly influenced by their relatively small size, international contacts and experiences which make them rather flexible and adoptive to changes (Madsen & Servais, 1997). In line with these foundations lies the fact that the expansion into foreign markets requires a company to be flexible and adjustable to the new culture and market. Long established and well routinized companies will encounter a disadvantage in the flexibility they can create in their adaptation process and in letting go their domestic based routines, whereas born globals will find it easier to adopt to the new market and handle towards internationally oriented routines. Another point in which born global companies distinguish themselves from other internationally operating companies is that their entrepreneurial orientation and their intentions for international expansion are very visible in the global focus of the management (Knight & Cavusgil, 2004).

1.2 Framing Innovation, Business Processes and Supply Chain Management

The following section will present the main aspects of Innovation, Business Process and Supply Chain Management. This framework will help to get a better understanding of the concepts, which is needed for the development of the problem area that will be studied in this thesis.

1.2.1 Innovation

A lot has been written on the topic of innovation and many studies have been conducted that have brought fruitful results. No matter which book of innovation one picks up the first thing that they will read is the importance of innovation and the benefit that innovation can bring to the company especially in sustaining their competitive advantage and by that staying ahead of the competition. In order to develop the problem discussion, one basic definition of
innovation will be used that was developed by Cumming (1998), a definition that tries to summarize all the attempts to define innovation, and he came to the general conclusion that ‘innovation is the first successful application of a product or a process’ (p.22). This definition has been chosen because it shows that there is a clear differentiation between the product innovation and process innovation in a company. Since most of the literature has been devoted on the innovation of products and the process of New Product Development the focus of this study will be turned towards the topic of innovation of processes or so called process innovation. Davenport (1993) sees process innovation as significant as product innovation. He recons that if the processes of companies are not arranged in an innovative way, then even if the company has innovative products it will not be able to keep up with the competition and to keep its sustainable competitive advantage because from an organizational aspect it will be lagging. The company’s process innovation can be technological and non-technological and although they are much different they are equally important for the company (OECD, 2005).

1.2.2 Business Processes
Besides the definition of innovation it is of importance to define how to perceive a company’s business processes. According to Melão and Pidd (2000, p.111) a business process is ‘a set of related activities that are of value to a customer’. It is becoming more and more important to have value adding processes as a key aspect in a company’s business processes (Aguilar-Savén, 2004). The definition of Melão and Pidd (2000) states that a company’s business processes can be structured in such a way, that certain changes or adjustments in the process could lead to a better competitive position for the company due to the creation of value. Trkman (2010) expands this former definition towards a business process is a complete, dynamically coordinated set of activities or logically related tasks that must be performed to deliver value to customers or to fulfill other strategic goals’. The broadly stated ‘other strategic goals’ that are a part of this definition can be interpreted as the targetting of a certain market, cost cutting or other strategic aims that a company can pursue. In order to keep ones competitive advantage, a company should embrace change and newness and thus innovation to keep up with the industrial environmental development, but it is as important to try to build efficiency and flexibility in the core of it’s business processes. To be able to find out where in the process one should or could create efficiency and flexibility through innovation, it is thus important for a company to define one’s key tasks in their business processes (Trkman, 2010).

1.2.3 Supply chain management
The third aspect that is of importance to frame before we start our research is the supply chain and the importance of managing the supply chain in a proper way in relation to the innovation in processes. A supply chain can be defined as “a process that transforms materials into products and delivers them to customers through specific activities” (Si, Edmond, Dumas, & Chong, 2007, p.369). For a trading industry, the former definition might not seem directly applicable because a trading company does not manufacture itself. However, the “transformation of materials into products” for the sake of the end-consumer can still be seen as a step in the process that will take place in another way, such as the packaging or other handling of the end products. The processes that take place in the supply chain are mainly focused on the improvement of the efficiency of the product delivery process. The common aim of an efficient supply chain in any industry is to get the right products at the right time to the right customer, while still trying to keep the costs for running through the process as low as possible (Si, et. al., 2007). A proper management of the supply chain improves customer value and the usage of a company’s resources and increases the organizational effectiveness and profitability (Lai, Ngai & Cheng, 2002). Supply chain management also arises from the conviction that a company’s competitive advantage is strongly dependent on the customers
values and the cost of the customers (Porter, 1985) which are combined in the management of the supply chain (Lai, Ngai & Cheng, 2002) through the strong connection with the value chain. According to the above said, the satisfaction of your customer can only be achieved through a good management of your supply chain, which means that the whole chain should commit, integrate and coordinate in the pursuit of related, value-creating and innovative practices (Robinson, Malhotra, 2005) Supply chain management arises from the conviction that a company’s competitive advantage is strongly dependant on the customers values and the cost of the customers. The significance of good supply chain management is therefore that it improves customer value and the usage of a company’s resources and that it increases the organizational effectiveness and profitability (Lai, Ngai and Cheng, 2002).

1.3 Problem Discussion

Literature shows some research and findings on the relation between innovation and business processes and how the supply chain can be managed in such way that it they enable innovation. In the theoretical framework these linkages will be further discussed and outlined as well as additional information on connected theories concerning supply chain management. This thesis will focus on the process innovation within the context of a born global trading company.

1.3.1 Born global context

Since this research has been inductively inspired by a certain degree it will deal with one specific case study in which the phenomenon of innovation in the business process of the company will be looked at. The Bufab Group is an international trading company that operates in the sector of fasteners and small parts on a worldwide scale. It is the major supplier in Sweden, holds the third and fifth place respectively in Europe and the world. It is a born global company that has been growing rather fast in the last decade and it has managed to expand in a great deal of the market by having around 35 companies in about 20 different countries. The company has managed to work successfully and efficiently by having a decentralized strategy that gives space for every company to make decisions on its own and yet to follow the same strategy that the Bufab Group as a whole pursues. By having rather lean operations and low hierarchical thinking, the Bufab Group is trying to promote the Swedish business culture and Swedish way of doing business in all the member companies of the group. This born global context is what attracted our interest for the research of this thesis. The answers to our research question will be looked for in the international environment of the Bufab Group.

1.3.2 Trading Industry

Amongst all the possible born global companies to use as a case study for our research, we got especially attracted by the trading industry in which manufacturing plays a minor role and where the emphasis in the business processes lay on international transport and logistics. This trading industry in which Bufab operates deals with standardised low priced products which are worth less per kilo than are the manipulation costs that occur for transporting those products from Asia to Europe. Operating in this kind of an industry and still managing to keep margins on the product is something that we find interesting and worth looking into.

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1 Please note that in this report we will use the names ‘Bufab’ and ‘Bufab Group’ interchangeably, both referring to the Bufab Group as a whole generally operating organization. When talking about a specific company in the group this will clearly be indicated in the text.
1.3.3 Problem

Literature shows that innovation is strongly connected to high-tech manufacturing industries and product development (Johannessen, Olaisen & Olsen, 1999). At the same time, there seems to be a lack of research on innovation in the service industries such as trading (Miles, 2005). Because of this we have decided to focus on the trading sector and to work towards better understanding of the processes of innovation. The business processes of our case study company are mainly focused and built around transport and logistics, and they have to deal with a lot of different service based business processes such as the ordering, supplying and delivering of goods and services which, as we have seen in our former framework, will show their appearance somewhere in the company’s supply chain. Further more, since innovation is considered extremely important for competing on the global market (Dyer, & Singh, 1998) we decided to put our research in a born global context. On top of this, the organizational structure, strategy and culture of a company are said to be key organizational assets necessary to achieve organizational effectiveness, however, theory shows that the influence of these internal factors on an organization’s competitive advantage is still an understudied question (Zheng, Yang, McLean, 2010)

Having outlined in brief the theoretical implications we would like to fill in the gap in the literature in the field of innovation in the trading sector, which leads us to the following purpose.

1.4 Purpose

With our research we want to get an understanding of how a born global trading company applies innovation in their business processes in order to gain a competitive position in the industry. In order to find this out we will focus on the internal factors organizational structure, strategy and culture of the company, which, as literature will show, at the same time are connected to and influenced by the born global context.

1.5 Research question

In regard to the above said, the research question is:

| How do the organizational structure, strategy and culture of a born global trading company influence and form innovative solutions for improving the business process? |
2. Theoretical Background

In this chapter we will make a framework concerning the existing theories on innovation, organizational cultures, innovation stimulating organizations, organizational learning, supply chain management and knowledge in relation to innovation. This theory will later be used to analyze the case study and answer our research question.

2.1 Defining Innovation

There are three words that connect the world of innovation: phenomena, change and newness. Every definition or effort made to define innovation has most likely used two of these exact or similar words. Fagerberg (2005) describes innovation as an old, well known phenomenon without which the world would not have been the place as we now know it. Every important change in history has been a result of some kind of innovation, because innovation leads to economic, social and technological effects at the same time. This is why it is considered that the only way to study innovation is by using a cross disciplinary approach. This is the only way that can assure a thorough analyzes and understanding of the topic.

It is very hard for one to give one universally used definition of innovation. The definition of innovation is affected by the point of view of the scholar and because of that, every writer has its own understanding and definition of innovation. Schumpeter (1983) defined innovation as applying new combinations to existing resources. Drucker (1991) defines innovation as a mean of creating new wealth-producing resources or using existing resources for creating new wealth. Hage (1999) defines it as a common understanding of adoption of a notion or act that affects a program, system, process, product, service, device or policy that is new to the organization. According to Trot (2002) innovation is a process of applying new ideas and new solutions to specific problems or even developing new markets. One can easily notice that all of the definitions are different, however, at the same time they are connected by the factor of “newness” and many theorists, like Johannessen, Olsen and Lumpkin (2001) therefore have asked the question: “new to whom, or new in what way?”

As a result of a question like this, two dimensions have been defined that describe and develop the phenomenon of innovation. The first one is the type of innovation (what has changed) and the second one is the intensity of innovation (extend of innovation) (Tidd, Bessant, & Pavitt, 2001). Schumpeter (1983) defines five types of innovation being new products, new methods of production, new sources of supply, new markets and new organization of the business. However, at a later stage the focus has moved towards only the first two factors that have been defined as new product development and new process development (Fagerberg, 2005).

2.2 Classifying Innovation

Innovation cannot only be defined differently but also can be classified differently by different authors. There have been many models developed about how innovation is classified into a certain type and which are the factors that decide on this. Three models of classification will be discussed in depth, in the following section.

The model that is supported by this research and that will be used in the analyses of the thesis is the one developed by Tidd, Bessant and Pavitt (2001) (see Figure 1). This model uses three
factors to appoint three different levels for both dimensions of innovation and this is done because according to the authors there are rarely cases where innovation is seen as black or white. If the dimension of what has changed is looked at, then the three factors would be product, service and process. According to the model there is no such chance that there is only a product or service innovation; usually innovation comes as a combination of factors which change at the same time which results in something new. The second dimension is the perceived extend of the change which can be graded for the change to be incremental, radical or transformational. Usually in literature a two factor model is used that consist of incremental and radical change as two opposites, where radical means developing something totally new and incremental stands for adapting an already known innovation to a new environment or giving it a new usage (Damanpour 1991). One more dimension can be added to innovation and that is the dimension of time. Tidd, Bessant and Pavitt (2001) differentiate between continuous and discontinuous change as a result of innovation. This issue will be discussed more at a further point in the theoretical background however it is important to differentiate that innovation can result with a drastic change that happens once or a continuous incremental change that affects something over a longer period of time.

Another classification of the types of innovation and a rather widely used one is the one presented in the 3rd edition of the Oslo manual that divides innovation in four categories: Product innovation, process innovation, marketing innovation and organizational innovation (OECD, 2005). The marketing innovation and the organizational innovation together form the operational innovation of the organization. This classification considers services under the products type and compared to the model of Tidd, Bessant and Pavitt (2001) it stresses the importance of the operational innovation by dividing it in two categories, marketing and organizational innovation. It should be noted that the Oslo Manual generally differentiates between technological innovations and non-technological innovations by classifying them in Technological Product and Process (TPP) innovations and Other Innovations under which the marketing and organizational innovation are classified (OECD, 2005).

Mothe and Thi (2010) divide innovation into two types, technological and non-technological innovation. This classification includes organizational and marketing innovation under the non-technological type and the new product development under technological innovation. Under non-technological innovation the Oslo Manual differentiates between marketing and organizational innovation. A marketing innovation involves “the implementation of a new marketing method involving significant changes in the product design or packaging, product placement, product promotion or pricing” (OECD, 2005, p.172) whereas organizational

Figure 1: Dimension of innovation space Tidd, Bessant and Pavitt (2001)
innovation involves “the implementation of a new organizational method in the company’s business practices, workplace, organization or external relations” (OECD, 2005, p.180). The importance of the non-technological innovation has shown to be equal to the one of technological innovation by some empirical researches conducted by Schmidt and Rammer (2007). Mothe and Thi (2010) point out that the non-technological innovations directly affect the technological innovation and the general level of innovation in a company. However they do not directly boost performance in terms of turnover, nevertheless the importance of the non-technological innovations should not be underestimated. According to Schmidt and Rrummer (2007) when combined technological and non-technological innovations can bring positive result to companies in terms of efficiency.

A model constructed by Tether and Tajar (2008) presents the three-dimensional aspect of innovation in a form of figure (see Figure 2), presented below. This presentation in a way includes all of the previously discussed dimensions of innovation and all possible forms of it. Moreover the figure helps to clarify and build a better understanding for the reader, which is considered important for our research. If proper and consistent understanding is built then a proper observation and analysis will be more likely. According to Tether and Tajar (2008) the three dimensions with which a firm’s innovation can be measured are as follows. The first one divides the innovation to product and process, depending if the company innovates in what it produces or it innovates in how it operates. The second dimension divides innovation into technical and administrative, where technical innovation is about improving the technical systems and the administrative innovations focus on the improvement of the social systems of the company. The third dimension explains the locus, whether the innovation is only internal or inter-organizational or if it is transferred through a specific network.

Figure 2: The three dimensions of innovation Tether and Tajar (2008)

As can be seen on Figure 3 the three dimensions discussed above can be used to plot the firm’s innovation and to see in which position the company finds itself at the moment. The figure already shows that generally the technological innovations will be plotted more on the left whereas the other administrative and non-technological innovations will show on the right side. When it comes to the products versus process differentiation, the companies that invest in product innovation will be plotted in the upper part of the figure and the companies that
invest in the process innovation on the lower part (Tether and Tajar, 2008). The latter discussed explains why classical R&D investments are plotted in the upper left corner of the figure, since the R&D department is focused on market development in order to develop and adjust their product to the demand.

2.3 Process Innovation

As previously discussed by Tidd, Bessant and Pavitt (2001) there are three types of innovation when it comes to the question of what is changing: new product innovation, service innovation and process innovation. New product development as an innovation has been discussed a lot in the literature and has been applied widely. Technological innovations are developed every day or some improvements of old innovations are launched on the market. On the opposite side of the product innovation is the process innovation, which is actually the innovation of organizing the activities. The framework developed by Tidd, Bessant and Pavitt (2001) shows that somewhere in the middle between the products and the processes there is another type of innovation called the innovation of services.

The Oslo Manual defines technological process innovation as a new or improved method of production or distribution of products. The process innovation can construct of using new equipment or new a organization of the process, or a combination of both (OECD, 2005). It is important to know that a process approach is actually considered to be concerned about the adoption of a customer’s point of view (Davenport, 1993). Because of this the innovation of the process affects at the same time the innovation of services and the innovation of products. According to Davenport (1993) more and more companies have started applying the process approach and by that have tried to minimize the costs and maximize the profits. The process approach basically tries to eliminate unneeded cost drivers that are not building value and to concentrate on the value adding activities. According to Davenport (1993) this way customers are much more satisfied and willing to pay even more for the service and products and at the same time cost are cut and efficiency improved. Although it sounds basic and easy, practice shows that this is not easy to achieve and many companies struggle with this, however once achieved, the results are worth fighting for. The process of cutting costs while adding value to the customer is managed throughout the supply chain, which is why we will give further notice on this subject in the next chapter.

2.4 The Global Context and Innovation

Since innovation is seen as a very important issue in a companies’ survival, companies have tried to manage it as good as possible. Research has shown that more and more companies have been trying out their own ways of innovating and have been following and applying different processes in order in the end come to the same or similar innovations (Griffin, 1997). According to Tornatzky and Fleischer (1990), the environment can be seen as one of the most important (contextual) factors that influences innovation, and changes in the environmental context are often seen as a driving force for organizational innovation.

2.4.1 Contextual innovation

According to Ortt and van der Duin, (2008) more and more companies have tried to adopt innovation management to their needs and to their business and this is defined in literature as contextual innovation. Contextual innovation if possible to define it as such is adapting the innovation processes to the specific organizational and social environment (context) of the business. Ortt and van der Duin, (2008) continue their defining of contextual innovation by determining the influence of the internal and external environment on the shaping of innovation. The type of strategy and the organization of the business are defined as internal
factors and the type of industry and the type of country represent the external factors. These four factors are called contextual factors and they represent how the management of innovation in a company is not that open to but on the contrary it is affected by the context of it.

2.4.2 Networking as a way to create innovation

Besides the influence of the context on innovation, in newer times innovation is more and more affected and inspired by the forms of collaboration that the companies have. According to Tidd, Bessant and Pavitt (2001), by building different ties around itself with different business partners and relationships, a company enables itself to be easily inspired to innovate or to be pushed into an innovation by another business contact. We shall not get into details of types of collaboration that exist between companies but will concentrate on the importance and benefits of networking and what can be the effects on innovation. A network is not only a good way to access information but it is also a way to access power. Depending on the tight or loose links that the companies has in the network it can benefit a great deal not only in terms of innovation management but also in terms of learning (Conway & Steward 1998). As shown in the studies of Sharma and Blomstermo (2003) born globals’ internationalization process is a matter of learning through networks, instead of it being based on an hierarchical organizational structure (Jantunen, Nummela, Puumalainen and Saarenketo, 2008). They state that born globals are more flexible when it comes to the adaptation of their strategies to their markets and thereby conclude that the building of relationships with international firms in the globally spread markets are built in a most early stage as possible. Companies that operate in fast moving markets where change and innovation is very important for sustaining their competitive advantage in most cases depend and rely on the relationships that they have with different business partners. These relationships help them to stay innovative and on top of the game by sharing knowledge experience and ideas with their partners (Dyer, 1997).

Depending on the type of business partner these relationships can be long term on short-term, no matter what their length is, they can be equally important. According to Powell and Grodal (2005) though, when talking about strong and weak ties it can be said that the weak ties have been of a much greater importance when it comes to making a difference and innovation. People get ideas from people that are not close to them, because too close relations will have a view and frame of reference that is too much alike and which will thus not encourage new thoughts, knowledge and thinking. Looking at the relationship ties within born globals, we can say that they on one hand are known for being good in building strong ties because of the similarity in educational background and years of working together, which encourages the sharing of knowledge and idea’s. Born globals tend to have a numerous amount of weak ties that keeps growing through the strong ties and foreign market expansion, of which quite some of them are indirect through other stronger or weaker ties. As we have seen before, this large amount of weak ties is one of the enablers of innovation in a company by supplying the born global company with knowledge on the markets and customers abroad (Sharma & Blomstermo, 2003). However when it comes to support then the strong ties are those that a company or a person always relies on. Putting networking aside other authors like Todtling, Lehner & Kaufman. (2010), research has shown that companies that that have introduced less advanced incremental innovations are much more keen on getting their knowledge and ideas from their direct business partners or customers. Granovetter (1973) defines ‘bridges’ as means that develop weak ties. Bridges happen when one contact knowing two other contacts enables a meeting between those two. It can also happen that a connection is enabled between clusters of contacts that were formerly not know to each other. This phenomenon is known as
the creation of a structural whole, which is considered of great importance for exchanging ideas which can be considered a beginning of a new innovation (Burt 1992).

2.4.3 The influence of customers’ involvement on innovation
Another type of relationship that can be of a benefit for the level of innovation is the customers’ involvement. As the theory of Kim et.al. (2010) says, a born global can benefit highly from having a customer orientation and thereby involving the customer at a certain level and use this involvement as a stimulation for innovation. According to a study by Fuchs and Schreier (2011) companies that empower the customers to give their innovative ideas or give ideas for a new product or service can build up on their competitive advantage. There are many levels of openness towards customers’ ideas from suggestions to accepting ready models for new products. It is up to the company to choose to which extend it will customize for its customers according to its needs and to its business process. Another study by Franke and Schreier (2010) comes to a conclusion that involving customers in the process of innovation can increase value for the customer and at the same time it can be of a great benefit for the company. When it comes to customer-supplier relationships according to Dyer and Singh (1998) there are four types of action that happen and these are the sharing of knowledge and by that learning, involvement in idiosyncratic investments, using recourses for joint innovations and relationship governance. All of these have importance for building trust and a long term relationship between customers and suppliers and at the same time the stronger the actions the higher the chances for influencing one company to another. This can mean that these actions or activities can increase the chance for sharing innovative ideas. According to a study by Charterina and Landeta (2010) investing into building strong relationships between customers and suppliers has a positive effect on the level of innovativeness. The authors stress that this can be so as long as the involvement and the benefits of the relationship are mutual in the cases when one company gives more or gets more than the outcome might be different.

2.4.4 Organizational Culture and Innovation
Organizational Culture is a term that is used to refer to ‘the configuration of values, implicit assumptions, and understandings that are expressed in overt statements, patterns of behavior, and interpretations of symbols that distinguish one organization from others’ (Peterson & Fischer, 2004, p. 715). It can be said that the culture of an organization can influence innovation. There are certain prerequisites though for the organizational culture to actually have influence on the level of innovation. Nranjo Valencia, Sanz Valle and Jimenez Jimenez, (2010) found out that although theory greatly supports the relevance of a strong organizational culture for innovation, still in practice this cannot be stated for sure, in which we refer to a strong organizational culture as one in which the thinking and behavior of the organization’s members is strongly influenced by the culture as such (Peterson & Fischer, 2004). The empirical results have not proven a direct positive effect and also show that in many cases culture can work against innovation. This same notion is supported by Jelinek and Schoonhoven (1991) who have found out that strong cultures in many cases can be very hard to manage and can inhibit innovation. As discussed by Ekvall (1991) in order for innovation to be boosted into a company, there needs to be 1) an existing idea-handling system, which needs to be followed by 2) a supportive climate. Idea handling or so called idea management is a concept about finding new ideas in the company and using them in order to improve the products and processes of the company. At the same time it is the way that a company deals
with ideas, if a company allows sharing or submitting new ideas to management or someone responsible or if it is more of an open way of sharing the ideas. In the cases where the organization does not offer this supportive climate, the idea-handling system is not useful. Nevertheless, in many cases even if the climate is supportive of such a system there still is a need of formal procedure that will control the sharing of ideas in the company.

Despite the previous argued literature at the same time shows that there is an existing link between organizational culture and innovativeness in a way that if the culture encourages creative thinking, learning and participation then it is more likely for innovative ideas to be received in this kind of companies (Hurley & Hult, 1998). Supporting this, Zaltman, Duncan, & Holbeket (1973) recon that the cultural openness towards innovation is crucial for companies that want to innovate. Going the same path, Dobni (2008) concludes a research by saying that in spite of the importance of innovation in today’s business world an innovative culture -if implemented successfully- can have positive effect on sustaining competitive advantage and even on the performance.

As we have seen earlier, the foundations of a born global company are very much entrepreneurial orientated and they are associated with a proactive and innovative approach to internationalization (Knight & Cavusgil, 2004). A company’s culture derives from the core capabilities founded on the knowledge and skills of all the employees that the company embodies. As their research shows (Knight & Cavusgil, 2004) the organizational culture of a born global company is mostly built on being internationally oriented, being entrepreneurial and being innovative in the pursuit of foreign markets. As discussed by Makino and Inkpen (2003) the mindset of the top management towards development of the business and creating competitive advantage lies at the basis of the learning processes in the company. This is why we can conclude that the entrepreneurial and innovative orientation that is implied in the born global founder and management is there for of influence on the company’s culture and thereby on the level of innovation in the company.

Jantunen, Nummela, Puumalainen & Saarenkrto (2008) executed a study on the relationship between strategic orientations and the success of performance on an international level. The different strategic orientations they studied are the International Growth Orientation, Entrepreneurial Orientation and Learning Orientation. This study shows that a born global’s learning orientation has a positive influence on their international performance, whereas the entrepreneurial orientation, seems to have a positive effect especially for the gradually or slow internationalizing companies. A Customer Orientation, as investigated by Kim et al. (2010) stimulates innovation through the technological capabilities of customer relationship management. In the trading sector where international buyer-seller partnership is crucial it is of great importance to cultivate and maintain long-term relationships (Kim et al, 2010). Though given the fact that born globals are known for their relatively small business scales, they might prefer to put more emphasize on personal relationships, which will result in less investments in an automatized customer relationship management system (Kim et al., 2010).

In conclusion when it comes to the literature on innovation and culture there can be different opinions, because of this, one needs to be aware that innovative culture can give positive effects on sharing innovation however at the same time a strong culture that is highly procedural can inhibit innovation. Companies should be careful in their choices when it comes to innovation and culture. Even though we can say that born globals are very much influenced by the Entrepreneurial Oriented in their choice of strategy, it should not be forgotten that the Customer Orientation is needed in order to empower and stimulate
innovation. We have seen that innovation is enabled through the sharing and managing of knowledge and ideas, and will therefore proceed with theories that link innovation with knowledge and how knowledge is used to enable innovation.

2.4.5 Innovation and External Knowledge
Knowledge has been identified by several scholars as being a key asset towards an organization’s sustainable competitive advantage and its growth. Proper management of knowledge is said to play a role in connecting context and strategy with an organization’s competitive advantage, customer focus, employee relations and development, lowering costs and, importantly, innovation (Skyrme and Arnindon, 1997). On top of that, intangible assets such as knowledge and capabilities have become more and more crucial for success in international business (Jantunen et. al., 2008). Knowledge can be divided into internal and external knowledge. In this paper we will refer to internal knowledge as all the knowledge and capabilities that a company possesses in its employees. External knowledge are all the knowledge and capabilities that a company does not possess yet, but does have access to through their employees and their network (Almeida, Phene & Grant, 2003). The process of knowledge management is about the way that a company manages to combine both internal and external knowledge in order to create new knowledge that can lead to sustainable competitive advantage (Almeida, Phene & Grant, 2003). If we can state-as we did before-that innovation is a way of sourcing and integrating yet existing (internal) and new (external) knowledge, we can also come to the conclusion that a company’s internal and external knowledge is inherently connected to a company’s innovativeness.

The importance of external knowledge is hereby partly explained but there are several reasons why external knowledge plays such an important role in the innovation level of a company. First of all, according to former explained theory, without external knowledge no new knowledge and thus no innovation can be created. Furthermore, not many, not to say none, companies are capable of developing and master a covering range of knowledge, capabilities and assets that are needed to compete on a global level in this fast changing international and innovative environment. The challenge lies within defining, gaining and developing the most critical knowledge to create new knowledge and innovation, which can help the internationally operating organization to prosper and grow (Almeida, Phene & Grant, 2003). And as Grant (1996) found, the broad range of external knowledge that an organization has access to increases the flexibility of the organization, which is fundamental for surviving in a fast changing and dynamic business environment. A factor that plays a big role in the process of looking for external knowledge are the boundaries that the company’s structure and routines give and the experience, the history and the individuals that played a role in this (Cohen & Levinthal, 1990). These factors all seem to play a role in the delimitation of the searching area, the scanning capabilities and thus the found (new) knowledge and level of innovation for the company. Next to searching for knowledge in your surrounding environment, capability and knowledge building can also be created through acquisition or strategic alliances through the shared execution of the alliance tasks and the process of getting there by finding a way to please both or all parties involved (Inkpen, 2002). The diversity between alliance partners will stimulate learning by looking and listening to each other, but also through the common interest of solving the conflicts that will occur due to those different mindsets (Phan & Peridis, 2000). The acquisition of a well-established local firm on the other hand is another way to quickly gain access to local knowledge and sources and new capabilities.
As we will see and explain further in the next chapter that organizational learning is about the building of knowledge and capabilities in the organization to build your competitive advantage, it is important to know how and where to look for knowledge and capabilities to be gained. According to Makino and Inkpen (2003) they can be either exploited if they yet exist and to be found, or explored when you are trying to find new ones by linking yet existing knowledge and information. Since exploitation has more certain outcomes, is less time consuming and has shorter time horizons to find them, this is often the most common way to gain new capabilities in the company. Though, the importance of exploring new capabilities lies at the foundation of a company’s stronger innovativeness and competitiveness and should therefore also be stimulated by the company. The fact that a company is able to recognize important and useful knowledge does not necessarily mean that this particular firm is able or has the capabilities to access and transfer the knowledge as such. The way to get access to the right and knowledge that can be used for a company’s innovation process, strong linkages should be developed between the company and their external knowledge sources in which the right and applicable knowledge is filtered out. Those linkages to the external sources to create a stable foundation for knowledge transfer could be built through alliances, mobility of people, geographically clustered networks and of course the sourcing capabilities that the company internally inhabits already (Almeida, Phene & Grant, 2003).

2.4.6 Organizational Learning and Internal Knowledge

Research has shown that a company that is actively searching for innovation will look for it in the closeness of their current activities, which makes the possibility for radical changes less likely (Cohen & Levinthal, 1990). Empirical data shows that most firms have the tendency to hire domestic managers instead of foreign managers, which results in the fact that the management of an organization has the domestic mindset and is bound to this home country context. These boundaries implied in the home country context are about finding learning opportunities outside the domestic context, finding opportunities but having difficulties of exploiting them and about how their domestic mindset influences at a high level what, how and where to search the learning opportunities and how to interpret (Makino & Inkpen, 2003). The abandonment of this domestic mindset is made extra difficult by the lack of knowledge about and operational experience in the foreign countries. Introducing expatriates into the organization will increase the internal communication efficiency on an international level, though on the other hand it will lower the external communication efficiency because of the missing connection to the foreign countries and cultures. To overcome these barriers Makino and Inkpen (2003) still suggest to firstly focus on the internal communication efficiency with the introduction of expatriates, and once the internal systems of communication are embedded in the foreign country more local managers can be introduced to establish a better connection to the external sources in this foreign country and learning as such.

There are differences between certain terminology that we will use that seems to cover the same subject like organizational learning, organizational knowledge, the learning organization and knowledge management. Though, organizational learning is about the learning processes within organizations whereas organizational knowledge is about the content that the company possesses. The learning organization is about seeing the organization as one entity with the capability to learn in an effective way and thereby to prosper and knowledge management concerns the approach by which knowledge is leveraged in order to enhance organizational performance Makino and Inkpen (2003). According to Autio, Sapienza and Almeida (2000) organizational learning occurs best in a situation when the company has not many organizational routines so that should be taken into account on forefront. On top of that, organizational learning stands often in relation to knowledge maintenance and hence, the
minimization of employee turnover in order to create a sustainable learning environment (Crossan & Berdrow, 2003). One of the most important aspects that differentiates organizational learning from individual learning, is that organizational learning occurs through the sharing of knowledge and insights (Stata, 1989). If organizational learning is based on, amongst other aspects, sharing, then it is implied in the organizational learning theory that learning will not occur if there is not any form of communication (sharing) that lies it the base of it.

As identified by Mintzberg, Ahlstrand, and Lampel (1998), organizational learning is one of the factors that lies at the foundation of success for a company’s performance. A company’s global success is strongly dependant on the accurate responsivenes on environmental complexity and competition (Taylor & Osland, 2003) and as De Geus (1988) stated years ago already that organizational learning therefore would be one of the surviving factors for companies competing on a global level. The theory of Cohen and Levinthal (1990) states that interaction across individuals with different knowledge and different capabilities will increase an organization’s possibilities to create new linkages and associations within a new environment, which can be linked to being innovative. The internal transfer of knowledge in an organization will be more efficient when there are strong social interaction ties and common and shared values and norms (Makino & Inkpen, 2003). Globalization and the expanding environment will inherently increase the sources of learning and innovation that a global organization has access to nowadays. And here is where we can see the strong connection between organizational learning in a global context and the potential to being innovative for an organization.

The styles of learning vary in different organizations because it is dependant on the environment, history, culture size and age of the firm (Taylor & Osland, 2003). This also immediately explains the reason why organizational learning is not even the same within any organization. There are different aspects to take into account amongst which one of the major challenges that a global firm faces in terms of effective organizational learning and thus being innovative, is the intercultural communication because regardless the type of information that is to be shared, a communication process will always be affected by culture. It is often seen that the style of organizational learning is embedded in the top-management, through the way that they organize and embed processes and structures in throughout the company. (Taylor & Osland, 2003) Some of the barriers of intercultural communication on the organizational learning are explained in the article of Taylor and Osland (2003) as being 1) The marginality of the sender; the sender has adapted to more than one culture (e.g. by living abroad for a longer amount of time) and thereby does not feel bound to either one of the dominant cultural coalitions, which results in the feeling of not being heard or taken as a full equal, 2) Stereotyping: which will prevent the receiver to change their opinion and be open towards the actual sent message. 3) Communication style differences: verbal as well as non-verbal influence both parties understanding of the sent and received messages, 4) Linguistic abilities: which is about the comprehension and the thereby set boundaries on which persons will communicate with whom, 5) Cosmopolitanism: the original external orientation towards the world, and 6) Satisfying: is about making decisions that are ‘good-enough’ for the sake of not making the communicational process to maximizing the profitability of the decision is too energy-demanding.

Research has shown that the need for implementation and integration of knowledge is often lead by the globalization because of the dispersion of the knowledge throughout such a big geographical area which makes it easy to lose it out of sight. The way that the encountered
knowledge on different locations is brought together within an organization is interesting and differs from continual knowledge sharing processes. According to Almeida, Phene and Grant, (2003) these processes are often embedded in the organization due to this geographical widely spread location of the knowledge. To actually come to innovation it is not only important to being able to track down the right and useful knowledge as explained before, the next step is the implementation and integration process. Exploitation of tangible resources or capabilities, such as technology, is overall easier because they can just be gained and transferred in the way that they are found. Intangible assets like strategic thinking, are very immobile across borders because they will mostly be embedded in an organizational network and are mostly firm as well as location specific which means that the organizational environment and the location both are of influence on the outcome of the asset and thus might and most probably will have a different outcome when transferred to a new environment (Makino & Inkpen, 2003). This means that copying found knowledge the way it was found is simply not possible in many cases because the organizational environment differs from the original environment it was found in for example in aspects like management, size of the organization, location and level of internationalization (Almeida, Phene and Grant, 2003).

The most important channel of communication and thus knowledge sharing on an international level has shown to be through electronic media and international companies show to invest considerably within the IT department and systems of the company to effectuate this electronically based communication. Though, this channel has some weaknesses such as missing body language, the inflexibility of the monologue, degree of personalization and the degree of interactivity. This is why the electronically transferred information and knowledge is or should be often supported by frequent phone conversations, videoconferences and physical visits (Almeida, Phene and Grant, 2003).

2.5 Organizational structure

Referring to the structure of an organization Mintzberg (2009) recognizes two essential requirements that need to be met. First is the division of labor in to separate tasks and the second one is achieving coordination between the tasks. In his book Structure in Fives, Mintzberg (2009) recognizes five ways of achieving coordination in an organization which are presented as five mechanisms of coordination. The first one is mutual adjustment which is about coordination by informal communication among people that are at the same line of authority in an organization. The second type is coordination by direct supervision which is having a higher level of authority directly supervising a lower level. The third and the fourth mechanisms of coordination exist by achieving standardization. The third one links to standardization of the work and the fourth to the standardization of the outcomes. In these two mechanisms, people know exactly what is expected from them in the process of work or what should be the outcome of their work and in this way coordination is achieved without a need for direct supervision. The fifth mechanism of coordination is the standardization of skills and knowledge, which means people know what is expected from them because they have been specifically trained for their position. These mechanisms function in a circle, starting from the mutual adjustment with the growth of the company the organization can go through all of the mechanism and at the end it should end with the same that is started but now it will be implemented on a whole other (higher) level.

2.5.1 The Principle of Five

The principle of five that Mintzberg developed does not only apply to the ways of coordination in an organization but also to the division of labor. According to Mintzberg (2009) there are five parts of an organization. The operational core is presented by the
employees in the company that do the basic work which is directly connected to the production of products or services. The strategic apex is totally opposite of the operational core and represents the management of the organization or in other words the people that have the power to make decisions and to control the organization. In the middle between the previously presented opposites is the middle line which represents the middle management or line management of the organization. The middle line acts as an intermediary between the strategic apex and the operational core. Aside of these three parts there are two more that are independent for themselves and are not under direct authority of the strategic apex or the middle line. The techno-structure is represented by control analysts that are used for developing a level of standardization in the organization. Opposite of the techno-structure as an independent part of the company is the support staff, which is represented by activities that support the operating work flow of the organization.

Based on the combination of the parts of the organization and the coordination of the organization in accordance with certain parameters there are five basic structures of organizations that are presented by Mintzberg (2009). The Simple Structure, Machine Bureaucracy, Professional Bureaucracy, Divisional Form and Adhocracy are all different structures that are based on different principles. The first one is the classical hierarchical structure of an organization and is based on direct supervision. The strategic apex is the key part of the organization and all others are executives of the orders that come from this source. The Machine Bureaucracy is based on standardization of the work process. In this structure beside the strategic apex the techno-structure is of importance as well. The techno-structure is in charge of standardizing the processes and assuring that everyone has a clear understanding of their responsibilities in the process of executing. The Professional Bureaucracy is based on standardization of skills, meaning that the key part of the organization is the operating core. In this type of an organization people have the same level of skills they are well trained and there is no need for centralized control over them. The Divisional Form of organizational structure is based on standardization of outputs where the middle line of management is the most important part of the organization. Usually fitting to organizations with different market segments, product types or simply divisions this structure is composed of certain sub structures within it. Here, the supporting staff with the middle management is in charge of coordinating and sustaining the clear understating of the standardization of outputs. The last type of organization structure is the Adhocracy, which is based on mutual adjustment where the most important role in the organization is given to the supporting staff. In adhocracy the power of control comes from different vertical and horizontal levels and it depends on the situation of making the decision.

There is more than one factor that differentiates the five structures of organizations. The way the work is organized, the way the liaisons are just examples of factors that make organizational structures diverse. However, an important factor that also greatly affects how the structure of an organization looks is the decision of centralized or decentralized managing of the structure. Decentralization means that the power in the organization is disperse among many participants of the structure and on the contrary a centralized structure would mean that the power for making decisions comes from one certain place in the organization (Mintzberg, 2009). Depending on how centralized or decentralized the decisions making is, the structure of the organization gets a different shape. When the power is decentralized, more people in the organization have the right to make decisions on their own which means they are more empowered. There are different reasons for a company to choose for decentralization, for example because it can be simply impossible to have all the problems and decisions to be grasped and understood in one centre or one brain. Another reason is to allow the organization
to respond quickly to local conditions and a third reason is to stimulate motivation by offering responsible positions in the company and thereby attracting a certain creative and assertive persons. Decentralization can be horizontal and vertical where horizontal refers to how much can employees with non-managerial positions control the decision making process and vertical which refers to the power of the decision making that is dispersed down the chain of authority of the organization. Mintzberg (2009) puts decentralization in a concept of fives as he did with all the other concepts that were disused before. Depending on the level of decentralization of an organization there are five types of decentralization that can be formed by organizations. First one is the Vertical and Horizontal centralization, which means that all of the decision making in the organization is centralized, this kind of centralization is used in the simple structure of organizations. The second type is Limited Horizontal Decentralization which fits to a rather bureaucratic look of an organization where the decision making comes form the top and the support for standardization of work processes comes from the techno-structure. The third type of decentralization is the Limited Vertical Decentralization, which fits to a certain divisional structure of an organization meaning that the most of the decisions are done by the middle line management and some in the strategic apex and the high line of the techno-structure. The fourth type of decentralization is the selective Vertical and Horizontal decentralization fits to a structure where the decision making is delegated to many levels of vertical and horizontal lines. Depending on the tasks different people are allowed to bring different decisions depending on their position and the situation. The fifth type of decentralization is the Vertical and Horizontal Decentralization that gives decision-making power to hr-operating core. This decentralization fits to a structure where the members of the organization are professionals and where coordination is achieved by the standardization of skills like the professional Bureaucracy.

All of the structure explanations given here were described by Mintzberg (2009) in the book Structure in Fives. Although they are clearly distinguished between themselves in reality it is not necessarily so. Mintzberg (2009) argues that these structures are more of extremes they are theoretical frameworks that might not work in reality. There for sure cannot be found an organization that perfectly fits one certain structure from the given five. However by knowing the theoretical types of organization we can easily analyze companies and decide what is the tendency that they have to aspire towards one or another type or organizational structure.

2.5.2 Structure and Innovation

There are different theories that link organizational structure to innovation amongst which one of them is the dual-core theory (Daft, 1978) which suggests that there are two types of innovation, being technical and administrative innovation which both facilitate innovation in a different way. High professionalism, low centralization and low formalization facilitate the bottom-up process of technical innovation, whereas low employee professionalism, high centralization in decision making and high formalization of behavior facilitate the top-down process of administrative innovations (Daft, 1978). According to the theory of innovation radicalness, in contrast to incremental innovations, radical innovations are facilitated preferably by organizational complexity, whereas incremental innovations are hindered less than radical innovations by bureaucratic control (Damanpour and Gopalakrishna, 1998). Thirdly, there is the ambidextrous theory which makes a division between the initiation and the implementation stages of innovation. According to this theory, attributes of structural complexity such as high complexity, low formalization and low centralization are mainly of influence on the initiation of innovation, while attributes of bureaucratic control such as low complexity, high formalization and high centralization are more of influence on the implementation of innovation (Damanpour and Gopalakrishna, 1998).
2.6 Defining Supply Chain Management

Whereas some theorist might argue that the definition of supply chain management is a well understood and agreed on phenomenon, there are still many different definitions and interpretations on supply chain and supply chain management to be found in the literature. The main difference that can be distracted looking at different interpretations is that sometimes there is a focus organization around which the definition is built but sometimes the organizations referred to play an equally important role in the chain. The difference in implementation and execution according to the different definitions is that the level cooperation and collaboration will differ because the benefits might not be of the same level in the first case and thus the devotion to the relationship with this focus company might not be as strong or important to the company (Caddy & Helou, 2007). The major agreements that you will find in the definitions on supply chain management are about the activities that are involved in a typical supply chain management such as the planning and coordination of tasks such as securing the raw materials or products needed, storing, negotiating, receiving customers’ orders, and delivering products (Si, et. al., 2001). As already outlined in the introductory chapter, the trading industry differs slightly from the manufacturing industry when we look into the supply chain, because the process of purchasing raw materials and transforming them into products does not take place. Instead, end products are bought, the manufacturing process is skipped and is passed on directly to the distribution and logistics of the products to the company’s warehouses or customers.

Before supply chain management became an accepted and highly used terminology, there had been quite an evolution to get here. The evolution of supply chain management started around the 1950’s, when manufacturers were focused on the minimization of the costs per unit, which resulted in high investments on the in-house technology. The upcoming global competition has forced those companies to become more and more cost and time efficient, offering higher quality and also improving one’s responsiveness (Harland, Lamming & Cousins, 1999; Vokurka & Lummus, 2000) in which responsiveness is about the adaptation to the growing sophistication of the consumer and their needs and wants. It was from this point that managers started to see the potential benefits that a strategic and stable buyer-supplier relationship, and even an integrated distribution and logistics, could add to this cost and time efficiency (Tan, 2001).

Supply chain management is seen by Tan (2001) as the merge between two different supporting functions of corporate strategy and is the holistic view of those functions put together. There is the purchasing and supply perspective on one hand, and then the transport and logistics perspective on the other hand. The purchasing and supply perspective is primarily focused on the integration of ones suppliers to the supply functions of the company with the aim to gain important suppliers reductions, reducing the cycle time and inventory and increasing the customer satisfaction. The transportation and logistics perspective on the other hand is mainly focused on the integration of logistics through transportation and distribution functions with the aim to provide visibility reduce demand uncertainty, reduce the high demanding transportation costs and replacing the inventory with information (Tan, 2001). In this line, Vokurka and Lummus (2000) state that supply chain management is concerned with “the integration from a company’s key business processes from end user through original suppliers, which provide products, service and information that adds value for customers and other stakeholders” (p. 89). Hence, it is evident that the cost deduction is implicitly bound in the integration process, which is about building efficiency. The value creation is clearly put in the definition. We can see that the key characteristics of the definitions used for describing
supply chain management always involve the aim to decrease costs while increasing quality and efficiency.

2.6.1 The importance of supply chain collaboration
Organizations started to realize that an investment in good relationships and collaboration within the whole supply chain could to leverage the knowledge and resources of their suppliers and the customers (Cao & Zhang, 2011). A good and stable collaboration could improve an organization’s access to complementary resources and knowledge; it can reduce transaction costs and enhance productivity. Besides that it is an opportunity for a firm to share certain risks and thereby broaden their opportunities. In the longer run a good collaboration and relationship can enhance the profitability and strengthen the competitive advantage of the organization. All these advantages that supply chain collaboration has as a potential, unfortunately are not always realized by the companies involved in collaborations.

There are certain conditions that should be taken into account that are of influence on the efficiency and effectiveness of a company’s supply chain management. Supply chain management should be concerned about that all the companies involved in the supply chain will benefit from this network (Tan, 2001; Lai, Ngai & Cheng, 2002). The Electronical Data Interchange (EDI) is a condition that is of importance for the communication between the different players in the supply chain. The EDI provides the possibilities to integrate the different operations with each other. Because of the electronic bases, it can give in-time overviews and it can improve the cycle reliabilities and times and it can add to the efficiency because of the constant and accurate information flow (Tan, 2001).

When talking about a global strategy, however, one should take into account all the markets and operations that a company covers to create an integrated strategy on a global level which leads to the importance of global co-operation (Harland, Lamming & Cousins, 1999). And to operate on such a level in the most efficient way, this will lead to the define ones ‘core’ and ‘non-core’ competences and the aim to focus on and invest in those operations that you are competent in, and to outsource those in which you are not (Harland, Lamming & Cousins, 1999). The focus also leads to the movement of high vertical integration towards a vertical disintegration, also referred to as ‘network organizations’. In this kind of organizations, the companies within the network are highly complementary to each other and create in this way their competitive advantage in the pursuit of a mutual goal (Harland, Lamming & Cousins, 1999). Such networks are also known as ‘value creating networks’, provided that the network in particular is ‘a purposeful co-operation between independent firms along a value-added chain creating competitive advantage by delivering superior customer value’ (Harland, lamming & Cousins, 1999, p.654).
3. Methodology

In this chapter we will give a detailed outline of how our research was conducted. We will clarify the reasoning behind the methods that we have chosen and explain the different steps that we have taken during our research period to bring our research to a successful end.

3.1 Research approach

There are two basic research approaches discussed in literature. The deductive and inductive approaches are the starting point of every research and the first task that a researcher has to fulfill is to decide which approach they will use in their future research.

Deductive and inductive approaches stand for opposite types of research which would mean that the researcher decides which one they will use depending on their purpose (Saunders, Lewis & Thornhill, 2007). Generally, the deductive approach is chosen when the researchers want to test a certain theory in practice. The ultimate deductive approach starts by choosing a theory and by developing a hypothesis out of the theoretical background that will be later tested by applying it in a real life context (Bryman & Bell, 2007). When a deductive approach is used then a quantitative method is applied because the deductive research aims to study a big sample size out of the population just so the findings can be generalized. Contrary to the deductive approach, the inductive approach has no means of generalization and starts from looking into empirical data. It also aims towards developing a theory at the end of the research that is developed from the empirical findings. This approach most likely uses qualitative data and reaches a small sample out of the population because context is what is important for it. By using interviews and observations, the inductive approach is trying to collect empirical data that after the process of analyzing can end with some conclusions and preferably a new theory (Saunders, Lewis & Thornhill, 2007). In practice, researchers rarely choose to work with one of the extremes of deductive or inductive research, it is most likely that these approaches will be combined and that a deductive approach with some inductive tools will be conducted or the other way round.

When it comes to defining the approach of our research, we will not strictly define it as inductive or deductive but we can say that our study has both inductive and deductive elements in it. Since we had pre-defined the context and the sector where the phenomena will be inspected before we started looking for theory this approach belongs more to the inductive way of researching. However, after the presentation of the context and the sector there is still a theoretical framework, which is taken from the literature and at a later stage, this theory is applied to a single real life case and the conclusions helped us answer our research question that we developed on the beginning of the study. Using a certain theoretical framework against which the empirical data is analyzed is an element that belongs to the deductive approach. The choice of conducting a qualitative research and using a single real life case that does not allow a great level of generalization are the inductive tools that are used in our research and the theory-based analyses is the deductive tools that are used. Moreover, since it is unknown what the empirical data might show we have revised literature several times in order to find the suitable background to support to the empirical data. The research is expected to give results that will check if the practice corresponds to the theory written on a certain topic. The aim is not to generalize since one real life case cannot speak for the whole
population; however, we hope that our results will be a solid base for further research and for developing implications of our research for theory and practice.

3.2 Research Strategy

The strategy that we have chosen for conducting our research is a single case study. A case study is a strategy of research that takes into consideration a phenomenon in a certain context, thus not isolating the environment from the phenomenon but on the contrary taking it into consideration (Saunders, Lewis & Thornhill, 2007). However, at the same time a case study gives an opportunity for researchers to get in depth in a certain topic or phenomenon. It enables researchers to check if a former theory is working in reality or not, which is something that might not be done in such depth with another research strategy. If this strategy of case study is used and if the researchers have been careful with its implementation, good results and great usefulness can be showed (Yin, 1994). Besides that, the single case study represents one way to test, confirm, challenge or extent former evolved theories (Yin, 1994). A single case study cannot make generalized conclusions since the context influences the results and at the same time, the researcher has to put a lot of effort in order not to be biased. Moreover, the data collected is also at risk to be corrupted by the source, because when conducting a case study usually not many people are interviewed and the researcher never knows if the respondents are telling the exact truth and give valuable and useful information (Yin, 1994). Our study focuses on the phenomenon of innovation especially in the forming of processes of innovation and the influence of the organizational structure and culture on these processes.

As important as it is to design the study’s research question, its proposition and the unit(s) for analysis, it is equally important to have in mind what to do with the data once collected (Yin, 1994). It should be decides upfront how the empirical data will be linked to the theory and how it will supposedly lead to conclusions. This is exactly what has been done in this study; we firstly did aa profound research of the case study by executing an interview with a person with a helicopter view of the company. Then we consolidated our expectation to what can be possibly found while conducting our empirical studies and lastly concentrated on finding exactly what theory says for those expectations. At a later stage after the empirical data was collected the theory was updated again to find even stronger linkages to the empirical findings.

Because the procedure does not follow a routine it is necessary to proceed with prudence and awareness by the executer of the interviews, and basic commonly required skills should be taken seriously, such as being a good listener, being adaptive and flexible, having a firm grasp of the issues being studied and being unbiased by preconceived notions. In this study, the researches made sure that they are knowledgeable on the topic that was researched, in this case being primarily the topic of innovation and of organizational structure and organizational culture. Moreover, they practiced and definitely improved their interviewing skills with this research. It has shown that giving a chance to people to express themselves and asking open and sometimes even general questions helps get to much more needed data than biasing the respondent by asking them a specific direct question, which can result with not that useful answer. The researchers have taken into consideration all of the possible discussed issues that show the case study as a risky choice and have helped the researches to concentrate on the important aspects of this strategy. After considering all these aspects and executing the research, the researchers are convinced that the case study approach was a good choice of strategy for this study.
3.2.1 Presenting the case study and sample selection

Theory has written a lot on the topic of innovation, structure and organizational culture however what the researchers want to do in this case is to combine all of those theories and to apply them on one single case study and see what the actual reality is in this specific case. It should not be forgotten that the context in which all of the previously described is looked at is the context of a born global company. This is stressed because the organizational structure and culture have already been affected by the fact that the company is, in fact, a born global company and this is of great importance for the research. All of the conclusions made will be going back to putting the phenomenon of process innovation into the context of a born global trading company. The case study for this research will be the Swedish trading company “Bufab”, which is amongst the 5 greatest traders on a global level of fasteners and small parts. Because of the importance of the high level of internationalization for our research we have chosen this company that is present in more than 20 countries worldwide with around 35 sister companies that have been developed by acquisitions or green field investments. Bufab is a born global company that is globally present and is succeeding in it. This was one of the main reasons why we have chosen to look into the phenomenon of innovation in the case of Bufab (as we have previously explained) the context of born global is of high importance for this research). Besides the born global context, Bufab is also a good example of a successful trading company. Bufab has been operating in the trading industry for approximately 34 years, they have good experience in the sector, they have been process aware and the products that they are dealing with (fasteners and small parts) are rather simple and have low demand for technology. This is the reason why Bufab perfectly fits the context of a born global trading company.

3.3 Research method

Once the research approach and strategy have been defined, the next step is to define the method of research. Our research will try to answer the “How” research question that has been defined in the beginning. To answer a research question, you can follow two basic methods that are widely used by researches, the quantitative and qualitative method (Ghauri & Gronhaug, 2005). The quantitative method stands for collecting measurable data that can be calculated and that can undergo statistical analyses. Quantitative research collects the data through organizing surveys and questioners and later uses software for analyzing the data. On the other hand, the qualitative method collects data through observations and interviews. Usually the quantitative method depends on interacting with people and the researcher is the one that is directly involved in gathering the data and afterwards analyzing it (Saunders, Lewis & Thornhill, 2007).

The method that we have chosen for our research is the qualitative since it is most suitable with our purpose of research and the answering of the research question. As explained, the research needs insight into the company’s structure and its culture in order to see the effect of these two on its processes of innovation. The best way for one to evaluate all of these things is to get a real life experience from the company, which in this case is accomplished by executing interviews in person and through telephone. By talking to people and asking questions about their work you can easily get and understanding of the environment in which they work which would actually be the culture of the company. Moreover questions about the structure which ask about the decisions making process, responsibilities, sharing of ideas, communication etc. can help for the interviewers to get a clear picture of the actual organizational structure that the company has. Since this study is based on the development of innovation in the business process of the company, this approach is considered to be a good choice because usually people can have different understandings of innovation. Feedback and
continuous clarifications are compulsory in order for the researcher to get to the exact information that is needed to answer the research question. According to Saunders, Lewis and Thornhill (2007) this method is called a mono qualitative method of research since it consists of using only one way of gathering data, which is the interview. Multiple interviews will be conducted with employees in the company that will be used as a case study for this research. The choice of interviewees is well considered; with the help from someone from inside the company to consult us about which information we can get from which person in the company. The five different interviews that we held were conducted with employees working on different positions and sectors in the company just so the certain researched phenomena could be inspected in detail and from different points of view. The five interviews were conducted with the Education Manager, the Logistics Manager, a Purchaser, the Global Account Team Manager and a General Manager of one of the sister companies.

3.4 Data Collection

There are two basic types of acquiring data by using two different types of sources. The data acquired can be from first hand sources and in that case is called primary data and secondary data is all of the data acquired from other sources that has been collected for other purposes (Saunders, Lewis & Thornhill, 2007).

For our research, we use primary and secondary data in order to get the best possible access to the needed information. In a case study, interviews are seen as an essential source for the collection of information within the research because case studies involve mostly human affairs and the perception of the humans involved in this affairs are therefore the ultimate way to get insight the case. Besides that, the interviews helped us to target and focus directly on our research topic and to provide perceived casual interferences (Yin, 1994). The primary data was collected by conducting semi-structured face to face and telephone interviews that are in correspondence with our qualitative research method. The process of interviewing started first by having an introductory informative interview with one of the employees in the company.

The first interview focused on getting a good picture of the context and the environment in which case the interviewee was approached towards not only as a respondent, but also as an ‘informant’ (Yin, 1994). This interviewee provided us with insight to the matter that we planned to look into. At the same time this interviewee was of great value for our research since this person helped us in the coordination and suggesting for further sources for our research. The interviews that we had with the other respondents that we chose to interview were more focused, which means that the interviews were more likely to follow a certain set of focused questions which are presented in the five different interview guides that are presented in Appendix I.

The five interviews that we conducted are different somewhat in the main goal we want to achieve with them. This has to do with the fact that the chosen respondents belonged to different sectors of the company and were part of different steps of the business process of Bufab. Because of this for every interview a different interview guide was used which consisted of general questions which were same for all of the interviews, and specific questions that followed and which were connected to the position and the work of each respondent separately (see Appendix I). These questions were carefully formulated and the wording was carefully chosen in order to allow the respondent to give an honest and sincere commentary on the topic (Yin, 1994). The process of interviewing went smoothly all of the interviews were done in the period of 10 days and all of the respondents were more than happy to participate in this research and wanted to contribute to it as much as possible. This
gave us the opportunity to look into the structure and the culture of the company from different perspectives and to separate the business process in sections and at the end make a holistic picture of how the business process of the company looks. All the interviews were of open-ended nature, which means that we asked some key respondents about some facts concerning the phenomenon that we are researching about, but we also asked them about their everyday activities, their opinion about what they do, what their company does and about future recommendations and improvement. This was done just so we can compare how representatives from different parts of the business process think and perceive innovation but not only that but the whole environment of Bufab. This enabled us to compare the opinions of the respondents and to check if for an example, the culture and structure were perceived in the same way or not. Moreover with every next interview after the first one specific issue were looked at and with the help of all of the interviewees we got a holistic picture of the effect of the phenomenon in the organization throughout their whole business process.

One of the interviews was conducted face to face and the other four by phone and/or Skype. One more e-mail interview was planned but unfortunately, at the end it was not executed. We are aware that face-to-face interviews are much more valuable and give better access to information and feedback as confirmed by Seidman (1998) however because of the busy schedule of the business people and proximity issues some of the interviews were not possible to be conducted face to face. Face to face, interviews give the opportunity for the researchers to see the respondents’ body language and by that to react in accordance, the telephone interview lacks this personal contact, on the other hand telephone interviews are easy to schedule and give the opportunity to speak to people round the world. Since the context of our study was globally focused the phone/Skype interviews gave us the chance to interview people in France and Taiwan. This is something that the face-to-face interview could never offer to us taken in consideration that we are currently situated in Sweden. The nature of flexibility that the phone interview has enabled our study to be successful and to gather the needed data.

During the interviews a structured interview guide was used that showed all of the points that are of interest for the research and that needed to be covered by the interviews (see Appendix I). According to Bryman and Bell (2007) the interview guide can highly influence the result of the interview and that is why is should be seriously planned and ready for use before the interviews start. The interview questions that we composed should not only be directed to the interviewees, but also to the researchers self. In this way, the questions will function as some sort of a reminder and track-keeper on the collections of the correct and useful data. Besides that, every question asked should be linked to some sort of reliable source which can provide a useful and valuable answer on the specific question(s) (Yin, 1994)

All of the interviews were recorded with permission from the interviewees just for the purpose that they enabled the researchers to listen to the recordings more than once and make the best out of the collected data. The interviewers were also taking their personal notes for each interview that were at a later stage used in the process of analyses. The collected primary data was transcribed and together with the notes was used to construct the empirical part of the study. All of this was done with a purpose to increase trustworthiness of the data that is presented and in order to increase the quality of the research. The more data is taken in consideration and analyzed from different aspects and different theories the better the results will be, however, this is only possible if there is a recorded and transcribed version of the data. The empirical chapter presents as visibly as possible the company and its purpose and
structure, and it gives detailed insight in how things are run by following the steps of its basic business process.

The secondary data used was collected for recovering basic information for the company studied by using company websites and other internet sources. The secondary data will partly be used to give a detailed outline of the case study and the context of the research. Moreover, past thesis, books, articles, journals and other academic data written on the topic of innovation, business processes and supply chain management was collected to create a theoretical framework, for which we used the library of Halmstad University and the online databases of the library of Halmstad University. Major keywords that were used in the research are: innovation management, innovation of processes, service innovation, business process innovation, innovation in supply chain, supply chain management, innovation in logistics etc. The main databases used are: Emerald, Science Direct, Academic Search Elite and the journals European Journal of Innovation Management and Strategic Management Journal.

3.5 Structuring, Interpreting and Analyzing the data

After all the necessary for the research had been collected the next step was the process of structuring and analyzing the data. According to Ghauri and Gronhaug (2005) the first step of qualitative data analyses is to try to understand the data by applying different methods like the interactive model of Malies and Huberman (1994) or some other. The next step is to interpret the data and that can be done in two ways by starting from theory or by starting from the data itself. The understanding of the data is done by using the method of data reduction, which means simplifying the data and putting it into written form of notes or an official transcription when interviews are conducted. By doing this the data becomes manageable and the researcher can find the most meaningful and related parts and focus on the most important things that are of interest for him. This process results with generation and identification of patterns and structures (Ghauri & Gronhaug, 2005) and will allow us to explore and analyze the data systematically and rigorously (Saunders, Lewis & Thornhill, 2007). To identify the categories it is important always to have the purpose of the research and the research question at the top of one’s mind, because the collected qualitative data could always be interpreted differently and in this way, you will make sure to collect and focus on the collected information that is relevant for this specific research (Saunders, Lewis & Thornhill, 2007). Another point of importance is that not only should the categories be meaningful in relation to the data, but they should also be meaningful in relation to each other in order to be able to indicate analytical linkages (Saunders, Lewis & Thornhill, 2007). The process of collecting, structuring and analyzing of data can go back and forth until the needed data is collected and needed understanding is built.

There are generally three types of structuring or coding data that can be used in a research. Open coding is when concepts are result of examining, comparing the data and these concepts at a later build up different categories. The second type of coding is the axial coding, which follows the open coding by resulting with finding connections between the categories. The third type of coding which is the selective coding is a procedure of selecting a core category and filling and developing other categories or concepts (Ghauri & Gronhaug, 2005). The process of coding and labeling the categories is part of the grounded theory of analyses and every type of coding represents a different level of analyses. The researchers need to be careful in this step and need to come to the right meaning and use them in a right way. The process of open coding should result with making concepts, which will be issues that have been mentioned by more than one interviewee or by most of them and that are connected to
the phenomenon that is looked at in the certain context. Blaxter, Hughes and Tight (2001) express the importance of keeping the analysis within the context and the importance for the researchers to keep the understandings and meanings in the same context that they were said and not changing it. After coding has been applied and categories have been made the grounded theory is continuously aimed towards building hypothesis and if possible new theories as a result of the process of analyses.

The way that the analysis of this research was run is first and foremost engaging in transcribing the interviews. This process is known to be time consuming so careful planning should be done and this should be done as soon as the interviews have been conducted (Tylor & Bogdan, 1984). The process of analyses conditioned by reading the transcripts and looking for connections between the answers of the respondents. Tylor and Bogdan, (1984) stress that when coding is done all of the data should be taken into consideration, not only what is deliberately said but also what is implied in the words of the interviewees. Although it cannot be said that traditional coding system was used, still concepts and categories were build. Since the number of the interviews is five, most of the things that repeated or were different was rather easy to be noticed and remembered. In the cases when same issues or points would come out more than two or three times then these points were marked and used as concepts. For instance, the way of communication, the decision-making, the channel of giving ideas all of these were constructs that made up the category of the organizational culture. The decentralized strategy, the born global context, networking and management style represent the category of organizational structure. The process of innovation as a category was plotted in a different way. This was done by collecting the data of changes in the processes and activities in the past five years and then at a later point the connection between this category of process of innovation and the other two mentioned before, was looked for. After the concepts and categories were developed, the theoretical framework was used to contrast these findings with what can be found in previous theory. At the end, the analyses showed that the specific structure, strategy and specific organizational culture affected the process of innovation and actually formed it to be in that particular way. After this was done in the chapter of analyses the findings were be presented together with the conclusions and implications of the research.

A very important issue in the interpretation of data when it comes to qualitative research and interviews is the role of the perspective of the researcher. Researchers should be aware that the analyses will be based on their own interpretations and that this can be a certain limitation to the research. Researchers should try to keep a distance from the data and try to look at it from an impartial perspective. Moreover, the findings and implications should be shared with other researchers and this is done with a reason that a researcher can check if the same interpretation can be reached by others or not. Other opinions should be valued taken in consideration and compared to. Additionally the researcher should look for explanations why their findings are different from the ones of other researches. All of the previous discussed is suggested by Blaxter, Hughes and Tight. (2001) as the most important issues that come up in the process of data interpretation. When it comes to these issues in our research for it is expected that the level of objectivity will be higher since we are two researches and we make different interpretations ourselves. Since we are jointly doing the research, and consulting at every point of it the interpretations that will be done will be much more objective in comparison to a research done by a single researcher and also a lot more of debating and discussing will take place before any conclusions will be made out of the interpretation. We see this partnership as a benefit for us and as an opportunity for keeping perspective in our analyses and minimizing the possibilities for making mistakes.
4. Empirical Findings

In this chapter we give a detailed outline of the data and information that we have found through the execution of desk research and interviews with different employees of our case study company Bufab. This Empirical Data is gathered to answer our Research Question and is therefore focussed on the Organizational Environment and Business Processes taking place in the Bufab Group.

4.1 The Bufab Group

With about 35 companies and around 650 employees in the world, the BUFAB group is a leading international company with their roots in Värnamo, Sweden, that acts as a supplier of fastener and small parts in several different industrial segments. Bufab Sweden is the largest company in the group and also houses the head office in Värnamo, Småland. Bufab Company was founded by Hans Björstrand in 1977 in a small village outside of Värnamo but since 2005 Bufab is owned by the private equity firm Nordic Capital, who has a focus on medium sized and large companies in mature industries, a focus in which Bufab turned out to be a perfect fit. A very important reason for this acquisition is the capital that they had and the capital that they could invest in Bufab. Bufab has a stable increase of net sales despite the global economic crisis that hit the world markets at the end of 2008. Before the crisis Bufab enjoyed a healthy 210 million euro turnover in 2008 but due to the crisis they experienced a more difficult year during 2009. Official numbers of 2010 are not given but despite the fact that this was also a difficult year the numbers show that it was much better than 2009 already.

Figure 3: Net Sales development (Source www.bufab.com)

One of the biggest advantages that Bufab benefited from during this period was probably that Bufab Group spread out in different types of customers in different parts of the world. The market segments thatBufab is active in are Telecom, Engineering, Furniture, Automotive, Process, Construction and Offshore. This spreading of the activities throughout different industries gives Bufab a relatively stable position because it spreads the risk which for example has retained Bufab from being hit hard by the financial crises.
Bufab’s main activities (business concept) involve the development, manufacturing (not more than 10% of the revenue), purchasing marketing and handling of small parts and fasteners and their goal is to efficiently distribute them on various logistical platforms. On a daily basis there is about 17 tons of products handled every single day. The stock always consists of at least 100,000 different articles of which more than 50% of the range consists of special fasteners, also called c-parts (customized parts).

There are two different types of ‘items’ that Bufab sells to customers. There are standard items on which there are specific norms on quality and how the item should look like and so on, and there are customized specific items, which are designed by the customers themselves and manufactured for that specific customer only. Bufab receives the drawing(s) from the customer and sends them to a few suppliers to investigate on whether they could manufacture the item(s) and the price they could give. Then a few samples will be asked to check the quality and after that maybe the official order will take place. Everything together, this can be quite a long process, but one customer with a lot of specific items ordered through Bufab is often the most beneficial and stable.

The bulk of most manufactured goods that Bufab purchases come from Asia, mostly China and India. Since most customers are just looking for the best prices Asia is a good basis to find inexpensive manufacturers. The counterpart is that it is difficult to control during the manufacturing period form a distance. Asia has the big advantage of low prices, but the lead time from ordering a product until receiving it in Sweden can take up to three months. This is the main reason why Bufab also has some suppliers in Europe, Italy and Germany, to cover the possibility to take orders that have a short lead time and to being able to fulfil those requests as well. Concerning lead times, Bufab has its own databade with general lead times for most of their regular suppliers, however when dealing with Asia it happens that suppliers change their lead times without any notification and it happens that the goods are two or three weeks late or sometimes even more. At this point Bufab activates is European suppliers and tries to deliver the needed parts on time. Nevertheless this is very costly since the parts that will be received from Asia need to be sold as well and a way to cover the loss needs to be covered. This is one of the issues that the company is facing now and looking for solutions to improve the follow up and to improve the general information flow between Asia and Sweden.

4.1.1 The trading sector
The Bufab Group is a global trading company occupied with the supplying of fastener towards a range of different industries. One of the biggest challenges encountered in this industry is concerned with the margins and the delivery times.

‘When it comes to the trading business it is all about margins’
Karin Sanden, Education Manager Bufab Sweden

Margins are very important in this sector because even though Bufab buys from the supplier and sells to the customer, the customers should still be able to profit from purchasing form Bufab instead of just to purchase directly from the manufacturers. Bufab finds their margins in different ways. For either smaller or bigger companies it saves them the need for having purchasers or having a purchasing department, Bufab can then be seen as their outsourced purchase department. Bufab consolidates purchases from different customers and with other sister companies and can buy larger quantities and fill containers, which off course gives better prices on the products as well as on transportation. The automated warehouse offers the
possibility to purchase in larger amounts and being able to store it for a while. Furthermore the warehouse can be used as storage for the customers so that they do not need to have their own. What makes the delivery times such an important factor is that the trading company needs to rely on their suppliers, but at the same time their customers need to be able to rely on them. Besides that, in the industries that Bufab is present it is either rather difficult to make good forecast. On top of that, in the times of having an inflation period ahead, manufacturers have their hands full and it is difficult to having them finished on time. It often happens that a customer needs a product within a very short time. The challenge for trading companies is thus to being able to fulfill those requests.

4.1.2 Growth
In terms of turnover, Bufab is the number one fastener supplier in Sweden. Looking on a more international level they would be around number three in Europe and maybe number five in the world.

‘Our business plan is of course to be present where our customer is present’
Karin Sanden, Education Manager Bufab Sweden

Bufab has been growing in a fast pace, especially during the last ten years. Their growth strategy is based on the conviction that Bufab group should be present there where their customers are established. Expansion goes through the establishment of new Bufab offices or through the purchasing of existing companies. When starting a new office entering new markets and countries it is started rather small with 2 or 3 employees. The Bufab Offices more or less only exist for the purpose of sales.

4.1.3 Organizational structure
The organization is founded by Hans Björstrand who is still one of the driving factors of the company. There is a management team that exists of Hans Björstrand, Thomas as a Financial director, the Management Director from Bufab Stainless and some other people working in the central managerial functions. Big decisions concerning the strategic moves and choices of the Bufab Group are made centrally in this team. Such decisions are concerned with strategic choices that can influence the way of working within Bufab. It is about choices made on the highest level which are in line with the mission, vision, objectives and goals of the Bufab Group, resulting in guidelines about types of customers to be targetted, choices for products to offer and sell, choices for suppliers to work with, customer relationship management, priority settings and so forth.

The Bufab Group is not officially divided into a mother and daughter companies, but Bufab Sweden does function as a mother company. All the other companies within the Bufab Group are referred to as sistercompanies. The individual Bufab sister companies are normally organized by departments which are Purchase, Sales, Quality and Finance. About half of the companies have their own Warehouse. Certain companies can be seen as plain sales offices, such as Bufab BeNeLux or Bufab Denmark who have no warehouses at all and Bufab Sweden supplies all goods for them and send it directly to their customers. The purchasing in this case also goes through Bufab Sweden. However other sister companies have their own warehouses and even do their own purchasing. It cannot be said that there is a rule about how sister companies are organized, but it generally depends on the size of the company and its capabilities. Bufab Sweden functions as the mother company and tries to offer support and help to the sister companies as much as possible and needed and that is why Bufab Sweden in particular has such an important position in the Bufab Group and in the whole supply chain in
general. In general, when a sistercompany is doing well, which is measured mainly through their financial achievements, then the management team, situated in Sweden, will not interfere too much with their way of working. However, when they are working not in line with the main guidelines or they are not doing well or making loss, Bufab Sweden will interfere and offer the support either on a financial level or by helping them with the adaptation to the Bufab way of working.

When it comes to the trading industry and thus transport and logistics everything is time related, delays are very costly so mistakes and misunderstandings need to be minimized. Good communication is crucial and Bufab Sweden handles this by increasing the information flow and promoting openness in the organization. The logistic department benefits a lot from this flat organization. The central position of the Bufab Sweden offices in Värmånmo enable that employees can easily talk to each other and agree on things so there is no distance problem in transferring information. Even more important everyone is open towards communication, willing to share and find solutions for possible answers. The organizational structure of Bufab is described by every single interviewee as being very lean. There are not many employees, which is the result of trying to create the strived for efficiency wherever possible. This means that a salesperson for example is not only concerned with sales, but is also responsible for the registration of the orders, the entire flow of the product form order till delivery and even for some administrative tasks. This has the big advantage that it adds greatly to the efficiency of the company because there is a minimum of information loss and a smooth managing of the process. Furthermore it cuts intensively on the company’s high costs and offers some kind of security in moments of financial crises for not having to let people go because there is always work. Another advantage is shown in the low employee turnover because the positions that are to be fullfilled within bufab are very versatile and challenging whereas a disadvantage of the creation of efficiency on this level might be the high workload.

In later chapters we will give a further detailed outline of how Bufab Sweden and a Sister company Bufab Lyon work and function within the Bufab Group.

4.1.4 Organizational culture
As we have seen Bufab is a lean organization with not many different levels in the hierarchy. Bufab has a strong leader with a strong vision. The bigger decisions for the company are made on top level in the management team, but still the idea’s might come from the bottom up. Even though the company is decentralized, we have seen before that the big and important decisions are made centrally. Still, there exists no hierarchical way of thinking in the company. Employees can come with ideas which are sometimes heard but sometimes not. All interviewees agree on the fact that Bufab is a very open company with smooth communication flows and an open door policy. The lines are short and it is easy to find and talk to each other and to get in contact with the management.

".....and then we are very open sort of company, everyone is allowed to talk to everyone, there is no like hierarchy thinking"

Erik Janson, Logistics, Bufab Sweden

The management of Bufab tries to be perceived as transparent as possible. Ofcourse there is certain confidential information that is not shared with everyone, but the management tries to share as much information as possible. When a sistercompany encounters problems, which are mostly on a financial basis, then they will be provided with insight in their exact numbers and the losses they make and with support in whatever form support is needed. In order to get
everybody to work according to the same strategy and towards the same goals and according to the same values, Bufab has invented a strategy to implement the Bufab way of working in the whole group by the usage of an education manager. This education manager will educate everyone in the Bufab Group on how the Bufab way of working is and what the values are that Bufab strives for, with the intended result to have everyone in the company working accordingly, regardless his or her position, which adds to the creation of a pleasant environment and a nice working environment.

4.1.5 Strategy

‘Bufab has been close to being worldchampion in decentraliztation, which has been a big step in building the Bufab what it is today.’

Rikard Kanmert, Global Account Manager, Bufab Sweden

Through the years Bufab has shown to be very good in the decentralization of the company’s activities, which means that all the Bufab companies are profit centers. The decentralization of the sales and sometimes the supplying has brought Bufab physically closer to the customer, but also in terms of language and culture. Unless there is a consolidation advantage Bufab does not globalize. The main point is to be locally present where the customer is to keep speed, be pro-active and act towards potential problems quicker than from a longer distance or when there would be more hierarchy. It is always a matter of finding the right balance between taking advantage of globalization as well as from localization. This search for finding the right balance is very well outlined in Bufab’s slogan ‘Think globally, act locally’, which they have based on ‘their global footprint, their Global Account Organization and their non-bureaucratic way of working’ www.bufab.com

The Bufab strategy is mainly about efficiency to create higher margins. Next to the decentralized strategy there are other strategic choices that are taken in the Management Team to stimulate efficiency and high margins. One of the strategic choices involves the customer focus, which states that there is a certain type of customers that Bufab wants to bind to them. The management insists on building relations and focussing on the ‘good customers’ which are the customers with less orderlines and with which you can make good freight conditions, being the global accounts, instead of on the small retailers which bring a lot of costs and generate less net. Profit. More on this strategic choice can be read in the chapter ‘Global Account Team’. Another strategy that Bufab follows is that every single company should try to focus on and improve the capabilities and processes they have first, before new business is generated. In this way the processes can be optimized and efficiency will be stimulated.

The Education manager is responsible for the implementation of this consistent strategy and implications throughout the whole group. The implementation of this way of working throughout the whole Bufab Group and in every sistercompany is not always as easy as it might look. Certain companies in certain countries have a very strong business and management culture which is not in line with the values of Bufab Group and for example are known with a different hierarchical structure. This makes the implementation of this one way of working very difficult. Eventhough there are such disadvantages to be found with the implementation of this Bufab strategy which is influenced highly by the Swedish business culture, but because history has shown the succes of this model when executed in Sweden, and meanwhile also succesful implementation abroad has led to succesfull revenues, Bufab choses to keep following this strategy and having every single employee within the company working towards the same goals and objectives.
4.2 Account Management

During the years the targeted customer has changed, which is especially visible in the last few years. Before, Bufab used to work a lot with retailers, which were smaller customers that were very energy demanding.

4.2.1 Markets

Today the Bufab Group has customers in most European countries. An interesting development is that Asia was formerly seen as just a cheap manufacturing continent. Nowadays the Asian market, especially China and India, is growing fast in potentials as a market for the products and China has shown to be the fastest growing market in 2010.

4.2.2 Global Account Team

Since 2008 Bufab has introduced a Global Account Team (GAT), a salesforce that focuses on global customers and tries to sell in the idea and concept of Bufab, and then would implement the cooperation with Bufab throughout all their companies on an international level. The focus has shifted form the smaller and more energy demanding customers to the bigger, international and more stable contracts. Companies belong to this group when they exist of three or more companies in three or more countries. The Global Account Management team has been implemented to be able to fulfil the request of these bigger international companies to speaking to Bufab as one whole, rather than to having to talk and negotiate with all the different sistercompanies of Bufab. This is the role that the GAT plays.

The GAT is in charge of the globalization in terms of prices, overall setups, contracts and the decision making on initial sources that should be used for supplying. Once those overall choices are made these decisions and all the procedures that the GAT has agreed on on a global level then are deligated towards the sistercompanies on location.

Figure 4: Bufab’s Global Account Organization (Source: www.bufab.com)

As the figure above shows, the GAT is active in strategic as well as in an operational way. The strategic tasks are concerned with the type of customers to approach in which way, and what kind of policies and agreements to work according to. The operational part is concerned with the management of yet existing global accounts and the communication with them and satisfactioning of their needs.
Over the past 5 years it has become more common that Bufab’s biggest customers appoint a commodity manager for fasteners, which means that this person is in charge of the global contracts concerning the fasteners that are used in the company. The GAT is in contact with this person within the Global Account and negotiates on terms and prices and when agreed on the conditions they will be appointed on a global level. So is this way a dedicated Key Account Manager can make sure that the global contract that is agreed on on a higher level, is implemented locally (source: www.bufab.com) And it is one of the strengths of Bufab that they have such a global spreading, that there are probably only 5 companies in the world that might be able to take contracts in which 10 to 15 countries are involved.

4.2.3 Customers
Before everything in the company was local. Since the introduction of the Global Account Team there have been some try-outs with 6 new customers. They turned out good and are running at the moment, which means that today the team has their hands pretty full on those and there is hard to start a new account at the moment. Though because of the lean organization and because Bufab is not a production company, not many resources are needed to try new things out. On top of that, the Bufab culture is known for being quite open for opportunities and thus when a business opportunity arises, some resources are put together and the opportunity will be explored. So when in any way, mostly through yet existing accounts, a lead comes through, one or maybe two persons will be put in position in the concerning location and this person(s) will function as the eyes and ears for the possible implementation of Bufab business potentials and either acquire a company or start a Greenfield operation. The Bufab strategy and culture also make it relatively easy to being able to be present where the customer is present, as long as they somehow can guarantee a certain demand.

“I say from time to time: if you have a big chunk of business, and you would like to give 10 million worth of business to supply you in Mexico, then Bufab will do it”
Rikard, Global Account Manager, Bufab Sweden

A tendency in the customer demand that seems to be happening at the moment is that when a customer is happy about the service that Bufab provides they will start asking for more and more items, which do not necessarily have to be fasteners for Bufab to provide them with. In this way, Bufab expands their product offering and on the same time binds the customers to them.

4.3 Bufab Sweden
As we have seen before Bufab Sweden functions in the Bufab Group as a mothercompany, though officially it is not. If you look at the organization chart, Bufab Sweden is a holding company, and officially also offers employment to the Management Director Hans Björstrand and the Financial Director who are employed under this holding. Bufab Sweden has the central functions like central purchase, global account management, internal education and implementation of the Bufab model on a global level and the IT management for the whole Bufab group. Besides that, Bufab Sweden functions as a supplier to its sister companies as well. The products are packed according to the requests of the customers and sent either directly to the customers or to the sister company’s warehouse. The main reason to send it to their warehouse is because of weekly scheduled shipments and consolidation of freight.
4.3.1 Automated warehouse

In 2006 Bufab Group has automated the centralised warehouse which is located in Bufab Sweden in Värnamo. There are two parts of automation. One part of the warehouse is dedicated to managing EUR pallets which means that the machines pick up the pallet and put it in a certain place. When the employees require that certain pallet by using a certain bar code that that pallet has been given before, the automated lift brings the pallet on its own, without any human interaction having to be involved. Bufab has agreements with most of their suppliers for the usage of EUR pallets which means that as soon as the goods arrive from the suppliers in Asia or Europe they do not need to be repacked but can be stored in the warehouse directly. This saves a lot of time and costs for Bufab, compared to before. The second automated part of the warehouse manages goods that come in small batches and use small trays for moving and storing the goods. Compared to the EUR pallet storage line this one is much smaller however it is also very useful because when it comes to some rare parts or small orders the employees do not need to repack whole pallets and by that waste time and money but they can take what they need from the small storage line. The automated warehouse has a capacity of storing 10,000 EUR pallets and 25,000 miniloads at a time and it is the main warehouse that is used by all of the companies in the group.

4.4 Sister companies

Bufab has about 35 sister companies around the world. By having so many representatives in different countries the Bufab Group covers almost the whole world except of South America and Africa where it does not have representative offices. However, this global presence is explained by the fact that Bufab grows into the markets where the customers grow. Generally Bufab is present in all markets where industries are a big thing and that is the strategy that Bufab plans to follow in future as well. If we analyse the markets within the industries that are in need of the service of Bufab, it can be concluded that Bufab is present in almost all markets. This gives a great competitive advantage because of the flexibility that Bufab has and this flexibility that enables Bufab to adopt to different customers needs and wants is its competitive advantage.

Below we will give an example of one of Bufab’s sister companies which will explain the relationship and the connection between Bufab Sweden and a sister company, in this case Bufab Industries SAS.

4.4.1 Bufab Industries SAS Lyon, France

As said before, the Bufab Group growth strategy is through foreign market expansion either through establishing new or purchasing yet existing offices or companies. One of the examples of such a purchasing expansion strategy is the Bufab Industries SAS company that is located in Lyon, France. After Germany, France is the second largest market for fasteners and penetrating this segregated and highly competitive French market through establishing a new company would be fairly impossible for Bufab because of the strongly positioned and well known competitors yet present there. One of those big competing companies was family owned company called Chapellet, which had been existing for three generations yet. Because the company had operated on the French market since the 1920s when it was established by its first owner Mr. Chapellet, it had built a lot of experience in the certain industry and had become a well known trader on the market. The company was acquired in December 2007 by the Bufab Group as a strategic step towards entering the French market and was renamed Bufab Industries SAS. The Bufab group owns another sister company in France that is called Bufab Paris however this company is relatively specialised in delivering products only for the Automotive and Aerospace Industries which gave Bufab enough security that there will be no
cannibalization between the two companies. Bufab Industries SAS in Lyon owns its own two warehouses one of which is used only for one customer. The second warehouse is the main one for Bufab Industries SAS in Lyon and it is also used to stock the supplies for Bufab Paris.

Before Bufab bought the company, Chappelet had about 140 employees. Bufab Industries SAS in Lyon nowadays employs 70 employees, half of the people, which is one of the most clear signs that the the Bufab Group has been introducing their strategy in which efficiency plays a important role. Before the acquisition, Chappelet was a family company that was hierarchically organized and all employees had specific responsibilities that they had to care about and nothing else.

“Before they just said: ‘ You have to sell sell sell! Don’t take care of the margins…”’

Laurence Moreau, Managing Director of Bufab Industries SAS

The main concern for employees were sales meaning the turnover and not the margins. The margins were taken care of by the owner and employees were pushed to sell more and more. The targeted customers of Chappelet were big companies of course and big industries however the small customers were also targeted. These small customers were relatively profitable because margins were higher for them but with time the energy and transportation costs increased and these smaller customers became more difficult to handle. Before Bufab took over the company the turnover was considered the most important things. This turnover strategy worked for Chapellet for almost 80 years and the company was profitable and very well known on the French market.

“…..now we are trying of course to follow the Bufab groups strategy meaning that we go more and more to the end users…”

Laurence Moreau, Managing Director of Bufab Industries SAS

When the acquisition happened, the strategy of Bufab Industries SAS had to be synchronised with the strategy of the Bufab Group, which ment changing the target customers, changing the monitoring of performance from turnover to margins, lowering the stock of standard goods that was rather high before and concentrating towards c-parts and custom parts, and as most important lowering the costs and increasing the control of costs. The company started concentrating on selling to big industries and end users and not to retailers since in the Bufab Group retailers are considered competition. By implementing this strategy of going directly to the end users the Bufab Group is trying to find more customers and to lower the competitors as much as possible, at least the one from the retailers. It might sound simple when you say it, however, in order to implement this and to change the way the company has worked for 80 years is not at all an easy task.

“…we need to understand that the second principle is a private equity fund and this changed the way of thinking of the company.”

Laurence Moreau, Managing Director of Bufab Industries SAS

The issue of different mentality between the French and the Swedish people has been a certain barrier for Bufab Industries SAS. French people are not as disciplined as Swedish people, they have a different mentality and are used to do thing much differently. When it comes to people changing their habits that they have had for more than ten or maybe forty years is very difficult. Also the change from a family company to a private equity owned group was not an easy one either. Before employees were used to work in a family owned company and they
felt as part of one family, they knew the owners very well and knew that the company was family owned for years. After the acquisition, these same employees need to feel as part of another family which is the Bufab Group which is due to cultural differences and organizational structure way different than the family that they had before.

“It means that they are very open and, ok, they let you very free in terms of management but of course you need to have the result in your company. If not they will try to help you.”

Laurence Moreau, Managing Director of Bufab Industries SAS

Because of the reasons explained above Bufab Industries SAS had a difficult three years behind them, however they have managed to surpass the crises and are looking into working efficiently and making profits for the Bufab Group according to their strategy in the near future again. These specific problems were always monitored by the mother company Bufab Sweden which has shown as the greatest supporter in the crises. The Bufab group lets each sister company have its own way of management of the same strategy and gives a certain freedom in this as long as the company shows results. In the case where there are problems then the group offers help and tries to make the company profitable again by giving all the support that it needs. As all the other sister companies, Bufab Industries SAS has a direct contact with Bufab Sweden through the education manager Karin Sanden who is the link between these two companies. She has been the one that Bufab Sweden as put in a position to help Bufab Industries SAS improve and try to put the crises behind and work towards profitable times. Karin has helped Bufab Industries SAS a lot and she has managed to find solutions for the problems in France by applying Swedish practices. Her function was not only giving guidelines what Bufab Industries SAS should do but working closely with Bufab Industries SAS all the way through their transition period. As explained by Laurence Moreau, if some of the French departments have some problems and need solutions, Karin would go to that certain department in Sweden and look for possible answers to this questions and problems and then share her findings with the company in France. This cooperation is seen very valuable in Bufab Industries SAS and believe that this has helped Bufab industries SAS to improve a great deal.

We cannot say that all Bufab sister companies function in this way however by using an example of one of them we can see the relations between the mother company and the sister companies and how the unique Bufab strategy is used and implemented round all of the companies. More or less, same rules, same IT systems and same opportunities for support exist for all 35 sister companies. The group functions like one family, whenever someone is in a need everyone is here to help however at the same time every company is an own system on itself.

4.5 The business processes

Looking at the flow of one item from the point of purchase by Bufab to the point it reaches the customers gives insight in the supply chain and the business processes of Bufab.

4.5.1 Product flow

The process starts at the moment that a customer delivers a drawing for the items that they are interested in buying or when they place an order for either a standard item or a formerly accepted and integrated item. The supplier transports it either by boat, train or flight, depending on where the suppliers are located and trying to take costs and environment into account. When the items arrive in Sweden, they are checked for quality if it are new items. If the items and the suppliers are known already, then the quality check is not executed, at least
not on a regular base. In some cases the products need to be treated or maybe repacked because of the specific customer requirements. The last step in the process is that the products are delivered to the customer, either to the end-location or to one of their HUBs or warehouses if they happen to have one. Mostly it goes by truck, but there are even some customer that come to pick up the goods themselves. The product flow is shown in a model on Bufab’s website as follows:

4.5.2 Purchasing
‘Overall, most customers are only interested in getting the lowest prices’
Karin Sanden, Education Manager, Bufab Sweden

Customers do have some influence in the purchasing process. Sometimes customers have special quality requests for which there might only be one supplier able to manufacture the item or the customer has their own design of the item they need. In that case it is very important for Bufab that if they buy the customer specific items, that either the customer orders some exact quantity, or that there is a contract that will prevent Bufab from getting obsolete stock of products that cannot be sold to any other company because of the specifications.

Having demanding customers throughout the world calls for comprehensive quality control procedures. Depending on the customers that are served and the products that are supplied the Bufab companies carry out different quality procedures and are in the possession of different quality assurance certificates. The most common certificate for trading companies that Bufab owns is ISO 9001 and for manufacturing facilities they carry out ISO-TS 16949. Quality control is an important part that takes place in the manufacturing process and is fully integrated in the ERP system (www.bufab.com). Whenever a new item is produced or a new supplier is found, there is usually a sample sent to Sweden to check the item on quality before the manufacturer can go ahead to producing them.

4.5.3 Logistics
Bufab considers itself to be well developed in the transportation. They have people dedicated to get the best prices possible. One of the factors that makes Bufab good and able to provide a profitable transportation is the (combining of) quantities that they transport every day. This
can give the customer the benefits of saving the high freight costs that they would get for themselves if they would order directly from the transporter. Also the internal flow works good. Bufab considers it important to take care of the synergy between the sister companies and to make sure that the items are not travelling back and forth between the companies and warehouses somehow. It can save a lot of time to process these requests as early on in the process as possible, so the demand to the suppliers and telling them exactly how the products should be packed and transported can be pretty high. It can be about the packaging, but also about the pallets that the goods are transported or correct embalage, and then to make a calculation on the extra costs you will have yourself on it and the price of the item that can vary.

‘The thing with fasteners, if you haven’t figure it out before, is that fastener are very cheap items [...] and you can imagine then the impact that it can have if you ship it too much and you add cost and no one is willing to pay for...’

Rikard Kanmer, Global Account Manager, Bufab Sweden

In general the logistic costs cover 6% of all the costs that Bufab has. The logistic sector is trying to be as efficient and as good as possible in order to be able to maintain this percentage of cost or even lower it. Bufab has very good connections build with the freight companies and with the maritime companies in order to establish an efficient and effective transportation network. The transporation generally is done from one of the Asian ports like Shanghai, Ningbo and others to Göteborg and then by trucks the goods are transported to the main warehouse in Värnamo where the goods are repacked and stored or directly shipped to the end customers or to the sistercompanies. The transportation from Värnamo to other destination is also done by trucks. This means that even on a daily basis there are many shipments that need to be dealt with and Bufab needs a lot of information upfront in order to be able to organize this process. In order to maintain good coordination with the transporting companies Bufab has installed a special software called EDICOM which connects Bufab to the whole network of transporters and freight agents and enables sending direct requests for pickup of the goods together with addresses and dates which are directly picked up from the system itself. This software is installed in Bufab Sweden and in three other sister companies and Bufab Norway. This system makes the freight more punctual, easibly traceable and at the same time it lower cost. Before installing this system, the freight companies charged Bufab a certain fee for every order for pickup that was filled in by that company in the system and now after the installation these costs are actually skipped because now Bufab does all the actions in the software internally and only ships the goods. On top of all this system increases the efficiency and adds on simplicity because now less people are involved in the process of shipping the goods and one person can do everything.

“Sending one ton home to Göteborg and out to Värnamo is very expensive. So one thing we do that I have put up with my colleague in Shanghai is this Hub concept in Shanghai”

Erik Janson, Logistics, Bufab Sweden

Another improvement that the logistic sector has done in order to lower costs and increase efficiency is implementing the hub system in the port of Shanghai for the shipment of the goods. Before this system was installed, the company would need to ship one or two tons of goods from China to Sweden and this is much more costly compared to shipping a whole container of goods and handling all of it at the same time. Because of these relatively high costs the logistics manager Erik Janson thought of implementing the concept of hub for the Shanghai port in China. This means that there is an agent that collects all Bufab orders and
ships them together to Sweden. This action can happen once a month of more often depending on the orders of Bufab. This concept is also effective in some other countries with which Bufab has regular imports like Taiwan and India, where Taiwan has a much more developed hub system which consists of holding inventory as well and the system and India on the other hand is not as developed as the ones in China and Taiwan.

Another way of improving the logistics is done by investments in the IT systems that the company is using. Due to the integration of the ERP system the internal logistics have improved a lot. In 2008 the last sistercompany has integrated the system and since this moment it is possible for any company on any location to enter this software programm, which will then give an exact update about the stocks and items that are stored and located on which warehouse within Bufab. The distribution between the sistercompanies from the central warehouse are then received in Swedish, but when the goods are shipped, the packinglist will be translated into, for example, Dutch. The Dutch customer who will receive the goods, will not even notice that the products come from Sweden.

“I mean they can repack something and change the pallet and it is 10 times cheaper”

Erik Janson, Logistics, Bufab Sweden

Bufab tries to influence its suppliers to use the exact type of pallets that they use in Värnamo, EUR pallets, just so they do not need to repack the goods and change the pallets and then stock them in the automatic warehouse. This is also one of the activities that increases speed and lowers costs. It is much cheaper to repack the goods in China than in Europe and even if suppliers require some additional fees this still saves money for Bufab.

The flat organization of Bufab plays an important role throughout all the department and processes in the company. Erik Janson expresses that all ideas are welcome and that his position is not only about making sure that the things are moving but also about finding better solutions for the flow of logistics. All ideas can be shared and if they are good management gives opportunities to him and other employees to work on their own projects if they believe that this will be good for the company. This is how the hub concept was implemented, everything starts from a simple idea that is shared.

Since logistics is time concerned and the best solutions are always needed for fast transport of goods that is cost conscious at the same time learning is a big issue as well. Bufab learns from its partners and that is on every step of the logistic process, from its suppliers, transport agents, freight companies etc. Since the major players in the logistic sector have great experience and they ship to companies round the world, Bufab can always learn from their experience and count on their support. The logistic sector in Bufab can use its network of contacts at every step when it comes for finding new handling solutions or solving some problems.
5. Analysis

5.1 Bufab, an innovation stimulating environment

As the found data shows, Bufab is one of the biggest players in the sector of global trading in the fastener and small parts industry. This fact gives us enough reason to imply that Bufab somehow knows to stay ahead of competition. Theory suggests that innovations can lead to a stronger competitive position of a company in the industry (Charterina & Landeta, 2010; Dobni, 2008) and that is why we will look into the innovations that Bufab has introduced in their processes and how these ideas were enabled. As presented in the purpose this research is looking towards making a connection between how the specific internal factors of structure, strategy and culture are of influence on the innovative solutions for improving the business process in a born global trading company, that are called products of innovation in the following text.

In the next section of our analysis we will analyse how the internal factors of the organization influence the level of innovation in Bufab, where internal factors are determined as the structure, as well as the strategy and the culture of the company. In section 5.2, we will take an in-depth look into the internal factors that we have found to be of importance in the stimulation of the processes of innovation in a company. In theory we have already showed how the structure, the choice of strategy and the culture of the company can all influence the level of innovation in a born global company, and we will analyse how Bufab manages to use these internal factors to create innovation and gain a sustainable competitive advantage. At the end in section 5.4, we will focus our analysis on the products of innovation that we have been able to define as such. We will present six innovative solutions that have taken place and have been implemented or taken into practice within the last five years.

5.2 Analyzing Internal factors that influence the process of Innovation

5.2.1. Organizational Structure

Bufab is a group that is organized by having Bufab Sweden in a function of the mother company and around 35 other sister companies around the world. Bufab Sweden is in charge of controlling the work of the whole Bufab network and has the power to interfere and help companies in need. Although the company claims to have decentralized strategy and to let sister companies make decisions on their own, underneath all of that still some important aspects are kept centrally, amongst which the most important one are the strategic decision making processes. When it comes to communication lines everything is rather flat and ideas are freely shared and what is most important people are respected for what they are. All of the interviews showed that employees are happy with the way that they are treated and one of Bufab’s strategic points is appreciating people and helping them to bring the best possible out of themselves in their work. However, this is a central strategic point that is set and in Bufab Sweden it has worked very well so far, however, how deep this is applied in the other sister companies cannot be known or even expected to a high level because the sister companies...
have still their own structures. If the communication flows are analyzed it can be said that in Bufab Sweden the coordination is established by the line of mutual adjustments and by the standardization of skills (Mintzberg, 2009). To clarify the previous point, everyone in the company knows what they are supposed to do and they are well trained to do their jobs, the jobs incorporate a lot of activities that are not only connected to the certain position but also all of the administrative work and other operational activities are covered by employees themselves they don’t have other people to do this things for them. However, this should not mean that everyone is allowed to make all kinds of decisions, important decisions are still centrally positioned and employees are clear on what decisions they are entitled to do and other that are not. Because of this a lot is communicated and shared just so the top management can be in line with all of the things happening in the company.

If the discussion is moved to the level of Bufab and in this case we will stress the Bufab Group, then it can be said that the coordination will be executed by the standardization of output (Mintzberg, 2009). This is said because all of the sister companies are allowed to have their own structure and a way of leading as long as they bring to the group what is expected from them. The expectations are clearly defined by some guidelines that include profit margins for products and for customers and that show what percentage the cost for supplying and selling a product can be. As long as companies manage to keep their customers happy and to keep the margins that are set by the central strategy of the group, then they are well off. This shows that the structure might be decentralized as it is proclaimed to be, however, at the same time the companies have to follow one central strategy that in the company is also called the Bufab model of working. When it comes to the topic of decentralization Mintzberg, (2009) points out three reasons for decentralization, the reason why Bufab has chosen in to decentralize and give the power of decision making to the sister companies in this case is because of the issue of culture. Customers have their local cultural needs and habits and it is always easier and better when these needs are met by a local branch of the company (Payne & Frow, 2005). This is exactly what Bufab stands for and what they are doing. At Bufab it is believed that local needs can be met much better by the sister companies than by the mother company because the sister companies know their customers much better and they can easily understand them and can better interpret their needs. There are two different ways to cope with that depending on how the Sister company is established. If the sister company was acquired, than often a yet existing management team will be educated by the Education Manager of Bufab on the Bufab strategy and the Bufab way of working, just like how it happened to Laurence Moreau, General Manager of Bufab SAS Lyon. Another way, mostly in the case of the establishment of a new company in a foreign country new managers are educated in Bufab Sweden to get familiar with the Bufab strategy and are then sent to the new country to manage the sister company there. The selection criteria for this new person for one of these managing positions is set by Bufab as having some kind of a relation with the country and culture that s/he is sent to. In this way the sister company can benefit from knowledge of the country’s culture and at the same time from a strong foundation on the skills and knowledge about the Bufab-way-of-working. This is one way to cope with the situation that Almeida, Phene and Grant (2003) sketch in their theory that knowledge is not easily transmittable throughout different cultures and that therefore a continuous knowledge sharing processes should be embedded in the organization. And that is exactly what Bufab does through the education and coaching of the new employees and managers and by hiring people that already have the certain needed knowledge or cultural background. After clarifying the reasons for deciding of implementing a certain level of decentralization another tool of centralization needs to be mentioned that the company uses and that is the position of an Education Manager.
All of the previously explained training and coaching that Bufab does in order to help the sister companies is also a way to promote the centralized understanding of the strategy to the decentralized segments of the organization. Although it might look as a support unit for help, the Education manager, strategically looking at it is actually a means of keeping things centralized in the organization. When decentralized segments (sister companies) make decisions according to centralized guidelines and expectations, this would be a good way of explaining Bufab’s structure. When it comes to choosing a strategy for decentralization it can be said that out of all of the five types of decentralization the one that most supports the Bufab’s structure is the Limited Vertical Decentralization. The link between implementing a central strategy and the level of support from the tecnstructure that is of importance for Bufab, are the representative elements of this decentralized strategy. Moreover this level of centralization defines the structure of Bufab as a rather divisional structure (Mintzberg, 2009). Since the company does not recognize an official structure of the group by using theory and the empirical data the researchers have come to an understanding that the most appropriate structure to describe the organizational state of Bufab, is the divisional one. This is concluded because of the fact that the sister companies are treated as separate entities that have standardization of output and know exactly is expected from them to deliver. The divisional form of structure still has certain support from the strategic apex which in this case is the central strategy and the top management, however, the pressure is put on the middle line where basically decentralised decisions are made (Mintzberg, 2009). What are the implication of this choice of structure is a much more important issue than just defining the structure of an organization. Although, it can be seen that this choice of strategy might not be the most decentralized one, and although at the end of the day everything goes backs to the decision of the strategic apex meaning that there is always a central power in control still it seems that this structure works for managing a global company.

It is a wonder how a company can keep many of their activities centralized and still manage to keep in coordination above 30 companies to function in accordance. This structure gives the opportunity for Bufab to give freedom to companies in their work, however, at the same time to interfere if needed. This is considered as one of the important results of this research. The structure is such that gives an opportunity to the strategic apex to interfere when that is necessary and by doing this to prevent a situation that can affect the whole group. Keeping the open door policy and the rather lean levels of authority structure represents maybe more the Swedish way of doing business and by that gives opportunity for everyone to be involved in the process of suggesting and idea giving, however, at the end of the day there are still clear borderlines between the management and the other employees. The organization is presented by the interviewees as low in hierarchy and the management as really accessible, still this should not be understood as everyone can propose and do whatever they want on the contrary everyone is invited to participate, however, the management is the one that will make the decision if some project is accepted or not and if some idea will be realised or not. Putting this along the theory on how certain structures can stimulate innovation in a company, it can be said that the rather stable yet unpredictable environment that Bufab is active in makes their organization market oriented. This market orientation that Bufab also pursues in combination with their small size and lean structure of the company makes them flexible to adopt innovation when necessary, Organizations operating in stable but unpredictable environments are mostly introducing their innovation through imitative and acquisitive sources (Damanpour, Gopalakrishnan, 1998), and Bufab fits this theory. According to the ambidextrous theory as well as to the dual core theory, attributes of structural complexity such as high complexity, low formalization and low centralization are mainly of influence on the
initiation of innovation, while attributes of bureaucratic control such as low complexity, high formalization and high centralization are more of influence on the implementation of innovation (Damanpour and Gopalakrishna, 1998) The divisionalized structure of Bufab, which inhabits both the decentralized and centralized structure, manages to stimulate initiation and implementation of innovation in the organization.

About the way that Bufab in particular builds on international contacts and how they use these contacts for improvement will be further outlined here. Born globals tend to be relatively much dependent on networking, which by Bufab is given shape through their on-going search for and focus on new customers, new suppliers and potential new partners or possible acquisitions. And although this is not directly part of the structure of the company still networking influences a lot how the structure of the company looks and influences the communication lines. Networking has given Bufab an opportunity to learn from the global environment and by that to get inspiration for improvements and changes. The issues discussed by Tidd, Bessant and Pavitt (2001), that companies easily get inspired or pushed into innovation by other companies that they have relations with is applicable to Bufab as well. Born globals are more flexible than the bigger cumbersome companies and theory shows that they build their network faster and in an earlier stage than the other traditional international growing companies (Sharma & Blomstermo, 2003). For Bufab strong ties are their customers and their suppliers, business partners, companies with which they have already established some kind of a relationship with. The strong ties that Bufab has are not necessarily the ones that enhance the innovation, though they do provide access to a even broader network and thus forthcoming weak ties. The strong ties of Bufab are companies with which they collaborate and where a trust relationship has been built. Although these relationships are crucial for a company still the weak ties are the once that are directly connected to innovation according to the source. These weak ties are a perfect source for getting new ideas and gaining new knowledge which can easily lead to innovation within the company (Powell & Grodal, 2005). Bufab, which always is looking for new expanding opportunities, has great access to weak ties. Weak ties are companies with which Bufab does not have a direct collaboration but it has contacts through their strong ties. A new supplier on the market or a new potential customer or a company with a business that complements to the services of Bufab are all potential weak ties of Bufab. In the second section of the analyses where the innovation in the last 5 years will be presented we will see that one of the innovations that occurred was resulted because of a customer push factor. As discussed by Sharma and Blomstermo (2003) born global companies are learning from their networks and they are in a way network dependent, they are flexible in their market strategies and they adapt more easily compared to other companies because they were born in the global world from the beginning. The previous said is applicable to Bufab as a born global company. Bufab is rather flexible in pursuing their strategy, just because they have been learning a lot from the global society of international networks and have learned how important for a company is to adapt to the needs of the market, especially customers. This knowledge has influenced their structure and we can see how Bufab has tried to make its structure in a way that will be able to always be near to the customers and meet their needs. This was already discussed by Mintzberg (2009) and the reasons for choosing a specific structure previously in this section and once more it shows that Bufab has always believed that the best way to serve the customers is to be near towards them and that is why they have more than 30 companies round the world.
5.2.2 Strategy

Closely related to the structure of the company, we will now look into the strategy of the company and how this strategy enhances innovation. Theory has shown that the relation between structure and strategy in an organization is very much correlated and difficult to clearly separate from each other. Research shows that the organic and flexible structure of an organization can have a positive effect on the development of competitive strategy which underlines the importance for managers to appraise the strategic value of the organizational structure (Claver-Cortés et. al. 2011). Now that we have defined the organizational structure of the Bufab Group we will proceed towards strategy and to the importance of keeping the balance between global and local approaches in managing a global company. Bufab is a good example of a born global because of the relatively small size, their actively building on international contacts and experiences which make them rather flexible to and adaptive to changes (Madsen & Servais, 1997). Compared to their biggest competitors in the field, Bufab employees a very small amount of people, which is mainly the result of the strategy that they are following in which efficiency plays a big role. As the empirical data has also taught us Bufab seems to be a very flexible organization which has found ways to cope with the adaptation to many different countries and cultures that they are concerned and dealing with. The small size, the lean organizational structure and the thereby created uncomplicated communication flows are the main reason for this because decisions are made easily and problems are taken care of quickly. When a company is working globally the structure and the strategy of the organization have to adapt to the global concept and decision need to be made on what is kept centralized and what is decentralized, whereas working locally means that you adapt to the local habits and cultures of the customers. Starting up with the nature of the business, the empirical data shows that strategy of Bufab is highly focussed on international growth, which is one of the characteristics to be expected from a born global company (Knight & Cavulgil, 2004). Bufab pursues the local strategy through being physically close to their customers in every country and by appointing dedicated contacts to each customer. In the case of acquisition Bufab hires the local people who have the knowledge on the local way of working to being able to adapt easily to the customers local requirements and demand. The challenge of finding the right balance between the global and the local approach makes them a perfect example of a globally operating company pursuing a glocal strategy (Svensson, 2001). The influence that this glocal approach has on their strategy is that from one point Bufab tries to benefit from the global advantages as much as possible in a way through achieving economies of scale and scope in ordering, improving their transportation and logistics systems, their IT systems and by arranging the supply chain as effective and efficient as possible. Theory shows that the strategic decision making processes are dependent on the culture of the focal country of the international organization and that the incorporation of cultural characteristics is in favour of the internationalization process of the organization (Dimitratos, Petrou, Plakoyiannaki and Johnson, 2011) The swedish founder Hans Björstrand plays an essential role in the strategy to be followed and decisions to be made. His international focus is seen as one important drive for the succesful international growth of the Bufab Group throughout the about 30 different countries that Bufab is present in nowadays. Bufab is strongly influenced by the ‘glocal’ approach of benefitting from the global advantages of cutting costs and growing markets as well as from the local approach of having short lines to the customers (Svensson, 2001). This glocal approach can be typical for born globals because the rapid expension that they are strving for combined with the customer orientation that born globals tends to be a necesity (Kim et. al. 2010) in order to compete on the global market. This customer focus is translated in the strategy that the Bufab Group pursues and about how to deliver the highest value to the customer with investing the least energy and lowering the costs as much as possible. On top of that the trading context that we
are talking about now is concerned with transport and logistics, which implies the importance of decreasing the lead times to get products from the manufacturer to the customer. This is why Bufab in the born global context is also aware of their supply chain and how to improve this supply chain and thereby create advantages in the supply chain by combining transports, establishing efficient transportation routes, establishing sustainable relationships with the transportation companies and having a good communication flow throughout the group in order to distribute the orders and deliveries as time and cost efficient as possible.

Following the definition of Vokurka and Lummus (2000) on Supply Chain Management we can see that Bufab is succeeding in on one hand focussing on their key processes like finding the right suppliers and transport and logistics, and at the same time still being able to add value for the customer which are low costs, short lead times, big and customized product portfolio. According to amongst others Harland (1999) and Vokurka and Lummus (2000), being cost and time efficient is one of the aspects that became of more and more importance with the globalization. Bufab nowadays has shown to be a company that works very efficient, which is underlined in the best way by looking into the tight number of employees that they are employing which, compared to their 3 to 4 biggest competitors, which is a big accomplishment. In order to gain this efficiency Bufab focuses on their activities in the supply chain such as the planning and coordination of tasks such like storing product, negotiating on prices and conditions, receiving customers’ orders and delivering products to the customer (Si, et. al., 2001). This same issue is supported by Kim et al. (2010) where they say that born globals usually concentrate on building personal relations with customers because of their relatively small size compared to the market that they cover and the author also stresses the importance of keeping long term relationships with customers. By decentralizing their activities in a rather balanced way, Bufab creates a competitive advantage through being able to offer their customers what they want: low prices, a close relationship and the right products through offering the possibility on fully customizing the products.

The current strategy of Bufab is focussed on efficiency, building margins and building sustainable relationships, and is highly influenced by the future perspective and the foreseen developments in the sector of trading. The attempt to build margins is pursued in different ways. One of the ways is by focussing on a target customer, which is in this case the global accounts. Due to their scale and global presence, working with them will provide Bufab with a stable and sustainable relationship. First of all because of the specific requirements they have there are not many competitors that could possibly live up to their requirements. Secondly, because it asks a lot of effort to win them, however, once they are your customer a lot of specific knowledge is involved and the built relationship and knowledge is not easily, and only against relatively high costs, transmittable. Another way to build the margins is through the focussing on offering Customized-Parts. These so-called c-parts provide the exact offer for the customer demand and on top of that they will also add to sustainable relationships because the specialized offer is what keeps them attached to you. Furthermore these c-parts add to the building of margins because the customer is willing to pay more as long as they get value, and providing them with the exact right offer is one of them.

During the years Bufab has been trying to adopt and adjust its strategy to the market needs. Bufab still works according to their believe that closeness to the customer is important, yet at the same time they try to benefit as much as possible from the globalization. The strategy itself is influenced by the organizational structure that Bufab has and if correlated to the previous internal factor that was discussed it can be said that the strategy itself is central for Bufab. This means that all of the companies of the group follow one strategy for working, this
involves issues like: enhancing efficiency, keeping costs under a certain level, keeping margins on a certain level, target certain customers. All of the sister companies work freely on their own and can execute things in the way they want as long as the previous mentioned issues are in coordination with the strategy of the group. According to this we can say that the strategy is generally centrally decided upon and something that the sister companies need to follow. It is a fact that the means through which the results are achieved are not important for the group, however, sister companies still have same goals as the Bufab group that need to be followed. This strategy of having certain things centrally agreed on enables better coordination and makes clear what is expected of the sister companies. This gives simplicity to the system of working and because of this high level of efficiency can be achieved if everyone is performing as required. The main player in keeping the coordination and helping the sister companies adopt to this central strategy of working or also called the “Bufab way of working” is the Education Manger of Bufab. This position will be evaluated as an innovation in Bufab and will be discussed in detail in section 5.3.5 which is about establishing a Bufab Education Manager.

5.2.3 Organizational Culture
The third factor that we found to influence on innovation in the case of Bufab is the culture build around the Bufab group. A lot has been said and written on the topic of the culture and many have confirmed that strong culture is of benefit for the success of the company. The culture in an organization is said to determine the basic beliefs, values, norms in regard towards how knowledge is shared, generated and utilized within the company, which means that the organizational culture contributes to the learning and knowledge management in an organization (Zheng, Yang, McLean, 2010). As discussed by Ekvall (1991), innovation can be influenced by the culture of an organization yet Nranjo, Valencia, Sanz Valle and Jimenez (2010) argue that this influence in a positive way, but not necessarily so. According to Ekvall (1991) there are a few pre-requisites for the culture of an organization to influence innovation though of which one of the most important ones is defined as the presence of an idea-handling system. This means that within the organization ideas are shared openly and the means through which these ideas are corresponded after sharing. All the interviewees that we had put emphasis on the fact that Bufab offers a very supportive climate. Bufab is a very lean organization with an open-door policy. Ideas are listened to and support is offered or given when needed. This is not only so for the employees working at Bufab Sweden, it is also supported by the Sister company who stated that the culture is very open and that ideas are shared and listened to and that problems are discussed openly and solved quickly and efficiently. This openness in relation to the innovation-stimulating environment is also in line with the theory that an organizational culture encourages creative thinking, learning and participation (Hurley & Hult, 1998). Therefore we can say that the open organization culture of Bufab is a good example of an encouraging environment for innovation. Two of the innovations that will be identified in the second section of the analyses are indeed inspired by this open culture and low hierarchy of the company. Employees expressed that knowing that they can freely talk to their colleges and managers about all kinds of issues or topics is in fact inspiring them to do more and to give propositions for improvements. Moreover empowerment is also a part of Bufab’s culture and it seems that it motivates people to do more and to propose and run their own projects. Although culture is seen as a factor of innovation in some cases sometimes according to Jelinek and Schoonhoven (1991) if a culture is too strong, this can work against a smooth development of innovation. Despite the low hierarchy and the open door policy when talking about Bufabs culture on a strategic level, it can be said that there are strict guidelines, which companies should follow. These guidelines are the ‘Bufab-way-of-working” and they play a big role in the culture of the Bufab Group.
There are specific expectations that the Bufab group has and that all sister companies need to meet. Positively these general guidelines include an open way of working which is based on building efficiency and finding new and better ways to gain margins. Negatively through the fact that there are fixed guidelines for the whole group as a whole is not very flexible. One of the prerequisites for enabling innovation in an organization should be that the organization is open to innovation (Zaltman, Duncan & Holbek, 1973), and we are not saying that Bufab’s fixed global strategy for all of the companies inhibits innovation, on the contrary for now it works perfectly for the company, however it should be taken in consideration that this inflexibility with time, in future might become a problem and needs to be changed or made a bit more flexible.

What plays an important role in the level of innovation in a born global company also has to do with the organizational learning, with which we mean the learning process in an organization (Taylor & Osland 2003) and knowledge management. Theory shows that the styles of learning within an organization are strongly dependant on the top-management, through the ways that they have embedded the processes of learning throughout the company (Taylor and Osland, 2003). As we have seen before, Bufab is known for having a low employee turnover, which might be fostered through the tight organization in number of employees and therefore the relatively more challenging, responsible and versatile positions. Since the effective sharing of knowledge is also encouraged through the minimization of employee turnover because it creates a sustainable learning environment (Crossan & Bedrow, 2003), this can be a reason for the efficient and effective internal knowledge sharing platform leading towards innovation. De Geus (1988) has showed that organizational learning is crucial for companies competing on a global level, out of which we can conclude that if Bufab has shown to be a strong competitor in their sector their organizational learning must be of a certain level. Stata (1989) argued that ‘sharing’ should be one of the most important aspects to enable organizational learning, in which he refers to the sharing of knowledge and insights. Sharing in its turn is made possible through communication, and that is why communication in a company is a crucial need for new knowledge and linkages to be made. The sharing of knowledge is not as easy as it might sound, especially not when the communication crosses geographical and cultural barriers. When looking at the intangible assets such as knowledge, we can say that the transmission of this is not easy because the knowledge is bound to location and to a specific organizational environment (Makino and Inkpen, 2003; Almeida, Phene and Grant, 2003). Due to the tight and relatively small organization that the Bufab Group is, which make the communication less complicated and thereby the sharing of knowledge and the decision making processes more efficient (Cohan & Levinthal, 1990).

A company can benefit from their internal knowledge only up to a certain level, because the likelihood that any company possesses all the knowledge internally needed to have a sustainable competitive position is pretty much zero (Almeida, Phene and Grant, 2003). As we have seen before, Bufab gains access to external knowledge through network inhabited in the born global context, which provides them with quite some strong and many weak ties which are a perfect source for innovation. The internal knowledge that Bufab possesses is about all the knowledge that any employee in the company possesses or has access to. The interchanging of knowledge and capabilities between the individuals increases the possibility to enable innovation (Cohen & Levinthal, 1990) and in line with this the open culture in the company enhances this interchanging. Research shows that the most important communication channel to transform knowledge are electronic media (Almeida, Phene and Grant, 2003) and Bufab also shows to follow this unstated rule mostly through the
development and introduction of the ERP system which enable actual, punctual and fast communication with any sister company in the Bufab Group.

As we can conclude now, the organizational culture and the open environment lead to the stimulation of organizational learning and knowledge sharing through internal communication and the focus on becoming an efficient world leading trading company make Bufab a good foundation for creating innovation (Zheng, Yang, McLean, 2010). The above discussed changes of strategy have led to improvements that have occurred in the last three years and that we have identified as innovations according to the general definition that we apply to the situations as being the first successful application of a product or process.

5.3 The Products of Innovation in Bufab

After presenting the born global context and the main three internal factors that influence the process of innovation in Bufab, we will now analyse and present the effect of those factors on the creation of innovation in their processes. As we have seen and analysed with the yet existing theories, Bufab has managed to build a rather innovative environment in the company which have been of influence on the six innovations that happened in the interval of the last five-years which we can record as innovations by linking it to theory. First of all the extent of innovation in the organization will be analyzed by using the models of innovation presented on pages 7 and 8 and after that the actual products of the process of innovation will be presented. The six innovations will be separately analyzed and discussed. We will identify the reasons why they were developed and how they affect and complement each other and how they lead towards an action of continues search for new solutions and from and towards an open-minded sharing environment. The six innovative solutions that were identified are the implementation of an automated warehouse, realizing a universal ERP system, employing EDICOM software, the concept of a HUB-system, introducing an Educational Manager and the introduction of a Global Account Team. The automated warehouse affects the logistics of the company by replacing human interaction with automated system to receive and store products. The ERP system is in internal software system which gives up-to-date insight in the storage of every single sister company, whereas the EDICOM enhances the communication flow and eases the ordering opportunities with the customers. The HUB is also a logistical improvement through the implementation of HUBs or central temporary storage in Shanghai, Taiwan and India. The Educational Manager is appointed to make everybody in the Bufab Group work according to the same strategy and towards the same goals and the Global Account Team contracts and manages the global customers who have companies in more than three countries.

As we have stated in our introduction, a very general definition which we will follow on the analysis is that innovation is the successful implementation of a product or process (Cumming, 1998). When it comes to a more detailed picture of innovation it has been already established in our theoretical framework that innovations is a lot about newness and promoting new things on a certain market, sector or in one organization (Johannessen, Olsen & Lumpkin, 2001). Since the all of the identified six innovations in Bufab improve or bring something new to the process of working and they all add in some way to the strengthening of the competitive position of the company, we can say that they can be identified as innovations that are a product of a certain process of innovation. Davenport (1993) identifies taking a process perspective of working as taking the customers point of view by improving your processes in such a way that in the end it cuts costs yet still adds or sustains the value for the customer. This is what Bufab is doing and all of their innovations are process innovations or innovations that improve the process of working of Bufab. All of the innovations that will be
discussed aim to pursue the strategy by increasing efficiency, cutting costs and sustaining competitive advantage and customers long term relationships. In correlation with the innovation classification of Tidd, Bessant and Pavitt (2005) these innovations are incremental process innovations because they bring something new in the company that already exists in other environments, which at the same time improves the process of delivery and the service of the company. When it comes to timeline, Tidd, Bessant and Pavitt (2005) recognize drastic and continuous innovations (see. Figure1). All of the innovations of Bufab are continuous innovations since they are result of a process of continuous improvement, which is implied in the strategy and in the cultural thinking. The interviewees all agree on that there is always space for improvements and ways to become better and Bufab is constantly working on finding new and better solutions for old problems and the result of this process are the innovations presented in this work. Damanpour (1991) talks about incremental innovation being adopted in an already known innovation in a new environment or context, and this are the category in which Bufabs innovations belong. None of these six projects are new to the industry though they are new to the company itself. They have helped Bufab to sustain its competitive advantage because the improvements that Bufab has gained have affected the efficiency of the work done and also have helped Bufab to cut on costs and building margins, just like the strategy prescribes them. Also according to the Oslo Manual 3rd Ed. (2005) the level of innovation of the company is minimum since all of these innovations are only new to the company and not new to the market, sector or the world. The Oslo Manual classifies innovations into two groups: the technological (Product and Process) and non-technological (Organizational and Marketing innovation). If the Oslo Manual (OECD, 2005) is used to classify Bufab’s innovations then it can be said that four of them will be process innovations under which category we will classify the automated warehouse, the ERP system, the EDICOM and the HUB concept because all of these innovations use technological improvement in order to improve the business process. The other two innovations that we encountered, being the Educational Manager and the Global Account Team, are classified as organizational innovations because they do not incorporate technology in the process of improving the activities and because they affect the business practices, the workplace, the organization or even the external relations (OECD, 2005).

The model of Teher and Tajar (2008) shows that innovations are three-dimensional, in which the product innovation (what does the company produce) versus process innovation (how does a firm produce) are outlined. Other dimensions on innovation are the degree of newness in either the company, the industry or to the world and the division into technological and non-technological innovation, where technological stands for both product and process innovation and non-technological for service, organizational and managerial innovations, which is in line with the classifications of the Oslo Manual (OECD, 2005). The model from Tidd, Bessant and Pavitt (2005) emphasizes already that no innovation is 100% product, service or process based. If we can take in consideration the three-dimensional model by Tether and Tajar (2008) and say that if plotted on this model (Figure 3), then Bufab would be placed somewhere in the middle of the graph on both sides on the line between the technological and non-technological innovations (Figure 3). This position should present that Bufab has technological and non-technological innovations that are process oriented and concentrate on bringing novelty in the organization and sustaining a competitive position. This position is directly affected by the sector in which Bufab is operating meaning that since it is a trading company, most of the innovations that will be formed will be process oriented since they do not produce products. Moreover working with a rather standardized, low price per item product also means that there are not many innovations that can be developed that sufficiently cut cost and at the same time have never been implemented in the sector. As we
can see the third dimension of Bufab is rather internal than external oriented as a result of this. The different dimensions that are theoretically framed by different scholars give some kind of an outline on how innovations can be interpreted. To structure our analysis and to take the analysis up to this level, we will follow the Oslo Manual (OECD, 2005) which states that technological and non-technological innovations do not go without each other which implies to us that they somehow interact with or complement each other.

When one has a tough task to reach for the outspoken vision to become the world leading in their sector, it needs all of the help from change and innovation that it can get just to stay on the top (Dobni, 2008). In Bufab this is done by contextualizing the innovation. Griffin (1997) has discussed that many companies try to innovate in different ways but at the end they end up with having the same level and interpretation of innovation. This means that sometimes no matter how much you try to differentiate everyone else ends up at the same point with the same result. Because of this, putting innovation in your own context or so called contextualising it, is of importance (Ortt & van der Duin, 2008). Bufab has put innovation in the context of a born global company and has tried to benefit from its networks, openness, flexibility, rather flat organizations in the process of getting new ideas and finding new better solutions for old and new problems and issues. All the interviewees expressed that there is always space for improvement and that always there is something more that can be learnt, done, changed and improved.

After all the classifications discussed we can conclude that the process of innovation in Bufab has been influenced by the structure, strategy and culture of the organizational environment of Bufab and has resulted in six incremental process innovations that will be discussed in detail in the next section. On top of that, we will also show for every product of innovation whether and how they are linked to each other and or complement each other and we will show some interesting interactions between the different innovations.

5.3.1 The Automated Warehouse
In the past ten years Bufab has shown some technological improvements that have been implemented within the company. The completely new automated warehouse that manages EUR pallets on its own and recognizes all products by bar codes has been of a big importance for the company. The automated warehouse has cut the handling time of the goods by decreasing the human involvement to a large extent. Furthermore it has increased efficiency and made the execution of their strategy much easier. Before the implementation of the warehouse as it looks like today, the company also had a warehouse, though the storage size was very limited and the advantages that could be gained from it were relatively low. The implementation of the extended warehouse has been a move in the persuasion of the efficiency aiming strategy.

Although this has been a costly project for Bufab, the group is proud of executing it and from today’s perspective they could not imagine how they would have improved and managed to stay on top of the game without it. Although Bufab promotes internal ideas and supports employees in engaging themselves for finding new and better solutions it has to be said that this specific innovation is strategy and market driven. The high level of competition is the one that has pushed Bufab into making the automated warehouse a strategic tool for improving efficiency and cutting lead time (Powell & Micaleff, 1997). Not having the access to and possibility to usage of such an innovative warehouse will for sure be a disadvantage because any other competitor that uses it will for sure gain big advantages on the cost cutting and the customer offer. Since the company is operating in the global market it needs all of the help
that it can get from technology in order to stay in front of its competitors and to find ways to retain its customers and build better and sustainable relationships with them.

A beneficial parallel between other innovations that can be given is the one with the HUB system, about which we will describe the functioning in more in detail later. Because Bufab’s HUBS (temporary storage close to the suppliers and manufacturers) use EUR pallets for the packaging of the products when they arrive from Asia in Värnamo Sweden, they can be directly handling them in the warehouse without the need for repackaging. This complementary work that both innovative projects do results with saving time and lowering costs substantively when it comes to the transportation and handling of the goods.

5.3.2 The Universal ERP
The universal ERP system that is installed in all companies of the Bufab group is evaluated as another process innovation done by Bufab. Although the original ERP system has existed in Bufab Sweden since 1996 still only in the last couple of years it was implemented globally in all companies of the Bufab Group. The ERP gives information about the stock and the orders by all of the companies, which makes planning and coordinating much easier for all of the companies. The universal ERP for the whole Bufab Group has increased the visibility and improved the communication between the sister companies and the mother company. Since the automated warehouse in Värnamo Sweden is centralised and holds stock for the whole group, then the sister companies have to have precise information about the stock that is held in order for them to know what they can sell right away and hat needs to be additionally ordered. Since the lead times for goods from Asia can be up to two months it is of great importance for Bufab to have access to the stock information just so to be able to fulfil customers’ orders as efficient as possible.

This innovation is strategically implied, it has been executed as a centralised decision by the top management in order to increase the visibility of the working of the companies. Especially when it comes to global customers and when goods need to be transported to one customer in different locations the company grasps the benefit of the centralised ERP system. This innovation is influenced by the centralised strategy and by the divisional structure, because by having this ERP the strategic apex has high visibility of what is happening in all of the companies and although all companies are decentralised to do their decisions on their own, still the ERP gives the opportunity for centralized interference if there is a need for that. Furthermore it is a good example of how the open culture and aiming for transparency up-to a certain level have led to the implementation of a system that increases the visibility throughout the whole group intensively.

5.3.3 EDICOM Software
Another innovation that uses technology in order to cuts costs and to increase efficiency in the company is the EDICOM software. By now this software is implemented only in three companies. It has enabled direct communication channels with freight and transportation companies and also helped in cutting on time for sending orders and cutting on costs since some handling fees are escaped with use of the software. Now one person can easily handle one shipment and that person can do all of this in a short period of time. Everything else that needed to be done is just to load the goods to a truck and the shipment is already on its way to the customer. As for the previous two discussed innovations the competitive market has pushed Bufab towards all the time finding ways to cut manipulation costs and keep margins as high as possible and this force has pushed the company towards making the decision of implementing EDICOM. Furthermore this system combines well with the customer
orientation that Bufab aims for by simplifying the communication and at the same time satisfying the need for any customer to spend as less time and energy to getting the same or even better results and living up to the customer requirements.

The EDICOM is not directly correlated to any of other innovations that we have found. Since we have already emphasized the importance of the lowering of lead times and the efficient handling of logistics, the importance of this innovation lies mainly in the fact that this system puts the orders directly through to the transportation and freight companies with the result of escaping certain handling costs.

5.3.4 The HUB concept of purchasing
The HUB concept consist of building certain HUBS which are warehouses in a way, which stock the goods that need to be sent to Sweden by container until enough goods for one load is filled in. Many small producers supply these HUBS and if they would separately deliver to Bufab Sweden, the cost would be extreme. By using a HUB, suppliers send their orders to the HUB and at a later stage the HUB sends whole filled containers to Sweden. This system of working cuts distribution costs significantly for Bufab and is of importance for the company in building margins. As theory shows that the global competition is becoming more and more fierce in the battle of winning more and more customers, the companies have been pushed into cutting costs and trying to be as efficient as possible (Harland, 1999; Vokurka & Lummus, 2000). The place where the most costs can be cut is the supply chain of the company, this why supply chain management has become of such an importance for company and why they have al invested in improving it. As Tan (2001) discusses companies have been building long term buyer-supplier relationships and also have concentrated on finding integrated logistics solutions. All of the later said is exactly what Bufab wanted to achieve with the implementation of the HUB concept. Finding new better and cost effective logistic solutions have been part of Bufab strategy for some time and it has shown that by closely monitoring the supply chain improvements are always possible that if implemented can make big differences in the performance of the company.

As an internal idea for improvement the HUB concept of purchasing has turned from idea to a full operating project in three countries in just a couple of years. The plausible environment of Bufab that was explained in the first section of the analyses was a prerequisite for an initiative like this to be born and also for its becoming a successful reality. Something that started by sharing an idea with the managing director today has turned into a way of working and something that continuously works on cutting manipulation costs, lowering lead time and increasing efficiency of the company. The positive climate of the specific culture of the company has supported a simple innovative idea and by that helped towards developing a whole new concept of working for the company as in accordance with Ortt and van der Duin, (2008). Importance of previous experience in the sector of logistics should be stressed as well and moreover the importance of having good networks that will help establish a HUB on another continent. According to Bufab managing in a way a “personal warehouse” in a country thousands of miles away from the headquarters requires capabilities of building and managing good networks and of finding the right contacts at the right time. This supports theory where Dyer (1997), stresses the importance of business partners and collaborates for the sustaining of a company’s competitive advantage and for building on innovation.

5.3.5 Establishing a Bufab Education Manager
The organizational structure has led Bufab to introduce a dedicated Educational Manager which as we saw before can be perceived as the stimulation for the learning environment to be
open and clear, with short lines. The introduction of the Education Manager is therefore a
good example of an innovative way to stimulate organizational learning and thereby further
Innovation and competitive advantage (Davenport, 1993). The positions is a result of the
specific organizational structure of Bufab as well. The Educational Manager increases the
visibility and by educating and being present in the sister companies it also presents central
influence in the decentralised sectors of Bufab.

Bufab has introduced the Education Manager for mainly two reasons. We can say that the
Education Manager might have the primary task to educate the people and to get them
familiar with the Bufab strategy. As our theoretical framework emphasises, there exists a
positive link between a company’s knowledge and their level of innovation (Almeida, Phene
and Grant, 2003). It is argued that organizational learning is dependent on whether and how
the knowledge is shared and that for sharing knowledge communication is a crucial factor
(Stata, 1989). The implementation of the Educational Manager in the Bufab Group can be
seen as their way of securing and stimulating internal knowledge sharing. With the
introduction of one person on this position they even encourage that the knowledge that is
shared is the same knowledge. A second function that the Educational Manager fulfils is that
she functions as the link between the sister companies and the mother company. By using the
example of Bufab Industries SAS in Lyon we can see what Bufab is facing when it comes to
implementation of strategy and how important the position of Educational Manager is. The
culture of Bufab and the decentralized structure put certain responsibilities in different
companies in the Bufab Group. As we have learned from the interviews, we know that is a
company shows good result, their way of working does not matter up to a certain level, as
long as the strategic objectives and goals and the companies values are achieved and lived by.
If the results do show weaknesses, the Education Manager will be there to offer the support
needed and to help the company getting on the Bufab track again. Another outcome that she
pursues next to the implementation of the strategy is that she is partly responsible to carry out
the organizational culture throughout the whole Bufab Group and to create this open
atmosphere in which the employees have the same values, feel appreciated and listened to and
feel supported when needed.

The way that this Educational Manager as an organizational innovation is correlated to any
other innovations is that the Educational Manager benefits very much from the ERP system.
The Educational manger needs constant monitoring on the work of the sister companies and
need high visibility in order to trace problems and find solutions to fix them. By making good
use of all the possibilities that the ERP system offers, the Educational Manager gets a high
visibility about each sister company, about their orders, what they have delivered, what is in
stock and by that about their performance in general.

5.3.6 Global Account Team

Another important strategic implementation that the globalization has put through is the
dedicated Global Accounts Team which was appointed three years ago. This team, as the
name might yet indicate, is responsible for the pitching, developing and managing of new and
yet existing globally operating customers.

In the early years, Bufab’s strategy was not concerned too much with the focus of certain
customers. Any customer, being retailer or end-user, was included into the customer portfolio.
With a small market in the home country, Bufab has always had the intention to go
international and the strategy has been formed around this intention through the outspoken
vision to become the world’s leading trading company of fasteners and small parts. As we
have seen before, Bufab’s strategy is strongly focussed on efficiency and the building of margins. Bufab’s Customer Orientation (Kim et. al., 2010) might have been of influence in the choice to go for chosen a strategy in which the focus on a certain set of customers will enhance the maximization of margins. This choice converts into the focus on Global Accounts. The past concentration on all customers equally without having a clear focus or target group has been in correspondence with the decentralized strategy (Mintzberg, 2009) that the company has been implementing for years, which led to local activities and freedom for every company to target their customers. As it has been discussed in the first section of the analyses the decentralized strategy has been of great importance for building the specific environment that Bufab has built around itself. However, globalization has led towards the internationalization of many companies in many industries, including the companies that are (potential) customers for Bufab. This had the effect that more and more (potential) customers expanded towards several different countries and all these companies needed to be supplied by the different Bufab sister companies. Since some customers that Bufab has are very big, retaining and making them happy is of big importance for Bufab, which we can also link this to the theory where Kim et al. (2010) have shown the importance of customer focus for born global companies. Furthermore this is in line with the glocal approach that the Bufab Group tends to follow. In order to succeed in satisfying those specific customers the company has decided to implement a Global Account Team that will be in charge for big accounts that order for more than three geographical locations. This has increased coordination and lowered communication problem because now only two people manage each global order. This means that big customers also have their global ordering teams that order for all of their global locations at one time and then Bufab’s global account handler proceeds the order to all the required sister companies and all of the goods are delivered to the wanted destinations. This increases flexibility, it lowers costs and lowers the chances of mistakes that would be caused by placing wrong orders or misunderstandings. According to Cao and Zhang, (2011) having strong relationships of collaboration in the supply chain are of great importance for companies because they directly affects the transaction cost and the profitability of the company. Having this in mind Bufab is working exactly on this issue by trying to strengthen its relationships with important customers and by that to sustain its competitive advantage. The Global Account Management Team is an organizational innovation (OECD, 2005) that has affected the supply chain of the company and in a way improved it. Generally it is extrovertly forced into Bufab by the influence of the competitive global forces and the thereby changing demand of the customer; however at the same time the company has managed to form the right environment for developing this new section of the company and to successfully integrate it in the strategy of the company. It is interesting to understand that the implementation of the ERP system plays an important role for the Global Accounts because when orders are placed, it is very easy to get immediate insight in when en where which products can be sent to which company in which country. Furthermore the Global Account Team can benefit from the automated warehouse and from the implemented HUB system because it makes it easier to consolidate the orders and to get better prices on the products and most importantly on the transportation.
6. Conclusions and Implications

The empirical data that we have collected through the execution of one face-to-face interview, four telephone interviews and through desk research has given us detailed information on how the born global organizations structured, how processes are arranged and managed within Bufab, and which innovations occurred during the last five years. Furthermore, it has given us a good insight in which innovation situations have played an important role in the processes and how each innovation has been of influence on the improvement of the business processes and their strong competitive position on a global level in the trading sector. By linking the findings to the theory that we found on the subject concerning innovation, knowledge management, organizational structure, organizational learning and supply chain management, we have found some interesting matters that give a good insight in the stimulating factors for the formation of innovation in a born global trading company. This information has given us an opportunity to analyze in depth Bufab as a case study company for this thesis and to end up with certain findings for how the internal environment can influence innovations in the business processes, which has been presented in the section of analyses.

6.1 Conclusions

Going back to the purpose of this research and the research question, it can be said that they have been fulfilled since through our case study we have seen clearly how the internal factors of structure, strategy and culture can influence a born global company to form innovative solutions for improving their business processes and by which innovation are shaped through tangible projects. After presenting our research question once more, we will give our conclusions of the study and an answer on the question in the following paragraph:

How do the organizational structure, strategy and culture of a born global trading company influence and form innovative solutions for improving the business process?

As demonstrated so far in a born global company, the organizational structure, strategy and culture complement each other and work together towards forming an environment that can inspire innovation and enhance innovative activities that shape innovative solutions. Born globals are known for their relatively small sized organizations. These characteristics of a company influence the organizational structure and help to decide on the level of centralization versus decentralization of the company and on how the strategic decision making processes are organized. Furthermore the structure decides on how the relations are organized, how the flow of information in the communication channels runs and most importantly on how things will be coordinated. In Bufab for example the structure has worked as a filter for the process of innovation by giving the final decision-making right to the strategic apex of what can and should be implemented and what should not. The result has been that six innovative projects have been approved and come to life in the last five years and all of them have been of big importance for the improvements of working for the company. In born global companies the structure is influenced by the global context in which the company operates. In the case of Bufab it can be seen that in order the company to be able to coordinate the global activities centralization seems crucial and maybe one of the secrets to
success. It should be noted that the centralized decision-making was not seen as a factor that inhibits innovation, however it does put a certain frame or gives directions in which innovation should aim towards. The structure is moreover affected by the size of the global activities, which means that the born global companies always need to be present everywhere around the world. Also here the rather small organizational size and the entrepreneurial orientation that is characteristic for born global companies is explained, because this provides the flexibility that is needed to being able to live up to the demand and the driving force towards the internationalization. It also means that networking is something that companies count on a lot and also trying always to be as close to the customer as possible. In Bufab this was shown by the choice of structure, their market orientation (‘being present where our customer is’) and the push factor for applying innovative solutions.

When it comes to the strategy, we found a strong connection to structure, and together they combine and complement each other. In this sense we can say that the strategy is not so much about how, but mostly about what is done and executed. The centralized structure is of influence on how a corporate strategy is developed and pursued. Strategy can affect the innovation of processes; e.g. when a corporate strategy is centralized for all companies in one group then the potential innovations pursue the same goals. The centralized strategy and certain goals that have been universal for the whole Bufab Group have affected the innovation process in a way that they have given a direction in which it should go. This can be seen in the issue that all of the innovations complement each other and lead towards the same aim of high efficiency and cutting cost in the operations whilst still adding value to the customer. This aim has led to the search for and implementation of four out of the six innovations that have shown to increase the efficiency of the business processes in the company. Working with a decentralized structure through the introduction of sister companies while still maintaining the strategic decision making processes centrally on one hand contributes to flexibility of the organization because not every single question has to go through the top management, whereas, due to the centralized strategy at the same time every single company is still striving for the same goals and strategic aims. At the same time as it can be seen form the research the centralized strategy helps to channel innovation into the right direction. This increases coordination of the implementation and by that increases efficiency of the company.

Lastly but importantly, culture is the element that humanizes the structure and gives it an element of communication, sharing and idea generation. This is crucial for innovation to happen because in the global world of today knowledge management and organizational learning are said to be basic factors to create innovation. For born global companies having a strong culture is crucial because that is the tool that like glue binds everyone and everything together. Furthermore, as we know now that the organizational culture of a born global is known to be highly dependant on the entrepreneur and his or her international and strategic orientation. Companies that operate in the global world need a strong culture in order to keep the company strong. When the culture promotes friendly relations among the employees and open door policy, ideas are freely shared within and between the companies, which affects the processes of innovation positively. In this line knowledge management, either internal or external, and idea sharing are the basis of the starting of the process of innovation. When it comes to the case study of this research we have seen how a really open culture can boost up idea sharing and encourage communication between employees which has resulted with having ideas for improvement and for finding new solutions for problems in the company. Furthermore, the open and transparent culture of Bufab has stimulated the inter-company understanding and thereby has enhanced the implementation of the same values and aim for the same goals, which also adds to the efficiency in the company through smooth
communication because ‘everybody speaks the same language’. The importance of networking and using one’s strong and weak ties to boost innovation into the company.

To conclude we can say that in today’s globalized world a born global company has to have a good coordination between the internal factors of its structure, strategy and culture in order to use innovation as a tool to stay ahead of competition. Some important characteristics for born globals such as their relatively small size and their high entrepreneurial orientation can influence these factors positively and if well organized, these internal factors can positively affect the knowledge management and at the same time the level of innovation and they can shape innovative solutions that can affect and improve the business process of a company by increasing efficiency and cutting costs.

6.2 Managerial Implications

The conclusions that we have drawn from our studies have given us an idea on how a born global trading company uses its internal structure, strategy and culture to enable innovation. We have outlined and emphasized the importance of the creation and implementation of innovation in a company’s business processes in order to gain and keep a sustainable competitive advantage. In the former conclusions we have already outlined in detail how the specific factors have been of influence on the processes and products of innovations that we have defined as such. At this point we will also give some managerial implications on how further and future processes of innovation can be more easily and more effectively introduced by the use of these internal factors.

One of the most important steps towards an effective use of the internal factors towards the creation of innovation in ones processes is to be aware of how the factors can be used as an advantage. It is important to have an idea of how a certain structure, strategy or culture can actually influence the processes of innovation in the company. It is important to be aware of the impact that specific choices have and how the effectuation of these internal factors can possibly be used in order to strengthen the company’s position and to gain a sustainable competitive advantage.

Here we will clarify how the internal factors can be used by managers and how by the use of the internal factors of the organization there can be created an innovation-enabling environment. It is important for companies to be aware of what they are looking for and what their organization needs, before they decide how they will manipulate the factors in order to end with a product of innovation. Depending on the needs of the strategy of the company the structure can be manipulated or the other way round as well and depending of the needs of both of these factors the culture can be built around. However, no matter the case of the company it is clear that if a company would like to have innovative processes in its operation it needs an open culture that enables employees to express themselves and to encourage them to share the ideas that they have. At a later stage the strategy and the structure are the ones that will dictate whose ideas will be shared with and if they will be furthered developed or not by the organization.

In regard to the case study of this research, it is visible how important the sharing of the knowledge and the characteristics of a learning organization are important for the organization and for keeping everyone on the same track and moving towards the same direction, which is an important part of the centralised strategy of Bufab. However, through the research a lot has been learn about educating sister companies and making the environment around Bufab, let say Bufab compatible. This is linked to the theory on how
internal knowledge and external knowledge together can formulate and enable innovation in the company. The sharing of internal knowledge is already well structured through the Educational Manager, but we have not found strong evidence of Bufab using their access to external knowledge to the most. Because networking plays an important role for a Born Global company to getting access to external knowledge which is said to be essential for creating innovation, it is important to develop these relationships and to benefit from them when possible. Bufab has already shown to be a company which is very much focussed on the market opportunities and their rather small size and customer orientation make them flexible to adapt to the customer’s needs fast and easily. Bufab pays a lot of effort in the building of strong ties in their network, but the importance and the potential benefits of the weak ties should not be underestimated, because as theory shows, this is one of the sources to create innovation.

Based on the findings we would recommend born global trading companies to analyse and if possible adjust the current choices of their structure, strategy and culture in such a way that it could possibly increase the level of innovation in the company and to make their working environment innovation friendly, just like it has done and worked out for creation of a strong position Bufab as an example case study.

6.3 Further Research

We are aware of the fact that the conclusion that we can draw from our research are based on a single case study which implies that we cannot generalize for the trading sector as a whole. Though, by having conducted this in-depth study by taking one company as an example, we do think that our conclusion might be interesting for other managers of a born global trading company to take into consideration. Having in mind that innovation can lead to sustainable competitive advantage, we consider it of importance that a company is aware of their innovation level and of the possible ways to improve the level of innovation in the company.

We figure that our research can be used as a starting point for further research to either generalize our findings for the trading sector or for it to be a motivation to look into the phenomenon of innovation in other sectors within the born global context. Furthermore our research can function as a platform for further research along the same lines, such as more studies on the relationship between internal factors and innovation in processes or for example on the creation of a better understanding of the importance of innovation in the born global sector.
References


Accessed on: 15/03/2011


Appendix

Interview with Karin Sanden, Education Manager  
Monday, 21st of February at 11:00h  
Face-to-Face at Bufab Sweden, Värnamo

Introducing the research

1. Introduce yourself:
We are two graduate students working on a thesis

2. Indicate what the thesis is about in broad terms and about the info that we want to collect
Main purpose of the interview is to:
- get a better understanding of the Bufab company structure
- get a better insight in the Bufab Business Processes
- get an insight in the most influencing innovation situation(s) in the past (max 5 years)
- getting the names of the people that can be useful to interview in order to get more information about the innovation process:
  o what happened
  o who were involved
  o which steps were taken

3. Indicate why the respondent has been selected
We have chosen to start with an interview with Karin because due to the position

- Provide reassurance about the confidentiality
- Make clear that participation is voluntary
- Ressure anonymy
- Give the opportunity to ask questions, maybe even after the interview has been conducted

Do they consider their logistics as their competitive advantage?  
Do their innovation(s) influence the competitive advantage of logistics?
Interview with Erik Janson, Logistics
Thursday the 7th of April at 11:00h
Tel: 0370-69XXXX

GENERAL

1. Can you introduce yourself shortly
   a. What is the position you hold currently
   b. How long have you been working at Bufab
   c. Which department are you working under

2. About your position within the company, can you explain us exactly:
   a. Which tasks are involved in this function?
   b. Which responsibilities are involved in this function?

3. Who are your day-to-day contacts
   a. Within Bufab
   b. Outside of Bufab (network importance)

4. Can you describe the position of your department in the supply chain of Bufab?
   a. What are the day-to-day activities
   b. Can you explain the information flow

PROCESS INNOVATION

5. Have encountered any changes
   a. In your own tasks/responsibilities
   b. Organizational aspects (reorganization)
   c. Supply chain
   d. Processes

6. Bufab has been growing very fast, how has this influenced logistic processes in the company?

7. Time plays an essential role in the trading sector. Can you explain us how you (try to) manage and balance time- and cost efficiency

8. Is there something that you do in a different way in Bufab than other companies in the sector? (something specific that has been developed in Bufab through experience)

9. Where do you see Bufab in the future and where do you see space for improvements?

10. Do you consider Bufab to be innovative in any way in their processes? And on a non-technological level?
Interview with Laurence Moreau, General Manager
Friday the 8th of April at 15:00h
Telephone: +33 472 XX XX XX

GENERAL

1. Can you introduce yourself shortly
   a. What is the position you hold currently
   b. How long have you been working at Bufab
   c. Which department are you working under

2. About your position within the company, can you explain us exactly:
   a. Which tasks are involved in this function?
   b. Which responsibilities are involved in this function?

3. Who are your day-to-day contacts
   a. Within Bufab
   b. Outside of Bufab

4. Can you describe the position of your department in the supply chain of Bufab?
   a. What are the day-to-day activities
   b. Can you explain the information flow

5. PROCESS INNOVATION

6. Have encountered any changes
   a. In your own tasks/responsibilities
   b. Organizational aspects (reorganization)
   c. Supply chain
   d. Processes

7. Can you describe the relation you have with your customers and how has this changed/shifted during the years?:
   a. What is the strategy to find new customers
   b. Where is the focus of customers (shifting towards multinationals)
   c. What is the role of the customers in the supply chain, how are they of influence?

8. Is there something that you do in a different way in Bufab than other companies in the sector? (something specific that has been developed in Bufab through experience)

9. Where do you see Bufab in the future and where do you see space for improvements?

10. Do you consider Bufab to be innovative in any way in their processes? And on a non-technological level?
Interview with Rikard Kanmert, Global Account Manager
Friday the 8th of April at 11:00h
Rescheduled to: Monday the 11th of April at 13:00h
Telephone: 0046 037069XXXX

GENERAL

1. Can you introduce yourself shortly
   a. What is the position you hold currently
   b. How long have you been working at Bufab
   c. Which department are you working under

2. About your position within the company, can you explain us exactly:
   a. Which tasks are involved in this function?
   b. Which responsibilities are involved in this function?

3. Who are your day-to-day contacts
   a. Within Bufab
   b. Outside of Bufab

4. Can you describe the position of your department in the supply chain of Bufab?
   a. What are the day-to-day activities
   b. Can you explain the information flow

5. PROCESS INNOVATION

6. Have encountered any changes
   a. In your own tasks/responsibilities
   b. Organizational aspects (reorganization)
   c. Supply chain
   d. Processes

7. Can you describe the relation you have with your customers and how has this changed/shifted during the years?:
   a. What is the strategy to find new customers
   b. Where is the focus of customers (shifting towards multinationals)
   c. What is the role of the customers in the supply chain, how are they of influence?

8. Is there something that you do in a different way in Bufab than other companies in the sector? (something specific that has been developed in Bufab through experience)

9. Where do you see Bufab in the future and where do you see space for improvements?

10. Do you consider Bufab to be innovative in any way in their processes? And on a non-technological level?
APPENDIX V

Interview with Sebastian, Purchaser
Monday the 11th of April at 9:00h
Rescheduled to: Monday the 11th of April 15:30h
Rescheduled to: Wednesday the 13th of April 16:00h
Skype call

GENERAL

1. Can you introduce yourself shortly
   a. What is the position you hold currently
   b. How long have you been working at Bufab
   c. Which department are you working under

2. About your position within the company, can you explain us exactly:
   a. Which tasks are involved in this function?
   b. Which responsibilities are involved in this function?

3. Who are your day-to-day contacts
   a. Within Bufab
   b. Outside of Bufab

4. Can you describe the position of your department in the supply chain of Bufab?
   a. What are the day-to-day activities
   b. Can you explain the information flow

5. PROCESS INNOVATION

6. Have encountered any changes
   a. In your own tasks/responsibilities
   b. Organizational aspects (reorganization)
   c. Supply chain
   d. Processes

7. Can you describe the relation you have with the suppliers and how has this changed/shifted during the years?:
   a. What is the strategy to find new customers
   b. Where is the focus of customers (shifting towards multinationals)
   c. What is the role of the customers in the supply chain, how are they of influence?

8. Is there something that you do in a different way in Bufab than other companies in the sector? (something specific that has been developed in Bufab through experience)

9. Where do you see Bufab in the future and where do you see space for improvements?

10. Do you consider Bufab to be innovative in any way in their processes? And on a non-technological level?

11. How do you learn from your network?