ROLE OF SALES AND MARKETING IN THE CHANGING WORLD OF ENERGY DISTRIBUTION - A CASE STUDY OF LOCAL FINNISH ENERGY FIRM
### UNIVERSITY OF OULU

**ABSTRACT OF THE MASTER'S THESIS**

Oulu Business School

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<tr>
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<th>Department of Management and International Business</th>
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<tr>
<td>Author</td>
<td>Hassan Sherwani</td>
</tr>
<tr>
<td>Supervisor</td>
<td>Petri Ahokangas</td>
</tr>
<tr>
<td>Title</td>
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### Abstract

Master’s thesis work was selected together with University of Oulu and author of this thesis, where the goal was to highlight the role and contribution of sales and marketing functions in disruptive energy business context. The healthy relationship of sales and marketing may guarantee a sustainable business where both functions should have unified vision, strategies and objectives to achieve their goal. There is serious consensus for sales and marketing integration as business situation is getting more and more complex. The electricity industry like other industries has been influenced by advent of technology, the rise of Internet, usage of information and communication. To encounter this advanced setup, budgets and priorities are rethought, and sustainability becoming the key factor in shaping up the skills and resources an organization may possess. Due to all these subsequent changes, there is an overall change in business structure for all industries and energy market is no exception. Consequently, some of the key business practices have been highlighted in this work. These business practices reflect not only traditional business structure but also opens up relatively modern practices that are affecting energy business. Keeping these changing trends in mind, a case study has been analyzed in order to signify the role of sales and marketing units to give its respective firm competitive advantage over others. The thesis work also investigates the level of integration between sales and marketing functions in order to create value to its customers.

As the case study has been conducted in Finnish company therefore; it may not provide a generalized global context. There is an attempt to give a theoretical framework which might bring positive theoretical and practical implication of the research work.

### Keywords

Sales and marketing, monopoly, resources based view, knowledge based view, value creation, co-creation of value, electricity distribution business.
## CONTENTS

Abstract

Contents

Figures and Tables

1  **INTRODUCTION** .................................................................................................................. 7
   1.1 Introduction and Research Design ..................................................................................... 7
   1.2 Scope and Research Question ............................................................................................. 7
   1.3 Aims and Objectives of the research ................................................................................... 9
   1.4 Research and methodology ............................................................................................... 10
   1.5 Description of key terms .................................................................................................... 10
   1.6 Organization of the thesis ................................................................................................. 12

2  **RESEARCH CONTEXT** ......................................................................................................... 13
   2.1 Traces of transition within Energy Business ........................................................................ 14
   2.2 Energy business in Finnish Context .................................................................................... 15
   2.3 Role of Sales and Marketing within Electricity Industry ..................................................... 18

3  **THEORATICAL FRAMEWORK** ........................................................................................... 20
   3.1 Macro Environment Component ....................................................................................... 22
   3.2 Middle Component .............................................................................................................. 22
       3.2.1 Transformation from Monopoly to Internationalization ............................................... 28
       3.2.2 Transformation from Value Creation to Value Co-creation ......................................... 33
       3.2.3 Transformation from Resource Based view To Knowledge based view ...................... 42
   3.3 Micro-environment Component .......................................................................................... 47
       3.3.1 The relationship between marketing and sales .............................................................. 49
       3.3.2 The role of marketing and sales integration ................................................................. 50
       3.3.3 Levels of sales and marketing integration .................................................................. 51
   3.4 Summary ............................................................................................................................. 54

4  **METHODOLOGY** .................................................................................................................. 56
   4.1 Design of case study .......................................................................................................... 57
   4.2 Conduction of Case Study .................................................................................................. 58

5  **ANALYSIS** ........................................................................................................................... 59
   5.1 Analysis for Macro Component ......................................................................................... 59
   5.2 Analysis for Middle Component ........................................................................................ 62
       5.2.1 Transformation from Monopoly to Internationalization ............................................... 62
5.2.2 Transformation from Value Creation to Value Co-creation ........................................ 64
5.2.3 Transformation from Resource Based view To Knowledge based view .......... 67
5.3 Analysis for Micro Component.................................................................................. 70

6 DICUSSION AND CONCLUSION................................................................................. 76
6.1 Answer to Research Question.................................................................................. 76
6.2 Theoretical Implications ....................................................................................... 81
6.3 Managerial Implications ....................................................................................... 84
6.4 Limitations and Suggestions .................................................................................. 87

REFERENCES.................................................................................................................. 90
APPENDICES.................................................................................................................. 99
Figures

Figure 1: The scope of thesis ................................................................. 9
Figure 2: Organization of thesis .......................................................... 12
Figure 3: Layers of Business Infra-structure ...................................... 21
Figure 4: Tradition Model for Energy Business ................................. 23
Figure 5: Modern Model for Energy Business .................................. 25
Figure 6: Extension of Business Trends for Energy Industry ............. 27
Figure 7: The Emerging Concept of the Market (Prahalad & Ramaswamy, 2004b) .......... 39
Figure 8: Holistic view of the Framework ........................................ 55
Figure 9: Stages of Case Study (Yin, 1994) ....................................... 56
Figure 10: Comparison of Traditional and Emerging Value Chain (Valocchi et al., 2010) .... 66
Figure 11: Levels of marketing and sales integration (Kotler et al. 2006) .............. 74
Tables

Table 1. Internationalization process models (Blomstermo & Sharma, 2003).......................... 32
Table 2. Migration to co-creation experience (Prahalad and Ramaswamy (2004b).................. 42
1 INTRODUCTION

1.1 Introduction and Research Design

Energy market is significantly being altered at an enormous rate because of advanced technologies. Energy distribution models can be affected both directly and indirectly through modern technologies. Along with the benefits, it is source of change that can cause huge disruptions. Besides its affects, it can empower the smaller to medium sized enterprises (SMEs) to successfully compete with the big business tycoons.

Considering the successful development and implementation of innovative models of energy industry followed by external factors such as economic factors, demographics, social conditions, laws, and government regulation, it is highly important that the relations between the sales and marketing functions are productive, and that the sales and marketing objectives are aligned to keep internal atmosphere of organization more competitive and effective.

This chapter is dedicated to the introduction and research design of the thesis. Firstly the scope and research question of the thesis are laid out. Consequently, the aims and objective of the research as well as the research methodology are illustrated. There is a brief description of key terms used in the thesis followed by organization of thesis.

1.2 Scope and Research Question

The electricity industry is in a disruptive transition: the market changes from a few monopolistic supply-side players per country to thousands of supply side enterprises and customers with possibility to select their electricity provider (Kartseva et al, 2004). With the advent of technology, the rise of Internet, usage of information and communication technology (ICT) within electricity distribution system through smart grids, and implication of renewable energy (RE) systems are some of the key issues being discussed in energy market. On the other side, marketers depict these emerging technologies as a vast laboratory, launching a series of experiments to crack the code that generates a golden key in the form of marketing, sales and customer loyalty. Moreover, governments have their role to play when it comes to re-regulate business laws occurring due to emerging technologies. Success comes not that easy, not
Surprisingly most failed. Consumers opt for the modern digital technology as they saw fit in, in the process they are amending their buying decisions that relate to them directly. Companies that recognize this evolution both at macro and micro level and its importance are now carefully considering interactivity towards the focal of their sales and marketing strategies.

With these changing trends in energy business, there is a need to investigate the role of marketing and sales within organization. This will be challenged due to above mentioned factors. In marketing literature sales and marketing has often been seen to belong under a single organizational entity, even though they are often clearly separate, however interdependent, organizational entities (Dewsnap & Jobber 2009; Kotler, Rackham & Krishnaswamy 2006; Graham 2007). The atmosphere between marketing and sales people has often been reported as uncooperative and insular, and when the sales are poor, they point the accusing finger at each other (Dewsnap & Jobber 2009; Kotler et al. 2006). As an example, sales departments are known to regard their colleagues at marketing as detached from the actual customers, while the sales people are seen as too focused on single customers and as incapable of understanding the big picture (Kotler et al. 2006). The two functions often also have inadequate conceptions of each other’s contributions to the firm’s overall objectives (Meunier-FitzHugh & Piercy 2007a). Overall, in related literature the relations between sales and marketing are seen as uncooperative, lacking in mutual understanding, distrustful and rivalling, riddled with the use of stereotypic generalization and most importantly, poorly coordinated (Dewsnap & Jobber 2009; Kotler et al. 2006; Beverland, Steel & Dapiran 2006; Dewsnap & Jobber 2002). With the development in business model, there is certain need to realize the benefits of integration between sales and marketing so that firms may stand strong in this competitive environment.

Against this background, the leading research question of this thesis is:

How Sales and marketing functions and their integration help to meet the challenges imposed by changing trends in Finnish electricity industry?
Electricity industry used to be considered as monopoly but, this trend has been changed thanks to internationalization. Moreover, other factors such as global economic transformation, government policies and environment concerns are other key reasons. With these critical changes, there is a challenge to sales and marketing because it cannot work on traditional set of strategies. Therefore, organizations need to transform their internal strategies related to sales and marketing to cop against the external challenges. Hence, there is an analysis how much sales and marketing contribute to provide competitive advantage in this fast evolving electricity industry.

Following sub-question is established to support the response of the leading research question;

*What level of integration between marketing and sales is sufficient to address issues related to ever transforming energy market?*

![Figure 1: The scope of thesis](image)

### 1.3 Aims and Objectives of the research

Initially the thesis aims to determine the nature, extent and effect of technology in the electricity distribution business globally and especially within Finnish market. In that
regard, the thesis seeks to reach clarification and develop a fundamental understanding how come sales and marketing functions are affected by those changing trends.

Moreover, thesis tends to highlight the contribution, role and levels of integration of sales and marketing within organization influenced by significant internal and external factors such as technology, government policy and trends of customer need. Consequently, the thesis seeks to answer the research question and contribute to the practical and theoretical understanding of how sales and marketing units may contribute effectively for their respective organization against local and global competitive energy industry.

1.4 Research and methodology

Based on the previously stated research question, the thesis develops a theoretical framework which is in turn used to analyze the research question. The thesis starts with a literature review to describe the role and contribution of sales and marketing. In the following, the thesis studies changing trends in energy business based on carefully selected and acknowledged literature.

As far as methodology is concerned, a case study following the recommendation of Yin (1994), has been implemented. The reason of choosing case study is empirical investigation of a particular contemporary phenomenon within real life context. The choice of a single case routes from the nature of the research and the significance of the chosen case. Furthermore, there is a strong relation of the research findings to existing theory. There is qualitative research through face-to-face interviews because of having the ability to collect a rich and detailed set of data. Furthermore the choice of face-to-face interviews adds to the context in which answers of the interviewee are stated.

1.5 Description of key terms

Less commonly used terms have been and will be used throughout this study. In order to prevent misunderstanding, the most often used terms are defined in below;

Sales and Marketing: In general, Sales is an exchange of object for money whereas marketing has broader meaning that involve in packaging and selling products.
**Monopoly:** A market with a single seller or firms with sufficient market power to influence the price, output, and investment of an industry thus they may exercise monopoly power and might limit new competitors entering the industry, even if there are high profits (Foster *et. al*, 2011).

**Value Creation:** The centrally held, enduring core beliefs, desired end-states, or higher order goals of the individual customer or customer organization that guide behavior, products and services (Daniel *et al*., 1997).

**Co-Creation of value:** The value that customer provides to the company, in the form of profit streams, intellectual capital, and other customer assets (Naumann, 1995).

**Resource Based View:** Finding future competitiveness by successful firms on the development of distinctive and unique capabilities, which may often be implicit or intangible in nature (Teece *et al*., 1997)

**Knowledge Based View:** The logical evolution of the RBV of the firm considering that it is a way to incorporate the temporal evolution of its resources and the capabilities that sustain the competitive advantage (Helfat and Peteraf, 2003).
1.6 Organization of the thesis

Based on brief introduction the following chapters progress as follows:

- **CH.2** • Chapter 2 introduces electricity business and industry
- **CH.3** • Chapter 3 provides a theoretical framework based on research questions
- **CH.4** • Chapter 4 describes the adopted methodology
- **CH.5** • Chapter 5 analyzes the case study
- **CH.6** • Chapter 6 brings the final conclusion.

*Figure 2: Organization of thesis*

Chapter 2 introduces electricity industry and its influence in Finnish context. Moreover, the role of sales and marketing is discussed in energy business. Chapter 3 provides a theoretical framework highlighting macro and micro issues. Furthermore, it brings issues related to changing trends in electricity business and brings more value to theoretical framework. Chapter 4 describes the adopted methodology to develop the case study. Chapter 5 analyzes the case study in order to test theory in the light of framework proposed in chapter 2. Chapter 6 brings the final conclusion. Additionally, it discusses answer to research questions, theoretical and managerial implications of research work, and few suggestions for future research work.
2 RESEARCH CONTEXT

This chapter would present the electricity industry context in which the thesis has been built on. Therefore, it is important to understand the overview of energy market. In the earliest days of electric power industry, the system for generating and delivering power was highly localized with governments maintaining ownership of this vital infrastructure in most parts of the world. In that sense, electricity distribution was monopoly both in terms of its high capital requirement and its benefit to the broadest possible customer base. From 1960s, electric utilities developed a ‘grow and build strategy’ (Valocchi et al., 2010) which encouraged ‘use more, we will keep building’ approach. At that time, there were enough resources and less consumption of electricity and therefore, consumers were made to believe that higher usage of electricity is guarantee of good lifestyle. Turbine generator also enhanced this trend by having greater output, higher thermal efficiency and lower cost per unit output and therefore cost of electricity decreased as production increased and hence the demand rose exceptionally. This made manufacturers to increase scale and scope of production and as production increased, costs dropped further which made electricity accessible for consumer. As generating units reached an optimal size of production, the electricity market experienced trouble with this ‘grow and build’ model (Richard, 1989). Moreover, there started an emerging concern of shortage of natural resources and emission of carbon dioxide and other hazardous gases into the environment.

In today’s electricity market, power distribution companies are compelled to encourage consumers to use less in order to avoid building new infrastructure. In 21st century, emerging economies such as India and China have great demand growth but, they cannot afford to replicate ‘grow and build’ model as was adopted by west in last century (Valocchi et al., 2010). The reason is that the growth strategy is structured within a confining boundaries and scale of electricity market has extended too big to accommodate it.
2.1 Traces of transition within Energy Business

According to Kartseva et al (2004), currently the electricity power industry has been in a disruptive transition: the market changes from a few monopolistic distribution-side players per country to thousands of enterprises and customers with possibility to select their electricity provider.

From a societal point of view, there are two key issues related to this immense transition in energy business. One is related to increase of industry efficiency and other is hazardous impact on environment due to tools, methods and technologies implemented for electricity generation (Wu & Rosen, 1999).

Both of these issues depend on governmental and international regulation and have major effect on socio-economic infrastructure of market. First issue of industry efficiency is all about producing more energy and later selling at a lower cost than earlier. This can be well understood by power equation which states

\[ \text{Power Equation} = \text{Electricity consumed} < \text{Electricity produced} \]

This equation simply states that there should be more electricity produced than it is actually consumed. If however, electricity produced is lower than its consumption then there will be shortage as seen in many developing countries. The solution to power shortage seems very simple; to produce more electricity. As discussed earlier, there is bigger need for electricity and therefore, higher usage of electricity pushes companies to produce more. More and more infrastructure was put on electricity and there were limited resources to produce. Moreover, there is over-capacity in electricity generation, sometimes even 150% of consumed electricity which causes waste of energy and resources consumed to produce it. It is therefore necessary to adopt industry efficiency that may reduce this over capacity up to 105-110%. This has become possible due to innovation in information technologies such as smart grids (Galli et al., 2011) that play an effective role in efficiency increase.

Grow and build model (Valocchi et al., 2010) brought not only production issue but, it pertained environmental impact. As there was a need to produce more, advance in technology made it possible. There was a perception that more electricity can be
produced but, resources to generate that electricity are scarce. Moreover, some of those resources such as fossil fuels were creating more pollution to environment. There is a serious need to reduce carbon dioxide emission by either generation energy through alternative ways or by decrease in overall electricity consumption. For alternative ways such as sun, wind, hydro, geo-term, and tide energy are environment friendly and that’s why they are referred as green energy resources. The other way to decrease consumption comes to end consumer where they should realize the whole global environmental situation so they may limit the use of surplus energy.

Both the increase in industry efficiency and reduction of carbon dioxide emission leads to regulation and reregulation issues. There are many electricity organizations which were earlier owned by state-owned companies are now being liberated and are becoming market driven companies. Moreover, the use of green energy requires re-regulation because these forms of energy generation are still new and are in process of research and development and therefore, they are more expensive than energy produced through traditional fossil fuels. It is environmental friendly but not pocket-friendly and there is a threat that companies might not switch to them at all. It is therefore necessary to implement some kind of subsidy scheme for the use of green energy (Kartseva et al, 2004). To understand how electricity industry works, Borenstein and Bushnell (2000) describe three distinct components of it: generation, transmission, and distribution. Once electricity is generated, whether by burning fossil fuels, harnessing wind, solar, or hydro energy, or through nuclear fission, it is sent through high-voltage, high-capacity transmission lines to the local regions in which the electricity will be consumed. When the electricity arrives in the region in which it is to be consumed, it is transformed to a lower voltage and sent through local distribution wires to end-use consumers.

2.2 Energy business in Finnish Context

Finland’s energy market has been fully liberated since 1995 right down to the level of the individual private consumer. Sales, production, transmission and distribution are considered to be separate functions. In addition, this deregulation of energy sector has transformed vertically integrated sector of energy into different businesses. Though electricity has been liberated through Electricity Market Act in Finland yet transmission
and distribution are considered to be as natural monopolies and price is being regulated by government (Tuomi & Lehto, 2013).

For this reason, distribution companies operate on specific geographic area. According to Electricity Market Act, all the distribution companies are to connect customers in the area of network in order to deliver and maintain a reasonable price with certain compensation (Korhonen and Syrjänen, 2002). In addition, it was essential to supervise the distribution business and pricing so that an enterprise may define the cost level by efficient operations and that is why task of supervision was allocated to Energy Market Authority (EMA). The advantage of forming this authority is that if EMA finds that some company is not following Electricity Market Act, it can oblige the company to follow the Act. The company in response has to follow it but, if company is not satisfied with the decision it can appeal to Supreme Administrative Court. Therefore, there is a balance on both sides for the benefit of end consumer to have reasonable electricity cost and to counter the effect of monopolist nature of electricity distribution system (EREC Report, 2009).

There are an increasing number of distribution companies within Finland mainly due to investment subsidies scheme on bioenergy in 2006. This abundance of companies has somehow created competitive environment and it may enable a relative efficiency comparison for customers. The problem is that companies work in different conditions and geographic area so it is not possible to compare companies ignoring these factors (Korhonen and Syrjänen, 2002).

As discussed earlier, energy efficiency, cost and carbon dioxide emission was not an issue by the start of this century. Electricity was generated according to the cost of its consumption (Valocchi et al., 2010). In order to avoid power outages, reserve capacity was built in every country and it was assumed that there would never be electricity shortage. But, recent incidents of electricity cut off and environmental issues have made old coal-fired power plants taken out of use and there is a need for renewable energy utilization (LUT Report, 2011). For this need, Finland ranks among the top nations to use renewable energy especially bioenergy however, other renewable energy resources are less developed at this stage. Almost 20% of total energy consumption is fulfilled
through bioenergy largely in the form of wood-based residuals combusted in pulp and paper plants to fuel industrial processes. Finland has done well to manage a decentralized energy system where both large and small energy generation plants are established. There is a modern trend of for internationalization and greater efficiency among Finnish energy companies (TEM Report, 2013). There has been an increasing trend within the Finnish energy industry like other European countries to outsource some of non-core functions like electricity network construction, maintenance and fault repair in order to saturate increasing customer base (Aminoff et al., 2009).

Finnish energy policy consists of three main pillars: energy, economy and environment. Therefore, securing energy supply, competitive energy prices and meeting the EU’s common energy and climate targets and goals are the key elements. The energy policy depends on targets set in Government meetings, and on separate energy policy documents, such as the energy and climate strategies approved by the Government, as well as international conventions. For example, the National Energy and Climate Strategy, approved by the Government in March 2013, and the programs supplementing the previous 2008 strategy determine the energy policy lines to be followed (TEM Press Release, 2013).

As far as energy and environmental safety targets are concerned, there is an emphasis on the essence of cost effectiveness, self-sufficiency in energy, and a reliable supply of electricity to end customer at a reasonable price. The new strategy brought at Government’s ministerial working group on energy and climate policy incorporates a program in order to reduce the use of mineral oils due to its scarcity internationally (TEM Report, 2013). This highlights the new trend where developing countries would like to decrease their dependence on traditional energy resources such as oil and coal by switching to green energy approaches.

As discussed earlier, the cost of electricity generated by green resources is higher than normal production methods and techniques therefore, a market support for renewable energy is required at this stage. Finnish energy market provides this support through distinct instruments such as investment subsidies, electricity tax benefits, guaranteed access to grid, and feed in tariff and feed in compensation (EREC Report, 2013).
2.3 Role of Sales and Marketing within Electricity Industry

Sales and marketing function play a key role for any industry and electricity market is of no exception. There is a seemingly inherent cultural divide between marketing and sales (Kotler et al. 2006; Beverland, Steel & Dapiran 2006). There are several factors hindering the formation of shared culture and value concepts, which in turn creates barriers for cross-functional integration and collaboration (Beverland, Steel & Dapiran 2006; Matthyssens & Johnston 2006). Even though, both functions are directed towards customers and markets (Dewsnap & Jobber 2009), there are obstacles between the two departments related to differences in the orientations concerning e.g. goals, time and interpersonal behavior, that can hinder the efforts to bridge the two functions (Dewsnap & Jobber 2009; Beverland, Steel & Dapiran 2006). The two functions tend to measure success on different basis (e.g. market share vs. sales volume), have different temporal orientations (with marketing usually planning longer ahead) and differing views regarding the scope and focus of activities and regarding valid source of knowledge (Dewsnap & Jobber 2009; Beverland, Steel & Dapiran 2006; Matthyssens & Johnston 2006; Rouziès et al. 2005). Furthermore, the discrepancies in perceived status between the two functions may often lead to deterioration of the relations (Beverland, Steel & Dapiran 2006). Kotler et al. (2006) divide the sources of argument to economic and cultural issues that stem from how organizational resources are divided between marketing and sales, and from the nature of the tasks and personalities of the people applying to each function. Marketing people usually have a formal education to that specific task, spend most of their time behind the desk and are more future oriented than sales people tend to be (Kotler et al. 2006). Sales people, on the contrary, are usually more dynamic and mostly focusing on the next successful deal, and they spend most of their time in the field talking to potential customers (Kotler et al. 2006). As discussed earlier, price in Finnish energy market is being regulated under the umbrella of European Union (EU) regulation body therefore, there is not much concerns reserved to governmental policies. On the other hand, the competition is getting severe due to technological development and relaxed trade laws within European Union. The role of sales and marketing therefore, cannot be defined according to traditional strategic
framework. There is a need to restructure this current strategic infra-structure in order to meet the future challenges.
3 THEORATICAL FRAMEWORK

A company should have full understanding of the business environment in which it is operating. Through this understanding, the firm may identify opportunities and take care of coming threats. This environment consists of actors and forces operating inside or outside of the company structure. Moreover, these actors and forces may affect the ability of management either positively or negatively. There is a strong emphasis from management to develop and maintain reliable relationship with its customers and these actors and forces play a major role in assisting management to do so. It is hard to categorize these actors and forces because every company has its own set of strategies to implement them. In order to generalize them according to Kotler (2011), these actors and forces are divided into two major components-micro and macro environment component. The micro components are referred as the company, supplier, marketing channel firms, customer markets, competitors, and publics which all together combine to make up the value delivery structure of the firm. The macro environmental components include demographic, economic, natural, technological, political, and cultural aspects. For current research work based on energy business, there is a third component influencing both macro and micro business environment. This component is termed as middle component and it consists of some of recently evolving trends in electricity industry. These trends are still in process of transformation therefore, some organizations might have implemented them and some firms are considering them for their future operations. The middle components are thought to be monopoly, internationalization, value creation, co-creation of value, resources based view and knowledge based view. All these components have the tendency to affect organization and therefore, smart managements realize the fact that they cannot always influence these forces. The best way is to take a proactive approach towards business environment, the companies collect and process data based on these environmental components. It is therefore, recommended that management must be aware of application of this data within organization. Moreover, there must be a consensus regarding the learning through this data. This learning may assist organization to develop opportunities and to deal with upcoming threats. The companies with smart management not only emphasize customer development but also keep an eye on these external effects. Through this consideration,
the companies make themselves enable to adopt to these changes, prepare for a long term plan, meet customer’s need as evolved through the time, and compete with global competition (Kotler, 2011). Hence, this environmental management perspective may play an essential role for business development of an organization. The research work in this thesis mainly addresses issues related to energy business. Hence, the framework is composed of three components as shown in figure 3 which are as following:

a) Macro environment Component  
b) Middle Component  
c) Micro environment Component

Figure 3: Layers of Business Infra-structure

In order to understand the proposed framework, there is a brief description of each of these components.
3.1 Macro Environment Component

The macro-level environment component consists of uncontrollable external forces that affect how a business might operate. These external and uncontrollable factors influence an organization's decision making, and affect its performance and strategies. They are largely considered out of the control of the business, and often require changes in operating, management, production, and even marketing. These factors include the economic factors, demographics, social conditions, technological changes, natural forces and government regulations (Eckersley, 1992). Generally, businesses have little to no control over their macro environment. They can, however, prepare for the unexpected by conducting regular analyses of the macro environment factors connected to them, and revise their strategies accordingly.

These macro-level factors especially government regulations are of great influence to business around the world. This thesis work is focusing mainly on Finnish energy market which comes under the rules and regulations of European Union. This regulation body is pretty much consistent compared to some emerging economies. For example, the exchange price of electricity is determined in terms of supply and demand. The price level in Finland is determined on Nordic electricity Nord pool (LUT Report, 2011). Although the business laws are well regulated and practiced yet they can be influenced and even transformed by other two layers. In modern age, governments are really concerned about socio-economic issues related to climate change, energy security, and economic and job growth. Due to these concerns, researchers (Borenstein & Bushnell, 2000) argue that there is a need of reregulation in electricity transmission and distribution industry. In order to meet these goals, there is a certain attention given to new trends in energy market which would cover the middle component.

3.2 Middle Component

The middle component as shown in figure 3 consists of business trends which equally effect macro and micro environment. This component is developed through different and innovative business practices within specific industry. For energy business, there are certain changes from traditional model (figure 4) and modern model (Figure 5) for electricity business.
Figure 4 shows three most dominant trends in electricity distribution market. Monopolist behavior used to be the most dominant aspect of Energy Company. Having giant power plants for energy transmission, it was almost impossible for a new player to enter the market. Moreover, customers were loyal to local companies due to economic reasons. These companies were responsible for economic growth, efficient energy transmission and most important job growth within particular municipality or city. The trend changed due to shortage of natural resources and global competition. Companies started finding solution for economic production by exploiting cheap labor and countries with rich natural resources. Moreover, the industry went through a major shift from product to service management. It was a norm to outsource some of the services where again finding cheap labor was a main challenge. The monopoly approach changed as world started more and more open towards new markets and more positive towards international business. Considering retail and telecommunication, energy business was relatively slow in changing and it remained monopoly for long. As discussed earlier, grow and build strategy (Valocchi et al., 2010) started failing due to saturated and there was need for developed economies to shift their interest towards developing economies. Most of European energy market got liberalized by mid 90s however; the municipality
based energy distribution remained monopoly because it is believed that these companies provide bread and butter for the community within that municipality. Even governments make their policies very carefully by keeping this factor in consideration. Another reason of monopolist behavior being still dominated is that most of services in energy business are technology based and therefore, those services are outsourced from other ICT companies. It is still very hard for a startup to challenge developed electricity company due to limited R&D facilities, marketing budget and sales competence.

Value creation is second most important factor for energy business. It is referred as an important aspect of determining relationship between the company and customer so that an organization may provide superior competitive advantage (Grönroos, 1994). For energy company, it is important for whom they are creating value whether it is government, end consumer or the community which will be benefited through job market and efficient service delivery. Traditionally, value creation is only limited to customer and its service provider. Moreover, Naumann, (1995) argues that it is the responsibility of the supplier to provide best of service to its customer hence; value creation is a one way process which an organization provides to the customer, through its product and service offerings, brands and relationships.

For traditional model, resource based view is a key concept that emphasizes on internal capabilities of organization in formulating strategy to achieve a sustainable competitive advantage and explain the profit and value of the organization in its markets and industries (Grant, 1991). According to Wernerfelt (1984), this concept explains the differences in performance within an industry through possession of valuable resources that others cannot or do not have. Resource based view can be understood as finding future competitiveness by successful firms on the development of distinctive and unique capabilities, which may often be implicit or intangible in nature. It is evident through research that competitive advantage and performance results are a consequence of firm-specific resources and capabilities that are hard to copy by other competitors. For energy company, resource based view has its own significance because, resources are considered key for electricity business. Take China, for example, where a large amount of coal reservoirs are found and they are utilized to produce energy. As discussed earlier,
once a company at local market acquires control of natural resources then there is no way of looking back. It is therefore prevented by governments to let other countries utilize their own natural resources and this topic has been in debate since 70s. The other types of resources are human resources which are aligned with the competence that an individual employee may bring to the company. Through these resources, companies may take up competition to provide more sustainability to their business.

These trends are still in practice up to some extent however; there is an extension to all of these characteristics in modern time which is shown in figure 4.

![Modern Model for Energy Business](image)

**Figure 5: Modern Model for Energy Business**

This model is mainly formed due to changes in trend of business. These changes are not limited to energy business but, they can be observed to overall business infra-structure. There are more and more international ventures in energy business and now, one can see many multi-national companies operating in international market. This internationalization has been a topic of great interest from 70s and the reason is that it
can be taken as an opportunity and a challenge at the same time. While companies going international may have more chances to attract higher volume of customers; it on the other hand gives other competitor to enter shielded local market and steal customers. The challenge seems more dreadful because if local company is affected by competition then its value creating ability will be damaged badly. As a local company can create value for customers, community and government so, there is a danger if one big transnational company may enter this closed market with high quality of services then local company might lose its market.

Earlier, it was believed that value creation concept has also become vast as companies are not limited to local market so instead of creating value for customers- community and government, the value will be created for the whole human society regardless their borders. This has positive notion however, monopoly capitalism (Foster et. al, 2011) may damage this perfect looking market setup because, and companies compete at an international level not only for resources and synergies but to get political power as well ((DiMaggi & Powell, 1983 When market was limited to local arena there was less political dominancy however; this new internationalization has brought monopoly at an international level where a big company can stretch its arm to developing countries and even suck their all resources. These all side effects are practical. As a matter of fact, the concept of value creation extended to value co-creation. This extension means that customer will now be the partner rather than a client. The customers are given more power and independence to contribute in product and service development process. Through this process, customers may choose with whom they want to do business instead of being played under a closed monopolist system.

Though internationalization and value co-creation have revolutionized the industry yet, it is important to know how to implement such a strategy to capitalize both of them. There is a certain need to have knowledge about customer and its activities in order to fulfill. With international relations and network, knowledge based view has got more interest in practice and theory. If customers are dealing globally and also creating value back to the supplier by co-creation then there must be a system to manage this diverse and equally vast amount of knowledge and this is done through knowledge based view.
It is vital to notice that these trends have only extended the previous norms of energy business and have not changed or brought any new set of rules in the market. With these new trends, there is a change in whole system both at macro and micro level. The governments which used to make laws and regulation for local companies are now participating globally for socio-economic concern irrespective of their country. Although European Union had a business and trade regulation implemented yet there is a need for unified environmental laws. On the other hand, the companies are much freer to initiate their business venture through a diverse range of networks globally. There has been much of discussion regarding these trends and author has compiled those researches by comparing these factors and their practical implications in electricity market in following section of this chapter.

To further explain this transformation of trends, figure 6 tends to show the comparison of business trends as they evolved through passage of time. In order to understand each element of these trends, there is a brief elaboration of each component as following;

![Diagram showing extension of business trends for energy industry]

Figure 6: Extension of Business Trends for Energy Industry
3.2.1 Transformation from Monopoly to Internationalization

There are certain factors which are the responsible for current business trends in electricity distribution industry. As described earlier, the approach towards monopoly in energy business has been taken aside due to free market and internationalized approach towards business. In fact it is safe to say that the world has become a smaller place more integrated and connected as ever before (Tykesson and Alserud, 2011) however; one cannot rule out the effects of monopoly capitalism by transnational firms. The role of monopoly, its structure and its effect on national growth were investigated by Pitelis (1991) and Cowling & Sugden (1987). The term monopoly may be sometimes referred to a market with a single seller however, it is used to attribute firms with sufficient market power to influence the price, output, and investment of an industry thus; they may exercise monopoly power and might limit new competitors entering the industry, even if there are high profits(Foster et. al, 2011). According to monopoly capitalism perspective, multinational firms have better and superior knowledge due to high level of manufacturing, brand awareness, patents, talents and a wider product portfolio. Once these firms establish this superior knowledge, they can use it abroad, without any additional costs (Caves, 1982). Knickerbocker (1973) places oligopoly as the middle ground between monopoly and capitalism and states that firms go international, following the strategy of other members in the oligopoly, thereby reducing the risk of being dissimilar. Knickerbocker (1973) has emphasized on oligopolistic market structures by pointing out risks and uncertainty factors for firms, operating in oligopolistic markets.

Electricity distribution market has seen relatively a slow change comparing to telecommunication sector. The reasons may be the fact that electricity distribution remained as monopoly even though energy business liberated in Europe in mid 90s. There are many energy companies who tend to operate in different countries and even continent yet the main control for ownership remains to municipality. This is certainly true in case of European market. The trend has been changing slowly but, consistently from a few monopolistic supply-side players per country to many of supply side enterprises and customers with possibility to select their electricity provider according to their need (Kartseva et. al., 2004).
In the global arena, companies must find their place, by planning, testing, implementing and evaluating internationalization strategies. There are couples of theories explaining this process of internationalization from traditional view of internationalization being a process to modern view of networking. These theories will be discussed briefly to explain internationalization terminology. Most of internationalization theories have been originated from industrial organization context where Industrial organization theory (Hymer, 1960), internationalization theory (Penrose 1959), and transaction cost theory (Williamson, 1975) are the most significant ones.

The Industrial Organization theory (Hymer, 1960) emphasizes on imperfect competition like transaction cost and limited market information and these factors highlight that operation cost at overseas market is more costly than to operate at local market. The transaction cost approach (Williamson, 1975) takes the transaction as the basic unit of analysis and holds that understanding of transaction cost economizing is central to the study of organizations through assessing how their governance structures serve to economize on these transaction costs. In other words, governance structures that have better transactional cost economizing properties will eventually displace those that have worse. International theory opposes both Hymer (1960) and Williamson’s (1975) assumptions by stating that multinational enterprises (MNEs) are able to successfully place value adding activities in different parts of the world due to market imperfections such as government interference and uncertainty (Rugman, 1981).

The eclectic theory (OLI) (Dunning, 1980) exceeds these traditional model through a holistic framework that can be used to identify and to evaluate the significance of factors influencing both the initial act of foreign production by enterprises and the growth of such ventures. The framework focuses on three different paradigms: ownership (O), location (L) and internalizing resources (I). These variables decide whether a MNE shifts production to another country or not. The OLI -model tries to explain how to minimize costs of international production for a company. Those can be looked at as advantages that a firm should consider when planning or developing international production. In order to compete with another domestic firm in production,
a firm must possess advantages which are sufficient to compensate for the costs of setting up and operating a foreign production. The ownership-specific advantages include for example patents and trademarks, international arbitraging, market access and asset and transaction advantages. The location advantages includes transportation and production costs, tariff barriers, psychic distance and investment incentives etc. and those represent the advantages that a certain geographical area could offer for a particular firm to start production in. The internalization advantages consist of effective management control, assurances of quality control, price discrimination, avoidance of buyer uncertainty and of property right infringement etc.

There are some strong views and theories in context of international production, investment and trade. According to Aliber(1970), financial flows between countries and trade barriers are the key issues for understanding internationalization. He believes that countries with higher entry barriers would be a magnet for foreign direct investment because companies have the tendency to overcome that trade barrier through this way. He makes his focus on real economy issues rather than financial aspects by analyzing growth rate of national production (Aliber, 1993).

Internationalization process approach is useful in understanding the incremental process of a firm’s experiential learning in foreign markets to explain incremental accumulation of commitment to foreign markets. Vernon (1966) considers internationalization as a process by investigating issues related to international trade and international investment in order to explore issues such as the strengths and limitations of import substitution in the development process, the implications of common market arrangements for trade and investment. The key point to this theory is that he puts less emphasis upon comparative cost doctrine and more upon the timing of innovation, the effects of scale economies, and the roles of ignorance and uncertainty in influencing trade patterns. The process-based view took a major step forward through Johanson and Vahlne’s (1977) work. They developed internationalization as a process and it took stages to become a global phenomenon. According to (Johanson and Vahlne, 1977), a gradual internationalization can be achieved by knowing the new international market ”step-by-step” and making committed decisions based on this new knowledge. This approach is
known as Uppsala Model and is widely used by MNEs including energy ones. The reason is that it is pretty safe approach to go abroad. It explains how firms gradually intensify their activities in foreign markets. The key features of the model are identified a four stage sequence leading to international production. Firms begin by serving the domestic market, and then foreign markets are penetrated through exports. After some time, sales outlets are established abroad until; finally, foreign production facilities are set up. Moreover, it explains internationalization process of firms and especially the psychic distance concept very well. The model is based on a series of incremental decisions, whose successive steps are based on learning and knowledge acquisition about the foreign market and operation. It distinguished four successive steps in the international expansion process of the firms. To be simpler, model is divided into two basic aspects, state (market commitment, market knowledge) and change (Commitment decisions, current activities. Fundamental concepts of the Uppsala Model are knowledge, learning, uncertainty, risk and commitment. Bilkey and Tesar (1977) also give a stage based model for examining export behavior for small and medium sized firms which also considers Internationalization process approach. The differences among exporting firms and their degree of Internationalization as a sequential and orderly process considering changes in organizational forms is described through 5-stage model by Cavusgil (1980). Another 6-stage model advocating process view is presented by Czinkota (1982) through a comprehensive analysis of comparative export behavior of small firms in Printing and Electronic industries. Reid (1981) examines the relationship between firms, individual characteristics, and foreign entry expansion behavior through stage model like others. All these approaches to express internationalization as a process add value to literature and this trend of stages were viewed highly credible among transnationals and their international operations. To get a closer look at the differences between the internationalization process models, table 1 is given;
Table 1. Internationalization process models (Blomstermo & Sharma, 2003)

<table>
<thead>
<tr>
<th>Authors</th>
<th>Time</th>
<th>Theory</th>
<th>Approach</th>
<th>Size</th>
<th>Stages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Johanson &amp; Vahlne(1977)</td>
<td>unbounded</td>
<td>Learning theory</td>
<td>Adaptive</td>
<td>All firms</td>
<td>n/a</td>
</tr>
<tr>
<td>Bilkey &amp; Tesar(1977)</td>
<td>Bounded</td>
<td>Innovation theory</td>
<td>Reactive</td>
<td>SMEs</td>
<td>Six</td>
</tr>
<tr>
<td>Cavusgil (1980)</td>
<td>Bounded</td>
<td>Learning theory</td>
<td>Reactive</td>
<td>SMEs</td>
<td>Five</td>
</tr>
<tr>
<td>Czinkota (1982)</td>
<td>Bounded</td>
<td>I &amp; M theory</td>
<td>Proactive</td>
<td>SMEs</td>
<td>Six</td>
</tr>
<tr>
<td>Reid (1981)</td>
<td>Bounded</td>
<td>Management theory</td>
<td>Proactive</td>
<td>SMEs</td>
<td>Five</td>
</tr>
</tbody>
</table>

Process approach of internationalization is limited to resource based view where firms tend to enter a new market incrementally depending on their market knowledge (Johanson & Vahlne, 1977). The problem may arise when this approach is replicated to different size of firms in different countries. This provoked the interest in network theory which implies that relationships are investments in assets so there must be a stronger need for networks for a firm. As the world changed and started becoming one huge global village, organizations could not compete on individual level rather they need networks that include domestic or foreign suppliers and customers (Johanson & Mattsson, 1988). This network theory emphasized more on intra relationships among the firms within a network and thus, it challenged traditional process based view of internationalization.

This network model presumes that international business happens in a network where companies are linked to each other through relationships. The networks create stability by business transactions that usually take place within the framework of established relationships. However, those existing relationships are continually changing through activities in the network and the parties should be aware of this. It is also important that the network parties are aware of each other’s resources, organization and development possibilities. In networks and business relationships, the confidence plays extremely
vital part so the parties must also be able to trust each other’s ability and willingness to fulfill their commitments. Thus, it can be said that networking model as a mean of internationalization can be very applicable when firms in industrial markets are linked to each other through long-lasting; sometimes also complex relationships and parties in these relationships are important to each other. This will lead them to establish and develop inter-firm social and technical bonds with each other.

The most significant and arguable model that tend to fit traditional and modern internationalization approach is turned out to be Uppsala model (Johanson & Vahlne, 1977). It was revisited in 2009 and network approach is integrated into latest version (Johanson & Vahlne, 2009). Earlier the model had problems in cultural context- for example; it was made after doing research on Swedish firms which were very different if one compares them with USA and its business culture. America is a big market within itself and the companies tend to settle first domestically rather going abroad. On the other side, Swedish market is not that huge comparing US so they start doing their international venture at an early stage. Therefore, it was a problem to follow a model depending on certain stages. Moreover, latest technological and internet boom has changed the business structure. Most of businesses are being taken place globally now and there is a certain significance of networks in this new scenario. Some of startups go international at as early stage as their inception and are referred as ‘born global’. Selection of right network could decrease the uncertainty and risk of investment. According to Forsgren (2002), there are more international opportunities in current internationalized environment and there is certain threat of not going to foreign countries while missing out new opportunities. Moreover, it is argued that firms might intentionally invest internationally; despite of low market knowledge, if the perceived risk of not investing is higher than actually investing.

3.2.2 Transformation from Value Creation to Value Co-creation

Value creation is regarded as an important aspect of determining relationship between the company and customer so that an organization may provide superior competitive advantage (Grönroos, 1994). As far as value is concerned, the term is defined as the centrally held, enduring core beliefs, desired end-states, or higher order goals of the
individual customer or customer organization that guide behavior, products and services. Values, whether personal or organizational, are very closely related to the goals customers may have. In other words, value is created by delivering benefits that help customers achieve their goals (Daniel et al., 1997). Ulaga and Eggert (2005) have identified four characteristics of customer value:

1. Customer value is a subjective concept
2. It is conceptualized as a trade-off between benefits and sacrifices
3. Benefits and sacrifices can be multifaceted, and
4. Value perceptions are relative to competition.

There are different aspects and understandings for interpreting value as a view; however, two general meanings of value, “value-in-exchange” and “value-in-use”, dominate business literature. This division actually came about through Aristotle’s efforts to address the differences between things (e.g., automobile) and their attributes, which included the qualities (e.g., red, fast, sporty), quantities (e.g., one car), and relations (e.g., lease, ownership) of such things. Use-value was recognized as a collection of substances or things and the qualities associated with these collections. Alternatively, exchange-value was considered as the quantity of a substance that could be commensurable value of all things (Vargo et al., 2008).

According to Ulaga and Eggert (2005), customer value concepts can be summarized as the trade-off between the benefits and the sacrifices in a market exchange. Moreover, Ravald and Grönroos (1996) clarify the concept of value as a multifaceted and complicated process and therefore; there is an evident risk that the concept is used without any efforts and commitments to understand really what it means to provide value to customers, how added value should be related to customer needs and the achievement of profitability for the parties involved. It is seen that many organizations think too much of the value they get from customers instead of pondering over value being provided to the customer and this ends up into a wrong strategic viewpoint.

In marketing literature, Naumann (1995) explains the concept of customer value as having a dual nature - a) value the company provides to the customer, through its product and service offerings, brands and relationships and b) the value the customer
provides to the company, in the form of profit streams, intellectual capital, and other customer assets. This concept of duality has a significant impact because it describes idea of value for both company and customer. For customer, it consists of process of making products and providing services that customer would find useful. It is safe to say that the customer view of the company’s value is a predictor of market share and shareholder value. In modern day economy setup, this value creation depends on product and process innovation by understanding vital customer needs. This innovation can be provided to customers by the firms by having immense commitment, energy and imagination from their employees. It is therefore most important aspect to keep those employees motivated in order to create value for them (O’Malley, 2005). This value might include equal treatment and involvement in decision making. Once this environment is created within the firm then employees also feel confident and play a better role in creating a superior value for the customers.

When it comes to business, value is considered as what customers get for what they pay (Soman and Marandi, 2009). When it comes to business, the discussion of value is broader because value can never be emerged just through product or service providers. It is rather created with the interaction of variety of actors considering customer the most significant ones. In this situation, value is considered from customer point of view which may be determined by four attributes:

1. Name access
2. Product
3. Cost, and
4. experience

Each of above mentioned attributes are measured by certain factors such as channel of distribution, reliability, brand, service, functions, ownership cost, features and payment terms. The real challenge for organization is that even after providing all these offerings to customers, the firm must contain profit in the end of day and only then, it would bring value for the organization in return. It is worth mentioning at this point that value does not mean to generate profit. Actually profit or loss is an outcome of value creation so value creation cannot be treated as profit. The concept of value creation is way beyond
the revenue generation it may produce. This revenue comes as a result of building a brand which would attract, compete, sell and then create a positive image in the market. As discussed above, customers measure the meaning of value of a product or service and then offer a price that they are willing to pay.

Customer value creation can be closely related with the quality revolution of any organization. It depends on satisfaction of customers and their expectation from the product, service or organization’s effort. Customer expectation may vary mainly consisting of variables like price, conformance, reliability, responsiveness and professionalism (Ivarsson et al., 2010). In general, customer expectation is a criterion to achieve customer satisfaction which is directly related to customer value creation. Daniel and Sarah (1997) describe the significance of customer value and relationship between customer satisfaction, value delivery and Strategic customer retention. It requires information from customers concerning that is: what they value (need) now, their satisfaction with suppliers’ abilities to deliver that value, and how their perceptions of value are changing value. These perceptions of value directly impact customers' satisfaction with suppliers, which, in turn, influences customer retention. Suppliers have several options to deal with changing customer needs. One involves attempting to predict what customers will want by analyzing macro environmental trends. Another is to create potential future scenarios based on executive interpretation of both macro environmental and market-based (e.g., customer use situation, competitive innovation, emerging markets) forces expected to change customers' needs. Third, business has also been encouraged to create operations systems that can respond to change faster than the competition. Service response logistics and components of mass customization reflect this approach. Finally, suppliers have been encouraged to drive change themselves. Customer value is created when the benefits to the customer associated with a product or a service exceed the offering’s life-cycle costs to the customer. Benefits are made tangible for the commercial customer through increased unit sales or increased margins. A position of superior customer value is achieved when the seller creates more value for the customer than does a competitor. A firm’s sales will not increase faster than its competitors unless it is creating more value for customers than the competition. One
way of achieving this goal is to continuously generate new intelligence about customer needs and to know best way to satisfy those (Stanley & John, 2000).

The relationship between customer value and customer satisfaction is opened up by Lam et. al (2004). It is argued that customer satisfaction is the result of a customer’s perception of the value received in a transaction or relationship. Theoretically, customer value can be considered a cognition-based construct capturing any benefit-sacrifice discrepancy, whereas customer satisfaction is primarily an affective and evaluative response. The social science literature indicates that cognitive thought processes trigger affective responses, suggesting that customer value judgments affect perceptions of satisfaction. It has been argued that customer value has a positive effect on customer satisfaction. The main challenge for any firm is to maximize the effectiveness of customer value creation activities for the firm. These activities are considered as processes that may cut across several functions within an organization. According to Hammer (1996), a process perspective on a business is the customer’s perspective which simply means that a process requires that one should start with the customers and what is required from their point of view, and work backward from there. Moreover, the focus is shifting from the activity of attracting customers to activities which concern having customers and taking care of them. Delivering customer value is critical to the success of any business. But customer expectations are continually evolving, changing, and increasing so firms must be searching for ways to improve and expand or risk failure. The old axiom that management’s primary responsibility is to “manage change or change management” has never been more realistic. Today’s rapidly changing business environment places a huge penalty on status quo management (Gale, 1994). In addition, customer behavior plays an important role in after sales activates and operations where customer behavior can be understood well by collecting inputs from customers through various sources, integrating them and verifying the integrated and accuracy of collected data. Therefore, it is recommended that every organization should do their research in understanding their behavior with the help of integrated team of marketing and sales professionals. Hence all organizations must engage themselves in studying customers through an exclusive department with dedicated team of marketing professionals.
The other side of dual nature of value creation explained by Naumann (1995) which distinguishes the concept of as ‘the value the customer provides to the company’, in the form of profit streams, intellectual capital, and other customer assets. This view elaborates how customer could create value for the organizations in return of what value organizations have created for the customer. This concept is referred as ‘co-creation of value’ by the customers for the company. The value co-creation process involves the supplier creating superior value propositions, with customers determining value when a good or service is consumed (Payne et al, 2008).

Traditionally, it is seen that suppliers would produce products or services and customers would buy that at a reasonable price. Companies can no longer act autonomously, designing products, developing production processes, crafting marketing messages and controlling sales channel with very little or sometimes no interference from the customers (Prahalad and Ramaswamy, 2004b). This trend is changing as customers are now playing their role in developing the product or service. Customers tend to participate with supplier through each stage of production from design to delivery. This type of interaction of customer and supplier is rather a new trend and has been as a very positive learning process (Ballantyne, 2004). Through this collaborative process, customer and supplier would have a great opportunity to a better product with customized offerings and hence, it enhances value as a process in itself. This co-creation value concept is equally beneficial for the firms because, this process may signify customer’s need and point of view which can be improved in a more productive way. It is worth mentioning that value is fundamentally derived and determined in use – the integration and application of resources in a specific context – rather than in exchange – embedded in firm output and captured by price (Vargo et al., 2008). With this new co-creation view, companies and customers have distinct roles of production and consumption. Products and services contain value and markets tend to exchange this value from the producers to the customers. Though value creation occurs outside the markets yet as one considers value co-creation approach, this distinction disappears. Consequently, customers engage themselves in the processes of both defining and creating value and hence, co-creation experience of the customer has become very basis of value (Prahalad & Ramaswamy, 2004b) as shown in figure 7.
There are two leading approaches in research that open up the concepts of value creation and value co-creation and are discussed briefly. The traditional view is referred to as goods-dominant (G-D) logic and is based on the value-in-exchange meaning of value. In G-D logic, value is created (manufactured) by the firm and distributed in the market, usually through exchange of goods and money. From this perspective, the roles of ‘producers’ and ‘consumers’ are distinct, and value creation is often thought of as a series of activities performed by the firm (Vargo et al., 2008). In this view, the purpose of economic exchange is to make and distribute things to be sold. A firm’s production process, which may include resources from other firms, embeds value or utility into a good, and the value of the good is represented by the market price or what the consumer...
is willing to pay. From this perspective, maximum efficiency and maximum profit is achieved by standardization and economies of scale.

The newer approach S-D logic is a perspective based on service as the fundamental basis (Vargo and Lusch, 2008). This view is different from G-D logic and hence challenges the foundation of economics. The S-D logic is that all exchange is based on service, and when goods are involved, they are tools for the delivery and application of resources. Goods are service-delivery vehicles. In S-D logic, knowledge and skills are key resources for competitive advantage. S-D logic focuses on the action of operant resources such as knowledge and skills. On the other hand, G-D logic focuses on the exchange of operand resources such as goods (Vargo et al., 2008). Coming back to value creation, in S-D view value is co-created through the combined efforts of firms, employees, customers, stockholders, government agencies, and other entities related to any given exchange, but it is always determined by the beneficiary e.g. customer. The firm’s role in value creation, the proposition of value and provision of service are intermediary to the value co-creation process. Value propositions establish connections and relationships among service systems. In value co-creation, value is ultimately derived with the participation of, and determined by, the customer through consumption in the process of acquisition, usage, and disposal (Vargo et al., 2008). Moreover, all types of resources are claimed to be used by customers as service, and furthermore, all kinds of resources, including goods, are considered to transmit service to customers (Vargo and Lusch, 2004). According to Prahalad and Bettis (1986), a dominant logic represents the way in which managers conceptualize the business, where structures and frames of reference form the key aspects of a dominant logic central to service-dominant (S-D) logic is the proposition that the customer becomes a co-creator of value. This emphasizes the development of customer-supplier relationships through interaction and dialog. Payne et al. (2008) explore the nature of value co-creation in the context of S-D logic for understanding and managing value co-creation.

The interesting discussion comes when one starts considering which one is dominant actor in value creation and value co-creation- whether it is the firm that creates the value and customer plays the role of a partner in co-creating the value or it is the customer
who actually creates values and firm joins it in improving and only plays the role of a supplier who would always do as is ordered by the customer. There is great emphasis in literature on the fact that firm is in charge of value creation process and customer is only a part to join as a co-creator (Vargo and Akaka, 2009). This concept would collide with the Brennan et al. (2003) where they define marketing as the process of adapting an organization to meet the needs of customers. The old saying ‘customer is always right’ also supports the argument. The main reason of customer being part of co-creation is due to the fact that customer’s involvement in production or service process where customer would only engage with the production process managed by service provider. Grönroos (2008) opposes this idea by placing customers as the users who are in charge of their value creation whereas service providers could be invited to join the process as a co-creator. (Grönroos, 2011) has established that the customer as the user creates value for himself or herself by integrating resources provided by a firm with other necessary and available resources in a self-service process. If this is considered true then the firm that provides the customer with such resources cannot logically be a value creator on equal terms with the customer. Therefore, it is suggested by Grönroos (2008) that role of the firm must be another one. Developing, designing, manufacturing and delivering resources are the processes required to make it possible for customers to create value, i.e. they facilitate customers’ value creation. Hence, the basic role of firms in value creation can be formulated as value facilitator.

If one tries to make a peace between the two parties and considers customers and firms to be equally involved in value creation then it might bring an absolute wrong conclusion as pointed out by Grönroos (2011). Clearly, there is more research required with clear parameters to determine the dominance of firm or customer (beneficiary) in value creation and value co-creation process. Having said that, there is no doubt that future would lie in a new approach and perception of value creation based on an individual- centered co-creation of value between the customers and firms. Armed with new tools and innovations, customers want to interact and co-create value, not just with one firm but with the whole community of professionals, service providers, and other customers. If firm is not ruled out to be a passive actor in co-creation process and experience then it is certain that a company cannot create much of value at its own
without the engagement with its customers. The trend migration from traditional way of value creation to new co-creation experience is shown in table 2 by Prahalad and Ramaswamy (2004b).

Table 2.Migration to co-creation experience (Prahalad and Ramaswamy (2004b))

<table>
<thead>
<tr>
<th></th>
<th>Traditional exchange</th>
<th>Co-creation experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal of interaction</td>
<td>Extraction of economic value</td>
<td>Compelling co-creation as well as extraction of economic value.</td>
</tr>
<tr>
<td>Locus of interaction</td>
<td>Once at the end of value chain</td>
<td>Repeatedly, anywhere, and any time in the system</td>
</tr>
<tr>
<td>Company-customer</td>
<td>Transaction based</td>
<td>Interactions and transaction based</td>
</tr>
<tr>
<td>relationship</td>
<td></td>
<td></td>
</tr>
<tr>
<td>View of choice</td>
<td>Variety of products and services, features and functionalities, product performance and operation.</td>
<td>Co-creation experience based on interaction across multiple channels, options, transactions, and the price experience relationship</td>
</tr>
<tr>
<td>Pattern of interaction</td>
<td>Passive, firm-initiated, one-on-one.</td>
<td>Active, initiated by either firm or customer,1-to-1 or one-to-many.</td>
</tr>
<tr>
<td>Focus of quality</td>
<td>Quality of internal processed and what companies have.</td>
<td>Quality of customer-company interactions and co-creation experiences.</td>
</tr>
</tbody>
</table>

3.2.3 Transformation from Resource Based view To Knowledge based view

Resource based view has long antecedents stretching long back to Penrose (1959) who conceived the firm as an administrative organization and a collection of productive resources, both physical and human. Resources whether material resources or human resources can provide the firm a variety of services according to ideas and needs of the firm. In order to make firms more competitive, a close relationship between the knowledge that people in the organization possess and the services gained from those resources should be maintained.

The RBV of the firm focuses on internal capabilities of organization in formulating strategy to achieve a sustainable competitive advantage and to explain the profit and
value of the organization in its markets and industries (Barney, 1991; Grant, 1991). This view, according to Wernerfelt (1984) explains the differences in performance within an industry through possession of valuable resources that others cannot or do not have. Teece et al. (1997) describes resource based view as finding future competitiveness by successful firms on the development of distinctive and unique capabilities, which may often be implicit or intangible in nature. It is evident through research (Barney, 1991; Wernerfelt, 1984, Rumelt 1984) that competitive advantage and performance results are a consequence of firm-specific resources and capabilities that are hard to copy by other competitors.

The principle of RBV view lies on existence of capabilities and heterogeneity of resources (Helfat and Peteraf, 2003). These resources and capabilities can be important factors of sustainable competitive advantage and superior firm performance if they possess certain special characteristics. They should be valuable, increasing efficiency and effectiveness, rare, imperfectly imitable and non-substitutable. Each organization may possess unique and particular resource base which can be polished through its capabilities however, if it is assumed that all the firms were equal in terms of resources there would be no profitability differences among them because any strategy could be implemented by any firm in the same industry (Barney, 1991). Thus, type, magnitude, and nature of resources and capabilities are important determinants to generate profit for an organization (Amit and Schoemaker, 1993). If firms in an industry face similar industry conditions one might expect, these firms tend to exhibit some degree of similarity with respect to profitability. Porter (1980) states that it is industry where organizations compete and position themselves against that particular structure that later determines the profitability of the firms. Contrary to this approach resource based viewpoints not to industry structure but the unique cluster of resources and capabilities that any firm may possess (Collis and Montgomery, 1995). The approach given by Porter (1980) as strategic fit means that an organization’s resources should match to the needs of external environment. However, this approach is different from pursuing opportunities that fit company’s resources. Hamel and Prahalad (1993) suggest a balance between ambition and resources for example, an organization with limited resources but
with big ambitions can develop their resources to achieve a greater outcome for its relatively smaller inputs (Henry, 2008).

The RBV of the firm is considered to be a suitable approach to understand competitive dynamics through strategic line of thoughts. It analyses the organization’s strengths and weaknesses provided the organization is a collection of unique competencies and capabilities influencing its evolution and its strategic growth options (Barney, 1991). Organization’s resources can either be: physical, human, or organizational. Resources can also be tangible or intangible (Mathews, 2003). The resources and capabilities, tangible and intangible, generate economic returns to the firm (Amit and Schoemaker, 1993). These resources are the basis of this theory and explain the difference in performance between firms. In addition, resources are the basis for organizational strategy and are used to implement it. Physical resources may originate returns but, intangible resources may develop culture of organization through a unique historical sequence (Makhija, 2003). Intangible resources can hardly be changed, except in the long term (Teece et al, 1997). Moreover, these intangible resources are frequently found in the organization in the form of tacit knowledge (Makhija, 2003). The advantage of having tacit knowledge is that it cannot be transacted or easily replicated by competitors, as they are usually founded in organizational history (Amit and Schoemaker, 1993). It is worth mentioning that certain capabilities, based upon the tacit knowledge of the firm, are only valuable when integrated with other individual capabilities specific to that particular firm, and that capacity of being complementary is immobile (Hitt et al., 2001).

Resource based view has brought new soul to strategic management theory by questioning industry selection and positioning issues which result in organization pursuing similar strategies. This approach rather has focus on organization’s own resources and capabilities as a determinant of competitive advantage (Henry, 2008). From RBV view, it worth noticing that efficient production with heterogeneous resources is a result not of having better resources but in knowing more accurately the relative productive performances of those resources. This approach has led to an extension of resource based view that considers knowledge as the most important strategic resource (De Carolis, 2002). In research, it is relatively a new approach and
being an extension to resource based view, it takes firms as bodies that generate, integrate and distribute knowledge (Miller 2002). Moreover, firms are considered to possess heterogeneous entities loaded with knowledge where this knowledge might ensure that competitive advantages are sustainable, as knowledge is an asset that is difficult to imitate (Wiklund and Shepherd, 2003). It is safe to say that knowledge based resources are the key to create value for the firms rather than physical or financial resources in modern era. According to Grant (1996a), critical input in production and primary source of value is knowledge. On one hand, Raft and Lord (2002) emphasize that firms containing organizational knowledge associated to its human, social, economic and technical capabilities may have more possibility of high returns. On the other side, Leonard-Barton (1992) alarms that these knowledge based capabilities might become liabilities tomorrow if process of knowledge creation and development is not understood properly.

There is a structural change from production to service management as discussed earlier. It is also affected by the manipulation of information and symbols rather than physical production (Fulk and DeSanctis, 1995). As resource based view gives certain competitive advantage to firm to other firms through difference in resources and capabilities, knowledge based view extends its limits by creating, transferring and even transforming knowledge into competitive advantage (Kogut and Zander, 1992). It is important to understand that creation of knowledge is not easy to come by as it is usually developed through culture of organization (Amit and Schoemaker, 1993). Knowledge can be created both at individual and organizational level. According to Simon (1991), an organization can create knowledge in two ways: a) by its individual who would have knowledge in heads b) by new members who have some diverse knowledge that organization didn’t have. Other view is that it is the responsibility of the organization to empower its employees with knowledge that would enhance their efficiency such as Spender (1992) who investigates the dual role of firms in first knowledge creation and then its application.

After creation of knowledge, next step is not to hold knowledge in one level. Therefore, once knowledge is created then it is transferred to group of people at next level.
However; transferring of knowledge through organization can be hard because of stickiness. As Szulanski (2003) explains that stickiness reflects the presence of internal factors that enable the true achievement of competitive advantage.

Helfat and Peteraf (2003) views another way to KBV which is “The KBV of the firm is the logical evolution of the RBV of the firm considering that it is a way to incorporate the temporal evolution of its resources and the capabilities that sustain the competitive advantage”. It is important to notice that the influence of these capabilities and their development would affect KBV of the organization because these capabilities are dynamic in nature and have the ability to reconfigure, redirect, transform, shape and integrate central knowledge, external resources, strategic and complementary assets. They will empower the organization and will allow the firm to face the challenges coming from competitive environment, made of competition and imitation, changing progressively and pressured by temporal factors (Teece et al., 1997).

There are two different theories to explain concept of knowledge based resources. The supporters of first theory (Conner and Prahalad, 2002; Grant, 1996a; Kogut and Zander, 1992) argue that knowledge is the key resource for any firm. They acknowledge the importance of knowledge for an organization however; they treat knowledge as a generic resource and therefore are unable to differentiate distinct types of knowledge based capabilities. The other group of theorists especially Spender (1992) highlights the significance of knowledge as resource in a comprehensive manner by considering it in tacit and social forms. The researchers argue that knowledge is something that is limitless whereas human rationality is bound to be limited. So, there is a limit of knowledge that can be stored in an individual’s brain and then that particular piece could make a limited use of that knowledge in terms of utility. To enhance the effects of knowledge, it is needed to distribute it across its staff within an organization. If knowledge is integrated through as an essential function in the organization then it can be beneficial for the whole organization instead of one person (Grant, 1996a). This view takes knowledge as a collective resource which would grow if it is distributed in a productive way. The essence of knowledge based view lies in its application to the production of goods and services (Grant, 1996a). When it comes to application then
knowledge management process is highly encouraged in research. Sher and Lee (2004) believe that knowledge management can be of three functions: knowledge creation, accumulation and sharing. Lee et al. (2005) adds two more functions of knowledge utilization and knowledge internalization. Nielsen (2006) extends these aspects to certain functions of knowledge creation, knowledge acquisition, capturing and articulating knowledge, knowledge assembly, knowledge sharing, knowledge integration and recombination, knowledge leverage, and, finally, knowledge application and exploitation.

It is important to mention that knowledge management processes represent a vital core competence that can be leveraged to build other strategic capabilities or second order dynamic capabilities (Kale and Singh, 1999).

3.3 Micro-environment Component

Micro environment is about factors or elements in an organization's area of operations that affect its performance and decision-making freedom. The micro-environment consists of five components. The first is the organization's internal environment—its several departments and management levels—as it affects marketing management's decision making. The second component includes the marketing channel firms that cooperate to create value: the suppliers and marketing intermediaries (middlemen, physical distribution firms, marketing-service agencies, financial intermediaries). The third component consists of the five types of markets in which the organization can sell: the consumer, producer, reseller, government, and international markets. The fourth component consists of the competitors faced by the organization. The fifth component consists of all the publics that have an actual or potential interest in or impact on the organization’s ability to achieve its objectives: financial, media, government, citizen action, and local, general, and internal publics. So the micro-environment consists of six forces close to the company that affect its ability to serve its customers (Boyd et. al, 1993). For the simplicity, this research paper would highlight only sales and marketing functions of an organization. Both of these functions complement each other and provide a great customer value which in turn adds value for the organization itself.
In marketing literature sales and marketing has often been seen to belong under a single organizational entity, even though they are often clearly separate, however interdependent, organizational entities (Dewsnap & Jobber 2009; Kotler, Rackham & Krishnaswamy 2006; Graham 2007). The atmosphere between marketing and sales people has often been reported as uncooperative and insular, and when the sales are poor, they point the accusing finger at each other (Dewsnap & Jobber 2009; Kotler et al. 2006). As an example, sales departments are known to regard their colleagues at marketing as detached from the actual customers, while the sales people are seen as too focused on single customers and as incapable of understanding the big picture (Kotler et al. 2006). The two functions often also have inadequate conceptions of each other’s contributions to the firm’s overall objectives (Meunier-FitzHugh & Piercy 2007a).

Overall, in related literature the relations between sales and marketing are seen as uncooperative, lacking in mutual understanding, distrustful and rivalling, riddled with the use of stereotypic generalization and most importantly, poorly coordinated (Dewsnap & Jobber 2009; Kotler et al. 2006; Beverland, Steel & Dapiran 2006; Dewsnap & Jobber 2002).

Kotler et al. (2006) compare the contrasting role of marketing and sales to the relations between product designer and manufacturers that have learned the necessity of cooperation and mutual value creation, and raise a question why the relations between the interdependent marketing and sales functions are still often hostile and uncooperative. Considering the successful development and implementation of a marketing strategy in any business field, it is highly important that the relations between the sales and marketing functions are productive, and that the sales and marketing objectives are aligned (Dewsnap & Jobber 2009). The strategies and objectives of both functions should be coefficient and work towards achieving common targets. Furthermore, there is an increasing call for sales and marketing integration, as the context of actual business sales situations is getting more and more complex (Matthyssens & Johnston 2006). Customer relationship management is increasingly seen as a core competency and as a chance to create superior value to the customer, which requires a more strategic and forward-thinking orientation towards sales, as well as closer ties between the sales and marketing functions (Piercy 2010). Researchers have
widely agreed on the negative effects of poor working relations between marketing and sales, while also acknowledging the positive effects of proper coordination and collaboration between the two functions (Meunier-FitzHugh & Piercy 2007a&b; Kotler et al. 2006).

3.3.1 The relationship between marketing and sales

There is a seemingly inherent cultural divide between marketing and sales (Kotler et al. 2006; Beverland, Steel & Dapiran 2006). There are several factors hindering the formation of shared culture and value concepts, which in turn creates barriers for cross-functional integration and collaboration (Beverland, Steel & Dapiran 2006; Matthyssens & Johnston 2006). Even though, both functions are directed towards customers and markets (Dewsnap & Jobber 2009), there are obstacles between the two departments related to differences in the orientations concerning e.g. goals, time and interpersonal behavior, that can hinder the efforts to bridge the two functions (Dewsnap & Jobber 2009; Beverland, Steel & Dapiran 2006). The two functions tend to measure success on different basis (e.g. market share vs. sales volume), have different temporal orientations (with marketing usually planning longer ahead) and differing views regarding the scope and focus of activities and regarding valid source of knowledge (Dewsnap & Jobber 2009; Beverland, Steel & Dapiran 2006; Matthyssens & Johnston 2006; Rouziès et al. 2005). Furthermore, the discrepancies in perceived status between the two functions may often lead to deterioration of the relations (Beverland, Steel & Dapiran 2006). Kotler et al. (2006) divide the sources of argument to economic and cultural issues that stem from how organizational resources are divided between marketing and sales, and from the nature of the tasks and personalities of the people applying to each function. Marketing people usually have a formal education to that specific task, spend most of their time behind the desk and are more future-oriented than sales people tend to be (Kotler et al. 2006). Sales people, on the contrary, are usually more dynamic and mostly focusing on the next successful deal, and they spend most of their time in the field talking to potential customers (Kotler et al. 2006).
3.3.2 The role of marketing and sales integration

According to Guenzi and Troilo (2006), it is widely recognized that marketing capabilities, i.e. the collective of specific knowledge, skills and resources, have an important role in the creation of a firm’s competitive advantage due to their hard-to-obtain and rare nature. These capabilities enable firms to add value to their offering, adapt to changing requirements, build better relationships with their customers and to better understand their customers and the market in general (Guenzi and Troilo 2006). Successful joint efforts and of marketing and sales are seen to be instrumental in developing these distinct marketing capabilities, that in turn affect a firm’s capability to generate superior customer value (Guenzi & Troilo 2006). Guenzi & Troilo (2007) have examined the contribution of marketing and sales functions to superior customer value and they argue that that a firm's long-term strategic orientation is beneficial to its capacity to create superior customer value. Moreover, they investigate the effectiveness of the relationship between marketing and sales by underlining that perceptions play a critical role in affecting the creation of superior customer value and also market performance outcomes. In consequence bad coordination and the lack of collaboration between marketing and sales can seriously hinder a firm’s success in a marketplace, and endanger its capabilities to create superior value for its customers (Meunier-FitzHugh & Piercy 2007a; Guenzi & Troilo 2006; Dewsnap & Jobber 2002). Therefore, it is vital that marketing and sales functions are capable of fruitful collaboration and that the relations between the two remain on a healthy basis.

Rouziès et al. (2005) emphasize the process nature of marketing and sales integration. They describe integration as a dynamic process in which two functional areas cooperate to create something bigger than the sum of its parts. Therefore, Rouziès et al. (2005) define sales-marketing integration as the extent to which the actions of these two functions support and complement each other, and furthermore, they also point out that integration should not be mistaken for interaction, communication or involvement, since even though these concepts might enhance or lead to integration; they are not synonyms for it. In order to achieve a high level of integration, the actions of the two functions
need to be coordinated and consistent, and they must be appropriately timed (Rouziès et al. 2005).

3.3.3 Levels of sales and marketing integration

Kotler et al. (2006) distinguish four different types of marketing and sales relationships: undefined, defined, aligned and integrated. Firstly, the “undefined” relationship is a state where cooperation between marketing and sales is almost non-existent. In such a relationship both functions have developed separately and are driven by their own agendas. There is no information flow between the functions, and most of the face-to-face time is reserved for solving problems of parallel objectives and other conflicts. When the relationship is defined, there are common rules and procedures on how to avoid conflicts, and both functions are more aware of the responsibilities and tasks of the other. There may also be co-operation in larger projects like trade shows. When the relationship is aligned, the rules and responsibilities are clearly set, but unlike in a defined relationship, these boundaries are flexible and open for collaboration. Furthermore, plans and training is carried out through joint efforts, and the people in the two functions can understand each other better. Finally, when the relationship is integrated, resources, rewards and systems are shared and the boundaries become difficult to distinguish. The functions measure success on same basis and either succeed or fail together. Marketers also have an emphasized role in managing key accounts, and sales people also take part, however to a lesser degree than marketers, in tasks of strategic and forward thinking nature. One should take into account, that the integrated relationship does not always work the best. The suitability of each relationship depends on organizational and market factors. If the current relationship is working well and fits the current business situation, then integration is not necessarily preferable at that point in time. In larger companies with customizable offerings and high technological turnover the need for alignment and integration is highlighted. (Kotler et al. 2006).

According to Beverland, Steel & Dapiran (2006), the evidence suggests that to achieve prosperous performance both marketing and sales require their own culture and functional separation, while maintaining the ability to relate to other functions through cross-functional integration and shared values. Meunier-FitzHugh & Piercy (2007a) also
argue that marketing and sales should retain their own uniqueness, and increase business performance through enhanced mutual collaboration. Though both sales and marketing have their own separate sub-cultures, there is also a need for a shared culture and values that create the foundations, both prerequisites and rules, for mutual collaboration (Meunier-FitzHugh & Piercy 2007a; Beverland, Steel & Dapiran 2006; Guenzi & Troilo 2006). According to Kotler et al. (2006) it is easy for firms to evaluate the quality of the working relationship between marketing and sales. For example, by using different kinds of diagnostic tools firms can relatively easily evaluate the nature of the relationship between marketing and sales function. Once a firm has formed a picture of the current state of marketing and sales alignment, there are several practical steps one can take to improve the situation (Kotler et al. 2006; Matthyssens & Johnston 2006).

Meunier-FitzHugh & Piercy (2007a) recognize eight different antecedents of collaboration between marketing and sales, and they divide them into two groups that either directly or indirectly enhance collaboration. Integrators have a direct link to enhanced collaboration, and include communication, organizational learning, market intelligence and market planning. Matthyssens & Johnston (2006) regard an efficient communication system as one the main prerequisites for successful collaboration. There has to be high quality two-way communication between marketing and sales, as it is instrumental in facilitating effective exchange of information, devising mutual strategies and in coordinating the actions of the two functions (Meunier-FitzHugh & Piercy 2007a). Organizational learning refers to sharing and integrating information, knowledge and interpretations of the two, as well as paradigms of different organizational members, to the benefit of the whole organization (Meunier-FitzHugh & Piercy 2007b). Marketing and sales should proactively seek to collect and share important market intelligence, and there is also a requirement for mutual intelligence systems. There is also need to reduce conflicts of interest between marketing and sales in order to avoid deterioration of relations and to ensure the two functions are striving for common goals. Finally, the coordination between sales and marketing may be enhanced through joint planning. Facilitators enhance collaboration indirectly. Also, as stereotypic generalizations of marketing and sales people are still a big problem in many organizations, there is need for better mutual understanding of the other functions, job description and
responsibilities, and of the interdependency between the actions of each function (Matthyssens & Johnston 2006). Mutual understanding may be created through cross functional training as it facilitates understanding and prevents misunderstandings between different functions and makes people realize what is required of others (Dewsnap & Jobber 2009; Matthyssens & Johnston 2006). In order to make sure that both functions are striving towards common goals and to prevent negative opportunistic behavior, there needs to alignment in the rewarding system. Finally, Meunier-FitzHugh & Piercy (2007a) suggest that integration mechanisms, e.g. formal meetings, job rotation and cross-functional team projects, can facilitate collaboration. (Meunier-FitzHugh & Piercy 2007a&b).

Kotler et al. (2006) bring up many of the same points as presented earlier, e.g. the importance of job rotation, efficient communication, non-conflicting reward system, equal responsibility for results, common goals and planning etc. In addition, they suggest appointing a liaison from marketing who would work with the sales team and transfer tacit knowledge between marketing and sales. Kotler et al. (2006) also bring up the possibility of locating marketing and sales functions physically close to each other in order to facilitate interaction. Furthermore, they suggest hiring a chief revenue/customer officer to make sure company’s objectives related to revenue are attained. Dewsnap & Jobber (2009) also recognize several factors enhancing collaboration between marketing and sales: striving to achieve goals collectively, sharing the same company vision, understanding each other’s contribution, informal discussions in addition to formal communications, sharing of ideas, information and resources, and stimulating teamwork.

Finally, according to Guenzi and Troilo (2006), integration components do not only lead to interaction and collaboration, but they can also cause other effects, such as cognitive, affective and behavioral responses regarding e.g. trust, organizational atmosphere, commitment and motivation. Therefore, they point out that in order to prevent unwanted reactions and consequences in both sales and marketing functions, the firm needs to be aware of the effects of integration steps and it must also manage and guide people’s opinions and associations regarding these steps. Meunier-FitzHugh & Piercy (2007b) also recognize the role of management in overcoming the barriers to integration. They
regard management as responsible for creating an atmosphere and culture of cooperation that will lead to diminished interdepartmental friction and enhance the prerequisites for collaboration. This statement is also shared by Matthyssens & Johnston (2006). Kotler et al. (2006) suggest implementing systems to monitor joint activities between marketing and sales, as well as creating shared information databases.

3.4 Summary

As it is established how theoretical framework highlights macro and micro environment issues. In addition, there is a middle component which consists of three key business trends within an energy based organization. These business trends are changing due to social and economic factors. These trends influence both macro and micro environment of energy business. It is time to see the holistic view of the overall framework through figure 8. The figure shows how organization and its customers are surrounded by business environments. The macro component consists of economic factors, demographics, social conditions, technological changes, natural forces and government regulations. In this thesis work, the most significant portion of macro component is considered to be laws and government regulations.

The middle component lies right between a firm and its customers. It may be seen as a communication channel. The component consists of changing trends in energy business industry. It starts from monopolist behavior to more open and liberal internationalized business environment. Other trend is of value creation. The value creation is for customer but, the extended form of it argues that customer can actually take part in co-creating value with the organization. Thus, co-creation concept is very novel and relatively new in electricity context. The third main varying trend is resource based view. In energy market, physical or natural resources are of key significance. There is an extension of this concept that advocates knowledge as a key resource for the company to harness its business operations. This concept may highlight the role of knowledge management within a company internally and knowledge about the industry and customers externally. Though value co-creation concept takes customers as part of family however; most of the companies take customers as external player. That is why it
is equally important to manage internal and external knowledge to have a superior competitive advantage.

The micro component generally consists of customers, employees, suppliers, shareholders, media and competitors. In this research, sales and marketing units are taken as the most vital element in micro component to balance all these factors.

Figure 8: Holistic view of the Framework
4 METHODOLOGY

In order to answer the research question, there is a methodology of case study has been implemented. The case study will investigate the role of sales and marketing function for the case company. There is an analysis how these functions face the challenges from emerging trends in electricity business. There is further discussion whether the alignment of these functions would make it convenient to address the future threats from these changing business trends. The purpose of this case study is to explore the existing theory and to apply the findings of the previous chapters. The case study will furthermore test the consequences of changing trends in energy business as discussed in chapter 3 and apply the theoretical discussion over marketing and sales integration.

As framework is developed through multiple theories, there is a strong evaluation against the real environment and practices. Case study method utilized in this thesis will evaluate the contribution of sales and marketing functions with the changing business trends in electricity distribution industry. The purpose of case study is to highlight detailed contextual analysis of a limited number of events or conditions and their relationships. In this study, majority of used information is collected from theories, case studies and literature. This case study methodology will follow the recommendation of Yin (1994) and has four stages:

Design the case study.

Conduct the case study.

Analyze the case study evidence.

Develop the conclusions, recommendations and implications.

Figure 9: Stages of Case Study (Yin, 1994)
All these four stages are followed in the following sections. Case selection process through research would merge two stages of design and conduction of case study and would highlight the methodology. Stage 3 would analyze the influence of changing trends to case company and how company has developed its collaboration and integration of sales and marketing due to this business transformation. For the sake of clarity, the analysis would be discussed in chapter 5. Finally stage 4 would conclude the case studies with some of key findings, recommendation and implications in the light of theory and conducted interview. Chapter 6 has been dedicated for this purpose.

### 4.1 Design of case study

A research design is considered to be a logical plan from initial set of questions to set of answers to those questions which would conclude the analysis. It actually guides in the process of collecting, analyzing and interpreting observations (Yin, 1994). For the design of case study, Oulun Energia has been selected as case company. It is worth mentioning that Oulun Sähkömyynti Oy (electricity trade unit of Oulun Energia) is taken as case company during a brief yet learning trainee period in collaboration with University of Oulu and author. This opportunity gave sufficient access to potential data i.e interviewing executives, reviewing company structure and observing the field work. As to introduce company briefly, Oulun Energia procures sells and distributes electricity, district heat, steam and services to its customer in accordance with general business rules and principles. The Oulun Energia Group incorporates an integrated group of energy companies with a focus on serving the Oulu region and other parts of northern Finland. Owned by the City of Oulu, the Group’s operations cover the entire value chain of energy sector: production of raw materials; production, sales and distribution of electricity and heat; and various services in the sector, such as network management, contracting and maintenance. The Group includes the following companies:

- Oulun Energia municipal enterprise (parent company)
- Oulun Sähkömyynti Oy (electricity trade)
- Oulun Energia Siirto ja Jakelu Oy (electricity distribution)
- Oulun Energia Urakointi Oy (contracting)
- Turveruukki Oy (fuel production and distribution)
- Haukiputaan Energia Oy (heat trade in Haukipudas)
- Yli-Sähkö Oy (holding company)

The case study has been implemented on the selection of Oulun Sähkönmyynti Oy as case company. This is due to the fact that company deals with sales and marketing operation. Hence, it will be interesting to implement research and see how this unit is affected by emerging energy trends.

4.2 Conduction of Case Study

The data collection was conducted by a single face-to-face interview from the Chief Executive Officer- Arto Sutinen, Sales Manager, Seppo Tuomi and Portfolio Manager- Marko Lehto. The interviews were taken in different session due to busy and tight schedule of interviewee. For conducting the case study, the interview was structured and based on a predetermined set of interview questions. Though there was room for elaboration and counter questions yet there was an effort to define all the questions to support the frame work and literature studied during thesis work.

Questions were divided into two parts. The first part based on the business of company i.e how company has implemented its products and services and how come revenue generation versus cost stream is balanced. This portion had its focus over the macro and middle component’s forces and factors influencing the company to transform its key operations and activities according to market demand. The advantage of this approach was that it allowed a greater number of questions to be answered, while also enabling the reception of more detailed information. The second part of the questions was related to sales and marketing units of the company where internal atmosphere of the company was in focus. The questions used in this portion of interview were used to measure the role of marketing and sales, need for alignment of these functions and level of integration between marketing and sales. The third part of questions related to influence of middle component and its key forces and points made in framework from macro and micro perspective. The gathered data is examined through a qualitative analysis. Overall, the research questions are answered through analysis of the interview data, and by comparing it to the theoretical framework as discussed in chapter 3.
5 ANALYSIS

As there was a brief introduction of the selected case company and associated energy market in order to make a relation of external and internal variables of the case company. The thesis explained a short description of methods and tools being used to conduct the research work in chapter 4. In this chapter, the thesis will evolve by having analysis that would involve direct observation and interviews. Afterwards, the case applies the previously developed framework and analyzes the link and contribution of sales and marketing integration in further detail in order to answer the research question. Finally, the case study ends with a discussion and conclusion signifying current and future implications of the research work.

Taking framework in consideration, analysis of case company would highlight some of the key issues related to macro, middle and micro component as shown in figure 3. The figure 8 in section 3.4 shows the holistic view of the framework as discussed earlier. It signifies the middle layer and its changing trends in terms of their transformation.

5.1 Analysis for Macro Component

An organization and its actors may be affected by macro environment factors which shape the opportunities and cope with the future threats to the company. The six major factors are demographic, economic, natural, technological, political, and cultural components. The analysis to these factors is made simplified by identifying the key operations of the case company.

For its operation, Oulun Energia maintains power plants and the necessary transmission and distribution networks. Energy procurement is based on combined heat and power generation. The Company produces a bigger percentage of electricity with peat and wood. Peat play a significant role in Finnish biomass sector and about 30% of Finland’s area is classified as peat land (TEM Report, 2013). In addition, a significant amount of electricity is obtained from a hydroelectric plant where production depends on the height of fall and volume of water flowing. Another energy generation source is Eco Power Station where load of landfill and emission of greenhouse gases is reduced to a great extent.
Although there is a due consensus regarding environmental impacts yet power plants burden environment as flue gas emission, dust, noise, cooling, ash and other waste. For this reason, a programme is developed to reduce these environmental hazards. The main targets are improved air quality, reduced dust problem at power plant, development of storage and handling of chemicals and oil, increased environmental awareness, increased safety, introduction of an energy efficiency system (Sutinen, 2013). To achieve these targets, there is a serious environmental investment in the area of expansion of the ash discharge hall, modernization of chemical reception area, expansion of fuel reception area and pooling of oil tank filling area. Other main challenges for energy market in Finland are services and pricing for energy.

Coming to business side, Oulun Sähkömyynti Oy plays an integral role as it is specialized in electricity trading and is responsible for electricity marketing and sales business of its associated companies at Oulun Energia Group. The company was established in 2001 and since then it is focused on highly esteemed customer relationship, efficient operations and local knowledge. The company offers diverse energy services and products for households and enterprises. The company has more than 139,000 customers and has a motive of producing northern energy at a low cost, in a reliable and environment-friendly way. As discussed earlier, the northern energy is generated through bioenergy and renewable energy sources i.e peat, wood, water and wind therefore, it not only satisfies customer needs but also the generation methods are environment friendly. Oulun Sähkömyynti has a quality system complying with ISO 9001/2000 standard operations which include energy procurement, marketing and selling of electricity and related services whereas Oulun Sähkömyynti is committed to the environmental standard ISO 14001 (Sutinen, 2013).

As far as services are concerned, they are distributed for home services, corporate services, online services, customer services and billing services. For domestic services, electricity is produced from water and wind to fulfill the energy need for household, summer cottage and sometimes for smaller companies. The home use of electricity is regular however; the electricity needs for different companies may vary to great extent. Hence, it is needed to have tailor-made electricity contract (corporate services) to fulfill
company’s individual needs irrespective of its size and location. The most important factor when choosing the electricity supplier is the level of expertise offered. For this reason, company maintains its expertise with constant training and extensive co-operation networks. For online service, customers can manage their affairs at their convenient time in a flexible way. They can examine their bills, report meter readings, report change of address, update contact details or give some feedback. Customer services include electricity bills, electricity contracts and related debt collection issues through customer service channels such as telephone, e-mail, website or online services whereas billing services contain information electricity consumption.

According to Marn and Rosiello (1992), the most effective way for an organization is to realize the profit maximization by keeping its price right against the sales. The market price of electricity fluctuates from hour to hour and from day to day. The exchange price of electricity is determined in terms of supply and demand. The price level is determined on Nordic electricity Nord pool (Tuomi & Lehto, 2013). Main factors affecting the price are emission trading, Nordic water supply situation, Central European markets and price of fuel. Emission trading is an effective concept which means that price of emission allowances has an impact on price of electricity. The most important factor is the change in production cost of coal fired condensate based electricity. EU-wide trade on emission allowances is divided into separate phases. The first phase ended at 2007. The new EU emission trading has started in 2008 where number of emission quotas is reduced which has caused price of allowances to rise. Regarding Nordic water supply situation, 50% of electricity used in Nordic countries is produced by hydropower (EMCC Report, 2013). So, the hydrological balance (water supply level) may have a significant role to play in price expectation. Changes in hydropower situations have a particular impact on the prices of energy market. The need for electricity in Central European market is expected to grow and there is a good chance of electricity export from Nordic countries to satisfy that need. In addition, Central European markets and Nordic countries are well connected through transmission connections in order to strength the relation and to level the prices. On the other hand, Nordic electricity market would depend on German market and thereby the effects of Central European price level will also be seen in Nordic domestic market. This gives a holistic view of inter dependence of Central
European countries with Nordic energy market and as discussed earlier, Finland has a major role to play in this inter-dependence of energy markets. Fuel price is a concern around the globe and it has risen sharply in recent years. The global market price of coal, gas and oil has a significant effect on the price of electricity. The rise in the global market price of oil clearly reflects on the price of natural gas. The price of coal has been hiked by the price of oil and the high demand in Asian market. The price of oil is affected by the general global economic situation, speculative trading and regulation by OPEC countries (Carden, 2013)

5.2 Analysis for Middle Component

The changing trends lying at middle component discussed earlier and shown in figure 8 in chapter 3.4 can affect both macro and micro environment. There are some examples in retail and telecommunication industry when even governments have changed their policy due to varying business trends. On the other side, companies often change their strategy with the new business trends in order to keep up the pace and innovate against their competitor. The case company is not fully applying these business practices however; it will be interesting to see the extent of implementation in the case company by the analysis of these components.

5.2.1 Transformation from Monopoly to Internationalization

As discussed earlier, electricity distribution remained as monopoly even though energy business liberated in Europe in mid 90s. Though companies are having international operation yet distribution companies keep the lion’s share for them and therefore, free market concept is not ideally practiced in electricity distribution scenario in general. Monopolistic behavior may be true because effective competition would demand that opponent companies duplicate wire network of one another. This practice would be unproductive and would literally kill innovation within energy sector (Borenstein & Bushnell, 2000). This practice is seen within case company. Finnish energy market is open for competition from foreigner companies. This however, does not affect much to municipality based Oulun Sähkömyynti. In broader sense, startups cannot afford to have a big power generation system and other key operations to compete the case company.
In other words, the market is free for competition but, there are fewer resources for other companies to come into industry to challenge.

In modern business competitive age, business models in energy industry have changing trend from cost effectiveness towards service orientation. Case company is of no exception. There are socio-economic concerns for management such as strategies for reducing carbon dioxide emission in the atmosphere and increase of efficient distribution that have recently made great impact on energy industry. However; it is technological innovation with more value offering capabilities (internet and computing) that has the potential to enhance degree of internationalization for company. Internationalization is challenging for company policy makers to keep a check whether deployed laws and regulations stop innovation in development of this business. Moreover, it is important to note that transformation trend in models need support of government made policies.

In Europe including Finland, there has been a trend to outsource some of non-core functions such as electricity network construction, maintenance, and fault repair (Aminoff et al. 2009). This has enhanced the process of internationalization through relationships among electricity distribution companies and service suppliers however; it is only limited to service sector. As service sector is still in process of development globally therefore, distribution companies and service providers need relaxation in government policies and regulations (Makkonen and Olkkonen, 2012). On the other hand, due to the liberalization of the electricity markets most of European users and especially Nordic electricity users are free to acquire their electric energy from the supplier of their choice, while distribution system operators act in a regional monopoly (Selonen, 2010). It is believed that monopoly never let innovation cherish because one company has all the power for the market and somehow it controls the whole industry in that particular region. In that sense, monopolist behavior has ended because many firms are operating internationally. It must be kept in mind that organizations compete not only for customers and resources but also political power and institutional legitimacy. This idea of Institutional isomorphism is given by (DiMaggi & Powell, 1983) and this concept fits energy market including Oulun Sähkömyynti Oy where companies want to be competitive by having economical production and service tools. On the other hand,
customers within municipalities seem loyal to their local companies and have a positive tendency to buy electricity from their home company. Moreover, the case company has a very strong brand in Northern Finland which allows it to compete against any other company. The case company realizes the pressure from international companies as more and more multi-national companies are emerging within Finnish market. This strength of brand may help company for its future global venture where networks might play a key role. The mind setup of case company is very much local. It is very important to realize the challenges coming from other competitors. The internationalization has been taken as a negative notion at least in Oulun Sähkömyynti Oy. The pessimist approach towards internationalization has been described by Tuomi and Lehto (2013), “If we (as company) get the chance to get ten customers towards international market then we have a probability to lose our eleven customers”. It is very typical in a homogeneous culture such as Finland to remain in comfort zone. World is changing for good or bad reasons and there must be some serious strategy needed by Oulun Energia for internationalization. It is worth mentioning that there is a future plan for few exciting international ventures however, there is no clear road map to achieve that goal yet.

In the next section, there is a brief discussion about value creation and value co-creation which could break this stagnancy in case company. Moreover, there is transition from production oriented view to service oriented view which in consequence transforms resource based view (traditional Uppsala Model proposed by Johanson and Vahlne, 1977) to knowledge based view. All these factors play their own role for internationalization and therefore, process of globalization partly depends on these factors.

5.2.2 Transformation from Value Creation to Value Co-creation

As discussed earlier in chapter 3-section 3.2.2, co-creation of value concept does not abolish value creation process rather it complements it. The role of company used to be value creating party for customers. On the other hand, customers were only receiving party. This fact comes true to electricity business as well. The role of customer in distribution business was to bring revenue for the distribution company. This is not the case anymore thanks to emergences of new technologies, customers now have the liberty
to seek more control in their energy usage in order to conserve energy, save money and reduce the negative impact of energy on environment. They are not only more demanding but, they have something to offer with the advance technology. Some of the typical elements for consumer offerings are demand response, load profile flexibility and distributed power and storage. As highlighted by interviewee (Sutinen, 2013), offerings of Oulun Sähkömyynti Oy have been diverse with information on energy consumption, customer demographic and behavioral information, and access to personal networks or connections for marketing purposes. Moreover, there are the new sources of revenue generation in modern electricity distribution business. Though the customers take decisive steps towards more control through the development of smart grid infrastructure through which information like quantity, frequency and quality of data can be contributed. However, this contribution of customer is limited up to certain level due to regulatory constraints. There is great emergence and need of devices, softwares, services and platforms to capture, analyze and present this information to customers (Valocchi et al., 2010). Due to high likelihood of increasing demand for control of customer through information and technology, there is a good opportunity for Oulun Sähkömyynti Oy in the future. As mentioned earlier, governments should upgrade its regulations and incentives so that this 21st century business model may become more feasible to invest for participatory networks between different countries. This would bring more opportunities for the case company to create superior value for customers.

One of the main reasons of this change in energy world is change of value model as described by Jansen et al. (2007). Value model is the combination of value provided to customers and reciprocal value received from customers in return. There is comparison of tradition value chain and emerging value chain as is given in the figure 10 (Valocchi et al., 2010). This might bring enormous benefits for case company in order to discover its synergies in regards of co-creating value.
The traditional electricity value chain consists of the generation-transmission-distribution-retail pathway from energy source (primary fuel) to end use. Energy and information flow in one direction, and all but the largest of customers play a passive role. On the other hand, the emerging value chain describes the significance of technology that has enabled customers to co-create value. For example, introduction of smart grid technologies will add diversity to the network, moving power and information in multiple directions and enabling a host of new participants and business models. Distributed energy resources such as customer-owned renewable generation, plug-in electric vehicles and energy storage will extend the value chain. The end users
themselves, who may be capable of providing some combination of demand response, power or energy storage to the system, will also be an integral part of the new value chain. This value chain may reshape the value proposition among energy, service and product providers, as well as customers of these enterprises and the value model of the industry as a whole (Valocchi et al., 2010). The reason of bringing this discussion is due to its valuable similarity with the case company. The realization of concept of value co-creation is essential. According to Tuomi and Lehto (2013), there are meetings, seminars and exhibitions through which customers have the opportunity to participate in present and future developments and therefore, co-creating the value for the organization. Although the concept of co-creation is very much new in practice especially for energy business yet Oulun Sähkömyynti Oy has done very well to exploit this concept. This gave the idea that there are certain practices to create value for customers and there might be some activities where customers are given choice to co-create value. However, these practices are not highlighted within the organization. The concept of value co-creation is not glorified as such and therefore, there is no real cry for this practice. As company is operating at national level with same language and culture therefore, this concept has remained silent. If however, case company would intend to go global then there will be a need to have clear infra-structure and strategy regarding value co-creation. Above mentioned value model in figure 10 might be helpful for Oulun Sähkömyynti Oy in understanding the essence of value creation and value co-creation with energy distribution industry.

In short, traditionally distribution companies used to create value for consumers in the past but, now the consumers are asking for more from their relationship with energy providers and thereby they actually co-create value (Valocchi et al., 2007). This shows that value creation and co-creation concepts have their own significance and it must be acknowledged by case company as well in order to get best out of it.

5.2.3 Transformation from Resource Based view To Knowledge based view

Like Co-creation of value, knowledge based view is an extension of its predecessor i.e resource based view. The RBV of the firm focuses on internal capabilities of organization in formulating strategy to achieve a sustainable competitive advantage. It is
agreed that knowledge is one of the resource for any organization. The knowledge based view advocates the significance of knowledge management within a firm that it should not be taken like all other resources. Knowledge should have a special role in the organization because; it helps companies to make record of their earlier and future strategies. Many electricity firms acknowledge that to act with efficiency in today’s vibrant economy, it is wiser to become knowledge based organization. Unfortunately, few understand the depth of this decision and how to make the plausible actions to make it work in practice.

Coming to case company, the main issue with knowledge based view is that it is at its early stage for the business implications. It is gradually becoming integral business function as described by Metaxiotis et al. (2005). Knowledge is something which is intangible i.e it cannot be measured therefore; it is still embedded with resource based view. This is certainly seen in Oulun Sähkömyynti Oy where resources are given more significance. This can be justified because company is after all an electricity trading firm and resources are considered as the most essential part of it. Mostly these resources are physical and somewhat tangible. The changing trend of business is slower comparing to retail business. One reason may be that knowledge management needs a systemic observation and one must be able to these underlying aspects. There has been change in industry from material based production to information based production in energy sector (Jansen et al., 2007) which has opened new doors for firm workers even in electricity market. This trend has been seen in the case company as noted by interviewees (Tuomi and Lehto, 2013) that company has a good system to store knowledge through information systems. The dilemma is that company executives are made to believe that higher the content knowledge of products and services they have, the closer they are to be knowledge based organization. Actually, products and services have a visible outcome for the customers and intangible assets of the firm are hidden. These intangible assets have the real packet of information of what the firm does, how it is done and why it is done at first place like that way (Zack, 2003). There must be a consensus to distinguish the role of explicit and tacit knowledge. Moreover, innovation is a key for Oulun Sähkömyynti Oy being the trading unit of Oulun energia Group. Hence, knowledge management may play a key role in the transfer of best practices and
to enhance innovation (Pomeda & Camacho, 2003). Efforts towards a suitable electricity sector framework should be accompanied by managerial efforts to compete in right condition. Company and its management should consider enhancing their value through the right intangibles management. One way for case company to transform distinctively from being resource based to knowledge based firm is to abandon formal structures and achieve coordination through social rewards and internal normative systems, instead of hierarchical control. The core of the argument is that there is no problem if a firm is resource based however; there exists certain deficiency of not acknowledging and utilizing best out of knowledge in this strategy.

Considering knowledge management within the company, there is more dependency on explicit knowledge and there is a system to store it as well. The tacit knowledge has its own significance and it comes as the most distinctive competitive advantage. The reason is that it is hard to imitate tacit knowledge. On the other hand, tacit knowledge cannot be codified. There cannot be a software system to store this type of knowledge as it represents culture and daily norms of the company. Oulun Sähkömyynti Oy should use a system where knowledge is harnessed. This would also help in conflict management. The company is small and have same language and culture therefore, there are less conflict. If any conflict occurs it can be resolved through normal discussion. This is the reason that company does not find a real need to implement extensive system to resolve conflicts. Considering the future growth ventures of Oulun Energia, once the company is doing business in different territories, there could be severe problems in controlling these conflicts. On customer side, there should be more knowledge management. The reason is that knowledge management process is well connected to co-creation of value. If there is enough knowledge regarding customer need, it will be easier to develop a product accordingly. Moreover, customers can become part of product development through a balanced system of knowledge storage. With these new business trends, customers are not outsiders. In Finnish culture, business is friendly and customers are part of family. There is an ample need to make it professional and establish a system which could enable Oulun Sähkömyynti Oy to operate internationally with the same strategy. Another significant advantage is that through knowledge based view, company may have a unified vision towards their goal. This problem is seen within Oulun
Sähkömyynti Oy when asked about the vision of company in terms of growth. The growth is understood by each employee in different means. It shows how badly there is a need for a centralized knowledge management system within the case company. Moreover, only executives possess knowledge of other units and their operations. If engineer from one unit would know what is the requirement of sales unit, then there might be a more productive and innovative outcome.

The next section highlights the analysis of micro component of case company and how it can be influenced by these changing trends.

5.3 Analysis for Micro Component

As company is already introduced and by now, the energy business in Europe market and especially Finland has been discussed and made clear. It is now the phase where case study will highlight sales and marketing functions of the case company.

The case company consists of two business units namely marketing and sales. Some of the activities of marketing department are outsourced such as telemarketing and it serves as a cross-functional team for the whole organization. In the sales department, there are people from the marketing department operating within the business units, which helps in the coordination of sales and marketing. The nature of the corporate structures of marketing and sales made the evaluation and analysis of the level of integration and collaboration between the two functions challenging and difficult. Furthermore, one could only get the sales function’s perspective of the matter, as the interviewees were specialist in sales activities and didn’t go into specifics regarding the marketing function.

Both marketing and sales functions are focusing on the value aspects of product and service, and not so much on the technical details. The relationship between marketing and sales in the company seems to be on a solid and friendly ground, though there have been some minor conflicts as well e.g. regarding budgeting, procurement and sometimes for the exhibitions to enter. Exhibitions are an important venue for both marketing and sales activities of Oulun Sähköönmyynti. Both functions are involved in the preparations for those. Sales people handle meetings with the customer, and they are also more visible in the exhibitions, as marketing personnel only take part in the larger expos.
Marketing is responsible for devising the sales material and generating leads for the sales. Both marketing and sales stress the consultative and educating approach towards dealing with their customers and this is seen as a major part in the customer value creation. For example, the focus of sales is not to sell the technical specifications, but rather to highlight the value that comes in the form of saved time, resources and money. Both functions seem to bear the responsibility for their own specific areas.

When asked how they personally perceive the distinctive roles between marketing and sales, the interviewees saw the functions as having their own specific strengths that they should focus on, but they also noted the overlapping in the work of the functions and recognized the need for cross-functional collaboration. They regard the sales function as being a bit more dominating, while the marketing function has more of a supporting role within the company. They say this as they perceive the goal of the collaboration between marketing and sales to be: “to generate more leads and opportunities for sales in order to execute as leading function” (Tuomi and Lehto, 2013). If the sales function is valued to a much greater extent within the organization, then perhaps the opinions of the marketing personnel might have brought up any potential discord between the functions better. Moreover, it is safe at a local level however; if company would operate as an international organization then there might be serious consensus.

Perhaps the main coordination methods of marketing and sales in Oulun Sähkönmyynti are the meetings between the representatives of both functions. There are weekly meetings in which the marketing persons operating within the business units, who coordinate the marketing activities. There are also meetings once a quarter, where representatives of the marketing function, i.e. Project manager and his team to analyze the performance of company. These meetings have a more long-term agenda, while the weekly meetings may concern smaller matters such as small exhibitions or seminars, and other ongoing sales and marketing activities. During budget planning rough estimations for that particular year are devised, and decisions regarding attendance in larger exhibitions are also made, as the preparations for such an event may last a whole year. Marketing and sales share mutual IT-systems, such the company intranet and other platforms for sharing data, sales material and leads gathered from sales/marketing
campaigns which are then passed on to the responsible sales manager. There is no interchange of personnel between the two functions though. Formal communication happens within the meetings and through communication systems and informal communication plays a very small role due to the separation of marketing and sales. This may create problems for knowledge management because, there is no real system to store knowledge. Moreover, there is not much importance given to tacit knowledge as it might develop after some time anyway.

According to the interviewees, the goals and incentives for both functions are aligned. However, as came apparent from the interview, the functions still use different metrics for measuring success e.g. the ROI for gathered new leads is estimated based on different, sometimes misaligned methods. In the literature review, this was recognized as being a common issue in sales and marketing collaboration. The interviewees were able to specify the reward and incentive system used by sales department though they were not sure about marketing function, which makes it impossible for author to estimate the true alignment of the system. The interviewees did however believe that the incentives given to sales people exceed those of the marketing personnel, which is very common.

The level of seniority also matters when it comes to knowledge sharing. According to Tuomi and Lehto (2013), “perhaps in the beginning of career, one would not get much of the information as much as seniors do”. The tacit knowledge has a great significance for Oulun Sähkönmyynti because this type of knowledge cannot be codified and hence it is almost impossible to imitate (Amit and Schoemaker, 1993).

The interviewees regard the cultural differences between the marketing and sales function as small and mainly unobtrusive. They regard company culture very Finnish which is transparent and open and there hasn’t been perceived any major conflicts related to cultural differences. There might be an interesting situation when company would initiate its international ventures and would move out of Finnish culture to other cultures. As conflicts have been rare and minor, there are no common policies on how to deal with them. Any conflicts that arise are solved through discussions when the need comes.
Customer satisfaction is considered to be the key. It is argued that customer satisfaction is the result of a customer’s perception of the value received in a transaction or relationship (Lam et. al, 2004). To measure customer satisfaction, Oulun Sähkönmyynti has two separate questionnaire based customer service evaluation systems, one for evaluating Oulun Sähkönmyynti’s marketing efforts and one for measuring the perceived quality of sales, support and service efforts. Customers are asked to tell their opinions regarding these efforts and the results are jointly discussed in the meetings between marketing and sales. This is important, as pointed earlier, Guenzi & Troilo (2007) note that perceptions play a critical role in the creation of superior customer value. The company’s marketing department makes it sure that customer is getting what actually they want, their satisfaction with suppliers' abilities to deliver that value, and how their perceptions of value are changing value. Theoretically, these perceptions of value directly impact customers' satisfaction with suppliers which, in turn, influences customer retention (Daniel and Sarah, 1997).

The interviewees regard the benefits of the collaboration to materialize in the form of used marketing and sales materials, leads from different campaigns, enhanced measurement of success rates and as increased interest towards the company as a whole, which benefits both functions (Sutinen, 2013). Even though the interviewees are satisfied with the collaboration between marketing and sales regarding daily operation and routines, they also personally see room for improvement on this department, “there could be more frequent contacts with the marketing department” (Tuomi and Lehto, 2013).

When comparing to the integration level scale presented by Kotler et al. (2006) it is easy to rule out the two extremes as being representative of Oulun Sähkönmyynti’s situation.
The functions are clearly defined, each has their specific tasks, and there is exchange of information and operative communication between the two. Coordination and collaboration exists, however, there seems to be no blurring of functional boundaries, interchange of people or responsibilities and the marketing people usually remain distant to the customers and the sales people have a minor role in devising marketing activities and materials. Moreover, one unit focusses on its functions and is unaware of what is happening in other unit. This is a big hindrance for the collaboration but, there is no serious problem coming out of this situation. The reason is that company is operating at local level and everyone knows how system would work. Once, there is an international setting then situation might not remain same. As Oulun Energia as a company is considering international ventures in near future, it is better for its most important trading department to adopt a better system to collaborate within the company so that it can be replicated. Also, as mentioned before, the reward and incentive systems used by one function are unknown to the other, which might also raise question about the true alignment of marketing and sales goals. Therefore, the integration level is definitely neither undefined nor integrated.

Oulun Sähkönmyynti’s marketing and sales functions exhibit some of the characteristics of alignment and the functions are also defined. Marketing and sales people both plan and participate in major exhibitions together. Collaboration and joint planning exists on some level at least, though there seems to be no joint training and the mutual understanding between the members of each function is hard to estimate. The interviewees (Sutinen, 2013), speaking from the perspective of the sales function, had a
clear picture of the role and contribution of the marketing department and that of the sales. However, since author couldn’t comprehend how marketing perceives the roles of the two functions, it is difficult to estimate the overall alignment between the two. Based on the interview, the collaboration seems to remain on a rather shallow level, at least from the perspective of an outsider. Furthermore, the information flow between the two at least seems to be restricted to operational level, and the two functions may not be all that familiar with organizations of each other. All in all, the integration between marketing and sales in Oulun Sähkönmyynti can be seen to be in the level described as “Defined” by Kotler et al. (2006).
6 DISCUSSION AND CONCLUSION

The final chapter of this thesis returns to the research question discussed in chapter 1 in section 1.2. Consequently, the answer is formulated in this chapter. Furthermore, the theoretical and managerial implications of thesis work are briefly discussed. Finally, some of the limitations in this research work are described and areas of further research are suggested.

6.1 Answer to Research Question

The previously stated research question of the thesis set out to answer was:

*How Sales and marketing functions and their integration help to meet the challenges imposed by changing trends in Finnish electricity industry?*

It is seen through literature review that sales and marketing units do belong under a single organizational entity however; they are different, separate and independent entities at their own (Dewsnap & Jobber 2009). The basis of sales and marketing is different as sales is often considered as an exchange of object for money whereas marketing involves in packaging and selling products. The contribution of both of these functions is according to the strategy of the company (Meunier-FitzHugh & Piercy 2007a). As shown through the theory, relations between sales and marketing are seen as uncooperative, lacking in mutual understanding and poorly coordinated (Kotler et al. 2006). As shown through the framework in figure 8, these functions belong to micro level environment and therefore, there must be a harmony internally to cope with external challenges. The conflict between sales and marketing may be due to dominance of sales department in most of the company including case company. It is important to resolve those differences not only for the sake of company but, there is a new set of strategies being innovated by companies around the world. These strategies are changing the way different units within an organization used to operate.

The reason of this transformation in traditional working practices is due to emergence of new business challenges as described in the thesis as middle component in figure 5. The main challenge cum opportunity in energy business is internationalization. There are
more and more companies operating internationally. But, the operation of multi-national organization is not the real reason of trend change. It is the entrance of startups in recent years to global market which has changed the equation. Actually, electricity business has been liberated in 90s in Europe however; the power game of bigger companies was not challenged as it was very hard for a small organization to compete against big firm’s strong capacity of transmission and distribution plants. As after 2008 and onwards with financial crisis, the business map has been shifted and there is more focus on developing countries. Multi-national companies which were established in the business for years could not face the challenges like efficiency, electricity cut-off and environmental pollution. There started a need for new set of strategies and it gave leverage to small companies to enter partly shattered market. Usually smaller companies tend to become sub-contractor of bigger companies at very beginning of their success but, this time governments provided more business incentive for startups. The energy business has also been influenced as electricity being the basic need for modern industrialized society. The triggering point was emerge of information technology in electricity transmission and distribution business which shifted the orientation from production to service. This allowed smaller companies to innovate at a lower cost, most innovative services. Hence, the marketing and sales departments started competing at international level and even some companies had their marketing function in one place and other had its sales unit in some other country. Thanks to fast emergence of internet, communication was not a problem and therefore, it had a bigger challenge for firms to strength their marketing and sales function in order to get best out of them.

Internationalization made this world a smaller and more open place for energy companies. At this global horizon, customers also played role. Some of the customers had been unsatisfied with the services being offered to them and they entered in the process of product management. This evolved a new concept of value co-creation representing customer as part of innovation management within an organization. Needless to say, many of the companies in energy business have their customers contributing from different country and there was more pressure on sales and marketing units. This evolved a kind of triangle between sales, customer and marketing department. Those companies which did not have separate units, it started to ring the
bell that there must be a separate unit to distinguish their roles. On the other hand, those companies having separate department and a poor level of integration, they were pressurized by their customers to define their level of integration for marketing and sales functions. The meaning of integration as described by Kotler et al. (2006) is not to be the same but to co-ordinate more often to achieve the same goal.

With customers being involved in value co-creation process, the energy business has to find a way to manage their external and internal knowledge. This evolved knowledge based view which separates knowledge within organization from all other resources. Earlier, resource based view serves knowledge but with this new extension, knowledge is considered to be the key resource and treated as a separate entity in order to fulfill the needs of supplier and customers. Organizations have started to create knowledge by its individual who would have knowledge in heads, by having new members who have some diverse knowledge that organizations currently don’t have or through their customers who could be part of their service management. These changing trends and a very fresh business infra-structure pushed organizations to ponder over their current strategy towards marketing and sales as well. Marketing and sales are the key functions and are responsible for the revenue generation of any firm. It is therefore, emphasized by product designer and manufacturers who learnt the significance of global competitive mess, value co-creation demands and knowledge management challenges to change the strategy from being hostile and uncooperative to cooperative and integrated. The integration should be at a certain defined level because; excess of integrated activities might actually bring negative results. It is highly encouraged that the relations between the sales and marketing functions should be productive, and that the sales and marketing objectives should be aligned to take the challenge of emerging business atmosphere. Researchers have widely agreed on the negative effects of poor working relations between marketing and sales, while also acknowledging the positive effects of proper coordination and collaboration between the two functions (Meunier-FitzHugh & Piercy 2007a&b). Hence, the strategies and objectives of both functions should be co-efficient and work towards achieving common targets.

A sub-question was established to support the response of the main research question:
What level of integration between marketing and sales is sufficient to address issues related to ever transforming energy market?

To explain this question and phenomena of integration between sales and marketing functions, one must keep in mind that Oulun Sähkönmyynti Oy operates at local level and has its sites in Northern Finland. That is why there is rather little integration between sales and marketing functions within the company itself, further integration between the two functions might bring various benefits, such as enhanced customer value creation (Guenzi and Troilo 2006). For customer’s relation, there are meetings, seminars and exhibitions through which customers have the opportunity to participate in present and future developments and therefore, co-creating the value for the organization. Although the concept of co-creation is very much new in practice especially for energy business yet Oulun Sähkönmyynti Oy, has done very well to exploit this concept.

In Oulun Sähkönmyynti Oy, marketing complements sales efforts, as it is providing it with more channels and generating leads from fresh markets where sales is not as strongly present, and where sales would not otherwise be able to reach as many customers. Overall, sales is the more dominating function, and the common goal for both function is to generate more leads and opportunities for sales to execute. The interviewees (Sutinen, 2013; Tuomi and Lehto, 2013) consider this activity as a healthy practice, as it all comes down to making the sales, and the current arrangement has been, according to the interviewees, working well. However, it should be mentioned that the sales function does contribute to marketing activities in case company, as this it is also actively following the markets, in order to be aware what the competitors are doing, how are they marketing their products, and which seminars and exhibitions they participate. The gathered information is then shared with the marketing department. It is a kind of combination of doing the marketing and then understanding where sales unit should be and where company should invest in terms of marketing. According to the Tuomi and Lehto (2013), there is no gap and they note that both functions focus on what they are best at. In general, if marketing and sales do not cooperate, the company's sales and marketing strategies will be inconsistent and weak, resulting in poor and flawed
execution. In today's hyper-competitive world, the sales and marketing functions must work together at different levels. However, as pointed out earlier, increased integration is not always for the best, and much depends on the environment the company operates in.

If it is assumed that case company might integrate its sales and marketing functions more effectively, the most important aspect is that there must be no disruption to customers, as achieving sales revenue targets is often critical. And sustaining the customer base early on increases the probability for success in capturing long-term revenue growth anticipated by the deal. There must be a common area of focus between the two functions in order to set a successful integration.

In this modern competitive environment, enhanced employee satisfaction is the key to growth as sales and marketing employees who are involved in the entire process, are likely to show higher levels of job satisfaction and potentially lower turnover. Overall, enhancing sales and marketing integration might potentially lead to better results at Oulun Sähkönmyynti Oy, though it might also be difficult to achieve on global scale. The reason might be related to size and culture of the organization as it has only been operating within Northern Finland so, there is lack of exposure. The issue might arise when it tends to grow bigger in terms of its domain. As mentioned by Tuomi and Lehto (2013), “If we would get ten customers by going international, there is a possibility that we might lose eleven customer back at home”. This somehow shows the perception of threat stemmed to internationalization.

Coming to internal environment of company, there is a great degree of unified commitment seen within the company however; there is no single definition of growth. Each member has its own way to perceive this concept such as financial growth, strategic growth, more networks, strong brand name or international recognition through new international ventures, these all may contribute to growth. There must be common vision for the company and that is where knowledge management has its role to play. As described above, company has a good system to store explicit knowledge through information systems however, there is more efforts needed for harnessing tacit knowledge for the benefit of each individual and organization at the same time.
There is a good opportunity to improve marketing effectiveness, with input from the sales teams leading to marketing initiatives that are more likely to reflect customer needs, and that are well-planned and coordinated with sales, reducing mistakes in expensive marketing pieces. The other underlying benefit is the improvement of sales effectiveness with more focused marketing initiatives helping to increase the closing ratio and the average sale per customer, as well as to improve customer satisfaction.

### 6.2 Theoretical Implications

The research is implemented on the basis of the empirical study. Furthermore, the analysis of the empirical study relies in the opinions of the interviewed staff from Oulun Sähkömyynti Oy. The findings of the study are partly in line with the theoretical reviews and the main contribution of this study is to raise issues that are of greatest importance in terms of sales and marketing contribution towards electricity industry. The essence of providing this research is to see how these above mentioned factors change macro and micro level infra-structure and as the main emphasis of thesis work is sales and marketing functions therefore, the effect of these factors on an organization is studied. There is a case company and the company’s sales and marketing activities have been investigated under the light of this changing pattern in business context. Moreover, there is an investigation of governmental laws and regulations and their influence on organization. In addition, it is interesting to see how Finnish company would adopt its sales and marketing ventures and as discussed earlier, does it focus on separate roles of these two functions or emphasize on collaboration. The research work highlights alignment of sales and marketing functions along with some of the key aspect of theoretical framework discussed in Chapter 3. The research can be utilized later for searching and studying the possible synergies between macro and micro environment of electricity industry at large.

As discussed earlier, macro level is composed of distinguish factors such as economics, demographics, social conditions, technological changes, natural forces and government regulations. As laws and regulation within Finnish market are pretty much consistent as shown in section 3.1 therefore, this thesis work has not discussed macro level issues at large. In current scenario, governments are really concerned about socio-economic
issues related to climate change, energy security, and economic and job growth. In order to meet these goals, there is a certain attention given to new trends in energy market such as efficiency, conversation and renewable generation (Valocchi et al., 2010). That is where the idea to discuss electricity and its market’s varying trends pop up. Figure 6 only shows the extended factors of the model which are internationalization, value co-creation and knowledge based view. It is worth mentioning that these factors are actually an extension to previous factors (monopoly, value creation and resource based view) and those factors are not abolished. These factors are still being practiced by many firms globally and are regarded as perfect set of strategy.

The empirical study confirmed the previously studied matter by some authors (Borenstein & Bushnell, 2000) where it was emphasized that there is a need of re-regulation in electricity transmission and distribution industry. In order to meet fast changing technology world, there is a certain attention needed to new trends in energy market. The key idea brought up by the interviewees of the present study is the fact that electricity market is in transition. There are many socio-economic factors which are affecting both companies and governments. The companies are making new strategies to innovate their production and services in a novel way. On the other side, governments tend to re-regulate the laws to accommodate those changes that are brought by different technological developments. It is worth noticing that municipality based energy distribution companies are still following monopolist behavior. If this trend would change then there will be a threat for local labor and job market. The governments are therefore trying not to encourage such laws that would eventually go against the community. Other reason of monopolist behavior is that energy market is still production dependent. A new company may not be able to have the whole power house at its own. The only way start-ups seek is to act as sub-contractor and provide service to big companies. This trend is changing but the pace of change is not that fast comparing to other industries. Interviewees (Sutinen, 2013; Tuomi and Lehto, 2013) showed their concerns about the new open market where information technology has opened the market. It is therefore necessary to energy companies to keep innovating in order to remain competitive as described by Tykesson and Alserud, (2011). The role of Uppsala model (Johanson and Vahlne, 1977) can also be considered as key phenomena for
internationalization in Finnish context. The model was originally developed by considering Swedish business environment and it may fit Finnish business as well. The market is small comparing to US, China or India and that is why the Finnish companies must go international to grow. This fact is acknowledged by interviewees (Tuomi and Lehto, 2013) as well and there is an internationalization strategy under consideration. It will be interesting to see whether Oulun Energia as a group would choose stage model or network model for their internationalization (Johanson and Vahlne, 1977; Johanson and Vahlne, 2009). It is seen that case company still needs more international processes at its internal functions in order to get ready for the global competition.

Value creation is another vital factor for energy business. It is referred as an important aspect of determining relationship between the company and customer so that an organization may provide superior competitive advantage (Grönroos, 1994). For case company, it is important for whom they are creating value whether it is government, end consumer or the community which will be benefited through job market and efficient service delivery. The company has a good system to provide value to customers and also involve them in process of co-creation of value. This type of interaction of customer and supplier is rather a new trend theatrically (Ballantyne, 2004) and case company acknowledges it. Moreover, interviewees (Sutinen, 2013) considers it to be a very positive learning process. It is worth mentioning that company is operating locally and therefore, it is easier to communicate local customers. The real challenge might be faced while operating in a global environment.

Another key aspect discussed in research work is resource based view that emphasizes on internal capabilities of organization in formulating strategy to achieve a sustainable competitive advantage and explain the profit and value of the organization in its markets and industries (Grant, 1991). The company utilizes its work force and its natural resources effectively which agrees with the idea of Grant (1991). It is matter of common knowledge, once a company manages its resources then there is no way of looking back. The extension of this concept is knowledge based view where knowledge is considered as the key. Transferring of knowledge through organization can be hard because of stickiness. As Szulanski (2003) explains that stickiness reflects the presence of internal
factors that enable the true achievement of competitive advantage. The case company handles this problem of stickiness through a mobilized communication within its units. Through this practice, case company may take up competition to provide more sustainability to its business.

The research also signifies marketing and sales functions. Both of these functions may contribute at separate level in any firm. It is however; encouraged by researchers (Guenzi and Troilo (2006),) that sales and marketing functions should be aligned in order to provide superior customer value. In addition, it is also shown through analysis that alignment or integration of these functions should have a limit. Oulun Sähkönmyynti Oy as an organization pays considerable attention to the level of integration and the integration between marketing and sales can be seen to be in the level described as “Defined” by Kotler et al. (2006). On other side, integration of sales and marketing functions should be well defined and excess of this process might bright complexity than positive outcomes.

This study will contribute to the existing knowledge of the Electricity distribution industry and its amalgamation with changing business trends. The study will incorporate the future research directions and bridge the gap in existing literature. It will also enhance existing knowledge by extracting benchmarks from case study of Finnish Energy Distribution Company, which are of high value for the businesses. Moreover it will embed practicality into the existing body of knowledge as shown in following section.

6.3 Managerial Implications

Although the theory and practical analysis explained in this research work are simple yet it is not that simple to implement them. There are certain managerial concerns. As Van den Steen (2005) describes the role of managerial vision and organizational beliefs in the behavior and performance of the firm. Moreover, the interaction between employees’ beliefs and the manager’s vision influences decisions and determines employees’ motivation and satisfaction. This shows that vision acts as a very strong belief by the manager for the right action for the organization. The employee’s belief on the other side may or may not be aligned with manager’s vision. If this happens then there might be a
chaos within the company and management may not get 100% out of their employees. It is very important to mention that the manager’s vision also influences organizational beliefs. Hence, it is essential to view the research work and its potential benefits for managerial implications. The discussion covers sales and marketing unit of case company and how it might bring more positive outcomes for the organization.

The interview brought up some benefits related to marketing and sales integration. Perhaps the most obvious benefit pointed out by the interviewees (Tuomi and Lehto, 2013) was the unified image both marketing and sales convey to the customers. As marketing is responsible for the devising the marketing and sales materials used by the sales people, and since both functions are involved in the planning and designing Oulun Sähkönmyynti’s participation in major technology exhibitions, the image that is conveyed by the two functions are similar if not the same. Therefore, the customers have a consistent experience when dealing with Oulun Sähkönmyynti Oy and there is less of chance to make promises or offers that cannot be fulfilled. As stated earlier, the collaboration can also enhance the marketing capabilities of a firm, and help in creating deeper insight into the needs and mindsets of the customers. Through aligning the goals of both functions around the collection and acting on customer leads and also by sharing the related information, the co-efforts of marketing and sales ensure that leads are effectively identified, and that the leads are also properly pursued. Therefore, the functions are proactively collecting and sharing important market intelligence, and there are also mutual intelligence systems in place, which ensure better effectiveness and efficiency of both functions. Also, one thing the interviewees noted was when marketing is launching a new campaign (e.g. for the launch of a new product/service), both functions jointly plan the related events to ensure that sales has the required resources and personnel available at the correct time. Also, as mentioned previously, collaboration is helpful in creating trust and a sense of commitment between the two functions. These activities are not only beneficial in creating customer value through mutual efforts of marketing and sales but, this collaboration makes it sure that customers are given enough freedom to participate in order to create value and hence, innovate together with the organization as described by Prahalad and Ramaswamy(2004b). Thus through this collaborative approach, customers engage themselves in the processes of both defining
and creating value and thus, co-creation experience of the customer has become very basis of innovation for Oulun Sähkönmyynti.

The big questions is, do the marketing and sales functions of Oulun Sähkönmyynti require further integration or not? As stated earlier, a higher level of integration is not always better for a company, but it rather depends on the organizational and market factors. Also, if the current arrangement is working well and fits the current business situation, further integration might be more harmful than useful. According to the interviewees (Sutinen, 2013; Tuomi and Lehto, 2013), the current situation is good, although communication between the functions could be more frequent. According to Tuomi and Lehto (2013), the relationship between marketing and sales is on a healthy basis, and the mutual collaboration is working well. One could question the effects of procurement of marketing functions instead of handling those activities by their own. On one hand, it may give a better collaboration within the organization but on the other hand, this divide might also be more helpful in avoiding conflicts and the formation of a negative atmosphere between the departments, compared to situation where both functions operated under the same roof. The existence of shared values is hard to estimate more in depth, but both functions seem to highlight the consultative approach towards dealing and communicating with the customers. Overall, the question regarding further integration is difficult to answer, especially without having any deeper insight into the business field in question. However, the situation can be hypothetically estimated. If the rewards and incentives systems are not aligned (of which author is not sure), it might create problems in the long-run. Both functions should be informed of the overall basis on which the rewards and incentives are given, and at least the heads of the marketing department and those of the sales units should be aware of the aligned rewards. Also, another thing that should be tackled is the misalignments in the measuring criteria of success, e.g. regarding the ROI of generating new leads. Agreeing upon common success metrics might help in avoiding conflicts and ensure that the reactions both functions have towards the results are aligned. Further collaboration between the functions in the form of more frequent teamwork and job rotation could help marketing and sales in gaining a better understanding of the specific roles and contributions of each other’s functions.
In this thesis work, though the theoretical framework offers guidance for a local company in certain geographic context that is seeking a right set of strategies for its growth yet this research work may come helpful for transitional companies having their operations and key activities in different countries. Moreover, the transformative elements in the framework may acts as a tool for companies to actively draw a comprehensive strategy which may provide an alignment between management vision and employee’s objects.

6.4 Limitations and Suggestions

The main limitation of research work is of context. The study has been conducted in Finnish context and therefore, it does not highlight business law and regulation issues at large related to energy business. The reason is that Finland follows its energy policy according to unified European Union (EU) regulation and therefore, there is a consistency. However, if companies would tend to implement this study out of EU geography, they might have to counter different challenges imposed at macro-level.

The other limitation of research work is related to unit of analysis. The case study has been implemented to a company which is yet to enter international market. The case company has homogeneous Finnish culture and therefore, some of the conflicts and potential challenges remained untouched during the study. Though size of company is of small to medium yet the case study is no case sensitive. Size of the company is not a limitation because the results and key finding of empirical analysis can be generalization to multi-national context as well. The reason is that case study is limited to Finnish context however; the theoretical framework is broad and can be implemented anywhere in electricity business. In addition, the study highlights global challenges stemmed with other key business issues that might be beneficial for the case company as they seem open for international venture in near future.

Some suggestions can be made for the future work and research. As the thesis only highlight the micro level issues at marketing and sales unit, it can be interesting to view issues related to macro level at a comprehensive scale under the proposed framework of changing trends. The way companies and their customers are being influenced by these changes, there is no doubt that overall macro structure especially government laws and
regulations will transform soon. There is a great consensus related to environmental safety and therefore, green energy implementation is a topic of research. The governments are collaborating together to find the solution of this global issue and hence, this social matter will affect the business practices as well.

Other research for future is regarding the relation between growth and strategy of the firms. As shown in the case study, the case company has a vision to grow but, the idea of growth itself is bleak. The problem is to understand the concept of growth itself whether it is related to size of company, the domain of company, resources or revenue of the company. Moreover, the strategies for growth in this new competitive environment with struggling economy will be an interesting issue to highlight. Overall, there is a limited literature available when it comes to energy market context and growth strategy as it has been a steady industry over the time.

The future research related to co-creation of value will be an interesting topic. Although there is great amount of research available yet there is very less to discuss how sales and marketing units may get most of the benefit through co-creation of the value. This concept in the thesis framework has considered customers as an internal player just like the company employee because they take as much part in innovation as staff does. As customers are given a leverage to interact in product management, if they have more liberty then they might create a business triangle with sales and marketing and may contribute as a team. Aligning this concept of co-creation of value with knowledge management might also provide interesting research outcomes. If customers are part of value creations process then how firms may exploit their customer knowledge management activities to get best out of it? Customers are still considered as external players by companies and therefore, there is a consensus how to share internal information with customers. In addition, this combination might bring some interesting research in electricity industry.

Finally, the link of macro and micro environment through changing trends is an endeavor to address energy business and its issues at a holistic level. There are environmental concerns around the globe. These issues may transform the energy business and how business models in energy business are understood and innovated as
described by Valocchi et al. (2010). The thesis research only provides empirical analysis and there might be a space to verify the key findings through concrete statistical analysis in the future research.
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Interviews

Sutinen, A. (2013. Interview 24.05.2013. (Interviewer Hassan Sherwani)

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APPENDICES

Interview Questions:

- How you perceive business model as a concept?
- What is the most significant element for your business i.e revenue, customer relationship, channel, networks, or value proposition?
- What is your policy to grow internationally?
- How you see internationalization? Is it a challenge or opportunity for you?
- Do your sales and marketing department collaborate?
- Are these departments integrated?
- In your own opinion, how would you see the distinct responsibilities of both Marketing and Sales?
- Do you see either sales or marketing to be in a supportive/primary role in your organization?
- How do you coordinate sales and marketing functions?
- Is there a significant interchange of people between Sales and Marketing?
- Do you have joint training programs, events, and learning opportunities for their respective staffs?
- How is the information flow organized between the functions?
- How would you define the formal and informal communications between the two functions?
- How do you see knowledge as a learning experience?
- How do you management knowledge?
- Which form of knowledge is more essential: explicit or tacit in marketing and sales operations?
- Do you take knowledge as part of many resources or is it a separate entity in your firm?
- Is there a great deal of common language between Sales and Marketing?
• Do you have business funnels involving both Sales and Marketing?

• What are the key resources do you consider for your organization comparing to other business competitors?

• Do you use common metrics in determining the success of Sales and Marketing and who designs them?

• Are the rewards and incentives for both functions aligned?

• Do Marketing people often meet with key customers during the sales process?

• Do Sales and marketing work closely together to define segment buying behavior?

• Do both Marketing and Sales work together on any long term project plans?

• What kind of interaction between the heads of the two function, and how often?

• Is there a culture of mutual responsibility and success between Sales and Marketing?

• If things go wrong, or results are disappointing, how is the responsibility likely to be shared?

• Have there been any distinct conflicts between the two departments?

• Is there any premade process for solving the conflicts?

• Do marketing and sales report to same c-level managers?

• What is value as a company for you? How do you define it?

• How do you seek to create value for the customer through marketing and sales activities?

• Does both marketing and sales take part in Measuring and improving customer satisfaction?

• How do you involve customer in value creation process?
• Are you familiar with value co-creation process? If yes, how have you implemented in your company’s operations?
• Do both marketing and sales participate in the management of the key accounts?
• How about in the context of customer value creation?
• How do you manage customer behavior to improve sales?
• What customer service are you using to improve customer loyalty?
• How would you co-create the value through joint activities of marketing and sales?
• How do you see the benefits of integration/collaboration between Marketing and Sales?