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Department of Economics

Evaluating a Corporate Strategy

-A Case Study of Länsförsäkringar

Helena Andersson
Gustaf Jansson

Master's thesis · 30 hec · Advanced level
Agricultural Programme – Economics and Management
Degree thesis No 735 · ISSN 1401-4084
Uppsala 2012

**Evaluating a Corporate Strategy
-A Case Study of Länsförsäkringar**

*Helena Andersson
Gustaf Jansson*

Supervisor: Bo Öhlmér, Swedish University of Agricultural Sciences,
Department of Economics

Examiner: Karin Hakelius, Swedish University of Agricultural Sciences,
Department of Economics

Credits: 30 hec

Level: A2E

Course title: Independent Project/ Degree Project in Business Administration

Course code: EX0536

Programme/Education: Agricultural Programme - Economics and Management

Faculty: Faculty of Natural Resources and Agricultural Sciences

Place of publication: Uppsala

Year of publication: 2012

Name of Series: Degree project/SLU, Department of Economics

No: 735

ISSN 1401-4084

Online publication: <http://stud.epsilon.slu.se>

Key words: Strategic drift, Insurance company, Service sector, Strategy, Customer value



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Acknowledgements


We would like to express our gratitude towards those people who have helped us and supported us during the process of writing this thesis. First of all, we would like to thank Professor Bo Öhlmér, Department of Economics at the Swedish University of Agricultural Sciences for his prudent advise and commitment. We would also like to thank our families for all their support.

Further, we are grateful to all respondents who have participated in the study and contributed with both their time and efforts. Finally, we would like to acknowledge Länsförsäkringar Uppsala, and especially Erik Ekström and Anders Johansson, for their support but also for providing much of the foundation of the thesis.

Uppsala, June 2012



Helena Andersson



Gustaf Jansson

Abstract

The Swedish agricultural sector is currently undergoing a substantial structural change. The number of farm enterprises is continuously decreasing and the average farm size is increasing. In combination with increasing number of competitors in the insurance market, the competitive rivalry within this market has increased significantly. With this knowledge in mind, Länsförsäkringar Uppsala initiated this study, which aims to provide an understanding of customer's view on customer value, related to agricultural insurance and financing. The intention is to investigate if Länsförsäkringar's view on customer service corresponds with the customer's view and whether there are any signs of strategic drift. The empirical data was collected in form of a case study. This was achieved by studying Länsförsäkringar's strategic framework as well as performing three interviews within the company. Further, the customer's view on customer value was collected in ten interviews carried out with current and former customers. The empirical data was then put in relation to theories and literature on strategy, resource-based theory on competitive advantage, and customer orientation.

The results indicate that there are no immediate signs of strategic drift. The results also show that Länsförsäkringars strategy is well suited for the company's characteristics and resources. However, even though the strategy corresponds well to the customer's view on customer value, the empirical data indicate that the implementation of some parts of the strategy still needs attention. If more attention is not focused on these factors, there is an increasing risk of strategic drift in the future. The most important factors to focus on are;

- Personal relation to the customers: One of the most important values for the customers is to have a personal relation to the company. To achieve this, it is of great importance that the customers are aware of who their contact person is.
- Enhance synergies: It is of great importance to enhance the synergies between bank and insurance operations and to convince the customers that this is a service that is superior to the competitors'. The key factor to achieve this is to increase efficiency and collaboration in-house.
- The local attachment: It is very important to communicate the benefits of Länsförsäkringars local attachment. It is also important to enhance these benefits. This can be achieved by mobilise the local representatives, and make them more active in the market.
- High quality: Länsförsäkringar has chosen a differentiation strategy, that focus on high quality over low cost. In order to maintain credibility, it is of great importance to never fail in the delivery of this quality. Such a failure can in long run undermine the company's reputation.

Sammanfattning

Jordbrukssektorn i Sverige genomgår för närvarande en betydande omstrukturering. Antalet lantbruksföretag minskar kontinuerligt samtidigt som den genomsnittliga gårdsstorleken ökar. Denna omstrukturering har, i kombination med att antalet konkurrenter på marknaden för lantbruksförsäkringar ökar, lett till en kraftigt ökad konkurrens på denna marknad. Det är med detta i åtanke som Länsförsäkringar Uppsala tog initiativet till denna studie. Syftet med studien är att skapa en förståelse för kundernas syn på kundvärde när det gäller lantbruksförsäkring och finansiering av lantbruksföretag. Avsikten är att undersöka om Länsförsäkringars syn på kundservice överensstämmer med kundernas syn samt om det finns några tecken på *strategisk drift*. Det empiriska materialet samlades in genom en fallstudie. Detta genomfördes genom att studera Länsförsäkringars strategiska dokument, dessutom genomfördes tre intervjuer med anställda. För att erhålla kundernas syn på kundvärde genomfördes vidare tio intervjuer med nuvarande kunder samt kunder som har lämnat Länsförsäkringar. Det empiriska materialet sattes därefter i relation till teorier och litteratur inom området strategi, resursbaserad teori på konkurrensfördelar samt kundorientering.

Resultatet tyder inte på några uppenbara tecken på strategisk drift. Vidare visar resultatet att Länsförsäkringars strategi är väl lämpad för företagets egenskaper och resurser. Även om strategin stämmer väl överens med kundernas syn på kundvärde, indikerar det empiriska resultatet dock att implementeringen av vissa delar av strategin kräver fortsatt fokus. Om Länsförsäkringar inte fokuserar på dessa delar ökar risken för strategisk drift i framtiden. De viktigaste faktorerna för Länsförsäkringar att fokusera på är;

- Personlig relation till kunderna: Ett av de viktigaste värdena för kunden är den personliga relationen till företaget. För att uppnå detta är det viktigt att kunderna är medvetna om vem deras kontaktperson är.
- Förbättrad synergi: Det är av stor vikt att arbeta för förbättrad synergi mellan bank och försäkring och därmed övertyga kunderna om att denna service är överlägsen konkurrenternas. Nyckelfaktorn för att uppnå detta är att öka effektiviteten och samarbetet internt.
- Lokal prägel: Det är mycket viktigt att kommunicera fördelarna med Länsförsäkringars lokala prägel. Det är också viktigt att förstärka dessa fördelar. Detta kan uppnås genom att mobilisera de lokala ombuden, samt göra dessa mer aktiva på marknaden.
- Hög kvalitet: Länsförsäkringar har valt en differentieringsstrategi och fokuserar på hög kvalitet framför ett lågt pris. För att bibehålla trovärdigheten är det av stor vikt att aldrig misslyckas att leverera denna kvalitet. Om företaget misslyckas med detta kan det, på längre sikt, underminera företagets rykte.

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1 Introduction

The interpretation of the term *corporate strategy* has undergone a substantial change during the past decades (Porter, 1996). Previously, its fundamental characteristic of the concept has been that only one ideal position exists. This position was closely connected to the most efficient production and use of resources currently possible. This meant a constant benchmarking of all activities and aggressive outsourcing to achieve efficiency. It was commonly believed that a competitive advantage depended only on a few key factors. In order to attain a favourable position in the market, companies had to respond quickly to all competitive and market changes. This view led to a very high operational effectiveness in the market, but it also led to very homogenous companies and very strong competition, so called *hyper competition*. In the long run, this strategy does not create sustainable values for the companies, mainly because its rivals can easily duplicate a company's competitive advantage. Today, many companies have realized that this is not very profitable. Instead, more resources have been focused on finding a unique position in the market. This is what is known as *strategic positioning* and it attempts to attain sustainable competitive advantage by distinguishing what is unique about the company. This means performing other types of activities than the competitors or performing comparable activities in another way.

This thesis will examine the strategy of one of the largest insurance companies in Sweden and aims to investigate if the current strategy is aligned with the opinion among its customers.

1.1 Problem background

Irrespective of a company's function, or where in the world it operates, it is always vital to be aware of its environment and be able to adapt to it in order to be competitive. This is, however, not as easy as it may sound. The environment is under constant change: for example, the market demand can shift, new regulations can occur, technology can change and new competitors can enter the market (Johnson *et al.*, 2011). Understanding environmental changes and adapting a suitable strategy is essential in order to satisfy customer needs, in other words, it is essential for survival.

The agricultural sector in Sweden is currently undergoing substantial structural changes, where the number of farm enterprises is continuously decreasing and the average farm size is increasing (www, SJV, 2011). The Swedish farmers are more exposed to market conditions, and thereby market risk, as an effect of the continuous deregulation of global trade in agricultural commodities (LRF, 2010). Other factors that increase the risk are greater dependence on the energy market, the oil price, and climate changes (SJV 2010:33 & OECD-FAO, 2008). These factors are what drive the structural change since farmers need to compensate for the increased risk exposure in some way. Risk compensation can be achieved by diversification, for example entering new markets or producing alternative products/services, increased flexibility in terms of assets, market, product and time, or by insurance (Hardaker *et al.*, 1998).

These changes will not only have an effect on the farm enterprises but also on external stakeholders. For example, they have led to a transformation of the insurance demand and the demand for financing of farm enterprises. This affects the insurance companies and banks that operate in the agricultural market. Länsförsäkringar has the leading position within the agricultural insurance market and is also the fourth largest agricultural bank in Sweden (Länsförsäkringar Alliance Annual review, 2011). Over time, the company has been a very

successful actor within the agricultural insurance market but recently it has seen increased competition. In combination with the structural changes within the agricultural sector, this has led to a concern within the management whether or not their strategy in this market is appropriate.

1.2 Problem

“There may be a natural unwillingness by managers to change strategy significantly if it has been successful in the past, especially if it is built on capabilities that have been shown to be the basis of the competitive advantage...” (Johnson *et al.*, 2011, p. 160).

The above statement proposes that companies that have experienced long periods of prosperity are likely to maintain the same strategy or perhaps only change the strategy incrementally. In a continuous market this might be sufficient over periods of time. At some point, however, the company's changes in strategy might not cope with the changes in the environment. This is not necessarily the result of a sudden environmental change. If the environmental changes are gradually increasing over time, small changes in strategy are not enough to keep up with the market. This phenomenon is known as *strategic drift*.

Strategic drift is defined as the inability to adapt a firm's strategy to a changing environment in the long run, due to historical and cultural influences (Johnson *et al.*, 2011 & Johnson, 1992). There are many examples of companies that have experienced difficulties due to strategic drift. For instance, cell phone manufacturer Motorola held 60 % of the US cell phone market in the mid-1990s (Johnson *et al.*, 2011). When digital cell phone technology was introduced in the late 1990s, Motorola was not adapting rapidly enough and the market share fell to 34 %. Another example is Bang & Olufsen that faced a drastic downturn in performance in 2007. The reason was not only the financial crisis but also a shift in the market due to changed behaviour, where customers became more likely to replace this type of products at a higher rate.

Reasons why managers fail to adapt a strategy that is suitable to a new environment can be many. For instance, in a company that has been successful historically, managers tend to seek familiar solutions when the environment is difficult to understand (Johnson *et al.*, 2011). Another reason can be that the effects of the drift are difficult to see. In the early phase of strategic drift, the profitability and customer satisfaction can be maintained. This makes it difficult to detect the problems at an early stage. But as the drift continues, the problems increase and it becomes more difficult to alter the current strategy in order to get back on track.

When the effects of strategic drift become evident, i.e. a significant downturn in performance or customer satisfaction, the company has only one option; *transformational change* (Johnson *et al.*, 2011). A transformational change can take several forms, the company can for example change its products, market and market focus or how it is structured. If the company fails to carry out necessary changes, the result will be bankruptcy. A good example is the Swedish company *Facit*, which dominated the market for mechanical calculators (Torekull, 1982). In 1970, the company had 14,000 employees worldwide and had grown by 500 % over the previous decade. At this time digital calculators were introduced in the market. The digital calculators, mainly produced in Japan, were a lot cheaper and more user-friendly. Unable to compete with the new products, Facit faced bankruptcy only a few years later.

Länsförsäkringar Uppsala is concerned about whether or not a discrepancy exists between their strategy and the requirements of their clients in the agricultural market (Pers. Comm., Ekström & Johansson, 2012). The agricultural market is of significant strategic interest to Länsförsäkringar Uppsala, and is responsible for about 10 % of the company's turnover. The concern is based on a slight loss in market share together with more aggressive competitors, especially *Dina* and *Gjensidige*. The competitors have increased their market share in all segments and it is obvious that they are growing stronger in areas where they have opened branches or where they have established collaboration with other financial actors, such as banks (Pers. Comm., Johansson, 2012). Due to these developments, Länsförsäkringar Uppsala want to examine how to adjust their strategy in order to be able to meet future changes in the agricultural market, as well as increased competition, and maintain their role as market leader.

1.3 Aim and delimitations

The aim of this study is to investigate whether the agricultural division of Länsförsäkringar Uppsala experiences any strategic drift. The objective is to provide an understanding of the customers' view on services related to agricultural insurance and financing. These results are then compared to Länsförsäkringar's view on customer services by studying the company's strategic framework. The intention is to investigate whether or not they match. If there is any difference, i.e. signs of strategic drift, the thesis will provide suggestions of how to make corrections of the strategy. The study aims to address the following research questions:

1. Is Länsförsäkringar Uppsala's strategic framework suitable given the company's characteristics and resources?
2. Which of Länsförsäkringar Uppsala's services contribute significantly to the perceived customer benefit?
3. Is Länsförsäkringar Uppsala's strategy corresponding to the customer's view on customer value?

Based on the findings from research question 1, 2 and 3, suggestions of how to alter the strategy in order to prevent a discrepancy between the customer demands and Länsförsäkringar Uppsala's service will be presented.

The study is focused on the agricultural division of Länsförsäkringar Uppsala. Länsförsäkringar Uppsala has a high market exposure towards agricultural enterprises and is now experiencing a tougher competition in that market. Combined with a changing structure in the agricultural market, it is important to study whether the current strategy is suitable for present and future market conditions. The problem with adapting a strategy to changes in the environment is relevant to companies all over the world, regardless of market, product, size etc.

1.4 Outline

The outline provides the reader with an understanding of thesis structure as seen in figure 1. The first chapter intends to give the reader the background of the topic in order to motivate the study. This chapter also states the problem and research questions of the study. Chapter two includes the literature and theories used as the foundation to answer the research questions. This chapter provides an understanding of *strategy* and *strategic management* and research of what parts of the firm's strategic work that is of importance in this kind of study. The chapter also introduces the background of managing risk at farm level. The method chapter explains how the study is conducted by clarifying the research methods. The chapter contains information about the literature review and how the empirical data was collected. The fourth chapter is a recital of the data collected from the interviews.



Figure 1. Illustration of the thesis outline

The analysis and discussion put the problem in relation to the theory and literature as well as the empirical data. In this chapter, Länsförsäkringar's strategy is analyzed in relation to the theories of strategy, the literature on the subject and view on service provided by the customers. Finally, the sixth chapter attempts to draw conclusions from the analysis in order to answer the aim of the study.

2. Literature review and theoretical perspective

2.1 Literature review

2.1.1 Länsförsäkringar

The following information is collected from internal documents, such as Länsförsäkringar's strategic platform, brand strategy, and market strategy. The Länsförsäkringar Alliance is primarily an insurance company but also provide banking-, pension- and real estate brokerage services to their customers, all under the well-known brand of Länsförsäkringar (Länsförsäkringar Alliance Annual review, 2011). The organization is one of the main companies within the Swedish insurance market, with a market share of 28,9 % of the non-life insurance market and 10,4 % of the life assurance market. The Länsförsäkringar Alliance is also the fifth largest retail and household mortgage lending bank and the fourth largest agricultural mortgage bank, in terms of volume. The real-estate brokerage is currently the third largest brokerage in Sweden.

Länsförsäkringar is focusing on three segments in the market; private customers, where they primarily focus on housing owners, small self-employed enterprises with 0-49 employees, and agricultural enterprises. The agricultural segment is in turn divided into three segments; large-scale farm enterprises, part-time enterprises and non-active farm owners.

The alliance is customer-owned and operates in 23 local companies with own decision-making authority (Länsförsäkringar Alliance Annual review, 2011). The fundamental idea of this strategy is to ensure the local connection. The local companies have joint ownership in the service-company Länsförsäkringar AB that provides the local companies with all banking and insurance resources as well as support. Länsförsäkringar AB in turn, owns a number of subsidiaries, such as Agria and Wasa Kredit. In contrast to publicly traded companies, a customer-owned organisation has the advantage that they have no other economic stakeholder than its customers. Because the customers own the company, all dividends are paid to those who are actually using the company's services. According to the strategic platform, this makes it possible for the management to have a much more long term approach when deciding strategy, since there are no shareholders that requires quick returns. This is what creates the core in the organisations *genuine customer orientation*.

Länsförsäkringar's brand should represent the local attachment, that the company is owned by its customers, and that the company has a long-term perspective. The customer is the main stakeholder, and they should associate the company with praiseworthiness, additional values, quickly responding and that the company is always nearby. The brand should also signal trustworthiness, competence and stability.

Länsförsäkringar's concept is built on the belief that the best way of dealing with customer oriented services is to be as close to the customer as possible. This means that each local company has extensive decision-making authority and are responsible for their financial performance. This makes it possible to adapt to local conditions. The decision making process is not however without limitations since many of the legal responsibilities lies within Länsförsäkringar AB. Furthermore, all strategic decisions are made within Länsförsäkringar AB. Though, all of the local companies are involved in the elaboration of strategies as well as developing new products and services. The local attachment is the foundation of Länsförsäkringar's strategy. This is considered a unique competitive advantage and has been vital for the company's success. The fact that the customers are located in the same area as the

staff and management of the company creates solidarity and a better overview of the local conditions, according to Länsförsäkringar strategic platform.

The past decade, Länsförsäkringar has been developing their strategy from a clear product focus towards increased customer orientation. This is a long term process that attempts to strengthen Länsförsäkringar's position in the market. Hence, instead of distinct product knowledge among the employees, the new strategy aims to increase the customer focus among the staff. The objective is to enhance customers' perceived value as well as the economic value of having Länsförsäkringar as their insurance company.

The division into different segments, i.e. the private segment, owner-operated enterprises and the agricultural enterprises is based upon the divergent needs of products and services among the customers. The fact that the needs differ among the customers makes it crucial for Länsförsäkringar to treat the clients within each segment accordingly. It is also important that the products are customized for the needs of each segment. Still, it is important to see the needs of the individual client. This means that the customers in the agricultural segment not only require insurance- and financing solutions for the enterprise, but also services and products from the private segment. This is something that needs to be considered in the sales process.

Customer needs within the different segments are also evolving constantly. In particular, the agricultural segment is currently undergoing a change, where the large-scale farm enterprises tend to become more similar to owner-operated companies within other sectors and non-active agricultural enterprises requires more consulting. Seen in retrospective, this has not always been the case and the change will demand action from Länsförsäkringar if they want to maintain their place as market leader.

Länsförsäkringar is providing a complete solution of financial services. This includes insurance, life assurance, retirement savings, real estate brokerage and banking services. The idea behind this is to provide customers all financial services under one roof. This is of strategic importance since many customers consider this to be an advantage. Moreover, it has shown that a customer that uses all of these services tend to stay longer within the company and are more willing to buy new products. They also tend to be more content with the company. Because of this, Länsförsäkringar has introduced the concept of *helkund*, which means that customer's that uses a variety of Länsförsäkringar's products receives an economic discount.

Another very important part of Länsförsäkringar's service is proactive claim activities. This is important from many perspectives; firstly, to reduce the amount of claims paid out to customers, secondly, it is a good opportunity to meet with the customers in order to build a relation to them. This is also an excellent opportunity for selling further products.

The company has pointed out a number of factors that are crucial to handle in order to meet the future changes in the agricultural market. First, it is essential to focus on enterprises that are undergoing change, for instance generational change or implementing new activities. These enterprises are in a situation that requires consulting to develop their business. Secondly, it is critical to achieve efficiency in the meetings with customers and the following processes. This is important because it emphasizes the benefits of using only one company for all financial services; hence, this underlines the benefits of using Länsförsäkringar as partner.

Finally, Länsförsäkringar states the importance of high competence in its delivered services in order to ensure the credibility.

2.1.2 Sustaining competitive advantage

Success is to great extent an effect of a firm's pertinence in choosing a competitive strategy (Prajogo & McDermott, 2011). To be able to choose an accurate strategy, it is crucial to gather and categorise market data in order to understand customer needs. Because of the existence of resource scarcity, firms are unable to pursue all competitive advantages and they are therefore required to make trade-offs. Prajogo and McDermott (2011) examine ten factors that contribute to competitive advantages and thereby affect performance in service organisations. The study ranks the importance of the ten quality measures by using *Importance-performance analysis (IPA) matrix*. The result suggests that firms should put more efforts and resources on gaining competitive advantages by focusing on *cost efficiency* and *brand image*. A strong brand image is characterized by a good reputation and is well-known within the target group (Kotler, 2002). Also, the brand should distinguish the company from its competitors in the eyes of the customer and this difference must be relevant for the customer. Prajogo and McDermott's (2011) study indicates that brand image is a very important factor in determining the difference between low-performing firms and high-performing firms. The reason is believed to be that it is very difficult for customers to assess the product before the purchase, and therefore they are likely to rely on brand image. Firms also need to sustain high priority of *customer retention* and *productivity* (Prajogo & McDermott, 2011). The results further suggest that too much attention is focused on *conformance to specification* and *on-time delivery*. Furthermore, firms should maintain a low focus on *speed* and *service innovation*. Finally, the study show the decisive difference between low-performing and high-performing firms is not the strategy formulation but rather the strategy implementation.

2.1.3 Customer orientation

Delivering customer value is the core objective of all companies (Nwankwo, 1995). Mainly because delivering customer value has shown critical for business profitability. Failing to understand customers' requests can lead to severe problems due to inaction, or at best, seeming changes in the strategy. These changes can be deceiving since it may create an illusion of proactivity which in turn will lead to strategic drift. Furthermore, strategic document often states the customers as the main stakeholder, but judging by history, not all firms succeed in implementing this stance of policy. Also, if succeeding in implementing customer orientation, it is often very challenging to sustain this approach, unless focusing a lot of energy on it.

Nwankwo (1995) proposes a self-auditing framework for evaluating the degree of customer orientation in an organisation. The framework rests on four main dimensions; *definition*, *sensitivity*, *measurement* and *implementation*. Customer definition refers to how an organization views its customers in order to have a clear idea about the customers and their needs. The customer sensitivity refers to which extent organizations are able to scan and understand environmental signals. The framework also states the importance of measurement. This means that the organization must develop a framework to examine whether the customer orientation strategy is working as intended. Implementation examines to what extent the organization has succeeded in turning strategy into action. In this step, the role of the management is crucial. Managers must be aware of the decisive role of market research in order to succeed in implementation of strategy.

2.1.4 Structural changes in the agricultural market

The global agricultural market is undergoing a substantial change. This depends on many factors, for example increased market exposure due to deregulations and increased bio-energy production (OECD-FAO, 2008). According to FAO's Outlook 2008-2017, the price of agricultural commodities will continue to fluctuate. This depends on the oil price, climate changes, the global production and the development of the U.S. dollar. The price also depends on the income development in India, China, Brazil and other fast growing economies. These global uncertainties will lead to increased business risk for the individual farmer. Also land price and the price of other inputs in the production have increased substantially during the last decade (SJV 2011:33 & Larsson *et al.*, 2011). This has increased the demand for borrowed capital in the firms, and thereby increased the financial risk. These changes have led to the on-going structural change among farm enterprises.

In Sweden, the number of active farm enterprises decreased with 23 % between 1995 and 2010 (SJV 2011:33). The production has not however decreased at the same pace. This is an indication that both size and productivity has increased during the period. The statistics also show that the number of small enterprises is steadily decreasing while enterprises with over 100 ha of land are increasing. However, the largest number of enterprises operates between 5 and 20 ha. Another illustrative example is visible in the dairy production, where the average farm size has increased almost 30 % between 2005 and 2010 (www, Svensk Mjök 1, 2010). During the same period, the number of farms with 300 cows or more have increased by nearly 80 % (www, Svensk Mjök 2, 2010).

Many enterprises are also looking towards diversification (SJV JO 47 SM1101, 2001). In 2010, approximately 30 % of all farm enterprises were running other operations beside the traditional activities. The most common was contracting, but tourism, leasing, and refining of products was also widely adapted. Alternative operations are most frequent among larger enterprises, and over half of all companies with over 100 ha have some additional activity.

2.1.5 Risk in agricultural enterprises

Schurle and Tholstrup (1989) examine how farm enterprise characteristics affect the firm's business risk. In the study, the relationship between the enterprise's mix of activities, the farm size, location, the firm's financial situation, the age of the operator, and the variance of the farm income was estimated. The findings points to that the size of the farm was of great significance. It was clear that as the farm size increased, the relative variability of farm income decreased. This is important because it further motivates the on-going development in the agricultural market.

2.2 Theoretical perspective

2.2.1 The firm's environment

The environment provides the organization with its means for survival, and it presents the company with threats as well as creating opportunities to increase the company's profits (Johnson *et al.*, 2011). Therefore, managers must be aware of, and try to understand the environment. However, the future can never be foretold with accuracy, but by analysing it and trying to anticipate it, managers can adapt their operations to it, or in best cases influence the change.

The firm's environment can be divided into different layers (Johnson *et al.*, 2011). The utmost layer in the firm's environment is the *macro-environment*. This layer consists of factors that affect most companies, for instance political factors, global economic factors, technological development and environmental changes. It is important to be aware of these factors in order to be able to anticipate scenarios that might occur in the future.

The next layer is the *industry* or the *sector*. This layer contains all organisations producing the same service or products as the firm. In this layer, it is possible to determine the competitive situation in the industry by using the *five forces framework* (Porter, 1980). The framework is used for analysing the competitive forces within an industry by determining the threat of substitutes, the threat of new entries, the bargaining power of the suppliers, the bargaining power of the buyers, and finally the competitive rivalry between firms within the industry. The threat of substitutes describes the extent to which it exists substitutes that can decrease the demand for the firm's products. The threat of new entries describes how easily new firms can enter the market, i.e. barriers to entry. The bargaining power of suppliers is for example determined by the concentration of suppliers. This means that the fewer and more dominant suppliers, the higher bargaining power they have. It is also determined by how difficult it is for the firm to switch from one supplier to another. The bargaining power of the buyers is affected by the number of buyers and also dependence of individual buyers. Further, it is effected by how easily one buyer can switch to another firm. Finally, the competitive rivalry in the industry is affected by the mentioned factors. Hence, if the barriers to entry are low, or the bargaining power of the buyers is high, the higher the competitive rivalry. The five forces model is used for analysing the attractiveness of the industry and how the competition may change in the future.

The final layer surrounding the organisation is *competitors* and the *market* (Johnson *et al.*, 2011). Within an industry, there are still a number of different markets, for example, H&M and Ralph Lauren are active in the same industry but they face different types of buyers. This layer is useful to structure the company's closest environment. For instance, the customer's preferences and needs differ and thus, it can be useful to divide them into different segments (Kotler, 1999). Understanding the market and the competitors is essential in order to divide the market into different segments which in turn is necessary to adjust services or products, and price to the target customers. A market segment represents a group of customers, which needs' are similar, and differ from the needs of other customer in the market (Johnson *et al.*, 2011). Understanding customer needs, what customer's value, and how to position to meet those needs, is crucial for determining the firm's strategic capabilities.

Market segments are also important to raise awareness among managers regarding a number of important factors. For instance, it is easier to identify the relative market share, which in turn is an important consideration (Johnson *et al.*, 2011). A company that have built up the most competence in servicing a specific market segment should have lower cost, relative to the service they provide, than the competitors. Also, they have had the opportunity to build a relationship with the stakeholders, which are difficult for competitors to break down. This means that this firm should have an advantage over it rivals.

However, many managers fail to go further than the division into segments (Johnson *et al.*, 2011). The crucial part is not the division itself but rather to understand how the needs differ among the segments. This is the fundamental part of developing strategic capabilities. So by finding the critical success factors for a specific segment, the firm becomes aware of which

services they should focus on, thus in which services it is important to outperform the competitors.

The environment affects the firm's sales, and provides the organisation with opportunities and threats. However, the environment is not decisive for the company's performance (Johnson *et al.*, 2011). Instead, the thing that distinguishes companies from each other, and determines performance, is their strategic capabilities. For instance, Saab and Volkswagen compete in the same environment, but Volkswagen is superior in performance. Hence, the difference lies in the capabilities rather than in the environment.

2.2.2 Strategy

In the past decades, it was firmly believed that the only way for firms to achieve competitive advantage was to be efficient (Porter, 1996). This meant that firm's had to be very flexible in order to be able to respond quickly to any changes in the market. It also meant that firms often outsourced activities to large extent and that they continuously had to compare themselves to competitors via benchmarking to ensure best practice. Positioning was neglected because it was believed that competitors could easily duplicate market position and thereby competitive advantage. Hence, competitive advantage was considered temporary.

The reason for this development was the structural changes in the market, where markets became more global, and an increasingly higher rate of technological change. According to Porter (1996), this development has not benefited anyone and not generated sustainable profitability, but has rather generated an extreme competition in the market, so called *hyper competition*. Porter (1996) further argues that the problem with this development is the neglecting of strategy. This development has created a high operational effectiveness, which is indeed necessary, but not a basis of competitive advantage. In order to be able to outperform competitors, the company must establish a competitive advantage they can preserve. Hence, they must provide a greater value to customers, or deliver a similar value to lower cost than the competitors. The ability to do so derives from the myriad of activities that takes place within the firm. Firms that are able to perform different activities than the rivals, or perform the same activities in a different way and thereby deliver a higher value than the competitors, are able to create competitive advantage. This is known as strategic positioning. To be more specific, strategic positioning attempts to accomplish competitive advantage by distinguishing what is characteristic about a company. Operational effectiveness on the other hand, is based on performing the same activities better than the competitors. For example, cost is generated by performing certain activities, and if a firm can achieve higher efficiency in these activities, the production cost per unit will decrease. Hence, in order to achieve superior performance, both strategic positioning and operational effectiveness is required.

The problems with the development the last decades are that operational effectiveness is easily duplicated (Porter, 1996). For example, the more benchmarking firms do, the more they tend to look alike. Also, the more activities they outsource to specialists, the more similar these activities become. Likewise, the more two firms compete by increasing efficiency in the same activities, and continuously lowering the price, all gains are acquired by the customers. So in order to achieve a sustained competitive advantage the company need to deliver something unique to its customers. Strategic positioning means deliberately choosing a set of activities that differ from the competitors and that deliver a unique value. Hence, the essence of strategy lies in the activities. This means, in order to create a unique value, it is essential to choose different activities than the rivals. However, it is not as simple as just choosing different activities, the firm need to ensure that this strategy is not easily duplicated. An

advantage is not sustainable unless it exists trade-offs. The reason is that, in a world without trade-offs, competitors can broaden their current activities and copy a successful position while maintaining their current position. This is known as straddling. However, this is very difficult to achieve because of inconsistencies in image, for instance, a low-cost brand cannot copy a high-end strategy and start to market exclusive products. The reason is that they lack credibility to deliver high-quality products, and thereby, they will not attract customers with high purchasing power. The other way around, a high-quality brand would undermine their reputation if they would offer low-priced alternatives. Moreover, trade-offs can ascend from the activities themselves. For example, different positions may require different equipment, skills, management systems, organizational structure, and etcetera. Hence, trade-offs arise when activities are unable to coexist. Thereby, strategy means making trade-offs in competing and a major strategic decision is to determine what not to do.

While operational effectiveness is about achieving quality in one specific activity, strategy is about combining activities and fitting different activities together (Porter, 1996). This is important because individual activities affect each other. The most important fit is strategy-specific. This means that the fit between activities enhance the uniqueness of the firm's strategic position and increases the trade-offs. Porter exemplifies this by using Southwest Airlines. This company offers low-cost air travel within North America. The low cost advantage over the competitors is achieved by flying only from midsize cities to subordinate airports in large cities and back. Further, the company do not offer assigned seats, meals or baggage check-in. This enable a very short turn-around time, which in turn enables fewer aircrafts to achieve more frequent departures and fly longer hours. Further, the company only uses one type of airplane for their entire fleet which enhance efficiency of maintenance. Hence, Southwest Airlines' strategic position is strengthened by the company's activities. The higher the consistency between the way activities are performed and the firm's strategy, the stronger competitive advantage. It also makes it easier to communicate the strategy to customers, shareholders and employees. This example can be applied on all industries, the only difference is that the activities differ. For instance, in the insurance sector, a low-cost strategy would have based upon a slim service organisation, a large part of the effort would be transferred to the customers, no additional services would be included in the offer, and only delivering standard solutions with little or low flexibility.

Fit is essential for sustained competitive advantage because it is much harder for a competitor to match a whole system of linked activities rather than imitating an individual activity, such as specific production technology or a set of product features (Porter, 1996). The success of a strategic position depends on the ability to do many things well, not only a few, but also the ability to fit them together. Hence, a position built on a system of activities is much more sustainable than those built on a few core competences. In this case, a competitor would gain little from trying to copy a single or a few activities. For instance, airlines that have tried to duplicate Southwest Airlines' low-cost concept, but have chosen to maintain some of the services that Southwest do not offer, have failed completely. By not adjusting activities to the strategic position, competitors have failed to achieve short turn-around times and standardized maintenance, and not been able to achieve low operating expenses. Thereby they have not been able to match Southwest's low ticket price, and therefore not attracted customers.

The task of determining a strategy is to large extent a managerial question (Porter, 1996). The most important assignment is to clearly define a position for the company, and adapt activities and fit them together to enhance that position. It is also crucial to be able to communicate this strategy to all stakeholders.

Generic competitive strategies

According to Porter (1985), positioning determines the firm's profitability compared to the rest of the industry. There exist two fundamental types of competitive advantage; *low cost* or *differentiation*. Further, depending on the scope of the activities, i.e. whether to approach a broad range of customers or focus on a few, this generates three generic strategies; Cost leadership, differentiation, and focus.

First, the cost leadership strategy means that a company strives to become the low cost producer within the industry (Porter, 1985). For example, this can be achieved by economies of scale, copyrighted technology, or there exclusive access to low cost materials or labour. If a firm can achieve and sustain a cost leadership, lower production costs and low overhead costs, this will lead to higher profits margins than the competitors. Or if the product is not perceived as equivalent to the competitors', the firm can reduce their sales price in order to enhance sales.

Secondly, the differentiation strategy means that the firm seeks to become unique within the industry (Porter, 1985). The firm selects one or more characteristics that are valuable for many buyers, and focus on these. The differentiation can be achieved by the product itself, the marketing approach, the delivery system, etc. In order to succeed with a differentiation strategy, the firm must focus on activities that enable the firm to charge a price premium that exceeds the additional cost of being unique. The differentiation strategy requires the firm to choose activities that makes it truly unique if it is to receive a premium price.

Finally, the third strategy is *focus*. The focus strategy means that the firm focus their efforts on a narrow range of customers within an industry. Further, the focus strategy can be implemented in two ways; *cost focus* or *differentiation focus*. A cost focus strategy means that a firm seeks to achieve a cost advantage within the target segment. A differentiation focus means that the firm seeks to a find position within its target segment.

2.2.3 Resource-based theory of competitive advantage

Grant (1991) argue that foundation for strategy formulation is the firm's resources. The reason, according to Grant, is that the firm's environment is too unstable. If the preferences of the customers are volatile, a strategy based on their current needs is not a very long-term solution. The firm's own resources are much more stable, hence, formulating a strategy based on the firm's capabilities provides a more resilient foundation to build a strategy on.

The firm's ability to earn profits from their strategy depends both on the attractiveness of the industry and the constitution of competitive advantage over the firm's rivals (Grant, 1991). Grant however, argue that finding a competitive advantage is the decisive factor for differences between firms rather than the industry they operate in. Regardless if the competitive advantage is based on low costs or differentiation, the foundation of competitive advantage is the firm's resources. For instance, a low cost advantage is based upon resources such as superior process technology or access to low-wage workers. Further, a differentiation advantage is built upon such factors as brand reputation or an extensive service and sales network.

Resources are defined as inputs used in process of production (Grant, 1991). It could be physical resources, financial resources, human resources, reputation, or organizational resources. On their own, only a limited number of them are productive, and in order for all to be productive, they need to be coordinated and combined. Combined and coordinated

resources are the source of the firm's capabilities. In turn, capabilities are the source of competitive advantage. In order to enable returns from the firm's resources, it is crucial to be aware of the relation between resources and organizational capabilities. This is to the major part a managerial issue and arises from the ability to identify and combine resources into lucrative processes.

Capabilities can be created in different ways (Grant, 1991). However, the process is usually complex in the sense that it is not only a matter of assembling resources but rather coordination between resources and people. A capability is, in principle, a combination of interacting routines. Each routine is based upon sequences of coordinated actions performed by individuals in the daily operations. In turn, the firm's resources are decisive in the development of routines since they constrain what can be done within the organisation. Since routines are based upon activities in the daily operations, they involve a large part of implicit knowledge. Accordingly, this means that many of the firm's capabilities are not articulated.

One significant issue when assessing firm capabilities is to maintain objectivity (Grant, 1991). It has been proven that many organizations have failed in delivering according to expectations because of overly-optimistic hopes of the future and relying on past glories. Many failed companies believed themselves to be superior in customer service and products, and were thereby fooled into a false sense of security. Grant states the importance of comparing capabilities relative to those of the competitors and thereby focusing on the relative strengths.

The sustainability and the capability to earn money from the firm's competitive advantage depend to a large extent on the characteristics of the firm's resources and capabilities (Grant, 1991). In order for the competitive advantage to be sustainable, the resources behind it need to be durable, non-transparent, non-transferable and non-replicable. In essence, the extent to which the firm can protect the resource from imitation by rivals, determines the sustainability of the competitive advantage. The competitive advantages that fulfil these criteria should then be the foundation which the firm build its strategy upon. An accurate strategy makes the most efficient use of these resources and capabilities. Defining a strategy around these resources may imply that the firm makes trade-offs by only focusing on activities where they have a clear competitive advantage. It is also crucial for the management to realize that the identified sustainable advantages do not last forever. They require constant development in the same pace as the market conditions develop.

The VRIN-framework

In similar way as Grant (1991), Barney (1991) has developed a framework for assessing the sustainability of a particular resource. According to Barney, resources must be valuable, rare, imperfectly imitable and non-substitutable in order for them to enable a sustainable competitive advantage.

Valuable resources: The value of resources is the imperative factor when determining whether a resource is the basis of competitive advantage. A firm attribute may very well have the other characteristics that qualify it as the foundation of a competitive advantage, but unless it is valuable, it can never constitute a competitive advantage. For an attribute to become valuable, it must seize opportunities or eradicate threats in the firm's environment.

Rare resources: Valuable resources that are controlled by many of the firm's competitors cannot be the source of competitive advantage. The reason is that if a valuable resource is possessed by many different firms, it can be exploited in similar ways by many actors. In this

case, none of the firm can achieve competitive advantage over one another. Hence, a firm can only achieve competitive advantage if the same strategy is not simultaneously implemented by other firms.

Imperfectly imitable resources: A rare and valuable resource can only be the source of a sustained competitive advantage if the resource cannot be imitated by the firm’s competitors. A resource can only be imperfectly imitable if the resource has a unique historical connection to the firm or if the link between the resource and the competitive advantage is not understood. It can also be imperfectly imitable if the resource is socially complex, which means that it is beyond the firm’s ability to influence or systematically manage.

Non-substitutability: Finally, a resource can only be the source of sustained advantage if it does not exist any strategically equivalent valuable resources. Also, it cannot be possible for a competing firm to implement a strategy that targets the same strategic goal.

2.2.4 Diagnosing strategic capabilities

Value chain

To ensure competitive advantage, the firm must be able to deliver value to customers (Porter, 1985). In order to do so, management must be aware of which activities that is of particular importance to achieve this value. The value chain is described as the activities within an organization that, combined, create a service or a product. There exist different types of activities within the value chain, see figure 2. Porter (1985) divides these activities into two main categories; *Primary activities* and *support activities*. Primary activities are directly connected to the delivery of the service or product while the support activities are vital to improve the efficiency of the primary activities. For instance, primary activities such as *operations* transform input into the final service or product, and *marketing and sales* helps making customers aware of the firms’ service or product. Marketing and sales can for example consist of advertising, sales administration, and selling. *Service* may consist of activities that maintain or enhance the value of the service or product. Supporting activities can, for instance, be *human resources management*, which transcends all primary activities and include recruiting, training, managing, and rewarding employees. *Firm infrastructure* might consist of quality control, formal systems of planning, structures and routines, and finance.

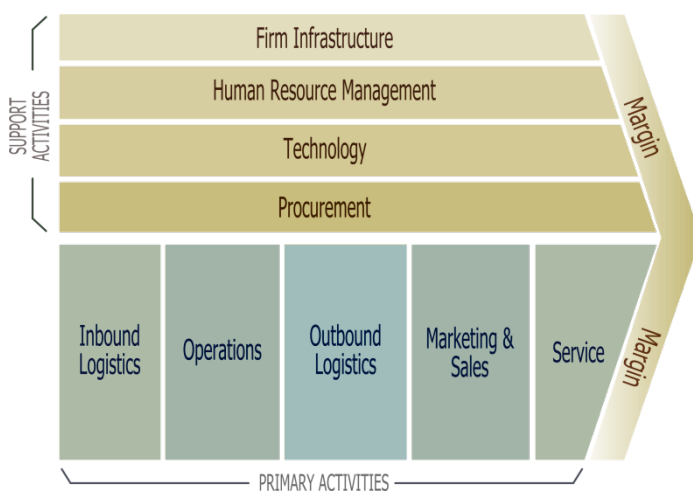


Figure 2. The generic value chain (Porter, 1985 pp. 37).

The value chain can be helpful in order to understand and analyse the firm's strategic position (Porter, 1985). For example, by mapping the cost and value of the firm's activities, management can focus on those activities that contribute the most value relative to the cost.

Firstly, it is important to identify sets of activities, and which routines and capabilities that compose these activities, within the organization (Johnson *et al.*, 2011). Secondly, one must identify which activities which are most important to achieve a competitive advantage over the firm's competitors. For example, it is likely that a branded electronics company consider marketing, research and development as critically important activities. After this, the firm must decide if the cost of these activities correspond to what they contribute. The importance of the activities must be put in relation to the value and cost of the competitors' activities. Finally, it is important to investigate which activities that are linked to each other and which are self-standing. After analysing the firm's activities, it is possible for management to determine where to focus resources and where it is possible to cut costs without risking to reduce the customer value. Thereby, it is possible to question if the cost structure related to the firm's strategy is realistic.

The value chain analysis can also be used to determine how a competitive advantage can be sustained by using the *VRIN* criteria (Johnson *et al.*, 2011). For example, it might be possible that valuable resources can be deployed further or the firm may be able to determine which resources in the value chain those are not vulnerable to substitution.

Activity systems

Similar to the value chain analysis, *mapping activity systems* is a way of assessing how the firm's capabilities are linked together into different activities (Johnson *et al.*, 2011). By mapping the activity systems, an analysis of how the firm's resources are deployed throughout the organization can be undertaken. The different activities represented in this map can be seen as a part of a value chain. However, the activity systems map provides a more profound insight of how different activities are linked together and the fit between different activities.

2.2.5 Agricultural risk

Risk is a vital aspect to take into account in agriculture. Risk is defined as imperfect knowledge where the probability of the possible outcome is known (Hardaker *et al.*, 1998). Uncertainty however, exists when these probabilities are unknown. Risk and uncertainty has always been an important question in the daily operations on farm level. However, the question is becoming increasingly more important, mainly because of deregulations in the agricultural commodity market. This has led to price liberalization, which in turn has led to more farm-level exposure to competitive market forces that are less predictable. The complexity of farm operations implies that farmers experience many different types of risks.

- *Production risk*: "Production risk comes from the unpredictable nature of the weather and uncertainty about the performance of crops or livestock..." (Hardaker *et al.*, 1998, pp. 6).
- *Price or market risk*: "Prices of farm inputs and outputs are seldom known for certain at the time that a farmer must make decision about how much of which inputs to use or what and how much of various products to produce." (Hardaker *et al.*, 1998, pp. 6).
- *Institutional risk*: "Changes in the rules that affect farm production can have far-reaching implications for profitability." (Hardaker *et al.*, 1998, pp. 6).

- *Human or personal risk*: “The people who operate the farm may themselves be a source of risk for the profitability of the farm business.” (Hardaker *et al.*, 1998, pp. 6).

The aggregate effect of the risks mentioned above is often referred to as *business risk* (Hardaker *et al.*, 1998). Other than business risk, there exist risks associated with how the firm is financed. *Financial risk* occurs from the use of borrowed capital to finance the firm. This means that a share of the profits must be reserved for paying interest rate on the debt. If the firm is only financed by equity, no financial risk exists. However, if both debt and equity is used, firms can benefit from *financial leverage*. To experience positive effects from financial leverage, the firm is required to have a return of total capital that is higher than the interest rate. If this occurs, the return on equity will be higher compared to if no debt were used, because a larger turnaround can be financed. Nevertheless, there is a risk with debt financing, i.e. negative leverage. In the case that the firm's return on total capital is lower than the interest rate, the return on equity will be lower compared to if no debt were used. In the worst case, return on equity will be negative.

2.2.6 Managing risk at farm level

It is impossible to avoid risk all together but decisions at farm level can have substantial impact on riskiness of the production. There are few general prescriptions of how to manage risk but there are however some provisions that can be made. These will be explained in the following part.

Collecting information

One important part of risk management is knowledge (Hardaker *et al.*, 1998). Typically, if knowledge is accumulated regarding an investment, the dispersion of possible outcomes is reduced. For example, gaining knowledge of animal welfare before building a new stable will likely make the farmer regard these aspects in the building process, and thereby risk of problems in the production will be reduced.

Avoiding or reducing exposure to risk

Reducing risk at farm level can to some extent be easily reduced by following a number of simple principles (Hardaker *et al.*, 1998). The first principle is to postpone a decision until more information about negative outcomes of the decision is obtained. The idea of the second principle is to be cautious in implementing new approaches where the effects are unknown, i.e. *better safe than sorry*. However, the third principle states that it might still be better to implement a small change than to not doing anything. These principles can simply be viewed as common sense.

Selecting less risky technologies

By choosing more stable production technologies, the variance of the profitability will decrease over time (Hardaker *et al.*, 1998). For example, intensive livestock production is considered less risky than for instance extensive grain production, since the grain production is more affected by climatic variability. Furthermore, investments in technology that reduce the climatic variability can also be done; one example is investments in irrigation.

Diversification

The fundamental idea of diversification is to reduce risk by selecting a combination of activities with low or negative correlation (Hardaker *et al.*, 1998). The problem on farm level though, is that most activities are positively correlating, which makes it difficult to reduce risk by diversification.

Flexibility

Flexibility means the ability to adapt current production to environmental changes (Hardaker *et al.*, 1998). This means having assets that can be used in more than one type of production, i.e. *Asset flexibility*. It also means producing products that can be used for more than one purpose, i.e. *Product flexibility*. Another type of flexibility is *market flexibility*, where a product can be sold in more than one market. A fourth type of flexibility is *cost flexibility*, which means keeping the fixed costs at a low level, with higher variable costs as a result. Finally, *time flexibility* refers to the speed of which alterations in the current production can be made. The length of the production cycle is crucial for determine how fast changes can be carried out, hence, a short production cycle means more flexible production.

Insurance

Finally, insurance is a way of managing risk in the firm (Hardaker *et al.*, 1998). By insuring assets in the firm, farmers recede from a part of its income in order to protect themselves from significant losses due to accidents. This will be explained more comprehensively in the following chapter.

2.2.7 Insurance

The insurance principle is only applicable if it is possible to objectively compute probabilities of a certain event on the basis of past experience (Haynes, 1969). The individual firm must face high uncertainty about the event. By pooling the individual uncertainties, it is possible to calculate the probabilities of this event for the mass. In other words, it is possible to transform high uncertainty about individual probability into a high degree of certainty about pooled probability. This is based upon the law of large numbers, which makes uncertainty of a particular event move towards regularity within a mass. Under these circumstances, a comprehensive insurance program is possible.

The concept of insurance cannot exist unless most people are risk adverse (Kaas, 2001). The reason is that insurance can only exist if a large number of people are prepared to pay a premium for having insurance that is higher than their expected claims. Hence, insurance is a risk sharing device where insurance companies accept appropriate premiums from many clients and thereby are able to pool their risk.

3 Method

3.1 General approach

This study rests on a positivistic research approach and qualitative method, which is motivated by the nature of the aim, and the research questions. The underlying factors of the problem, for instance customers' view on customer value, were unknown from the start. This means that question had to be asked in a way so that the underlying factors could be identified. In order to achieve this, qualitative method is superior to quantitative method (Kvale, 1997).

The approach implies that the study emanates from a theoretical framework that is then used to examine the empirics; herein a case study (Robson, 2002). A hermeneutic approach, on the other hand, is inductive which means that it uses empirical data to form theories. In this study, the positivistic approach is applied to be able to examine Länsförsäkringar's strategic work and the connection between Länsförsäkringar's strategy and their customers in search of signs of strategic drift. This approach demands extensive collection of secondary data before the primary data is collected. Otherwise, there is a risk that the study is based on a theoretical framework that is not suitable for investigating the specific problem. However, the results from the study do not constitute a general solution that can be transferred on to other settings, which is usually the case in a positivistic study.

The chosen topic has been thoroughly examined from several perspectives and a solid foundation is provided by previous academics. There is no unique way of how to evaluate a firm's strategy. Porter (1996), Grant (1991), Johnson *et al.* (2011), and Barney (1991) all focus on corporate strategic work from a resources perspective. Nwankwo (1995) and Kotler (1999) however, state the importance of market orientation. Even so, the intention of all studies previously mentioned is the same; become a successful company.

3.2 Literature review

The purpose of the literature review is to collect secondary data in order to receive contemporary information of how similar research problems are approached. This is necessary in order to be able to structure the interview questions about Länsförsäkringar's delivered services. The literature review is the process of systematically searching the research and publications that has been conducted on a certain subject (Hart, 1998). The material, both published and unpublished, is written from a particular perspective, with the intention of fulfilling an aim or expressing the accumulated view on a certain topic. The literature review is defined as an effective evaluation of these documents in order to provide a framework for the following study. The literature used in this study is collected from management and marketing journals, as well as text books on strategy and risk. Since the aim of this thesis is to investigate whether or not Länsförsäkringar's view on customer benefit corresponds with the consumer's view of this, the thesis is based upon two theoretical frameworks. This results in a divergent data material in the literature review.

First phase

In the first phase of the literature review, text books on the topic of strategy and strategic drift were studied. From this material, we were able to find additional material in form of journals and other text books. The collected material assisted us to formulate accurate search terms for the second phase of the literature review. Since the thesis examines the problem from both

corporate and consumer perspective, the literature review has two different perspectives. Table 1 and 2 shows the terms used in the search for literature.

Table 1. Search terms corporate perspective.

TX All Text		TX All Text		TX All Text
Strateg*	AND	Competitive advantage* Sustained competitive advantage* Customer orientation* Market orientation*	AND	Service sector* Service enterprise* Service compan* Insurance sector* Insurance enterprise* Insurance compan*

Table 2. Search terms farmers perspective.

TX All Text		TX All Text
Managing risk* Business risk* Business insurance*	AND	Agriculture*

Second phase

The findings from the first phase provided a foundation for the second phase in the literature search. To ensure that the literature review covered all of the essential material, the data was collected in a systematically way primarily from three databases; Web of knowledge, JStore and Google scholar. The search generated about 100 relevant articles from the viewpoint of the corporate perspective and about 50 relevant articles from the viewpoint of the farmer's perspective. However, all these articles were not relevant for the chosen topic and therefore a practical screening was carried out. The search was not limited to a certain time interval because no relevant factors pointing towards using such an interval existed. Still, to ensure ourselves that the thesis took into consideration the contemporary view of the problem, recent articles were always reviewed.

Third phase

The final step was to review the reference lists of all articles found in the literature search. The reason was to ensure ourselves that we did not miss out on any promising literature by not using exactly the same search terms. This also included the reference lists of the literature retrieved in the first phase.

3.3 The empirical study

The empirical study is based on a qualitative approach. The reason is that the aim of the study is to find a number of unknown factors that contribute significantly to the customer value of services related to Länsförsäkringar's offer. This means that the study must use open questions, which in turn means that a quantitative study, e.g. a survey, is not a possible approach. A quantitative approach requires awareness of which factors that determines the perceived customer value. The qualitative approach is also superior to quantitative in terms of the validity of the results. The reason is that it clearly reflects the respondents view, and it is possible to discuss any obscurities. However, a quantitative method is superior to qualitative in terms of reliable results. The reason is that it is possible to contact more respondents and thereby provide a general opinion in a population.

Qualitative method is superior to quantitative when it comes to providing a deep knowledge of a problem (Eliasson, 2010). Quantitative method is on the other hand better when it comes to providing a more general perception within a population. The problem requires a deeper and more profound understanding of what contributes to customer satisfaction, and therefore interviews were preferred.

3.3.1 Choice of company

The target of this case study is Länsförsäkringar Uppsala. The company initiated this study by purposing a framework of question that they wanted to investigate. Since the company only operates in the district of Uppsala, all primary data were collected in this area. This study will only address areas that lie within the operations of Länsförsäkringar Uppsala. Within this relatively extensive organisation, the thesis will focus on the agricultural insurance department. Agricultural insurance has a unique position within Länsförsäkringar Uppsala, and in retrospective, this has been an important reason for the company's success. The thesis will also examine the effects of Länsförsäkringar's banking services as an addition to the insurance operations. Because of the developments in the agricultural market and the increasing competition, the management stated the mentioned issues as a potential threat to the company's operations within this specific sector. After several meetings, we settled the aim and the research question in cooperation with the head of the agricultural insurance department and the head of banking operations.

The study do not take into account the strategies and offers of any competitor. The analysis will only process the respondent's perceived competition. The reason is that the study aims to identify which factors that are important for the perceived customer value. Hence, the actual offer from the competitors is not as important as how their offer is perceived by the customers.

3.3.2 Case study

“Case study is a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence.” (Robson, 2002, pp. 178). The empirical data is based on a case study of Länsförsäkringar Uppsala. The purpose of this study is to collect data in order to identify which activities that add value to the customers at Länsförsäkringar Uppsala. To determine which activities that are related to the sale process, the whole process must be studied to provide a holistic perspective. This is known as activity mapping (Johnson *et al.*, 2011). Interviews with the staff were carried out in order to identify the sales activities. Activity mapping is a way of identifying different activities and how they are linked together within the organization, so called strategic capabilities. Strategic capabilities derive from the linkages between different resources.

After the activities were identified, we assessed how they contribute perceived customer benefit. This was carried out by interviewing a number of current and former customers. The motive for the choice of interviews as method of collecting data was to be able to understand the customer's situation. In order to compare this with Länsförsäkringar Uppsala's view on customer orientation, flexibility and clarity was essential.

3.3.3 Interviews

Before the interviews were carried out, secondary data was studied to ensure the quality and the validity of the material from the interviews. To ensure a good structure of the interviews,

an interview guide was constructed (Kvale, 1997). The interview guide was semi-structured and divided into research question and interview questions. The research questions are general questions that the interviews seek to answer, and the interview questions are underlying question with the intention to answer the research questions. The interview questions are used during the interview. It is vital that the interview questions are clear and precise in order to avoid confusion during the interview. It is also important to avoid an academic jargon. Furthermore, if the questions are too precise, there is a risk that the conversation will struggle (Andersson, 2001).

In order to be able to formulate the research questions, the interview methodology was studied together with all of Länsförsäkringar's strategic documents. This was then used to identify eight factors that convert Länsförsäkringar's strategy to an offer. These factors are; products, synergies, perceived competition, the sales process, employees, structure and organisation, social and environmental responsibility, and brand. These factors are what the customers have to consider in their choice of insurance company and financial partner. Each factor has a number of interview questions that are actually used in the interview in order to investigate the importance of the factor. All questions are to be found in appendix 1 and 2.

It is of great importance that the interviewee is well aware of the purpose of the interview, what the aim of the study is, the reason they have been chosen and how the data will be used (Andersson, 2001). If these criteria's are not fulfilled, this can lead to speculations and uncertainty amongst the interviewees. Other relevant information to the interviewee is estimated time of the interview so that the respondent does not get anxious. In order to ensure that none of the mentioned problems occurred, a letter with information about the time-consumption and purpose of the interview was sent out.

Furthermore, it is important that the interview is executed in an environment that makes the interviewee does not get bothered (Ekholm & Fransson, 1987). Therefore all interviews were carried out in the workplace of each respondent. In order to enhance the conversation, it is important that the interview starts with more casual conversation off topic. It is also important that the purpose of the interview once again is clarified. During the actual interview, it is essential to listen very carefully and be respectful towards the respondent.

The number of interviews is decided by available time and resources but also the purpose of the study. Also, the number of interviews depends on level of saturation from each additional interview (Kvale, 1997). This means that the level of new information contributed by an additional interview is bound to decrease as the number of interviews increase. In the data collection, this was decisive for the number of interviews carried out in each category.

All of the interviews were recorded to ensure that no information where missed. The essential material from each interview was then typed down in a summary of the interview. All summaries where then used as the foundation for the empirical data. The empirical data was divided into two categories; one with data from interviews with employees at Länsförsäkringar and one with data from the customers. The data was also categorized under each factor.

All interviews were carried out between 2012-03-08 and 2012-04-23.

3.3.4 Choice of respondents

The purpose of the interviews is to provide a profound knowledge of the problem in question. Our collection of primary data started at Länsförsäkringar and the purpose was to gain knowledge of how their offer is constructed but also what they believe to be the foundation of Länsförsäkringar's competitive advantage. Three interviews were carried out at the company. We intended to use both operational and managerial sources in order cover the whole chain from strategic implementation to actual delivery of the product. We therefore interviewed one insurance salesman, one handling officer at the agricultural bank, and the sales manager of the agricultural insurance department.

In order to investigate how well Länsförsäkringar's strategy corresponds to customer needs, ten interviews were carried out at customer level. To ensure that the thesis covered all different preferences among the customers, three groups of customers were identified; Large-scale farm enterprises, non-active farm owners, and customers that have left Länsförsäkringar. This deviation disregard from Länsförsäkringar's market segmentation, i.e. the large-scale farm enterprises, the part-time enterprises, and the non-active farm owners. The reason that the part-time enterprises are excluded from this study is that their needs, in terms of customer value, are very similar to the large-scale farm enterprises. This is motivated by the fact the part-time enterprises' operations are the same as the operations at a large-scale farm enterprise, only in smaller scale. All respondents were provided from Länsförsäkringar's customer-lists by the employees.

To start with, interviews were carried out at large-scale farm enterprises. Among these, at least one had to be certified according to *Säker Gård* and at least one had to use Länsförsäkringar as their provider of banking services. Further, non-active farm owners were interviewed, of these, at least one had to use Länsförsäkringar as their provider of banking services. Finally, customers that no longer use Länsförsäkringar as their financial partner were interviewed. In the final group, at least one large-scale farm enterprise. Saturation within each group were achieved after five interviews in the first group, three interviews in the second group and two interviews in the third group. The reason why the first group needed more interviews to achieve saturation was that this group is perceived as much more heterogeneous.

4 The empirical study

This chapter contains the primary data from all interviews, both at corporate and customer level.

4.1 Länsförsäkringar Uppsala

The following part contains the primary data collected from the interviews at Länsförsäkringar.

Respondent 1 is a salesman for agricultural insurance products.

Respondent 2 is banking advisor at the agricultural bank department.

Respondent 3 is managing the agricultural insurance department.

All data has been combined into one summation of each factor. The questions are to be found in appendix 1.

4.1.1 Products

In 2009 Länsförsäkringar carried out an adaptation of the terms for agricultural insurance. The motive was to adapt the supply of products to the structural changes within this particular market. The process was named MIL, for *modernisation towards the agriculture sector*. Before MIL, Länsförsäkringar had only one product as the basis to insure agricultural enterprises. Respondent 1 states “This product was suited for a structure the agricultural sector had left in the 1980’s”. Up until now, the sector has since undergone a massive change and because of this, the enterprises have become more and more heterogeneous, and the old solution has become obsolete. In the MIL-process, Länsförsäkringar developed two products to better be able to cope with the heterogeneity. The first product is developed for the needs of non-active farm owners, and is very similar to a regular household insurance, but with some additions for farm buildings etcetera. Respondent 1 states that “I think that this product is very standardized and rather simple in its constitution, and therefore well suited for this segment”. The second product is developed for active agricultural enterprises and is more similar to other owner-operated enterprise insurance, in other industries. This product is much more flexible, where additional branches can be included in the agricultural insurance. This opens up for more complex and comprehensive insurance solution. The MIL-process also clarified which activities that could be included in the agricultural enterprise insurance and which should be included in the terms for other enterprises.

The MIL-process is a result of the customer’s new demand generated by the structural changes in the agricultural market. Länsförsäkringar has very much been forced into this modernisation-process, as a consequence of being the market leader. All interviewees believe that the current solution is well-suited for modern agricultural enterprises.

4.1.2 Market strategies

The market strategy clearly states the importance of finding agricultural enterprises in change. This means enterprises that are developing new branches, extending current operations or changing ownership due to generational change. How this is achieved in the daily operations is, however, not stated. Respondent 3 puts this as “I do not know how we are to find the enterprises undergoing change, we are struggling with that right now. I do not have an answer

but we have raised the question”. The process of change at farm level does not naturally involve a contact with Länsförsäkringar, since insurance is one of the last steps in this process. Hence, Länsförsäkringar is no natural partner when it comes to planning a change. Respondent 3 believes that “This is problematic because it has proven more likely that customers undergoing change are more open for financing suggestions and additional sales”. Länsförsäkringar is currently focusing resources towards this issue to be able to find a solution. However, the position as market dominant makes it possible to find a large proportion of the changes among the client, but not at an early stage. The problem is therefore to boost sales, especially the banking services, through these changes.

The most obvious solution to this problem is to have the customers approaching Länsförsäkringar instead of Länsförsäkringar finding the enterprises in change. According to several of the interviewees, this is achieved by being visible in the market and establishing Länsförsäkringar as a natural partner in the process of change. Respondent 1 points out a competitor as a good example “Swedbank has developed simple solutions for many of these processes, where the solution is presented as a package-deal including all services required to handle a certain issue, for instance generational change”. The same interviewee also states that Länsförsäkringar would have to complement competences from cooperation with external firms to be able to tailor these solutions. This would for example include services related to law practice.

A very important part of the market strategy is how to process each segment. During one of the interviews it emerged that the strategy for how to do this must be clarified. Today, all active agricultural enterprises receives a personal contact by a salesman at least every second year. Länsförsäkringar has a clearly stated strategy towards this segment and this strategy arises from a willingness to have the best competence in the market, within this field. However, the non-active segment is processed by the local representatives and the part-time enterprises do not receive any active processing at all. Respondent 1 states that “The part-time segment falls through the cracks, and I think they will need more attention in the future”. However, the same respondent believes that this segment will decrease in size in the future. The opinion among the interviewees is that processing of the non-active segment is too costly and ineffective, and that a restructure of the local representative organisation is required. Furthermore, the part-time enterprises are neglected from a strategic point of view. Respondent 3 states that “We need to develop new and clearer strategies of how to process the segments“. Other local companies within Länsförsäkringar’s organization have solved this issue in different ways. For example, some companies have placed the non-active farm owners within the private segment, which means that they receive processing from private salesmen. Other companies have disregarded from processing of the non-active farm owners, and finally some local companies have a franchise-contract with the local representatives that in turn are responsible for the processing.

Länsförsäkringar has a unique opportunity for processing the agricultural segment via proactive claim activities. Respondent 3 put this as “In this case, Länsförsäkringar enters the process of change at an earlier stage which makes it easier to discuss financing solutions”. The view of how this opportunity is gathered up is diverging among the interviewees. One of the respondents, who are employed as a banking officer, seems to think that this process is going very well, and a lot of sales-opportunities are created via this channel. One of the insurance salesmen thinks that there is still a lot to do and that success depends on broadening the competences among the employees. Still, all believe that the proactive claim activities are a great opportunity to become a partner at an earlier stage of a farm’s changing process.

A new tool for processing clients has emerged through the use of internet. Recently, a solution that has been used towards other small-scale enterprises has been introduced to the agricultural segment. Via this tool, the processing is done electronically, and the basic idea is that a simple check-up, usually performed by a salesman, is now carried out by the customers themselves via internet in order to identify any new need for insurance. This is believed to be an efficient complement to the usual meetings.

4.1.3 Synergies

All of the respondents believe that one of Länsförsäkringar's competitive advantages is that they can provide an overall financial solution under one roof. Even though a lot of resources are focused on emphasizing this, all interviewees believe that a lot more could be done, especially in-house. One important step in this process is joint customer meetings between bank and insurance. Respondent 2 believes that this is imperative not only to increase customer awareness but also to increase competence about the other area among the employees. Joint customer meetings has been introduced in the goals for 2012 and effects of this strategy has already been noticed. In the normal type of customer meetings, i.e. when primarily only insurance matters are discussed, the salesman needs to be able to assess whether or not a customer qualifies for the offer but also if they are responsive. Again, this requires a higher competence.

To ensure that customers benefit from having only one partner for their financial services, respondent 3 believes that Länsförsäkringar needs to be efficient in every customer meeting. Respondent 3 states "This is important so that the customer perceives a clear, non-economic value of having Länsförsäkringar as their partner". Yet again, all interviewees think that more could be done to achieve this. Whether or not this is achieved today, depends very much on the individual salesman. Therefore, respondent 2 identifies the need for a framework to implement this among all employees.

Another important issue is to ensure that Länsförsäkringar's overall solution is also beneficial from an economic perspective. In the current configuration, customers receive discount on the private insurance if they adopt the *helkund*-offer. The general opinion is that the economic discount is not sufficient for large-scale farm enterprises. For the non-active farm enterprises, where paid premiums are usually lower, the discount is perceived as sufficient. Some suggestions are made for how to enhance the economic benefit for active enterprises, for instance a discount on mortgage interests, excess reduction or a small discount on the agricultural enterprise insurance. However, the head of agricultural insurance argue that there is no room for additional discounts on the insurance. He also argues that the current discount affects the customer's private economy and is thereby worth more than additional discount for the enterprise.

4.1.4 Perceived competition

The general consensus among the respondents is that the competitors' product offer is rather similar to Länsförsäkringar's. However, they all believe that Länsförsäkringar provides a lot better service, foremost through the local attachment and good knowledge of agriculture. Also, Länsförsäkringar is the only company in this market that provides proactive claim activities. Respondent 3 believes that the competitors almost exclusively compete with price.

Respondent 1 tells about how some competitors aim to provide an overall solution by establishing cooperation between banks and insurance companies. "It exists a reversed

relationship compared to Länsförsäkringar's case" according to respondent 1. Thus, banks with a high market share such as Swedbank and Landshypotek use their stock of clients to sell insurance via their partner. In this case, it is very easy for customers to receive and compare the competitors' offer to Länsförsäkringar's. Since the other companies usually compete with price it is a challenge for Länsförsäkringar to motivate the often higher price.

It has also occurred that competitors take advantage of the services that Länsförsäkringar provides. For instance, competitors have made offers to customers that have recently undergone the certification process of *Säker gård*, according to respondent 1. This is problematic because the process requires a lot of time and resources from Länsförsäkringar, which in this case is not rewarded by a sustained relation.

4.1.5 The sales process

The sales process consists of four different types of meetings; Customer meeting, Telephone meeting, Internet meetings and Proactive claim meeting.

Customer meetings

Respondent 1 believes that insurance is a complicated product and most customers are not very familiar with the terms and conditions of their insurance. Respondent 1 also states that "The customer meeting is a great opportunity to meet the customer face to face in order to provide an overview of the products in question". According to all respondents, this is one of the key aspects in order to build trust between the client and the company. In the personal meeting, as well as all the other types of meetings, all respondents believe that competence is crucial. "The agricultural segment is unique in the sense that there is a tendency that the clients require that the employees are very familiar with conditions and terms of the particular sector, which is not the case in most other sectors." according to respondent 1.

Telephone meetings

The telephone meeting is an important complement to the personal meeting. All of the interviewees believe that the most important feature of this type of meeting is for the customer to get in contact with the company. Hence, it is important to be available so that the customer is noticed rather than actually solving the problem instantly.

The telephone meeting can also be used as a channel for the salesmen to maintain customer relations. This channel is far less time-consuming than actually visiting every farmer and Länsförsäkringar are trying to direct more of the customer relations work towards this channel. The premises for the channel have improved, mainly because of the introduction of new technology. For instance, respondent 3 argues that "The use of cell phones has made it a lot easier to get in touch with customer today, than it was fifteen years ago".

Internet

Internet is currently not used as a channel for direct sales but rather a source of information for how to solve a problem or where to turn with questions. According to all respondents, internet can potentially be used for direct sales of some products in the future. In this case, it is believed to be important that all information is presented in a simple and clear way. Also, this channel can be used in processing of customers.

Proactive claim activities

Proactive claim activities are considered a service rather than a channel for sales by respondents 1 and 2. The purpose of this channel is to assist the clients in factual questions. Further, it is believed to be an opportunity for both building trust and increasing sales.

4.1.6 The employees

All respondents perceive that employees have a lot of experience and good knowledge of the agricultural market. Furthermore, the local attachment is believed to make the employees well acquainted with the clients and their situation.

As the companies, and thereby the insurance solutions become more complex, it gets harder for the employees to be a specialist in more than one area, according to the respondents. Instead, the employees should have a broad knowledge of all services that Länsförsäkringar provides. This is perceived as important in order to seize sales opportunities and to know when to ask for assistance from other in-house specialists.

Länsförsäkringar's market strategy celebrates the success of the implementation of customer orientation. However, the interviewees unite in the belief that there is still a lot to do, and that the product focus is still too distinct. Although, the interviewees think that they have started to see a basis for increased customer orientation. This means that strategies and frameworks increasingly guide employees towards seeing the customers' needs as a whole, instead of them only focusing on their own area of expertise. In order to keep going in the right direction, the respondents believe that it is vital to broaden the knowledge among the employees as well as increasing the awareness of customer needs.

4.1.7 The local representative organisation

The local representative sales organisation does not work satisfactory. All respondents think that the organisation is in strong need of a modernisation and potentiation. The problem is believed to be the terms of employment and thereby lack of cooperation between the company and the representatives. "This leads to lack of control of the representatives and absence of implementation of strategies which makes it impossible for the representatives to keep up with current products and systems" according to respondent 1.

However, the local representatives are perceived to be an important part of Länsförsäkringar's history. They are also perceived as a crucial contribution to the local attachment, and thereby part of Länsförsäkringar's competitive advantage. All interviewees argue that there is high potential in this organisational structure. Respondent 2 believes that the local representatives are actually delivering sales opportunities for the bank. Also, respondent 1 and 3 both states that the local representatives are more efficient than the number of salesmen Länsförsäkringar could hire for the same cost.

4.1.8 Social and environmental responsibility

Respondent 3 explains that Länsförsäkringar complies with a number of policies and are certified according to environmental standards. None of the employees believes that this have had any effect on sales, or affected the customer's choice of insurance company. However, they all believe that this is necessary to maintain credibility.

4.1.9 Why customers choose Länsförsäkringar

In the final question in each interview, the employees were asked to point out which factors they believe determines which insurance company a customer will choose. All respondents

believe that trust is vital. Respondent 2 states that “The customers must feel confident that if something happens, their insurance company will compensate them”. Further, simplicity and availability is also believed to be important. The fact that Länsförsäkringar is owned by its customers is not believed to be a determining factor. However, it is assumed a bonus that there is no owner that is requiring dividends. In Länsförsäkringar’s case, all interviewees believe that the brand clearly represents this. They also believe the brand signals good knowledge of the agricultural market. The employees think that it is possible for Länsförsäkringar to charge a higher price for its products as an effect of better service.

4.2 Customers

The following part contains the primary data collected from the interviews carried out at customer level. All respondents belong to the agricultural segment. In table 3, a summary of the respondents’ characteristics are to be found.

Table 3. Overview of the respondent characteristics.

Respondent	Currently customer at Länsförsäkringar	Active	Non-active	Insurance	Bank
1	X	X		X	
2	X	X		X	
3	X	X		X	
4	X	X		X	X
5	X	X		X	X
6	X		X	X	
7	X		X	X	X
8	X		X	X	X
9		X		X	
10		X		X	

Respondent 1 runs a large scale farm enterprise. The respondent works as inspector at a farming company that operates 1500 hectares of tillable land for crop production. The company also runs an egg production plant. The respondent does not own the land himself but is managing the company on behalf of the owner.

Respondent 2 runs a large scale farm enterprise. The respondent is responsible for the production in a family owned company that operates large scale crop production on about 250 hectares of land, as well as beef production, forestry, and house rental business.

Respondent 3 runs a large scale farm enterprise. The respondent is responsible for the production in a family owned company that operates large scale crop production on about 200 hectares of land, and is also shareholder in a large scale pig production company.

Respondent 4 runs a large scale farm enterprise and uses Länsförsäkringar as bank. The respondent is responsible for the production in a family owned company that operates crop production, beef production, forestry and house rental business. The respondent also works 75 % off farm.

Respondent 5 runs a large scale farm enterprise and uses Länsförsäkringar as bank. The respondent is responsible for the production in the family owned company that operates crop production on about 85 hectares of land.

Respondent 6 is a non-active farm owner. The respondent works 100 % off farm and lease the land to an active farm enterprise.

Respondent 7 is a non-active farm owner and use Länsförsäkringar as bank. The respondent is semi-retired and works 50 % off farm. The respondent lease the land to an active farm enterprise.

Respondent 8 is a non-active agricultural farm owner and use Länsförsäkringar as bank. The respondent works 100 % off farm and lease the land to an active farm enterprise.

Respondent 9 runs a large scale farm enterprise but does no longer use Länsförsäkringar as insurance company. The respondent uses *Dina Försäkringar* since three years. The respondent is responsible for the production in a family owned company that operates large scale crop production on about 140 hectares of land, and forestry. The respondent also works 50 % off farm.

Respondent 10 runs a large scale farm enterprise but does no longer use Länsförsäkringar as insurance company. The respondent uses *Dina Försäkringar* since about one and a half years. The respondent is responsible for the production in a family owned company that operates large scale crop production, forestry, and contracting. The respondent is also a shareholder of a large scale pig production company.

All data from the interviews has been combined into one summation of each factor. The questions are to be found in appendix 2.

4.2.1 Products

The perception among all interviewees, regardless of segment, is that Länsförsäkringar's portfolio of products is sufficiently extensive and well suited for modern agricultural enterprises. None seem to believe that there are any gaps to fill or that Länsförsäkringar is not adequately flexible. Almost all of the active large-scale farm enterprises receive an annual meeting at the farm where all insurance-matters are discussed. However, respondent 4, 9 and 10, do/did not receive this type of meeting, and state that they are not very impressed by Länsförsäkringar's services. Furthermore, almost all interviewees think that the products conform to the specification and perceive the claims process as smooth. However, respondent 4 does not agree with this view and says; "When an accident occurs, the premium feels expensive".

In the future, all respondents believe that customers will make comparable demands from their insurance company. Although, many of them believe that the standards will be raised up, mostly because the scale of production will increase among the farmers and the significance

of the cost of insurance will increase. Moreover, respondent 4 believes that when the non-active segment grows larger, the customers will not demand as much full-value insurance as in the past. The reason is that non-active farm owners do not use farm buildings for the same purpose as intended when they were built, which in turn means that these customers are not interested in replacing them with similar buildings in case of damage. Finally, all respondents believe that a good knowledge of agriculture and the agricultural market among the employees will continue to be very important. Respondent 3 states “It is of great importance that the Länsförsäkringar’s employees have a profound knowledge of agriculture, not only in the local companies but also at higher up in the company”. Finally, many respondents believe that the competition in the insurance market will increase.

When comparing Länsförsäkringar’s products to those of the competitors, there are no obvious differences to be found, according to respondents 9 and 10. However, the area of insurance is complex and it is difficult to compare different alternatives and actors.

4.2.2 Synergies

All interviewees were aware of the fact that Länsförsäkringar provides both insurance and banking services. This information had been received from both employees and via marketing. However, it is clear that all the respondents who are currently using banking services have approached Länsförsäkringar in search for an offer rather than the other way around.

Only respondents 5 and 9 were able to appreciate the connection between bank and insurance. The only advantage stressed by these respondents was the convenience of having all this information on the same webpage and that this is easier to overlook. Those who actually use both services have not perceived the connection between bank and insurance as obvious, and respondent 5 states “It does not matter if they have all services under the same roof, you still do not approach the same people for the different matters”. However, they do not demand that the same person must be an expert in both areas, but many believe that there is a dividing wall between the different departments and that the cooperation between departments must be improved. Respondent 4 puts this as “I do not think that the bank people and insurance people cooperate as much as they should. This is something that needs improvement if customers are to draw any benefits of having only one company”. Respondent 4 further gives an example where he was to receive a payment from Länsförsäkringar. Despite the fact that he has his bank accounts at Länsförsäkringar, employees from the insurance department had to phone him in order to get a hold of the account number instead of seeking this in-house, which was perceived as very unsmooth by the customer. Most of the interviewees believe that offers from different bank are rather similar and they are therefore unwilling to switch bank unless they have been treated poorly by their current bank. Respondent 1 claims that “People in Sweden divorce more often than they switch bank”.

The discounts connected to the *helkund* offer are perceived as sufficient among those who receive it, however, respondent 2, 4 and 7 states that customers are always interested in more discounts. Respondent 5 emphasizes that Länsförsäkringar is very good at pointing out the different discounts which in turn makes the customer aware of them. Respondent 4 also states that this makes you think twice before choosing another company. The respondents who are not currently using Länsförsäkringar as their bank often points out a good relation to the current bank.

4.2.3 Perceived competition

The competition in the insurance market is perceived as low by the customers, and many of the respondents argue that it is too low. Only respondent 7 mention that he has been actively approached by one of the competing firms. This occurred in connection to a meeting at a bank that had established cooperation with an insurance company. However, all interviewees believe that the competition in the insurance market will increase in the future. Most respondents also believe that the attitude among the farmers will be more business-like. Respondent 3 thinks that tradition will play a less significant role and that quality and praiseworthiness will play a more significant part. However, all interviewees perceive that the complexity of the matter makes it very difficult to compare the different companies' offers. Also, all respondents' state that one will never know what the compensation for claim would have been if one would have chosen another company.

Länsförsäkringar is perceived as an expensive, but high-quality, alternative compared to the other companies. All respondents that have altered insurance company did so because they were unable to see the benefits connected to Länsförsäkringar's higher premium. They also perceive that they have received the same level of both service and knowledge as they did from Länsförsäkringar. These respondents also state that they have cut their cost of insurance significantly. Though, respondent 10 emphasizes that he would prefer to still use Länsförsäkringar as his partner but the businessman in him could not motivate this. On the other hand, respondent 4 and 6 states that they would gladly change insurance company, but have not yet set to work. Also, respondent 4 has approached a competing firm, and state that the cost would decrease more than the discount connected to the *helkund* offer.

Most of the respondents are content with Länsförsäkringar as their insurance company. These respondents emphasize their good relation to Länsförsäkringar which has been developed over many years. They also highlight the good service that Länsförsäkringar offer. Respondent 3 did for a period of time use a competing firm as insurance company but altered back to Länsförsäkringar since the competing firm could not deliver trustworthiness.

4.2.4 The sales process

The sales process consists of four different types of meetings; Customer meetings, Telephone meetings, Internet meetings and Proactive claim meetings.

Customer meeting

All respondents, except respondent 8, argue that having a specific contact person whom they can always approach, regardless of the matter, is essential. For example, respondent 2 thinks "It is of great importance that I have one person who I feel comfortable in contacting, regardless of what my problem is so that he or she can guide my through". The important part is not to be able to answer all questions but rather to have someone within the company who can guide you through to the right person. This person should be the main contact and must be able to easily understand the customer's specific situation. It is also important that the employees can approach different people accordingly. In order to do so, it is of great importance that the employee is very open-minded but also well oriented in agricultural matters. The active agricultural enterprises all think that this person should approach the customers frequently, for example once every year or once every second year, in order to ensure that the customers have the cover they need. However, respondent 4 have not received this contact in many years and is unaware of who his contact person is, which he states as a clear problem. Furthermore, most of the respondents perceive it as important that the employees have a good knowledge of the product they are selling to ensure credibility. Also,

because of the complexity of the matter, this is of great importance in order to be able to explain the products to the customers.

Telephone meeting

When contacting the company via telephone, all respondents seem to believe that it is not a very big difference compared to the customer meeting. Though, it is important that it is easy to get in touch with the company. Those of the respondents that are aware of who their contact person is, all perceive the availability as very good. These respondents tend to use this person to get in touch with the company. However, respondent 4, 6, and 8 are not aware of who their contact person is and find the availability insufficient. These respondents also points out the telephone central as complicated. Respondent 4 clearly states “The telephone central is very complicated to get through, and I think it is hard to get in touch with the right person”.

Internet

Internet is mainly used for gathering information about insurance. Respondent 3, 4, 8, 9, and 10 would all be willing to use internet tools as a complement to the personal meeting and telephone contact, to review their insurance. The other respondents are firmly unwilling to do so with complexity as their main motivation. These respondents state the importance of the personal contact in order to be able to deal with questions and to understand the consequences of a certain change. Respondent 6 believes ”I think that these matters require a personal contact. For example, if I were to do any changes in the insurance, I want to be certain that I know the consequences of this action. These kinds of questions always pop up, and I think that you need a person to discuss this with”.

Respondent 3 think that the webpage does not deliver the information that customer’s request. For instance, he where unable to find the telephone number to a certain employee, which according to the respondent is of great importance.

Proactive claims activities

In the proactive claims process, the knowledge of rules and standards is perceived as the most important matter by the respondents. Customers usually contact the proactive claims representative in the middle of an on-going process, which in turn generates the need for quick and accurate answers. The on-going proactive work that Länsförsäkringar is carrying out is received with mixed feeling by the customers. Mainly, all argue that this process is necessary for the benefit of all parties, in terms of the reduced number accidents and claims. Many respondents state that it is easy to become unaware of this type of problems at the farm or in their home. Furthermore, respondent 2 points out that the method of contributing money when installing residual current devices is a good and efficient way to accelerate change. However, sometimes the customer does not appreciate the necessity of the measure. For example, it can be perceived as overly cautious and that the cost of the measure does not respond to the benefit. In this case, proactive claims are recognized as unnecessary. Respondent 3 describes this as “You do not have to build a rabbit hutch out of concrete”. Moreover, this problem becomes more significant since many customers feel that the premium continues to increase.

The *Säker gård-concept* is considered an appealing notion by the respondents, and a good way to reduce both risk and cost of insurance. All interviewees are aware of the concept and most of the respondents have already got, or is well on the way towards certification. Respondent 10 had undergone this certification process. This was something that the

competing firm took into account in their offer which in the end made the premium even lower than it would have been without the certification.

4.2.5 Employees

All respondents think that Länsförsäkringar's employees have a good knowledge about the agricultural market and the condition at farm level. They also think that the employees have a good knowledge of the products they are selling and that they can adapt these products to each specific customer's situation. The majority of respondents also perceive the employees as very service minded. Moreover, the respondents clearly state that the employees do not have to be experts in all areas but it is important that the respondents have someone to turn to with their questions. Respondent 2 point out that Länsförsäkringar's employees are very visible in the agricultural insurance market, which is perceived as very positive. For example, they often attend agricultural exhibitions and other agricultural gatherings.

Most of the respondents are unable to point out any weaknesses among the employees. However, respondent 9, who is no longer using Länsförsäkringar as insurance company, tells about how he at first was very satisfied with the level of service from the local representative. When this representative retired, he was informed that a new representative would take care of his insurance from now on. From then, he has not heard from Länsförsäkringar, and because of this, he decided to leave the company.

4.2.6 Structure and organisation

The fact that Länsförsäkringar is operated as a local company, with its base in Uppsala, is not thought of as a significant advantage by the respondents. On the other hand, all respondents believe that it must be easy for the company's representatives to visit the customers. For this reason, the idea of the local representative organisation is perceived as very positive. The respondents believe that it would be easier to get in touch with the local representatives rather than going via the telephone central, but also that it is very favourable that the local representatives are well aware of the specific local conditions. However, respondent 7 think that it may feel uncomfortable to commend a neighbour with this type of personal information. Also, most of the respondents that have previously had contact with the local representatives think that this does not function adequately anymore. Foremost, many respondents are not aware of that the local representative organisation is still functioning, and keeps referring to the old local representative organisation. For example, respondent 3 states "I think the time for the local representative organisation has past, and I am not sure whether it still exists". Furthermore, some respondents state that local representatives are not sufficiently active in the market.

None of the respondents states that the fact that Länsförsäkringar is owned by its customers has been imperative in their choice of insurance company. However, none of them think that this is negative in any way and respondents 4 and 7 mention this organisation structure as a competitive advantage. Also, none of the respondents perceive themselves as owner of the company.

4.2.7 Social and environmental responsibility

All of the respondents except respondent 7 unite in the opinion that Länsförsäkringar take important environmental responsibility through their collection of scrap material, chemical waste and electronic waste. This service is perceived as a significant additional value and is very appreciated by the customers. None of the respondents were able to answer the question whether Länsförsäkringar takes any social responsibility relevant to the agricultural sector.

Finally, all respondents argue that Länsförsäkringar's social and environmental responsibility is not a decisive factor in their choice of insurance company.

4.2.8 Brand

The majority of the respondents find it difficult to answer what Länsförsäkringar's brand represent. However, most respondents think that Länsförsäkringar has a strong historical connection to agricultural insurance. These respondents believe this adds credibility to the brand. Länsförsäkringar is not viewed as a low-cost alternative but rather as a stable and secure company. Generally, all respondents believe that Länsförsäkringar has a very good reputation and respondent 6 state; "they would not have as dominating market share if they did not have a good reputation".

Respondents 4, 9, and 10 states that many of the competing firms have stronger positions in other areas of the country. Therefore, many of the competing firms are not perceived as new companies, which in turn increase their credibility.

4.2.9 Why customers choose a certain insurance company

The respondents from the active farm enterprise-segment emphasize the knowledge of the agricultural sector as a crucial factor in their choice of insurance company. It is also important that the customers feel comfortable with their contact person. Furthermore, many respondents point out the price, and that the price cannot differ too much from the competitors' price. Respondent 4 puts this as "A low premium is of course important, as a business man you want to spend as little money as possible. However, the premium must not be lowered at the expense of what I get back from a claim". The price must be put in relation to what you expect to receive from a claim. Finally, the customer must feel confident in the belief that the insurance company will be fair when appraising a claim.

5 Analysis and discussion

The following chapter aims to analyse the empirical findings from the perspective of the theoretical framework. This means analysing Länsförsäkringar's strategy in relation to collected data from customers, with the theoretical framework as the foundation. The analysis is based upon the factors identified in Länsförsäkringar's strategy.

5.1 Structural changes in the agricultural market

The agricultural market is undergoing a considerable change. The business risk at farm level has increased, mainly because of increased variance in product prices and increasing prices on inputs, which in turn generates a higher need of external financing. The underlying factors to increased risk at farm level are changes in the farmer's macro-environment, such as technological developments, global economic factors and environmental changes. Statistics show that the average farm size in Sweden is increasing (SJV 2011:33). According to Schurle and Tholstrup (1989), this is a result of the farmer's increased risk exposure. This has implications for the Swedish agricultural industry which in turn affects the market where Länsförsäkringar operates (Johnson *et al.*, 2011). Since the business risk among Länsförsäkringar's customers have increased, it is likely that the demand for insurance will be stable or increase in the future.

5.2 Products

Länsförsäkringar's strategy emphasizes that the products must be well adapted to each segment of customers in order for the firm to be attractive. The employees also seem confident that this is the case and believe that the products are well suited for the different segments, mainly because of the undertaking of the *MIL-process*. The opinion among the customers is also that Länsförsäkringar has a sufficiently extensive product portfolio. The non-active segment considers the products understandable and well suited. The large-scale farm enterprises states that there are products that matches their increased complexity and more extensive operations. This implies that Länsförsäkringar has succeeded with dividing the market into segments, and also that Länsförsäkringar understand what the different segments require in terms of products, according to Kotler's theories of market segmentation (1999). The on-going development in the agricultural market is believed to follow the current path, where the number of non-active farm owners will increase, and that the active enterprises will grow larger and become more complex. This points towards that the segmentation will continue to be suitable in the future. This means that Länsförsäkringar have managed to adapt their products to the changing market in a good way, and that this is likely to maintain in the future.

The empirical findings also points to that the products conform to specification. Prajogo and McDermott's study (2011) proposes that this is not very important however, all respondents states that this is an important feature to maintain credibility. The reason is that the customers cannot know in advance what they will get in terms of a claim, which makes trust very important. So in order to motivate a high premium, it is important that Länsförsäkringar makes their customers secure in the belief that they would be treated fairly in case of a claim.

The products themselves are not to be considered a sustainable competitive advantage according to the Barney's VRIN-framework (1991), mainly because it is easily duplicated by competing firms. The respondents who have left Länsförsäkringar clearly state that they cannot perceive any differences when comparing Länsförsäkringar's products with the competitors'. However, they all believe that the area of insurance is too complex to grasp any

differences. This further demonstrates that the products are not a source of competitive advantage. However, the products are the foundation of Länsförsäkringar's operations, and having products that are well suited for the customers' needs is imperative for performance and trust. In order to maintain a well suited portfolio of products, it is important that managers are aware of on-going changes in the market and try to understand the environment (Johnson *et al.*, 2011).

5.3 Market strategies

In their strategic documents, Länsförsäkringar emphasizes that it is of great importance to find agricultural enterprises that are undergoing change. The reason is that this is a great opportunity to offer the customers Länsförsäkringar's financial services and other additional sales. However, according to the empirical findings Länsförsäkringar do not own the resources required to find such farmers, as stated by Grant's resource-based theory (1991). Hence, this part of Länsförsäkringar's strategy is not based upon the firm's resources and therefore not very suitable. The reason is that Länsförsäkringar is no natural partner for farmers that are planning a change. If Länsförsäkringar are to achieve their strategy to any greater extent, they have to establish cooperation with firms that own the resources that Länsförsäkringar do not, in this case a firm that is a natural partner of a changing process at farm level. Though, some of the customers approach Länsförsäkringar at an early stage of this process, for example to receive information from the proactive claims department. Therefore, it is of great importance that Länsförsäkringar work actively with additional sales in these cases and also that the proactive claims department are familiar with Länsförsäkringar's financing solutions.

Länsförsäkringar's market strategy further states that the non-active segment requires more consulting. However, the perception from the empirical study points to that the segment is in more need of contact rather than consulting. It has clearly shown that the customers that are the most content with Länsförsäkringar as their insurance company are those who are aware who their contact person is, while those who are not aware of this, are more discontent. This is valid for all segments. This means that this activity is of particular importance to deliver customer value according to Porter's value chain theory (1985). In one of the interviews at corporate level, it emerged that the company does not have a clear strategy of how to process all segments. The empirical findings indicate that the customers want a personal contact, this is especially important for the active enterprises, but also for the other segments. The processing of the non-active segment is not working sufficiently well, according to the empirical data. In order to establish a relation to the customers in this segment, Länsförsäkringar need to restructure the organization to approach them. In this case, the local representatives constitute a suitable solution. The local representative organization is perceived as valuable by the customers, and the organization aligns with Länsförsäkringar's strategy, which states that the local attachment is important. Although, most of the customers do not know that this organization is still operational. Hence, the local representatives must be more active in the market. Also, Länsförsäkringar must be better at pointing out this organization. To achieve this, the local representative organization needs more guidance from Länsförsäkringar of how to operate in the market, which according to Porter (1996) is a managerial question. The part-time enterprises also need more attention, according to the respondents at corporate level. As mentioned earlier, their needs are similar to those of the large-scale farm enterprises, and therefore Länsförsäkringar need to have clear strategy of how to approach them.

Furthermore, the large-scale farm enterprises really appreciate the annual meeting and consider this a great opportunity to discuss insurance matters. In the large-scale farm segment the processing functions well, however in those cases an active customer has been neglected, the discontent is very substantial. The reason is that this level of service does not match to customers' expectations on Länsförsäkringar. In Länsförsäkringar's strategy, it is obvious that the company has chosen what Porter (1985) would call a differentiation strategy. This means that the company has positioned themselves as a provider of high-quality service, which is believed to be a unique value to the customers. When choosing such a strategy, it is important to stay consistent to this. If Länsförsäkringar are unable to motivate the additional premium connected to this strategy, this creates discontent among the customers who pay the additional premium. If Länsförsäkringar fail to deliver additional value to many customers, this will undermine the company's reputation according to Porter (1996). Hence, it is important to maintain a good relation with their large-scale farmers.

This implies that it is very important for Länsförsäkringar to approach all customers and inform them who they should contact if they have any questions about their insurance. If Länsförsäkringar are to be able to motivate their higher premium in the future, it is of great importance that they deliver customer value. As the interviews clearly shows, having a contact person is considered an important value. For instance, all respondents that have altered insurance company did so because they were unable to see the benefits connected to Länsförsäkringar's higher premium, such as high level of service. Prajogo and McDermott (2011) states that customer retention is very important. The reason is that the cost of finding new customers is greater than retaining the current customers.

At the interviews at corporate level, the solution of using internet as an additional channel for processing customers was mentioned. The empirical data from the customers indicates that this can be a good complement to a personal contact, especially among the younger respondents. However, the respondents that have more extensive and complex operations within their company tend to be more unwilling to use this tool. Also, it is not believed that this can replace the personal contact. This indicates that this can be a valuable resource in the future, especially for processing the non-active and the part-time segments.

5.4 Synergies

Länsförsäkringar's strategy focuses on the fact that the company provides all financial services under one roof. The strategy also states this as a competitive advantage. All of the respondents are also aware of the fact that Länsförsäkringar provides both banking and insurance services. However, none of the responding customers are able to see the advantage of this organisation. The respondents think that banking and insurance are two completely different matters, and that you contact different people for different matters. This means that Länsförsäkringar has failed to communicate the advantages of this organisation to the customers. The main reason for this failure is the ineffective in-house work. For instance, the respondents who use both services believe that there is a lack of collaboration between the two departments. The employees are also aware of this problem and states that a lot more could be done in-house, and points out joint customer meetings as part of the solution. According to Porter's theory of sustained competitive advantage (1996), it is essential to create fit among activities. In order to make Länsförsäkringar's resources, i.e. providing both banking and insurance services, a sustained competitive advantage, it is essential to increase interaction between the two activities and create fit among them. In conformity with Porter (1996), Grant (1991) states the importance of coordinating and combining resources. Grant states that few resources are valuable on their own, but by combining and coordinating these

resources, the result becomes more unique and harder for competitors to imitate. For example, fit or coordination between the mentioned resources can be achieved by increased number of joint customer meetings, increased collaboration between banking employees and insurance employees, increased training in other area, and an increased focus and training in customer service.

In the market strategy, Länsförsäkringar states that customers that use both banking and insurance services tend to stay longer within the company and also tend to be more content with the company's services. However, since many respondents are unable to see the benefits of having one company, this advantage is hard to prove. For instance, one respondent is very content with Länsförsäkringar's banking services but not with the insurance services. This respondent states that he would gladly change insurance company to a competing firm. Hence, Länsförsäkringar must enhance the benefits of using one company in order to make these customers more loyal to the company.

In order to make customers more willing to use Länsförsäkringar as their only provider of financial services, Länsförsäkringar has introduced the concept of *Helkund*. This concept is connected to economic discounts when using a certain combination of Länsförsäkringar's services. Two of the respondents at corporate level perceived this discount as too insipid and that when they approach a large-scale farm enterprise, the sum of the discount seems to have little effect upon the customer. However, all customers that receive the discount perceive it as sufficient. The respondents also think that Länsförsäkringar are very good at pointing out these discounts and also that the discounts make you think twice before leaving Länsförsäkringar. This points to that there is nothing wrong with the level of the discounts. However, it does not seem sufficiently high to persuade customers that have established a good relation to another bank to switch to Länsförsäkringar, since most of the respondents states that they remain firmly unwilling to switch bank, regardless of the discounts.

It is conceivable that the largest benefits of the solution of offering both financial and insurance services lies within the company, and that the decision to start banking activities is only based on these benefits. Hence, the only reason why banking operations was introduced might have been to benefit the company and not the customers. For instance, the capital structure might be suitable for the current operations. However, the strategy clearly emphasizes the customer's benefits of this organisation, and disregard from internal benefits. If the motives of the organisation were internal, it is still most important to convince the customers of the benefit of having all services at Länsförsäkringar, otherwise the operations would not survive. Hence, it is suitable that the strategy only focus on the customer's value.

5.5 Perceived competition

The respondents at corporate level believe that Länsförsäkringar's competitive advantage over its competitors is based upon superior service. Also, from the company's strategy it is possible to deduce that the firm seeks differentiation by delivering high-quality service in accordance with Porter's theory (1985). This service is constituted by the local attachment, the good knowledge of agriculture, and the preminent proactive claim activities. The respondents at corporate level believe that the competitors' only advantage over Länsförsäkringar is the price. However, the empirical data collected from the respondents who have left Länsförsäkringar points to that they receive almost the same level of service from the competitors. Also, they have received this service at a far lower price.

Porter's five-force framework (1985), describes the competitive rivalry within an industry. The structural changes in the agricultural market are believed to have an effect upon the competition within the industry. For instance, as the number of active agricultural enterprises decreases and becomes more extensive, the significance of each individual company is likely to increase. This means that the bargaining power of the buyers will increase and thereby the rivalry within the industry. Many of the respondents perceive the competition in the market is too low, and that they gladly welcome competing firms. Further, many respondents believe that tradition will play a less significant role and importance of performance and price will increase in the future. This implies that the customers will be more likely to switch insurance company which in turn further will increase the buyers bargaining power. Also, since the local agricultural insurance market, i.e. the county of Uppsala, is totally dominated by Länsförsäkringar in terms of market share, it exists opportunities for competitors to enter the market. Many respondents also believe that the competition will increase in the future. Hence, the threat of entry is likely to increase the competitive rivalry in the future, according to the five-force framework (Porter, 1985). However, the possible substitutes for Länsförsäkringar's products are few and the bargaining power of the suppliers is relatively insignificant. Another factors that is believed to increase completion, but is not connected to the five forces framework, is the fact that when active enterprises grows larger, the significance of each individual machine will increase. This means that the farmer depends on having all machines operational during the harvest since the cost of not being able to use the machines at a specific point in time increase with the farm size. This implies that this segment will increase their demands on their insurance company in terms of quick response rate, etcetera. Therefore, it is more likely that customers are willing switch insurance company if the company cannot meet their standards. All these aspects combined point towards that the competition in the market will increase.

Hence, it is of great importance that Länsförsäkringar can motivate their higher premium if they are going to maintain their current strategy of delivering a high level of service. In accordance with Porter's theory of strategy (1996), this means that Länsförsäkringar has to trade off price in order to achieve high quality. This is a suitable strategic decision because it differs Länsförsäkringar from its rivals. Again, if Länsförsäkringar are going to maintain trustworthiness in their brand, they can never sacrifice quality and knowledge of agriculture under any circumstances. However, this strategy means sacrificing a part of high market share, where customers that are price sensitive are going to choose a low-price competitor. Further, it is important to state that most of the respondents are content with Länsförsäkringar as their insurance company. These respondents emphasize their good relation to Länsförsäkringar which has been developed over many years. They also highlight the good service that Länsförsäkringar offer. These customers clearly believe that the higher premium is motivated.

The concept of *Säker Gård* is perceived by the customers as a good way to reduce both risk and cost of insurance. The problem with the concept is that it is easily duplicated by the competitors, and according to Barney (1991) this could therefore never be a source of sustained competitive advantage. This means that a customer that have undergone the process together with Länsförsäkringar can receive an offer from a competing firm that are aware of the fact the that the customer has undergone the certification process. Hence, the competing firm can offer a lower premium, and also avoid the consultation cost that occurs during the certification process. If the concept is going to be a sustainable competitive advantage, it is crucial that Länsförsäkringar can tie the customers to the company for a longer period of time.

5.6 The sales process

Customer meeting

The customer meeting at the farm is considered a great opportunity for Länsförsäkringar to meet with, and build a relation to their customers, according to the employees. This is particularly important because of the complexity of the insurance matters. All customers agree that this is the case, and stress the importance of having one specific contact person who they can always approach. Further, the customers emphasize the fact that the employees must be able to tackle different people accordingly. It is also stated in Länsförsäkringar's strategy that customer orientation is of great importance. Again, as Porter's theories on strategy (1996) states, if Länsförsäkringar are going to maintain their high quality strategy, one important issue is to ensure that the customers have a special contact person and that they are able to receive a customer meeting if they think that it is necessary. Moreover, the empirical findings clearly show that customers who have not received this contact are more discontent with Länsförsäkringar and are having trouble seeing the benefits connected to Länsförsäkringar's higher premium.

All respondents at customer level state that it is very important that the employees have a good knowledge of agriculture, both at operational and strategic level. The respondents at corporate level are well aware of this fact and they also believe that Länsförsäkringar can provide this. Given that Länsförsäkringar can maintain this high competence, it can be a source of sustained competitive advantage, in accordance with the VRIN-framework (Barney, 1991). This reason is that this is valuable in the sense the customer appreciate it, it is relatively rare within the market, it has a unique historical connection to Länsförsäkringar and is thereby hard to imitate. Finally, it is not easy to substitute unless the competitor put a lot of efforts on education and recruiting new employees. Hence, it is of great importance that Länsförsäkringar continue to recruit staff that has a good knowledge of agriculture.

Telephone meetings

The telephone meeting is considered a good complement to the meeting at farm level, by the employees. It is far more effective in terms of both time and cost compared to the personal meeting, and the customer still receives a personal contact. The opinion among the customers reflects Länsförsäkringar's view rather well. Further, the customers who are aware of who their contact person is, are generally more content with function and availability of this channel. However, those who are unaware of who their contact person is, usually think that the availability is unsatisfying and that the telephone central is complicated. Again, it is of great importance that Länsförsäkringar are clear in specifying who the customer should contact with questions about their insurance. Hence, this is an activity that is of particular importance because it creates customer value (Porter, 1985).

Internet

The internet is currently not used for any sales but rather a source of information for the customers. It is important that the information is presented in a simple and clear way. One respondent clearly states that he is not satisfied with the way information is presented at Länsförsäkringar's webpage. In the future, Länsförsäkringar states that an introduction of processing tools on the internet is possible. About 50 % of the respondents believe this is something they would use and believe that this is a good complement to the personal contact. As mentioned earlier, it is mostly the younger respondents and the respondents that have relatively uncomplicated activities within their firm who are positive to this type of service.

Hence, it is of great importance to develop this channel in order to make a competitive advantage and deliver customer value in the future (Porter, 1985).

Proactive claim activities

According to Länsförsäkringar's strategy, proactive claim activities are considered a very important service. The reason is that this will help to reduce the number of claims, and thereby the cost of claims paid to customers. Further, it is important because it is a great opportunity to build a relation to the customers and thereby build trust, but it is also a great opportunity for additional sales. However, the respondents at corporate level believe that sales via this channel are struggling. If the company are to increase sales via this channel, management must support this activity, according to both Porter (1996) and Nwankwo (1995). The customers believe that the most important feature of this service is quick and accurate answers. The on-going proactive claim process is mainly considered positive and a good way to reduce risk at farm level. However, in some points the process is perceived as overly cautious and that the cost of the measure does not respond to the benefit, especially since many customers believe that the premium keeps on rising. Still, most respondents consider this a value-adding activity, and according to Porter (1985), this is thereby something that Länsförsäkringar should focus on. Also, the proactive claim activities at Länsförsäkringar are perceived as more extensive than the competitors', and thereby an important competitive advantage.

5.7 Employees

The respondents at corporate level believe that the strength among the employees is that they have a good knowledge of agriculture. This aligns with the perception among customers. The empirical data indicates that this is an important customer value, mainly because it increases the credibility of the company and it also makes the employees understand the customer's situation better. This is a valuable part of the value chain (Porter, 1985) and thereby an advantage that Länsförsäkringar must maintain. This can be maintained by education and by focusing on this quality in the recruitment process.

Länsförsäkringar's employees states that it becomes harder for them to be experts in both banking and insurance matters when the complexity of the products and the scale of the production at farm-level increase. However, they point out that it is necessary to have broad base of competence in order to find sales opportunities, but still be specialized in one area. The customers clearly states that the employees do not have to be experts in both areas, but have to care for the customer service. Most of the responding customers are happy with the level of service, particularly those who have a person within the company whom they can contact with their questions. Hence, this is something that adds value to the customers (Porter, 1985), and as mentioned earlier it is important to have one person within the company that they can contact.

Länsförsäkringar's strategy accentuates the success of the implementation of customer orientation. This belief may be deceiving because it can create an illusion of that the company is proactive, when in fact they are content with the current situation and believe that no more needs to be done. Even though this is not the belief among those who write the strategy, it sends signals to employees that this question no longer needs focus. According to Nwankwo (1995), it is very difficult to achieve this strategy. Also, if a company achieve customer orientation, it is very hard to sustain. Customer orientation can only be attained by focusing a lot of efforts on achieving this, and the role of the management is crucial. Nwankwo (1995) proposes a framework in order to evaluate the degree of customer orientation, where he states

that it is important to continuously scan the market in order to understand the environmental signals. Also, it is important to measure if the customer orientation strategy is working as intended and how the strategy is turned into action. However, the employees believe that there is still a lot to do, and mention that Länsförsäkringar have to increase focus on education and awareness of customer needs. This means that the strategy is not accurately formulated, when stating that the company has achieved customer orientation. Instead, the strategy should focus on how to take measures to achieve customer orientation. Moreover, the empirical data indicates that the customers are very satisfied with the products but not always equally satisfied with the level of service, this further proves that the company still has a lot to do in terms of customer orientation.

5.8 Structure and organisation

One of the fundamental parts of Länsförsäkringar's strategy is the local attachment. The company's concept is to be as close to the customer as possible and the strategy clearly states this is the best way of dealing with customer service. The companies within the Länsförsäkringar group have own decision-making authority and are responsible for their own market operations and financial performance. The local attachment is considered a unique competitive advantage in the strategy. However, the respondents believe that the fact that the company is local, and have its decision makers in the same area as the customers, do not add significant value to them. Many argue that the organisation would still have had a local office within the area even if it would have been a national company, and that this would have fulfilled the same purpose. The customers think that the important part is that the employees can easily visit the customers and that claims can be handled easily. If Länsförsäkringar consider their local attachment to be a competitive advantage, they have not succeeded in communicating the benefits of this to their customers. According to Porter's theories on strategy (1996), it is crucial to communicate the strategy to all stakeholders, which means that Länsförsäkringar must focus on informing the customers of how this will add to the customer service.

A way of ensuring the local connection and that Länsförsäkringar is always close to the customers, is the local representative organisation. This organisation has been a very important part of Länsförsäkringar's historical success and a part of Länsförsäkringar's competitive advantage. All responding customers think that the notion of this organization is very appealing, and that this channel has a good potential. However, the general perception among both the employees and the customers is that the organisation does not work satisfactorily. The customers believe that this organisation is not sufficiently active and many of the respondents speak of this organisation as if it no longer exists. The employees points out lack of control and cooperation between the company and the local representatives. This makes it very difficult for the representatives to follow the developments in the market and it also obstruct the representatives to be a part of Länsförsäkringar. Since the local representative organisation is something that the customers appreciate, this is potentially a sustainable competitive advantage in accordance with Barney's VRIN-framework (1991). The reason is that it would take a long time for the competitors to establish a similar organisation, and the organisation also has an important historical connection to Länsförsäkringar as well as being valuable. Further, the organisation is relatively unique in the market and there are no equivalent substitutes. Hence, this organisation must be developed in order to be an efficient advantage. To achieve efficiency, it is important that Länsförsäkringar take an active part in guiding the representatives and that the management communicate Länsförsäkringar's strategy to the representatives (Porter, 1996). It is also important to tie the representatives to

the company and make them feel as a valuable part of it. Finally, education can be an efficient way to achieve this, and also ensuring a sufficient level of knowledge.

Another fundamental part of Länsförsäkringar's strategy is the fact that the company is owned by its customers. According to the strategy this is the core of Länsförsäkringar's customer orientation. The employees believe that this ownership structure is to be considered a bonus but they do not think that it has any significant effect in the customer's choice of insurance company. All of the responding customers think that this structure is a positive feature, however only two of them consider this to be a competitive advantage. If Länsförsäkringar consider their ownership structure to be a source of customer orientation, they have not succeeded in communicating the benefits of this to their customers. According to Porter's theories on strategy (1996), it is decisive to communicate the strategy to all stakeholders, which means that Länsförsäkringar must focus on informing the customers that this structure enables superior customer orientation which is the most preferable.

5.9 Social and environmental responsibility

The respondents at corporate believe that Länsförsäkringar's work on social and environmental responsibility is something that have no effect on sales. However, they all believe that this is something necessary for any company in order to ensure credibility. The customer on the other hand points out Länsförsäkringar's environmental work as a significant additional value. Foremost, they appreciate the collection of scrap and chemical waste from the farms. Hence, this is considered an additional value and thereby an important part of the value chain. However, it is likely that if this is something that Länsförsäkringar's competitors consider to be a competitive advantage, it is easily duplicated, because it is one individual activity, and this can thereby never be the source of a long run competitive advantage according to Grant (1991).

5.10 Brand

According to Länsförsäkringar's brand strategy, the central values connected to the brand are the local attachment, that the company is customer owned, and that the company has a long-term perspective. Further, the company want customers to associate the brand with praiseworthiness and additional values, but also that the company is perceived as nearby and quickly responding. The employees believe that the customers in the agricultural segment associate the brand with good knowledge of the agricultural market. The customers agree with this, and believe that the brand symbolizes a strong historical connection to agricultural insurance and a good knowledge of this market. The brand is not connected with a low-cost strategy, but rather stable services and high quality. According to Prajogo and McDermott (2011), brand image is an important factor for success, and the article states that it is important for firm's to focus on brand image. The reason is that brand image is an efficient way to achieve competitive advantage, and something that is of great importance in service organisations. According to Kotler (1999), brand image is characterized by good reputation and being well-known, which is something that Länsförsäkringar seem to have achieved in the agricultural market. Thus, this makes Länsförsäkringar's brand a competitive advantage, especially when choosing a differentiation strategy, and because it fulfils all VRIN-criteria, this advantage can be sustained (Grant, 1991).

5.11 Why customers choose a certain insurance company

On the question why the employees believe that customers choose Länsförsäkringar, they state that trust is the most important factor. Further, they believe availability and simplicity

are determining factors. The responding customers believe that the most important factor is knowledge of the agricultural market and a good connection with their contact person. The empirical data also indicate that praiseworthiness as very important, and the respondents clearly state that the price cannot differ too much compared to the competitors. Still, the employees believe that they can charge a higher price than the competitors. The employees believe that Länsförsäkringar provide a superior service, and thereby motivate the higher price. However, this strategy requires that Länsförsäkringar always deliver high quality. In the cases where Länsförsäkringar has failed to deliver high quality, this has created inconsistency between the customers' expectations and the delivered service. Porter (1996) states that this can treat the firm's reputation and thereby undermine their strategy. Further, the empirical data indicates that Länsförsäkringar must focus more efforts on achieving customer orientation.

6 Conclusions

The following chapter attempts to answer the research questions formulated in the aim;

The aim of the study is to investigate whether the agricultural division of Länsförsäkringar Uppsala experiences any strategic drift. The objective is to provide an understanding of the customers' view on services related to agricultural insurance and financing. These results are then compared to Länsförsäkringar's view on customer services by studying the company's strategic framework. The study attempts to address the following research questions;

1. Is Länsförsäkringar Uppsala's strategic framework suitable given the company's characteristics and resources?
2. Which of Länsförsäkringar Uppsala's services contribute significantly to the perceived customer benefit?
3. Is Länsförsäkringar Uppsala's strategy corresponding to the customer's view on customer value?

Reliability and validity

The validity of the study is considered to be satisfying. The main reason is that the empirical data has been collected from case studies, which facilitates a discussion of the interview questions with the respondents.

The reliability of the study is harder to assess. Since the results of the study are based upon interviews, the answers reflect the individual respondents' standpoint. This means that it is difficult to confirm if the answer reflect the general opinion. However, reliability is sufficient in the sense that the aim of the study was to identify which factors those are important to the perceived customer value, which was achieved. Also, the saturation level from the interviews was perceived as good. In order to determine which factor is the most important, an additional study using a survey would be required. This would strengthen the result from the case study and it would enable to draw more general conclusions.

Changes in the market

After analysing the industry in accordance with Porter's five forces framework, it is clear that the competition in the local market is likely to increase. Therefore, it is very important that Länsförsäkringar pay attention to the changes in the market and that they critically examine their own capabilities. In a situation where the firm's environment is changing, it is of particular importance that the management is not deceived by the firm's historical success. Otherwise, the risk of strategic drift is imminent.

Is Länsförsäkringar Uppsala's strategic framework suitable given the company's characteristics and resources?

A suitable strategy for a firm is a strategy that creates a unique and valuable position in the market and that the firm adapt activities that enhance this position. These activities must also be based on the firm's resources. To begin with, Länsförsäkringar's strategy states that the products are important to achieve attractiveness. This is true in the sense that the products constitute the core of Länsförsäkringar's services, and without them, the business would not exist. Hence, the formulated strategic direction regarding the products is accurate in the sense that it states the importance of having products that are well suited for customers' needs. However, the products themselves are not to be considered a source of competitive advantage.

Länsförsäkringar's strategic document states the importance of finding agricultural enterprises that are undergoing change. However, all empirical data points towards that this is hard to achieve given Länsförsäkringar's resources. To formulate a strategy that is not based upon the firm's capabilities is not desirable and therefore, this part of the strategy is not suitable. If Länsförsäkringar believe that finding agricultural enterprises in change is decisive for the future performance, the company needs to establish cooperation with companies that possess these resources. For instance, establish collaboration with consulting companies that are a natural partner for farmers in this process. In the present, it is important to take advantage of the opportunities that face the company today. For instance, customers who seeks advice from the proactive claims department.

Another important part of Länsförsäkringar's strategy is that they provide both banking and insurance solutions. The idea of this strategy is to increase the perceived customer efficiency, and thereby customer benefit. However, the empirical data indicates that the customers cannot see the advantage of having all financial services within the same company. The main reason for this is that Länsförsäkringar has failed to achieve efficiency in-house, and thereby been unable to persuade the customers that this offer is superior to the competitors'. Hence, the most important issue is to create fit between these activities in order to enhance efficiency. This can for instance be achieved by increased collaboration between the different departments and increased efforts from management to forge the activities together. If the company can achieve better fit among these activities, it will increase the perceived customer value and thereby be the source of an important competitive advantage. Also, if this is achieved, customers will stay longer within the company.

The strategic documents states that the proactive claims activities are an important part of Länsförsäkringar's service offer. The empirical data also suggest that this is something that is appreciated by the customers. However, many respondents state that the measures must be reasonable. This part of the strategy is considered important, not only to deliver customer value, but also to reduce the amount of claims paid out. Further, it is a good opportunity to build a relation to the customer, which is important according to the empirical study, but also an opportunity for additional sales. However, the empirical findings indicate that this opportunity is not fully exploited. Again, the role of the management is important to seize this opportunity.

Länsförsäkringar's strategy celebrates that the company has achieved customer orientation. The empirical data indicates that this is not the case. Further, the theory states that customer orientation is something that the company must always pursue. The celebration of this success is thereby a misleading statement, which might have negative consequences on the pursuit of customer orientation. Hence, Länsförsäkringar must continue to increase focus on delivering customer value.

The brand strategy is connected to a number of central values. The empirical data indicates that the brands signal the same values as company desire. When delivering a service that is difficult for the customers to appraise, the brand image is very important. Theory also indicates that brand image is an important source of competitive advantage. This means that Länsförsäkringar's brand is a positive feature, and according to theory, a good brand reputation enables a differentiation strategy.

Länsförsäkringar's differentiation strategy is considered to be well suited to Länsförsäkringar's capabilities. For instance, the organisation has a strong local attachment,

mainly because of the fact that the company is locally operated. Further, the company has an extensive service and proactive claims organisation, which are well adapted for high level of customer service. Based on these characteristics, the company has good opportunities to deliver a high-quality service offer. However, the empirical data indicates that Länsförsäkringar have to emphasize the benefits of this organisation more efficiently.

Which of Länsförsäkringar Uppsala's services contribute significantly to the perceived customer benefit?

The empirical data indicates that one of the most valuable services is that the customer has a contact person within the company whom they can contact with questions. This is important to enhance the customer's personal relation to the company. This is especially important among the active large-scale farm enterprises, probably because the insurance solution is more complex, and the cost of insurance is more significant in these cases. This implies that it is very important that Länsförsäkringar clearly communicates who each customer's contact person is.

Further, the processing of the segments is considered an important service, especially for the large-scale farm enterprises, who really appreciate the annual meeting at the farm. The other segments do not require the same level of consulting, but still appreciate an approach annually or every second year. The processing of the non-active and the part-time segment can preferably be done by the local representatives. Finally, it is important that the processing is done by the contact person in order to enhance the relation to this person, and thereby the company.

Another factor that is perceived as important by the customers is the knowledge of agriculture. The empirical data indicates that the respondents believe that this is important in order for the employees to tackle each customer accordingly. To be able to maintain this advantage in the future, Länsförsäkringar should continue to focus on this in the recruitment process, both at strategic and operational level.

Finally, other services that are considered important are the proactive claims activities and *Säker Gård* concept. However, it is important that Länsförsäkringar focus on persuading the customers to stay in the company after the certification process. Further, the collection of scrap material and chemical waste is considered an important service, and thereby something that Länsförsäkringar should continue to focus on.

Is Länsförsäkringar Uppsala's strategy corresponding to the customer's view on customer value?

Länsförsäkringar has chosen a differentiation strategy, which attempts to create a unique customer value by delivering high-quality service. This means that Länsförsäkringar has made trade-offs in price in order to be able to achieve this service. The empirical data indicates that Länsförsäkringar's strategy corresponds rather well to the customer's view on customer value. However, when a company chose this strategy, consistency is very important. If the firm cannot deliver a customer value that motivates the higher premium, the customers will be very discontent. If the firm fail to deliver this value to many customers, the firm's reputation will be undermined. The empirical data show that in the cases where Länsförsäkringar have failed to deliver one particular service according to expectations, the customer is generally very discontent with the overall situation. This means that it is extremely important that Länsförsäkringar focus on always achieving high-quality in their service delivery.

Strategic drift

The empirical study points to that there are no obvious signs of strategic drift. However, even though the strategy corresponds well to the customers view on customer value, the empirical findings indicate that the implementation of some parts of the strategy still needs attention. If more attention is not focused on these factors, there is an increasing risk of strategic drift in the future. The most important factors to focus on are;

- A personal relation to the customers: One of the most important values for the customers is to have a personal relation to the company. To achieve this, it is of great importance that the customers are aware of who their contact person is.
- Enhance synergies: It is of great importance to enhance the synergies between bank and insurance operations and to convince the customers that this is a service that is superior to the competitors'. The key factor to achieve this is to increase efficiency and collaboration in-house.
- The local attachment: It is very important to communicate the benefits of Länsförsäkringars local attachment. It is also important to enhance these benefits. This can be achieved by mobilise the local representatives, and make them more active in the market.
- High quality: Länsförsäkringar has chosen a differentiation strategy, that focus on high quality over low cost. In order to maintain credibility, it is of great importance to never fail in the delivery of this quality. Such a failure can in long run undermine the company's reputation.

The responsibility to handle these issues is primarily a managerial question. The managers also have the responsibility to communicate any efforts undertaken to improve the strategy and strategic direction.

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Ekström Erik

Head of banking operations, Länsförsäkringar Uppsala

Personal meeting, 2012-02-02

Johansson Anders

Head of agricultural insurance, Länsförsäkringar Uppsala

Personal meeting, 2012-02-02

Appendix 1: Interview questions at corporate level

- **Products**

- Have you observed a change in the demand for products in order to adapt to the structural changes in the agricultural sector?

- Has the structural changes led to a different supply of products? Which are the new products?

- **Synergies**

- Is there a strategy for increasing the number of *helkunder*? (Written?/Protocol?)

- Is the offering sufficiently beneficial for agricultural enterprises?

- How does LF work to achieve more efficient meetings in order to emphasize the synergies?

- **Competition**

- How do you judge competitors' offerings and services? Are you aware of the differences between the competitors' products/services and your own?

- **Sales/Customer meeting**

- On farm meetings

- Telesales

- Proactive claim activities

- What do you believe a customer perceives as valuable in the sale process?

- Has the structural changes led to a different approach in the sales process?

- **The employees**

- In which areas do you think LF has their core competence? (Services and Products)

- LF has changed from a product focus to a customer orientation. How has LF acted in order to implement this among the employees?

- **Social and environmental responsibility**

- How do you work with environmental responsibility, relevant for the agricultural sector?

- How do you work with social responsibility, relevant for the agricultural sector?

- **Market strategy**

- How does LF work to find agricultural enterprises in change?

- Do you offer different products to each segment?

- How does LF approach different segments? (Message, distribution and proactive claim activities)

- **Other questions**

- What do you believe is decisive when a customer is choosing insurance company?

Appendix 2: Interview questions at customer level

- **Products**

-Do you think that LFs products satisfy the demand from modern/diversified agricultural enterprises?

-Are there room for improvements?

-Do you think that you will demand more from your insurance company in the future?/
Different demand of insurance?

-Do the products conform to specification?

-Do you think LF is flexible when it comes to adapting their products to customer specification?

- **Synergies**

-Do you think LF has informed you of the *helkund* offer? If yes, when where you informed?

- Was the employee credible? What could he/she have done better?

- Is the discount sufficiently large?

- What are the advantages of having one company for all financial services? What could have been done better?

- Do you appreciate the synergies? Are the meetings efficient enough to create synergies? What could have been done better?

- **Competition**

-Have you been contacted by any of LFs competitors?

-Have you contacted any of the competitors?

-Why do you choose LF in front of any other insurance company?

- **Sales/Customer meeting**

-On farm meetings

-Telesales

- Proactive claim activities

-What do you think is valuable in the sale process? What could be done better?

-Do you think LF is sufficiently accessible?

-If yes, do you appreciate this?

-Do you think LF has been supporting you enough during the process of change?

- Too much?/ Too little?

- Do you appreciate this support?

- **The employees**

-In which areas do you think LFs employees have their core competence?

-In which areas lies their weakness?

- Is the knowledge of modern/diversifies agriculture sufficiently high?

- **Social and environmental responsibility**

-Does LF take responsibility for the environment? Is that important to you?

-Does LF take responsibility for agricultural sustainability? Is that important to you?

- **Other questions?**

-Is the local attachment important to you?

-Have you had any contact with LFs local representative? If yes, is this important to you?(Pros/cons)

-What do you think LFs brand represent?

-Did the brand of the company affect you in any way when choosing insurance company?

-Do LFs brand in any way differ from the competitors' brand?

-Does the fact that LF is owned by its customer affect you in any way?

-What is the most important feature when choosing insurance company?