Network forms of organisation in the wood industry

A marketing viewpoint

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Changes in strategy:

Guidelines for sustainable, external company growth: A case study of the leading European and North American wood-industry companies

Basic-industry companies in the New Economy

Changes in capabilities:

Identifying and classifying sources of competitive advantage in the wood industry

Building capabilities in the business networks

Changes in structure/organisation:

Changing role of marketing: the possibilities of network organisations in the wood industry
Objectives of the study

- Examine the possibilities of network organisations in the wood industry
- Analyse the changing role of marketing from an organisational viewpoint

Agenda

- Data and methods
- Empirical and theoretical context of the research
- Changes in the market environment and the organisational responses of the wood industry
- Conclusions

Data and methods

- How have the leading European and North American wood-industry companies adapted to the changes in their market environment? - Marketing focus was not chosen beforehand

- A descriptive multiple-case study
  - Multiple-case-replication logic (‘T-design’)  
    - 27 cases - general phenomenon and strategies  
    - 11 cases/ 4 cases - organisational changes  
    - 37 interviews, 53 annual reports, 298 newspaper clippings & articles, web pages (press releases etc.)
  - Theory-based pattern matching  
    - data reduction and display through thematic coding
Empirical context of the study

– redesigning marketing and sales organisations in the leading North American and European wood-industry companies

- Long-term strategic objectives have remained the same:
  - To increase value added and customer orientation
  - To develop marketing communication

Structure follows strategy or does it?

Finding the optimum fit - major issues

- Corporate level
  - Centralisation-decentralisation
    - “And from that on we have sort of reorganised the sales department probably two times at least... “

- Business and functional level
  - The internal structure of marketing department, integration of subfunctions, relationship with other functions
    - “If there is a problem, the customer contacts the sales personnel who discuss directly with the plant which the product comes from. “
    - “So when you look at the sales-marketing group, we have a couple of people in marketing, we have a number of people on sales at the field, we have a technical sales manager and we have a product manager. “
  - Operating within the boundaries of the corporate strategy
    - Raw material flows affecting product decisions
    - Cost control
The definition, role and practise of marketing is related to the perceived nature of the market. Each mode is useful in certain situations, and not in others.

Adapted from Johanson and Mattsson 1994; Webster 1992

- Changes in the market environment
  - Customer demands becoming more complex to fulfill
  - Combining innovativeness and extreme cost-effectiveness
  - Tighter competition for skillful and motivated employees
  - The number of stakeholders increasing – shareholder focus gaining importance

- Characteristics of the networks
  - Possibility to pool resources and capabilities, to create new combinations
  - Access to widely spread knowledge, efficiencies of scale and risk sharing
  - The requirements of network organisations offer lucrative employment possibilities
  - New possibilities to both influence stakeholders and sense their demands
The role of marketing within the network approach (e.g. Vorhies & Morgan 2003; Homburg et al. 2000; Achrol & Kotler 1999; Day 1994; Webster 1992)

- Functional boundaries are declining within the companies and between their external partners
  - Market orientation is at the focus of the whole company
  - Marketing is no longer the primary boundary spanner for interpreting the market

- The key areas of future marketing are related to knowledge management and co-ordination
  - Cross-functional sharing of information and the financial and accounting knowledge are emphasised

Propositions - Findings

- Theoretically-derived propositions – comparison with the findings from 27/11 cases – a closer look at two cases

Case 1
Scandinavian wood-industry SBU – sawmilling, EWP
Market areas: Central Europe, Japan

Case 2
North American wood-industry company – sawmilling, panels
Market areas: the US, Canada, Japan

Weak profitability over several years. Now the companies are:

- focusing on profit margins and cash flow with strong cost control
- redefining target markets
- investing in customer service and relationships
- improving internal information flows
- investing in recruiting and training
Proposition 1: Functional boundaries are declining within the companies and between their external partners

- Market orientation is at the focus of the whole company
- Marketing is no longer the primary boundary spanner for interpreting the market

The importance of marketing as a function had decreased but its role as a philosophy and a set of skills had increased. The new sales and marketing organisation was thought to symbolise the new customer focus.
Case 1

- Sales function away from mills - divided by market area -key accounts
- Co-ordination took place at the HQ
  - Mills expected to maximise production efficiency
  - Sales expected to maximise the value of their own product area
- Role division in customer service:
  - Key-account managers: introduction of new service concepts, dealing with complex service
  - Sales: day-to-day service and information transmitting
  - Sawmill manager: problems with production and production cost
  - Managing director and marketing manager: regular contacts with the key accounts
- Geographical closeness of the Group facilitated information flows

Proposition 2: The key areas of future marketing are related to knowledge management and co-ordination
- Cross-functional sharing of information and the financial and accounting knowledge are emphasised
The purpose of the organisational changes was to improve cross-functional communication in order to optimise resource-usage

- Improving profit margins requires holistic understanding of the links between different functions
  - Marketing and sales as a part of a wider information system: the main challenge was to co-ordinate and spread market information and to integrate it into the company’s knowledge base - creating market information was not a problem
  - Sales and marketing were required to have a thorough product (and production), accounting and financial knowledge

Case 2

- Price taker’s viewpoint: cost-efficiency and market sensitivity
- Sales and marketing accountable for mill profitability
- Co-ordinators = senior sales people part of the production teams
- IT was used to improve and standardise customer service without increasing the number of personnel
Conclusions

Organisational changes

Improved information flows and wider organisational perspective

Improved customer satisfaction
Improved margins

- Compared to the previous research: the aim for cost efficiency was a major contributor to the organisational changes
- Future role of marketing is holistic and integrated

Thank you for your attention.