What resources does EuroDesign Pvt. Ltd need to gain sustainable competitive advantage, and will these resources change as the firm grows?

Author
Daniel Kumar

Supervisor
Joyce Falkenberg

This Master’s Thesis is carried out as a part of the education at the University of Agder and is therefore approved as a part of this education. However, this does not imply that the University answers for the methods that are used or the conclusions that are drawn.
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Chapter I - Introduction:

1.1 The research
Many companies, big or small want to gain competitive advantage and even sustainable competitive advantage in order to maximize its profits. Small companies usually struggle to survive and do often not have the time to look at what resources the firm needs in order to gain sustainable competitive advantage. Without really identifying this, the company will still struggle to survive and the chances of growth will also be reduced. What are the factors that make the company grow in the right direction, and what makes the company able to execute its strategies and plans? When you have the right resources that give you a sustainable competitive advantage, will these resources change as the firm grows?

In this thesis I will look at a startup company called EuroDesign. I will look at the challenges the company will face when it goes from a start-up company to a growth company.

My research question: What resources does EuroDesign Pvt. Ltd need to gain sustainable competitive advantage, and will these resources change as the firm grows?

This is important because the company will face many new challenges when it develops from a startup company to a growth company. In order to face these challenges EuroDesign will need the right resources to handle that situation.

I could have looked at it as a traditional entrepreneurial case, but as I stated in the first part of the problem definition EuroDesign wanted to identify what resources that are the most important for them. The second question is also very relevant. Will the resources change as the firm grows or are they different in different ways of growth?

In order to solve these issues, I have used theories that draw on the resource based perspective of the firm. I will look at what attributes a firm needs in order to have a sustainable competitive advantage.

After that I will describe what resources the firm need for in different stages of growth.
In addition to this I will identify what kind of resources that EuroDesign need in different scenarios of growth.

The research focusing on competitive advantage has been going on for decades and is mainly divided into two main directions. The first direction is to look at the external environment and try to position the company in a way that gives the company competitive advantages. Michael Porter is clearly one of the pioneers and most well known researches in this perspective. The other perspective focuses on the firm’s internal resources and what resources the firm needs in order to gain competitive advantages. There are been an enormous amount of research on this perspective of competitive advantage the last decades as well.

The objectives of this study are divided into two:

1) To identify what resources EuroDesign needs in order to gain sustainable competitive advantages
2) To figure out if the resources changes as the firm grows.

The resource-based perspective focuses on sustainability, but this is often very abstract on what happens with the resources over time. The resources leading to a competitive advantage may change over time and I want to identify how the need for different resources change as a firm grows.

In order to figure out what resources I need in order to create or gains sustainable competitive advantages I will look at both the firms potential tangible and intangible resources. I will look at these resources in a VRIN-framework developed by Barney (1991) in order to identify which resources are the most important and which will give the largest sustainable competitive advantages.

In terms of growth, this can be looked at in different perspectives. In one perspective you can look at growth in different stages of the firm’s life cycle. Here you can look at the company from the start and as it develops. Some theories look at this perspective and focuses on how the resources are used as the company develops, but they have not focused that much on what concrete resources the company needs in the specific phases.
One other perspective is to look at different ways or scenarios of growth. The scenarios of growth that I will look at are internal growth, strategic alliances and mergers and acquisitions. I want to see if the different ways of growth requires different sets of resources.

The outcome of this thesis is to know what kind of resources that are needed in order to make EuroDesign a competitive growth company.

I want to get several perspectives on what resources EuroDesign need in order to be competitive growth company. Therefore I will interview a very heterogenic group of people. I will interview customers, people that work with growth companies, potential customers and entrepreneurs that have made growth companies in the same industry.

**1.2 The Company**

Euro Design is the new and upcoming manufacturer and exporter of high quality accessories and garments. With a factory in New Delhi, India, and directors from Norway, Euro Design is the safe choice of an Indian supplier. EuroDesign are working with customers in Norway, Denmark, Germany and Canada. The company started its operations in August 2010.

The owners of the company are from Norway and the sales are done from Norway. The production on the other hand is in India. In India EuroDesign employees approximately 20 people that work with the production and three people have the administrative responsibility.

As a start-up company, EuroDesign have seen different resources that differentiate them to their competitors. Their main advantage is their closeness to their customers and relations to its customers, and a management with a western mindset. This makes it easier for the customers to deal with us compared with some of our competitors.

The company had negative net income in the company’s first 8th months. And the firm’s goal is to break even in 2011. The main reasons for the negative income are mainly because bad management in the production unit and that has resulted in inadequate deliveries. Here the product quality has been too bad or the products have not been delivered at the right time.
Chapter II - Theory

The theory chapter is mainly based on the resource based perspective, and the most written elements in that perspective.

As a part of the resource based perspective, I will look at different factors that gives a company sustainable competitive advantage.

Firstly I have looked at the fundamental theories on what competitive and sustainable competitive advantage is. I have also defined what resources are, and divided the company’s resources into two groups: Tangible and intangible resources.
I have also tried to identify some of the resources that we are going to look at in more detail. These theories are presented in order to give a theoretical background to figure out what resources EuroDesign needs in order to create sustainable competitive advantage.

In terms of growth, I have looked at that topic in two different perspectives. The first is growth in stages of the firm’s life cycle. After that I have looked at different growth scenarios or ways of growth: Internal growth, Mergers & acquisitions and strategic alliances.

2.1 Competitive advantage:
There are several ways of looking at a firm’s competitive advantage. You can look at the external perspective of the firm. Where you look at how the firm can gain a competitive advantage in a relationship with your other competitors (Porter, 1985). This perspective looks at the companies in the context with its competitors and the industry as a whole.

If you look at the internal perspective of the firm competitive advantage, you focus on the firm resources and capabilities of the firm. Major influences here has been Penrose (1959), Peteraf (1993), Barney (1991), Dierickx & Cool(1989), Rumelt (1991), Foss (1998).
Here you analyze the resources the firm have or need to gain in order to get a competitive advantage.

The conditions needed in order to create sustainable competitive advantage are described by Peteraf (Peteraf, 1993) and consists of these four criteria:

**Heterogeneity**
Is one of the basic assumptions and says that a firm’s resources and capabilities are heterogeneous across firms (Barney, 1991). Some firms have other resources and capabilities than others and will therefore have a competitive advantage.

**Ex post limits to competition**
In order for a firm to gain rents over time and therefore sustainable competitive, the condition of heterogeneity must also be durable. This can only happen when there are ex post limits to competition (Peteraf, 1993).
This means that there must be forces that limit the competitors to get the rents a firm gets from its heterogeneity. The two main factors limiting ex post competition are imperfect imitable and imperfect substitute (Peteraf, 1993).
If other firms have products or resources that can substitute yours, your firm's rents will be reduced.
This is a part of the framework from Porters (1985) five forces.
Imperfect imitability refers to the attributes that are difficult for competitors to imitate. Even though the competing firms possess the same resources, they might not be used as efficient as your firm does (Barney, Dierickx&Cool, via Peteraf, 1993).
Causal ambiguity refers to the different causes of efficiency among firms (Lipmann&Rumelt, via Peteraf, 1993). This makes it harder for the imitating firm to figure out what to imitate because it is difficult to figure out exactly what they need to imitate in order to have the same efficiency.

**Imperfect mobility**
There are different views on imperfect mobility. One definition of this is that resources are perfectly immobile if they cannot be traded (Dierickx and Cool, 1989). Peteraf also refers to Williamson that argues that some resources are imperfectly mobile. These resources are tradable, but to more valuable for within the firm that currently employs them than they would be in another firm.
Ex ante limits to competition

To have competitive advantage, a firm also needs ex ante limits to competition as well. Here Peteraf (1993) states that when the firm establishes a superior resource position, there should be limited competition to gain that resource position.

2.2 The resource based view

The resource based view on strategies focuses mostly on the company’s internal resources and capabilities. This perspective looks at what type of internal resources and capabilities that is critical for sustained competitive advantage.

The firm's resources is as all assets, capabilities, organizational processes, firm attributes, information, knowledge etc. controlled by a firm that enables it to conceive and implement strategies that improves its efficiency and effectiveness (Barney, 1991). These resources can be divided into tangible resources and intangible resources (Peng, 2009; Hall, 1992; Collins, via Galbreath, 2005).

2.2.1 Tangible resources
The tangible resources include all the physical resources a firm has.

**Financial resources (Peng, 2009, p.65):**
Can be seen as the firm’s ability to generate internal funds and the firm’s ability to raise external capital and critical resources that are important in order to create sustainable advantage.

**Physical resources (Peng, 2009, p.65):**
Is the number of plants, offices and equipment the firm control.
In addition to this, the access to raw materials and our distribution channels are important.

### 2.2.2 Intangible resources
Some researchers like Fornell (2000) estimate that 80 % of the market value of an organization are intangible resources. Intangible resources can be divided into two groups: People dependent and people independent resources (Fernandez, 2000)
The people dependent resources are human capital and need the human resources bearing those attributes to be there in order to be used. While the people independent resources can remain as a part of the firms resources even though people leave or come to the firm. The people independent resources can be divided into three categories: Organizational capital, technological capital and relational capital (Fernandez, 2000).
I have left out the technological capital from the theory part as it outside the capital since the industry EuroDesign is very little technological capital intensive.
2.2.3 Human Capital
Firm specific human capital is a resource that is fundamental to knowledge creation through learning by doing and is not readily expropriated by rival firms (Hitt et al, in Nile W. Hatch, Jeffrey H. Dyer, 2004).

It can also be defined as the pool of human capital under the firm’s control in a direct employment relationship (Wright, McMahan, McWilliams, 1993)

When you are going to analyze human resources in a resource-based view you have several aspects. You can focus on the skills of human beings in organizations (Flamholtz&Lacey, via Wright, McMahan, McWilliams, 1993) and classify organizations based on its competencies (McKelvey via Wright, McMahan, McWilliams, 1993). McKelvey define competencies as knowledge, skills and abilities of the people in the organization.

Figure 2. Typology of intangible resources (Fernandez, 2000)
Or you can look at employee behavior as the relationship between firm strategy and firm performance (Jackson, Schuler & Rivero, via Wright, McMahan, McWilliams, 1993). I will do the same as Wright, McMahan and McWilliams (1993) and recognize that both aspects are relevant for the implementation of firm strategy and its performance.

2.2.4 Organizational capital
The organizational capital contributes order, stability and quality to the firm (Brooking, via Fernandez, 2000). This capital is not static, but something that is dynamic and change as time goes by and as the firm develops. The core of organizational capital is norms and guidelines, organizational culture and its strategic alliances (Fernandez, 2000).

The guidelines and norms are formed by the way the company does its business. Norms and values are seen as the glue that holds together communities in which resilient trust is extant (Leana, 1999).
This constitutes the firms administrative procedures form part of its organizational knowledge. Some of the procedures and norms are written down and is a formal part of the organizational capital, while most of it is implicit (Fernandez, 2000).

The formal part, such as IT-systems and databases, can be an important source of information that can give a competitive advantage. You can use information system in order to coordinate and share the firm’s knowledge. By doing this you can improve the firms competitiveness (Wiig, 2003).

Cohen (1994) describe organizational routine is that they appear prominently and persistently in description of organizational action. Cohen(1994) also says that routines arise in repetitive situations where the recurring cost of careful deliberation can become a heavy burden; they store organizational experience in a form that allow the organization to rapidly transfer that experience to new situations.

An organizational routine defines a regular, predictable pattern of activity, consisting of a sequence of coordinated actions which are put in practice when the organization faces a specific problem or stimulus. Companies develop routines to improve efficiency and facilitate co-ordination in a context characterized by uncertainty and the decision-takers rationality (Nelson&Winter, via Fernandez,
Corporate culture is also an important element in the organizational capital of a firm. Corporate culture includes anecdotes, expectations, rituals, work norms, rules, precedents and values repeatedly observed, accepted and shared by the members of the firm (Schein, via Fernandez, 2000).

Once a group has learned to hold common assumptions, the resulting automatic patterns of perceiving, thinking, feeling and behaving provide meaning, stability and comfort; the anxiety that results from the inability to understand or predict events happening around the group is reduced by the shared learning. The strength and tenacity of culture derive, in part, from this anxiety-reduced function (Schein, via Fernandez, 2000).

A certain element (principle, norm, value) is integrated in the culture when it is repeatedly revealed as a valid solution to a particular problem (Fiol via Fernandez, 2000)

Culture performs various functions depending on the stage at which the firm is in. In the initial stage culture tends to be a positive force of growth, which needs to be developed and articulated. In the stages of maturity and decline, current culture may be a dysfunctional element which must be totally or partially modified (Fernandez, 2000).

### 2.2.5 Relational capital

**Reputation**

It represents the knowledge and emotions towards the firm, its products and its employees. Reputation can be a major competitive advantage through differentiation. A good reputation usually takes a long time to build up and can be used as leverage when the firm gets it (Hall, 1992).

When studying the effect of reputation on the decision to joint venture (Dollinger, 1997), findings indicate that reputation is (1) a multidimensional construct, (2) the personal information-processing characteristics of the decision-maker mediate the reputation effect and may suppress the reputation information, (3) subjects may compensate weaker elements of reputation for stronger ones when making decisions, (4) product and management reputation are the most important factors, and (5) reputation is a factor affecting the decision regardless of whether the proposed target is a supplier or a competitor.
Brand

Brand is defined in many ways. Lisa Wood (2009) describes some of the different definitions and the implications with those. Some of the definitions mentioned are that a brand is: “… the aggregation of all accumulated attitudes and behavior patterns in the extended minds of consumers, distribution channels and influence agents, which will enhance future profit and long term cash flow.” (Srivastava&Shocker, via Wood, 2000). A more broad definition on brand equity is “the set of associations and behavior on the part of a brands customer, channel members and parent corporation that permits the brand to earn greater volume or greater margins that it could without the brand (Leuthesser via Wood, 2000).

Network

Are the personal relationships which transcend the requirements of organizational structure, commercial relationships etc. (Hastings, Midel and Young, via Hall, 1992). The networks can be internal and external. Good networks can be essential if the changing environment is going to be monitored effectively.

Networks consist of content, governance and social structure (Hoang, Antoncic, 2003).

Network content includes the relationships with other persons and organizations. These relationships can give access to capital but also intangible resources. In addition to this, the relationships can give access to information and advice (Hoang, Antoncic, 2003).

Network governance can be defined by the reliance on implicit and open-ended contracts that are supported by social mechanisms, such as power and influence (Brass via Hoang, Antonic, 2003). Trust between the partners is seen as critical for the network (Larson via Hoang, Antonic, 2003). Trust affects the richness of exchange relations, especially with respect to the exchange of information (Saxenian via Hoang, Antonic, 2003)

The network structure is defined as the pattern of direct and indirect ties between actors (Hoang, Antonic, 2003). The network structure can be measured by the size of the network or the position in the network. These measurements can give an indication of how a company can access resources.
You can also look at other patterns of network as well, like how the structure can give access to a diversity of resources.

2.3 Framework for creating sustainable competitive advantage
Jay Barney (1991) has developed a framework that looks at how firm resources can create a sustainable competitive advantage.

VRIN framework
The VRIN framework (Barney, 1991) is a theoretical framework that works on the assumption that firm resources may be heterogeneous and immobile. In order for a firm to have sustainable competitive advantage the resources must have four attributes: (a) it must be valuable, (b) it must be rare, (c) it must be imperfectly imitable, (d) non substitutable.

Valuable (Barney, 1991)
In order to gain a sustainable competitive advantage the firm resources must be valuable. Resources are only valuable when they enable a firm to conceive or implement strategies that improve its efficiency and effectiveness. The resources must exploit opportunities or neutralize threats.

Rare (Barney, 1991)
The resources possessed by firms with sustainable competitive advantages that other competitive firms does not have. As Barney (1991) describes it, a firm enjoys a competitive advantage when it is implementing a value-creating strategy not simultaneously implemented by large numbers of other firms. The resources that can be rare is described earlier, but managerial talent seems to be crucial for implementation of almost all strategies (Hambrick, via Barney 1991).

Imitability (Barney, 1991)
The two previous points, that the resources need to be valuable and rare is the fundament in order to create competitive advantage. But in order to create a sustainable competitive advantage the firm's resources must also be imperfectly imitable. In order to be that, the firms need to be the following, or be a combination of (Lipmann&Rumelt; Barney, via Barney 1991):
(a) the ability of a firm to obtain a resource is dependent upon unique historical conditions. This means that some resources depend upon their place in time and space. But these resource that not
are space-and time-dependent

(b) The link between the resources possessed by a firm and a firm's sustained competitive advantage is causally ambiguous. Causal ambiguity exists when there is a link between the resources a firm has, and when a firm's sustained competitive advantage is not understood, or is understood, only very imperfectly. This will make it difficult for other firms to imitate these resources, since they do not really know what to imitate.

or (c) the resource generating a firm's advantage is socially complex (Dierickx & Cool, 1989):

Some resources can be very hard to imitate, since they are a part of a social complex context or phenomena. There can be several sources of social complexity. Barney mentions interpersonal relationships, reputation among supplier and customers as examples of this.

Non substitutable (Barney, 1991)

In addition to the notion that strategic resources need to be valuable, rare and perfectly imitable the resources need to be difficult to imitate. That means that it does not help if some resources are valuable, rare and difficult to imitate, if you can use other resources to execute the same strategies.

This can happen in two ways. Firstly, since the competing company struggles with your competitive resources, they might find similar resources in order to compensate for your valuable and rare resources they are not able to imitate.

Secondly, very different resources can be strategic substitutes. One example is if one is able to implement their strategies because they work very informally, a competing firm can be able to execute the same strategies in very formal processes (Zucker, via Barney 1991).

2.4 Company in growth

In this thesis I will define the company as a startup company, until the company reaches break-even. This means that I will define this company as a startup company while it is in “the valley of death”. When the company have reached break even, I will use the definition growth company.
2.4.1 Growth phases and processes in a firm
The theory of the growth firm (Penrose, 1959) is by many seen as the basis for resource based view of the firm. The theory of growth of firms focuses mainly on existing firms and not necessarily on the early growth of a firm.

Penrose (1959) describes three classes of explanation of why there may be a limit to the growth of firms. These are managerial ability, products or factor markets, and uncertainty and risk. The managerial ability is internally focused, while products or factor markets are externally focused and uncertainty and risk is a hybrid of internal and external factors. When you look at the direction of growth or expansions you also have internal and external factors that are critical.

The external factors can be growing demand of particular products, change in technology that makes your products more attractive, and more. The obstacles can be tough competition, patent rights that makes it difficult for a firm to enter the market, substitutes and high exit costs (Porter, 1985).

In terms of the internal factors that determine growth direction it can be managerial capacity,
technical skills and skills within planning and execution of strategies (Penrose, 1959). Internal factors that might affect the growth of a company will be the unused pool of unused productive services, resources and special knowledge which will always be found within any firm (Penrose, 1959).

There are several problems that must be solved in order to form a firm and generate revenue. This can be described in several phases in a start up growth (Garnsey, 1998). The figure shows the path of sustained growth achieved by a successful firm and alternative paths. This general figure shows three common possibilities in a firm’s growth: Early failure, an early growth plateau when the resource generation is received and growth reversal following early expansion.

**Figure 4. Growth paths (Garnsey, 1998)**
Access resources
As a firm is established, the founder or the founding team has identified one or several opportunities in the market. It is now necessary to figure out what to do and deploy the resources needed in order to do as planned. In this phase the founders and the founding team shape the firm's internal conditions and the firm's assets and inputs. In this phase the initial choices may shape future opportunities and lock out alternatives. (Churchill via Garnsey, 1998).
The resources available for a start up firm are often very limited, since the entrepreneur often have limited expertise and resources available (Okaey via Garnsey, 1998).
Here, contacts or a network might be crucial in order for an entrepreneur to succeed. Networks might give the start-up firms additional resources that can be curtail for success.

Resource mobilization
When a company have accessed the resources needed, it is important to utilize and mobilize these resources. The firm needs to identify what and how to use the resources in its possession, and also how to gain other resources that are needed in the future (Garnsey, 1998). In addition to this, it is important to identify the resources that create revenue and the resources that don’t. There are also interactions between identifying which resources that are needed, and implement the resources that are identified. It might be a gap between what is planned and what is actually needed. When these kinds of gaps occur it is important to find new ways to obtain the right resources.

Resource generation
When you have the sufficient resources, and they are mobilized and deployed, the firm have the opportunity to build on experience. This gives the firm to be more self-sustaining and also gives the firm the opportunity to develop knowledge and competence. Instead of every operation to be built from scratch, the firm will have been through a learning process. This will give the firm the opportunity to make decisions and choices based on previous experiences (March&Simon, via Garnsey, 1998). This will reduce the time and usage of the resource, and the firms resources can use more time on other tasks.
These tasks are often focused on improving the relationships between customers and suppliers, and focuses on making the firm more efficient and more stable. In this stage it can also be incentives to create strategic alliances upstream or downstream (Garnsey, 1998).
When a firm moves from the first conditions as access of resources and mobilization, the firm will
experience several new problems and challenges. The problems that have been recurring can be handled with experience, and the problem solving can be implemented in routine procedures. In this stage growth is limited by the rate of which new members can be brought in and the pace of which the firm gains experience and learn to solve problems together even more efficiently (Simon, via Garnsey, 1998).

**Growth reinforcement**
If a firm have reached the previous phases, and are still eager to grow they will have to reinforce the growth. Successful growth and further investments are mutually reinforcing. The organization will need to be more efficient, and this is easier now, since the organizational learning process has been going on for a while, and has more resources available to focus on growth (Garnsey, 1998). This underused capacity incentivizes what Penrose (1959) call ‘economies of growth’. In order to still give the staff opportunities and challenges the growth option will become even more attractive. In addition to the internal pressures for growth, previously obtained key relationships will have an important part in promoting growth (Garnsey, 1998).

**Growth reversal**
When a firm grows in a high pace or grows a lot, decision-making problems arise and the need for delegation becomes stronger (Barnsey, 1998). The internal and external complexity of the organization can limit growth and lead to growth reversal (Senge, via Garnsey, 1998). Here the organization must become more professional and work systematically to keep track of their resources and market position. Growth reversal often results from leadership and human resources difficulties (Kotter&Sathe via Garnsey, 1998).

### 2.4.2 Growth scenarios

**Internal growth:**
Internal growth/direct entry can be defined as when a firm, whether newborn or already existing, begins selling on an ongoing basis in an existing market from which it was previously absent (Yip, 1982). There are several ways for a firm to increase its internal growth.
It is difficult to find an absolute definition on diversification. This term can be very abstract since the meaning of diversification is very subjective. Some firms diversify in totally different industries, while other expands their product line within their own market or niche.

But we can say that firm diversifies its productive activities whenever, without entirely abandoning its old line of products, it embarks on the production of new products, including intermediate products, which are sufficiently different from the other products it produces to imply some significant difference in the firm's production or distribution program (Penrose, 1959).

A firm will be diversified when they increase the number of variety of final products, increases in vertical integration and increases the number of “basic areas” of production from which a firm operates.

When a firm looks at diversification that involves a departure from the firm's existing areas it can happen in several ways (Peng, 2009):

- Product-related diversification. Entries into new product markets and/or business activities that are related to a firm's existing markets and/or activities.
- Product unrelated-diversification. Entries into industries that have no obvious product-related connections to the firm’s current lines of business.

Strategic Alliances:

Strategic alliances can be defined as any voluntarily initiated cooperative agreement between firms that involves exchange, sharing or co-development, and it can include contributions by partners of capital, technology or firm-specific assets (Peng, 2009).

There are several incentives to establish a strategic alliance. One way to look at the incentives is to look at the strategic opportunities and the social opportunities for a firm (Eisenhardt & Schoonhoven, 1996).

In the strategic incentives for corporation lies in the opportunity to gain a higher pay-off in a corporation with another partner, compared to what the firm could do by itself (Eisenhardt & Schoonhoven, 1996).

In strategic alliances, the involved firms might be able to access new kinds of resources, both financial and other resources that they might not have been able to access by themselves (Hamel et al., Pisano&Teece, via Eisenhardt & Schoonhoven, 1996). The resources firms acquire through
alliances enable them to share costs or gain differentiable product technologies that are more valuable than the disadvantage that involves in an alliance formulation (Eisenhardt & Schoonhoven, 1996)

The social incentives of cooperation lie in the social opportunities of interaction. Personal relationships create opportunities for cooperation by deepening awareness, trust and commitment among parties within the relationship (Larson, via Eisenhardt & Schoonhoven, 1996).

In addition to the interpersonal contact, status and reputation can also enhance the likelihood of cooperation (Podolny, Eisenhardt & Schoonhoven, 1996)

There are many ways to categorize strategic alliances. One way is to divide the different types of alliances by equity. Equity-based alliances and non-equity based alliances (Peng, 2009).

![Figure 5, Categories of strategic alliances. (Peng, 2009)]

As you can see from the figure the alliances with the weakest ties are on the left side, and the ties gets stronger the further you go to the right.

Mergers and acquisitions
Mergers and acquisitions provide an opportunity to trade otherwise non-marketable resources and to buy or sell resources in bundles. Through this one can sell an image or buy a combination of technological capabilities and contacts in a given set of markets (Wernerfelt, 1984). The main challenges when a firm looks at a merger or an acquisition are to identify (Wernerfelt, 1984):

- The other firms exact resources
- Which of these the firm can take advantage of
The cost of going into a merger or an acquisition
Will the firm be willing to pay for this?

In terms of acquisition strategies there are several strategies. Some focus on the products that the other firm have, and some focus on the other firms’ position in a given market.

You can also look at the resources based criteria for acquisition strategies (Salter and Weinhold, via Wernerfelt, 1984):

- Related supplementary (Get more of the resources that you already have)
- Related complementary (Get more resources which combine effectively with those you already have).

Acquisition entry occurs when an existing competitor in an existing market is acquired by a firm not previously competing in that market. The acquirer should have the intention to use the acquired business as a base for expansion, and not merely hold it as a portfolio investment (Yip, 1982).

The basis for an acquisition is that if there are firms that are willing to part with their assets, including good-will, at a price equal to or less than their value to potential buyers (Penrose, 1959).

A merger on the other hand is the combination of assets, operations and management of two firms to establish a new legal entity (Peng, 2009).

There are several categories of M&A (Peng, 2009, p. 331):

Horizontal M&A. This involves M&A with competing firms in the same industry.
Vertical M&A is the mergers and acquisitions that are upstream or downstream.
Conglomerate M&A are the M&A’s that are product unrelated.
2.5 Conceptual frameworks:

![Diagram](image)

Figure 6. Conceptual framework 1. Figure by author. Based on tangible and intangible resources and the VRIN framework

The first conceptual frameworks looks at how the different sets of resources create sustainable competitive advantages through the VRIN framework. Here you can try to identify what tangible resources that is Valuable, Rare, Imitable and Non-Substitutable and then identify the intangible resources that are Valuable, Rare, Imitable and Non-Substitutable. When this is done you will in theory gain or have sustainable competitive advantage.

![Diagram](image)

Figure 7. Conceptual framework 2. Figure by author. Two perspectives of growth
Here growth has been looked at in two perspectives. The perspectives are stages of growth and the ways or scenarios of growth. I want to figure out if the sets of resources will change in different stages of growth and what kinds of resources that are needed in different scenarios of growth.

In terms of the different stages of growth I want to see what challenges and resources that are needed in order for EuroDesign to grow. Here I want to know what resources the company needs in the different stages of growth and if that will change as the firm grows.

There are three main ways or scenarios of growth. Do these need different kinds of resources or are the many similar resources needed in order to be successful in the different ways of growth.
Chapter III – Methods

3.1 Problem definition:
My research question: Which resources does EuroDesign Pvt. Ltd need to gain sustainable competitive advantage as the firm grows, and will these resources change as the firm grows?

The depended variable is the variable that is supposed to be predicted or explained, while the independent variable is assumed to explain/predict the depended variable (Zikmund, 2003).

As you can see, the research question can be divided into two parts. In the first part I am looking at the resources creating sustainable competitive advantage. Here the dependent variable is sustainable competitive advantage and the independent variables are resources. In the other part of the research question, I want to know if the resources will change if the firm grows. In this part of the research question the dependent variable I the resources, and the independent variables are the growth of the firm.

3.2 Choice of methods
I want to get as many details as possible in order to get in to the bottom of the research question. Since EuroDesign have a limited amount of experience with growth, this research will be exploratory. Here we will be able to figure out which resources that will give EuroDesign a sustainable competitive advantage. I will also investigate if the resources will change as the firm grows. In terms of growth, I am looking at this in two perspectives: As the firm grows, in different stages of growth, and different scenarios of growth. Here I can focus on many variables, but have a small number of units that will be investigated.

As mentioned, there are a lot of theories on what resources that are needed in order to create sustainable competitive advantage, but the theory are very abstract on the question about if resources are changing as the firm grows.

I will mainly focus on experience interviews. This is an exploratory research technique in which individuals that is knowledgeable about the particular research problem that is being researched (Zikmund, 2003).
Therefore the main focus will be on people with different experiences from growth firms in the same industry.

A qualitative research method is very open towards the data that are going to be gathered. The data will be systemized and categorized afterwards.

![Figure 10. Stages of qualitative analysis (Jacobsen, 2005, p. 128)](image)

Qualitative methods focuses on details, richness in information and are not determined on beforehand on what’s going to be looked at (Jacobsen, 2005).

I will primary conduct individual interviews. This is because it will be very difficult get my interview objects into a group interview, since the people that I want to interview are very busy.

The individual interview works best under following assumptions (Jacobsen, 2005):
- Few respondents
- When we are interested in the opinion of each of the respondents
- When we are interested in how each individual reflects and interpret meanings about a special phenomenon.

Two of my interviews were phone-interviews, since the interview objects were in India and in Germany at that time. The rest of the interviews were conducted face to face.

4.3 Sampling

For me it has been important to have in mind that the research is a piece of the topic and variables, context, time and people when I have chosen my sample population (Jacobsen, 2005)

Jacobsen (2005) also divide the people that answers an interview in two categories, respondents and informants. Respondents are people that have experiences from the same phenomenon that is going
to be investigated. While Informants are people that have lots of knowledge about the phenomenon that is going to be investigated.

My ideal group of people to interview would be:
Of respondents I would focus on two groups. The first group is entrepreneurs that have established growth companies in the same industry. The other group respondents are customers we have today and potential customers. Some of these customers have experience with establishing their own factories and establishing strategic alliances.

In terms of the informants I want to interview, I want to find persons that have experience with assisting growth companies in India.

![Diagram](image)

*Figure 11. Ideal sampling group. By the author.*

The persons that were interviewed are:
Jan Egil Flo – Co-Founder of Moods of Norway
Moods of Norway is one of Norway’s leading fashion brands. Moods of Norway have doubled their revenue each year since the start in 2003, and has currently a revenue of about million 300 NOK. Jan Egil has been the one that have had the responsibility to develop the company and worked with the economics and the process “behind the scenes”, while the other founders have been fronting the company and brand.

Sverre Helno – CEO, Voice. Voice is Norway’s second largest retail chain within the fashion
industry. Voice owns Boys of Europe, VIC, Match and the brand Jean Paul. Sverre has worked for large retail chains and concepts and have been working for Voice since 2006 and have good managerial experiences from large established companies which are working with profitable growth.

Rajeev Koul – Innovation Norway’s India office.
Innovation Norway’s office in India work with advising and helping Norwegian companies that is established or are going to establish in India. Rajeev is from India, has good competence on how to do business in India, and have good insights on the differences between Norwegian and Indian culture.

Bernd Gemmer – V.fraas.
V. Fraas is EuroDesigns largest customer and have sales offices in several European countries in addition to US and Canada. Bernd Gemmer is Executive Vice President at V. Fraas. Bernd has been working at V.Fraas the last 13 years, and have are traveling frequently to China and India to visit factories that produce their products. Fraas has also established their own production line in China, and have now over 300 employees in China.

Lars Schyman – Worked with purchasing for Hennes, and have also been director for Hennes Denmark in the 60’s. The next 40 years Lars worked for a wholesaler that has bought their products from Asia and especially in India. He has hands-on experience with the concrete challenges we have and will have as we grow.

The reason why the interview objects have been described in the sampling section is to better understand the background for each respondent. In the analysis the categories will be divided into themes and subthemes, and I have clearly identified what the different persons had to say about the different topics.

3.4 Data analysis
Since this is a qualitative analysis I have focused on making the interviews as explorative as possible. It is important for me not to ask leading questions, but at the same time get different angels and thoughts on several topics.
Before I started the interviews I gave the interview objects my background for the interview and what my master thesis was about. This was to give them some kind of framework and set the mode for the interview. I also asked the interview objects if it was all right to record the interviews. The interview objects all concurred to this. One of the reasons is that they don't have any reasons to hide their experiences with this topic and that they are very confident in their work.

I have tried to conduct the interviews in a manner that was based on some literature concerning interviewing when conducting qualitative methods (Seidman, 2005, Jacobsen 2005)

Since the interview objects had a very heterogeneous background, it was important to start the interviews very general in order to get a feeling of what experiences the interview objects have had. Then I tried to tie their experiences with the concrete questions I had based on the theory described in the theory chapter.

The interviews where formed very much by who the interview objects where and what kinds of experiences they had. If one person had hands-on experience with for example M&A I would also ask more about his experience with M&A rather than talk about topics he had not yet experienced.

When I interviewed the respondents that are still working in the industry, I used a technique called temporal orientation (Langley, 2008). Here I focus on the past, present and the future.

First I focused on why they have come as far as they have come, and what they have done in order grow as they have. After that I have tried to identify what their challenges are further, and what thoughts they have about that matter. Lastly I have also asked about their thoughts on the future, what they do in order to reach their goals and which resources they need in order to reach them.

Analyzing qualitative data happens in three steps (Jacobsen, 2005). The first step is describing, the second is to systemize and categorize and the third step is to combine.

Two of the interviews were conducted in Norwegian, two in English and the last interview was conducted was with a Swede, so I talked in Norwegian, while he responded in Swedish. The four first interviews were transcribed in the language used during the interview, but I translated the interview with the Swede as I was transcribing it. In the analysis all the citation will be translated into English by me. In the analysis I have taken out quotes from the respondents directly from the transcribed work. This is to give the reader an impression on the way the respondents responded
and answered the questions.

In terms of the systematization and categorization I will use the qualitative data analysis software NVivo to systematize the data. I will divide the categories into themes and with subthemes. Here I will use the citations from the interviews, you as a reader will see what the different interview objects responded on the different themes.

3.5 Reliability and validity
Qualitative research methods are in its nature more reliable than qualitative research, since the data consists of a larger richness and you are able in a larger degree to investigate unclear questions or answers if that are necessary (Jacobsen, 2005). On the other side quantitative research methods have a larger scope of respondents and will its nature be more valid than a qualitative research.

Reliability
Reliability is broadly defined at the degree to which measures are free from error and therefore yield consistent results (Zikmund, 2003). That means in which the degree we will get the same results if we do this research again.

There are several factors in the different stages of the research process that might affect the reliability of the research (Jacobsen, 2005).
The way that the interviews are being conducted can affect the results of the interview. The interviewer can lead the interview objects into giving some answers that the interviewer wants, by asking some specific questions or the ways the questions are asked. The environment and the relationship between the interviewer and the interview object is also other factors that might affect the reliability of the research.
After the interviews, the way the analysis has been conducted might also affect the reliability.
Chapter IV – Findings and discussion

As I interviewed the different respondents and informants there were some differences in resources needed in order to create sustainable competitive advantage and some similarities. Firstly I have identified what all the interview objects agreed on being the most important resource in order to create sustainable competitive advantage. After that I have looked at which resources a start-up company like EuroDesign needs as they are starting up, what they need as they grow and when the company will be more established. Since growth can be happen in several ways, I have looked at the different resources needed in the different scenarios of growth.

4.1 Resources EuroDesign need in order to create sustainable competitive advantage

![Diagram showing the relationship between resources and sustainable competitive advantage]

Figure 12. Relationship between resources and sustainable competitive advantage. By the author

In general all the resources described in the literature chapter were mentioned in the interviews in some form and confirms that all resources are depending on each other to give a company competitive or sustainable competitive advantages. That also backs up the elements in the resource based theory that covers the tangible and intangible resources.
The interviews covered that some resources might be more relevant in the different stages of a firm's growth and in different growth scenarios. This will be covered in the next chapter.

**4.1.1 Tangible and Intangible resources**

As mentioned in the theory chapter, many researchers consider the intangible resources as more important than the tangible resources in order for a company to gain sustainable competitive advantage.

The interviews showed that that might be the case, especially in the different stages of a company’s growth. All of the interview objects mentioned human resources and capital as the most important resources for growth. These interviews clearly indicated that even though intangible resources can increase the sustainability of the competitive advantage, you need the tangible resources as well. As for the findings, a company will have a hard time to create and develop good intangible resources without good tangible resources, and especially financial capital as a fundament.

Tangible resources

The tangible resources that where described in the theory chapter, was capital and physical resources. The respondents and the informant were very focused on capital and good financing as the most important tangible factor for growth. Capital was also crucial if the company wanted to grow.

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<th>Capital</th>
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<td>In Production</td>
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<th>Jan Flo, Moods of Norway</th>
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<tr>
<td>We are a year ahead of schedule. The process...we have finished drawing the summer 2012 collection, and have submitted it already. So you use the resources and do not get paid before a year has passed. In this respect capital is important. If you do not have capital, you can forget everything else. What you think will cost 100 000, will cost 300 000. So if you have the budget of 1 million, you must make sure that you have 3 million. Budgets are a numbers game. So what you think will be expensive, will be 3 times more</td>
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<tr>
<td>Name</td>
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<tr>
<td>Lars Schyman</td>
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<td>Bernd Gemmer, V.fraas</td>
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<td>Financing</td>
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<td>Rajeev Koul, Innovation Norway</td>
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<tr>
<td>Bernd Gemmer, V.fraas</td>
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<tr>
<td>As a way to grow</td>
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</table>
Rajeev Koul, Innovation Norway

- Costs a lot to expand. It costs a lot to make a line. The cost to add a new line is big, and by the time you get back the money for a delivery, you need to invest a lot.

- If you have strong growth aspirations, you definitely need more resources. You need more capital, you need more people. So that always, that is what you need to have. Strong growth ambitions. You should always be planning ahead.

- As to how you could get those resources, in terms of people and capital.

Capital was mentioned as the most important tangible resource by all of the interview objects.

In terms of capital, three interesting subjects were identified. The cost of operating the business, financing, and that capital is a source of growth.

The margins in this industry are very low and there are several months from the sales lead comes in and until the customers receive the goods. In a primitive industry such as textile production is, there is also lots of risk involved in the production. There are lots of elements that can go wrong in the production process and that will ruin the delivery. It can be everything from bad growing condition for cotton or other fabrics, where you will not be able to access cotton on the open market. It can be mistakes by the suppliers weaving the fabrics and to the coloring of the fabrics and delays in the customs.

One other natural part of the fashion/garment industry is the importance of time. If a delivery is delayed by a couple of weeks it will hit the retail stores a couple of weeks later than planned, and then it will be “out of fashion” and will not be sold to the customers.

A consequence for the supplier when it is not able to hold its delivery date, they have to give rebates or pay for the shipment as a compensation for the failed order. This is very costly and the supplier must be able to have some money in case of wrong or delayed deliveries.

Therefore it’s essential to have good ways of financing the production and have a good liquidity as basis for running this type of company.
In terms of financing, there were some very different opinions on how to get the financing. While Jan Egil as an entrepreneur indicated that it was very hard to access capital, Rajeev, the advisor from Innovation Norway had an impression that it was easy to gain capital. One reason can be there are a large gap between the persons feeling about gaining capital is that Jan Egil have experienced how difficult it is to access capital, while Rajeev that is not an entrepreneur have not felt how hard it is to gain capital. Rajeev primary works with large and capital intensive projects and startups and therefore more used to work with industries that have the financial strength to start up new projects or companies. Another reason can also be that it is easier to access the capital needed in India compared to Norway. The last decades the Indian economy has grown at a very high pace and the middle class and the upper class are also becoming very large. There may be a large amount of private investors that look for ventures they want to invest in.

As for growth, capital is also essential. With internal growth you need capital in order to enter new markets or in order to get a larger sales force. Also here growth will cost more since you will have larger orders and the lead times are the same. More capital will then be bound to the goods in production. There will also be a need to invest more in human resources. The need for quality control also increases with the larger orders and the company must then also invest in that. The firm must also invest in a larger sales force and sales administration. This will also be discussed in more detail in the chapter covering internal growth.

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<th>Physical resources</th>
<th>Bernd Gemmer, V. Fraas</th>
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<td>The owner wants to sell the business. What we have experienced in very many of the companies that were on sales that you did not get much from the money you were investing. Because what they wanted to sell were things we were not interested in. They wanted to sell their stocks their machines, their furniture’s their buildings. This is the things we are not interested in. We are interested in the customer relationships, the sales people. This is what we would invest in. But this is hardly what they sell. So you can say that the physical resources are something you can buy anywhere?</td>
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Yes, the physical resources in abundance. What you are interested in are the social skills, the sales skills, the knowledge they have with the product, the relationship with the customers, all of these things are very important. But these mostly you cannot buy. That’s right.

If you have a textile company, then it is basic, basic, basic. It is fabrics, sewing machines and people that can sew. When you grow, you have one production line that you expand to two production lines.

The physical resources are a part of the basis of production process. As a supplier you need a factory location, sewing machines, ironing equipment, fabrics, threads etc. These resources are by the interview objects seen as obvious in order to start production. These resources are also not rare and very easy to imitate.

As an Asian supplier in the clothing industry these physical resources does not give any sustainable competitive advantages.

As already described, the capital is the most important tangible resource. EuroDesign need a large amount of capital, firstly to invest in the factory and the equipment, then on the personnel and also on goods that are going to be produced. It is therefore essential for EuroDesign to have enough liquidity to be able to handle the orders they get from its customers. The physical resources like buildings and machines are necessities in order to produce garments, but do not create any competitive or sustainable competitive advantage.

4.1.2 Intangible resources
Are the resources that are not physical or is not able to be formalized. Here the intangible resources are divided in the three categories described in the theory section: Human capital, organizational and relational capital.

All of the interview objects used lot of the focus on the intangible resources. Here the human resources got the most attention and was by all the interview objects described as the most important resource in order to gain sustainable competitive advantage. Other resources like reputation, brand, network, relational resources and culture was also described as important for companies in the fashion industry to succeed.
<table>
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<th>Human Resources</th>
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<td><strong>Skills needed</strong></td>
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<td><strong>Management</strong></td>
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<td>Lars Schyman</td>
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<td>Rajeev Koul, Innovation Norway</td>
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<td><strong>Sales</strong></td>
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<tr>
<td>Lars Schyman</td>
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<td>Bernd Gemmer, V.fraas</td>
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</table>
department into make that growth possible. I was looking at very good salespeople who already brought their customer relations for example. So I invested in that. These people simply brought me their own customers. They didn't need to be merged in the company. They simply do what they do best. They simply sell. My obligation is to make sure that what they sell is something I can supply.

| General | You must have a mix of people as well. Someone that knows everything about marketing, everything about design, everything about the production. So you must be able to run a company. There are expenses and revenues. There are many calculators that have calculated wrong, as in many companies. So the mix of people, marketing area. No matter what you do, marketing is essential. |

In terms of the human capital needed, three types of human resources where identified as important. You need human resources that can sell your product, the managerial ability to be able to produce the products and some administration.

For EuroDesign the most critical resources are the managerial resources that have the responsibility for the production. Since we have closeness to the customers and at the moment have enough orders pending we need to be sure to deliver the right quality at the right time.

Some of the explanation is the lack of owner’s knowledge of the production process that makes it critical to have managers that are able to deliver what the customer needs.

As the company is located in India, it is crucial to have people that know the culture and the way of doing business there. It is also essential that the management knows the value chain very well in the garment production industry and knows how the process is from the production of the fabric until the scares are packed and sent to the customer. The management also needs to be able to coordinate and communicate how the process is going. The last crucial skill that is needed for the management is also to be able to implement good quality control systems so if things go wrong, it will be identified as quick as possible and that they will be able to fix the problems without delaying the delivery.

In terms of the sales staff it is important to get people who know the industry and have relationships within this niche of sales accessories.
The administrative personnel were not brought up as much as the other two types of human resources. It seems that most of the interview object sees the administration as an obvious part of the organization when it’s needed.

The rest of the production process requires low competence and skills. The people that does the practical work in production, like sewing, cutting, ironing and packing are easy to get hold on.

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<th>Organizational capital</th>
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<td><strong>Administrative and human resources</strong></td>
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<td>Jan Flo, Moods of Norway</td>
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<td>Sverre Helno, Voice</td>
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<tr>
<td>Lars Schyman</td>
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<td>Bernd Gemmer, V.fraas</td>
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quality control because we saw that as we grew we had more quality issues. We simply invest in more people doing quality control for the company.

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<th>IT systems</th>
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<tr>
<td>Sverre Helno, Voice</td>
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<td>Lars Schyman</td>
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Step one, fix the core. Establish IT systems, get the organization, and get the competence. Establish efficient logistics, getting things to work, data records, and product records.

The major Chinese factories did not have the IT systems, but that worked out great. But they have a lot of people does the work manually. They have only sent out the invoices have been written by hand, or with old machines that have been sent out. It is clear, as labor costs gets larger and larger so it will be more valuable with IT systems. In India, for example. Delhi where everyone will work with high tech, so there are fewer workers and price increases. When you need a system that runs from the fabric supplier and in, where you add on the price for each step in the process a bit as well all the way and finally it creates the invoice out.

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<th>Corporate Culture</th>
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<td>Sverre Helno, Voice</td>
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<td>Rajeev Koul, Innovation Norway</td>
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That when you've got this and fixed the core. Then you must decide on the concept. Who is our customer? What shall we offer the customer and the control question, can we get best at it?  
... As reported back to HR, then makes HR training programs and training programs in relation to what we have identified. Actually, we are working quite systematically with it.

Because, you know, the value of the company will be decided on the owners or the founder of the company. And you know you have to transfer the value to people. The people you select should be a person that really believes in those values and then you can expect them to move the company in the way that you move. But there is a mistake in that, if you don’t select the right kind of people, then inevitably the things will not run smoothly.
It was difficult to grasp the effect of good organizational capital for the organization, since this is an intangible resource, and it is hard to measure the effect of its value. But the respondents indicated that this is something that is important to focus on, especially when the firm reaches a certain size.

Good organizational structures can also compensate for some of the managerial needs that a firm has. In order to implement these structures, there is a need for more administrative and organizational people. The reason why this is not that important in the production process, as in many other industries is that most of the other suppliers in Asia use very primitive formal structures. Most of the large factories do not use high end IT systems and the order handling is done manually. On the other hand, good IT systems and organizational systems can be more important in the time to come in order to make the production process more effective, since the labor prices in India is increasing.

A clear vision of the company where the employees share the same values and know what is required in order to deliver an expected outcome is also important to gain competitive advantage. If EuroDesign is extremely clear on what is required and how we work in our company it will be easier to create a working culture that is rare and hard to imitate.

Focusing on the organizational structures, if it is to make a good back-end IT system and working on the corporate culture can make the organizational structures a good supportive function for the other intangible resources.

<table>
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<th>Relational capital</th>
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<td>Brand/reputation</td>
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<td>Factors</td>
<td>strengthening/building</td>
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<td>brand or reputation</td>
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<tr>
<td>Lars Schyman</td>
<td>You must deliver so well that people say, those we know these people. They have delivered and well. Then it spreads internally in another way. But you can never expand the company if you do not have a good name. The only</td>
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<tr>
<td>Name</td>
<td>Quote</td>
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<tr>
<td>Bernd Gemmer, V.fraas</td>
<td>You cannot expand production if you cannot sell the goods. See that you stand out as a supplier and you deliver the product, design, price. When you sell, delivery accuracy, records. You can sell to the buyer to Cubus, your delicate scarf. So it goes good. Then it's not delivered on time, then they become mad. There can perhaps go over. This time. Next time, scarves can be just fine, but it’s still delivered at the wrong date. Then someone in the system will say that this does not work.</td>
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<td>Jan Flo, Moods of Norway</td>
<td>I think in the beginning at a new company, you always have to prove as selves. Both on the customer side, so the customers will start to use a new supplier. It takes time and it’s a risk to use a new supplier. You have to prove to that you are worth the new investment. But you also have to prove yourselves at the supplier side. For the suppliers are not rally keen to involve itself with new customers because it is a risk. Yes, but we have delivered. When a factory sees that you double the volume for each collection or each order, they see that you are going the right way.</td>
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<td>Rajeev Koul, Innovation Norway</td>
<td>I just thinking that reputation or, or previous incidents, the factor of trust. You know, all of the things I would say go under the values you offer. These are components of that. You know, when you are interacting with them, you will an amount of trust. The trust in terms of your knowledge about the market, or the commercial dealings. So you increase your reputation and your partners think that your will deliver. That’s very important. I would keep it as a part of your entire value package.</td>
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<tr>
<td>Sverre Helno, Voice</td>
<td>As long as I'm happy so I'm going again. But if I'm not happy so I'm not coming back or it may take a long time. The most important area is actually on the supplier side. Suppliers manufacturers, suppliers of brands. It is the most important relationships that must stay in.</td>
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</table>
If you will open a factory in India that produce clothes. And say what you will be the best on ... you must find a niche, and that is what you are going to be best. When you know that, then you have found your customer ... Then you have to somehow make sure that you are best at it. That will provides a good relationship ... what are you best at? By communicating that then I know what I can give and what people can expect. On that I can build relationships.

In terms of the use of the word brand and reputation, the interview objects used the words a bit over each other. That is the reason why I have merged these two resources into one category. In order to strengthen your brand or reputation the most important aspect is to deliver what you have promised. Since EuroDesign in the moment is a production company and will focus mainly on the B2B market, the branding aspect will not be as important as it would be if they were trying to reach the consumer market.

The interviews highlighted that a company needs to deliver in order to improve its reputation. In this context EuroDesign needs to deliver in terms of the goods they send. In addition to delivering the right quality they also need to deliver the goods in the right time. In the beginning, EuroDesign must also prove itself for its supplier, and in order to do that they must be able have the liquidity to pay its supplier, and it is also good to have larger order for each time, which shows that you are growing. That will make them prioritize you even more in the time to come.

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<tr>
<th>Effects of brand/reputation</th>
<th>Jan Flo, Moods of Norway</th>
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<tr>
<td>You have to balance it. All the time. We have had 1000 requests for cooperation with different types, but we have held back. We could have grown much faster. Within clothing. If you build a brand of clothes .. especially in Norway, you must have the right distribution of clothing. We did not have any network in the clothing industry, except that we had some contacts via the parents of Simen and</td>
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</table>
Peder had some contact with regard to production and stuff like that. So we managed to get started with a sample collection and enter the market. When you're small and a start-up people don’t want to have something to do with you.

Is where we invest much more in the moment. Is to maximize the products that you do with a customer. If you already have a good customer relationship and you follow all of their systems. Many of the big customers have very complicated internal systems and to make a sale happen. For you as a supplier it is a lot easier to add new products into existing customer, than get a new customer.

Network is very important. You are meeting people at the same forum, meeting designers, artists...there is always possibility that something new can come out of that meeting. Something that even you have not even thought about.

Network is always important to that, and it’s always good to be you know, interacting.

Suppliers can be found always. Because they always call you. They get your number from is named by Chamber of Commerce, etc., and says that it has worked for 40 years and delivered and we are the best. Sometimes find suppliers when you are traveling. Sometimes when you have local people are good, that can find suppliers for you. We had a lady who went around to find skilled suppliers. We could not do it, since we do not know the language, but she could find them.

Yes, it is the same as when to find people. If person X does not know who the company is. Everyone knows who H&M is and, everyone wants to work there. So it is important to create a name for the company.

The relationship between the customers and the suppliers are very important for a company like EuroDesign. A good relationship with the customers will give the supplier some more tolerance in case we as a supplier do a mistake. As a company delivers over time the relationship will also become stronger. In order to have good relationships, the personal contact and chemistry will have something to say, but if the firm does not deliver the right quality and on the right time it can
quickly be ruined.

As your reputation strengthens and you get a stronger brand this will primarily give you a competitive advantage in terms of getting more customers or better suppliers to work with you. In order to please your suppliers, you need to be able to pay in time and over time. This has been mentioned in the capital as mentioned in the tangible resources section.

As a relatively young company it is important to be able to pay our suppliers in order to establish a good relationship with our suppliers, or else they will not prioritize us. If we show that we grows as a company and starts to send in larger orders, they will prioritize us as a customer and will focus on delivering right quality to the right time.

Figure 13. How the relational capital connected. By the author.

It seems like a good reputation/brand will increase the chances to gain new customers and potential partners. In order to strengthen your reputation or brand you have to deliver right product at the right time.
4.1.3 Relationship between tangible and intangible resources, creating sustainable competitive advantage

My research indicates that the tangible resources do not in themselves create sustainable competitive advantage. The physical resources are a necessity in order to produce garments and financial capital can be used to invest in the intangible resources that can lead to sustainable competitive advantage. Financial capital is extremely important in this industry, since there are long lead times and a lot of risk involved.

The most important human resources are the managerial, sales and administrative resources. These resources are the ones that can develop the organizational and relational capital of the firm. Which again can a larger income and that also can attract more human capital.

Figure 14. Relationship between tangible and intangible resources, leading to competitive advantage. Made by author
4.2 Resources needed as a firm grows

I have already looked at the resources creating sustainable competitive advantage. Now I want to look if this change as the firm grows. I have divided growth into two parts. First I looked at growth as different stages if the firm’s life cycle, then I has looked what resources and challenges that are related to different scenarios of growth. It is natural that the different perspectives of growth use the same sets of the resources as shown in the model above.

4.2.1 Resources needed in different stages of growth
One element that I wanted to investigate was if the composition of resources required would change as the company grows. It seems like some resources are important at all stages in a company’s growth, but some resources seems to be more important as the company grows and when the company is more established and still wants to expand their growth.

4.2.1.1 Resources needed in the startup

<table>
<thead>
<tr>
<th>Resources in the startup</th>
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<tbody>
<tr>
<td>Tangible resources</td>
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<td>Capital</td>
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<tr>
<td><strong>Jan Egil, Moods of Norway</strong></td>
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<tr>
<td>You must have the financials in order. What we got from Innovation Norway, was no more than the bar bill at our first exhibition in Copenhagen. You cannot live on public funding or something like that. Cannot base your business on it. Then you don’t need to think about it. Then you can just give a damn. Then its game over from day one What you think does cost 100 000, costs 300 000. If you have a budget on 1 million, then you must make sure that you have 3 million, it costs money. It is 3 times as expensive as you think. There is no doubt... You simply need that money. You cannot borrow it from the bank. You need to fix it.</td>
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<tr>
<td><strong>Lars Schyman</strong></td>
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<tr>
<td>Most importantly, in the start is capital…I think it's important to have money. So that we can manage the first year's deliveries without, getting paid. Something suddenly happens and that you can manage procurement and supply. Capital must be the most important. You need enough money to be able to pay shipment by air. For example, in India. It happens too often that you have to send late deliveries by air plane. And it costs. Then you need to have muscles to send this. Although there are killing our business. If there is something wrong at this stage, you will lose the customer.</td>
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<tr>
<th>Physical resources</th>
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<tr>
<td><strong>Lars Schyman</strong></td>
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<tr>
<td>If you have a textile company, it is just basic basic basic. It's fabric, sewing machines and personnel to do the sewing. When you want to grow, you have one line that produces, and then you add two lines that produce and three lines to produce.</td>
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<tr>
<th>Intangible resources</th>
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<tr>
<td><strong>Human capital</strong></td>
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<td><strong>Managerial competence</strong></td>
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| Rajeev Koul, Innovation Norway |
| The management should know what they are in the market for. What they want to give to the market. What they want to sell or what the service they |

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<tr>
<th>Name</th>
<th>Quote</th>
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<tbody>
<tr>
<td>Lars Schyman</td>
<td>want to provide. That should be very clear. This is sort of fundamental for any business; they should know what they are doing. But the second thing is, to who is the end customers, who is their market, what is their market. So that is where they have to understand their market and to the right kind of research. The Production must be work. You need to have competent people who can, who can see the chain from the chain, from fabric to the shipment. Not only to see a little bit. There are some who can see how it flows and how long it takes. You must be able to calculate how long it takes.</td>
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<tr>
<td>Bernd Gemmer, V.fraas</td>
<td>This is the most important. Of course you need to sell. It is a precondition. But if you can sell, you need capital. I was looking at very good sales people that already brought their customer relations for example. So I invested in that. These people simply bring me their own customers. They don’t need to be merged in the company. They simply do what they do best. They simply sell. My obligation is to make sure that what they sell is something I can supply.</td>
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<tr>
<td>Jan Egil, Moods of N.</td>
<td>This is where many of the Norwegian fashion companies fail. Firstly, there is just one person who is behind it. That does all of the design, logistics, company visits, well, customer visits the entire factory visits. That is simply impossible. You have no chance to do it. It is most certain one of our successes factors; we three persons when we started. That we were three persons that could divide the tasks from the start. To know what your value proposition is and how the end customers are. Then the critical thing how to behave to bridge the gap between, eh these two. How you reach the customer that is the most critical thing. My personal feeling is that clarity is the most important thing. Resources are important, but I have seen companies that have strong financial resources, but they have been sort of moving in the dark, and in the end they have not been that successful. Whereas</td>
</tr>
<tr>
<td>Rajeev Koul, Innovation Norway</td>
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</table>
| **Sverre Helno, Voice** | companies that have been very clear to what they want, even they have less resources they have been much more successful.  
Step one, fix the core. Establish IT systems, get the organization, and get the competence. Establish efficient logistics, getting things to work, data records, and product records. If that works, then you can develop a conceptualization.  
The structure is basically the production. In this case, it's production. When you start it's only production. Billing and everything like that you can do manually. There are not a need for structure. The fabric must be inserted, the cutting must be done, it must be packed. The administrative it only gets done, which not structured in the starting phase. |
| **Lars Schyman** |  |
| **Relational Capital** |  |
| **Bernd Gemmer, V.fraas** | I think in the beginning at a new company, you always have to prove as selves. Both on the customer side, so the customers will start to use a new supplier. It takes time and it’s a risk to use a new supplier. You have to prove to that you are worth the new investment. But you also have to prove yourselves at the supplier side. For the suppliers are not rally keen to involve itself with new customers because it is a risk.  
Suppliers can be always be found. Because they always call you. They get your number from is named by Chamber of Commerce, etc., and says that it has worked for 40 years and delivered and we are the best. Sometimes find suppliers when you are traveling. Sometimes when you have local people are good, that can find suppliers for you. We had a lady who went around to find skilled suppliers. We could not do it, since we do not know the language, but she could find them.|
| **Lars Schyman** |  |
| **Rajeev Koul, Innovation Norway** | Fundamental thing is a value proposition. The value proposition should be an interest to the alliance partners. That’s fundamental. Without that the relationship will not be sustainable. If your product does not add any value to them. Even if you have good relationship to that partner, it will not last, be |
sustainable. So, in order to make it sustainable you should you know, present to them a good value proposition.

It is very evident that in the beginning, EuroDesign will need physical resources in order to start the production. This includes the factory, machines and other equipment in order to do production of garments.

Jan Egil states that as a founder, it is very difficult to make budgets and calculate the costs in the beginning, since everything is very loosely structured and very uncertain. In the beginning, EuroDesign needs the capital to get the first orders going, and enough to cope with the financial consequences if some orders go wrong.

The reasons why some focused on financial capital as the most important aspect is that there are usually a long time between an order is placed and until it's delivered/paid for. In this gap of time (between 30 days-6 months) there will be large amounts of capital that are required to be paid to different suppliers. The salaries must also be paid before you get money in. In addition to that, there is always a risk that you will not be able to send the shipment in time, and then you have to pay for the shipment by airplane. This and other costs connected to bas delivery are also important to have in mind in order to have enough liquidity when things are not going as smoothly as planned. Some of the respondents focused most on the human capital as the main critical factor to gain competitive advantage and to grow.

As for the human resources, the management and the sales resources are the most important. In order to generate income, you need people that are able to sell, and that have some form for relationship with customers or potential customers. When the orders come in, it is also essential with good management to make sure that the production will go as planned and that the delivery will keep the quality as promised and at the time that has been agreed upon.

In terms of the organizational resources there where a several different opinions on what EuroDesign should focus on. As an entrepreneur, Jan Egil focused on the value of having a team with clear responsibility, and that the members of the team could focus on what they could do best.
Rajeev which have seen lots of companies from the side-line focused on creating good values and a good corporate culture where people act and makes decisions that are in line with the corporate values.

While Sverre H. from Voice focused on IT, systems and the back end part, Lars felt that IT systems where more important in a later stage. Some of the reasons that there are differences in opinion here, is that Sverre H. has worked for large and established companies, and that that is one of the first things they have in place before they start a new project or product line. Lars on the other hand has worked hands-on with these factories in Asia and experiences that those factories rarely used IT systems. The most important thing for him in this stage was that you made sure that the production went smoothly.

In order to gain relations and to strengthen the few relations have, you have to deliver what you promise. It is as important to be able to communicate who you are and what you do with you customers as to your own personnel. This value proposition must be very clear.

The two most critical resources in the startup phase for a supplier in the garment industry is definitely human and financial capital.
## 4.2.1.2 Resources needed as the firm grows

<table>
<thead>
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<th>As the firm grows</th>
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<tbody>
<tr>
<td><strong>Tangible resources</strong></td>
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<td><strong>Capital/ Physical resources</strong></td>
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<tr>
<td>Lars Schyman</td>
<td>Money, machines. Money and machines is most important. Of course</td>
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<td>you need to be able to sell. It is a precondition. But if you can</td>
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<td>sell. Then you need money, to manage growth and new lines. And</td>
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<td>employ some fairly good people. There must be some people who</td>
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<td>really are the customer's receiver.</td>
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<tr>
<td>Jan Flo, Moods of Norway</td>
<td>We grew very fast. Unnaturally fast, yet we the economy to it.</td>
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<td>You must have the capital to grow. It is incredibly important</td>
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<td>when you build the brand to have money to grow. There are a lot</td>
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<td>of people make mistakes here. It is obvious that it requires</td>
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<td></td>
<td>money to grow.</td>
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<tr>
<td>Bernd Gemmer, V.fraas</td>
<td>One thing is definitely is financing. If you take the way we</td>
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<td>take that. First invest into sales people and sales admin. Then</td>
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<td>you get the customer you are easily talking about a time</td>
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<td>difference of one to two years before you get a profit out of</td>
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<td>that. Which means that the company ownership must be prepared</td>
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<td>to really invest over that, without not immediately get a</td>
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<td></td>
<td>profit out of that?</td>
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<tr>
<td><strong>Intangible resources</strong></td>
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<td><strong>Human Capital</strong></td>
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<tr>
<td><strong>Sales + admin</strong></td>
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<tr>
<td>Bernd Gemmer, V.fraas</td>
<td>Sales and sales admin, because that is equally important</td>
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<td>department into make that growth possible. Everything else comes</td>
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<td>afterwards. After that we had it invest in quality control</td>
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<td>because we saw that as we grew we</td>
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<tr>
<td>Name</td>
<td>Statement</td>
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<tr>
<td>Lars Schyman</td>
<td>had more quality issues. We simply invest in more people doing quality control for the company. Then we have other areas as purchasing, people buying the products they had to be increased. It was simply more time consuming to control our suppliers. But the main aspect was clearly that if you wanted to grow, you need to grow your sales force. Good sellers. Without skilled salespeople you can close down the entire business. We had salespeople who were both designers and sellers. They created their own collections and sold them. Super skilled merchants will earn so much money. Actually, to earn most of the money in the company.</td>
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<tr>
<td>Access human capital</td>
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<tr>
<td>Jan Flo, Moods of Norway</td>
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<tr>
<td>Organizational Capital</td>
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<tr>
<td><strong>Jan Flo, Moods of Norway</strong></td>
<td></td>
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<tr>
<td>As you get more employees you have to put that in a system.</td>
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<tr>
<td><strong>Lars Schyman</strong></td>
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<td>The major Chinese factories did not have the IT systems, but that worked out great. But they have a lot of people does the work manually. They have only sent out the invoices have been written by hand, or with old machines that have been sent out. It is clear, as labor costs gets larger and larger so it will be more valuable with IT systems. In India, for example. Delhi where everyone will work with high tech, so there are fewer workers and price increases.</td>
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<tr>
<td><strong>Rajeev Koul, Innovation Norway</strong></td>
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<tr>
<td>When you are a startup you will be able to monitor the quality and so on. But once you grow, start growing, your orders your books start expanding. Then you will not be able to do that work, that quality inspection yourselves. Then you hire people. And if there is differences in quality value for that employee, for him you will be very particular to the thread you will be using for your fabrics or garments, quality of the thread the straightness of the tread or whatever of the quality of the product. Your employee, you know starts make compromises on that. And as the company expands, those things start to get larger and you start to get complaints of your quality from the customers. And then they communicate with your other customers and says that you are not providing the right quality products and suddenly the market knows that and you lose your brand proposition.</td>
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<th>Relational Capital</th>
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<td><strong>Bran/reputation</strong></td>
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<td>So the first area of expertise we strengthened was the things that were related to back-end, fixed the core phase. Then it was to fix the conceptual part. Now we focus more and more design piece.</td>
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<tr>
<td><strong>Sverre Helno, Voice</strong></td>
</tr>
<tr>
<td>So the first area of expertise we strengthened was the things that were related to back-end, fixed the core phase. Then it was to fix the conceptual part. Now we focus more and more design piece.</td>
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<td>Name</td>
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<tr>
<td>Jan Flo, Moods of Norway</td>
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<tr>
<td>Lars Schyman</td>
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<tr>
<td>Rajeev Koul, Innovation Norway</td>
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<tr>
<td>Network/relationship</td>
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<tr>
<td>Jan Flo, Moods of Norway</td>
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<tr>
<td>Sverre Helno, Voice</td>
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At this point there will be enough systems and a distribution process in the company that make sure
that the production will go as planned, and that the ability to deliver what is ordered.

There is still a need for financial and human capital in as mentioned in the startup phase. When the orders increase there are a need to expand the production lines and equipment. In addition to this the company will need other types of resources as it grows.

In the terms of the human capital, the sales force needs to be increased the most, and the requirement of administrative personnel increases as well as people with managerial skills. The respondents expressed that the need for organizational structures increases as the firm grows. In order to strengthen the organizational structures there must be hired more people with organizational and administrative experience and competence. As the orders are larger the transactions increase the need for quality control and order handling increases.

A challenge that is described by most of the respondents is how to get new employees. It seems to be difficult to find the people with the right expertise and experience to the jobs. The main sources to gain new employees are through network and informal connections. In order to attract people to work for you, they must trust you as a company and you need values they can identify themselves with. It is therefore important to focus on build your reputation towards the people and firms EuroDesign interacts with, and also work on establish EuroDesign as a brand or a name that potential employees wants to be a part of.

In terms of organizational capital, it seems to be more important in this phase to formalize more of the work and the processes that are taking place in the organization. It is also more important to implement good quality control systems and routines in all steps of the production process, to make sure that everything runs smoothly. In this stage a good order handling and Customer Relationship Management system could also be important to have in place. It is important that the organizational capital is a good support in order to handle an even larger growth.

Most of the respondents say that in this phase that it is important to be even clearer on what you do and for whom. When a firm can communicate this good, there will be easier for potential customers and partners to build a relationship upon that. Then the customer or partner knows what to expect and when they can be satisfied or disappointed.
### 4.2.1.3 Resources needed when the firm is established

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<th>Established</th>
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<td>Intangible resources</td>
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<tr>
<td>Human Capital</td>
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<tr>
<td>Access Human capital</td>
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| Bernd Gemmer, V.fraas | The other area is definitely simply the market for employees. As I said, accessories are a niche market. If you are working in the textile area there are many other companies which are interesting and might be tempting for potential employees to rather go to that area instead of concentrating/limiting themselves to that small part of textile accessories. Sometimes it is simply difficult to find proper staff to that expansion. |
| Jan Flo, Moods of Norway | Now we go on the open market. The first ten were friends, were friends we knew in and out. But now it's clear now there is something else entirely. Now is the recruitment agencies. |
| Sverre Helno, Voice | When we employ a team who will work with us, who will work on items. Then we have advertised some positions and say that we need a controller, a designer and an assistant who will be involved in thick up a children's collection. And so we are working systematically in all areas. |

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<th>Organizational Capital</th>
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<td>Jan Flo, Moods of Norway</td>
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<td>Sverre Helno, Voice</td>
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</table>
it is small so it gets one point. The same thing we do with the other aspects. Let’s say that the market is big, easy and you get money fast, 9 points. And then there will be an area we focus on. When we have identified it, we run a test. Uses existing resources, break some time with them and say they'll make a small collection. When we have done that and have been successful with it. And we are working systematically like this in all areas.

We work with a very detailed plan of organization and very detailed skill profiles in each role. If you are a designer here, I can go in and look at our ideal competency profile. So once a year we have an employee talk and a development talk. Here we go through the competency profile. We map you up against the position you have. You should have an ambition to do develop as close to the ideal profile as possible. Then we work with activities on the employment level to develop you. In addition we want to know where they want in three years. Then we can look at the profiles next time and see if you have developed. Actually, quite systematically work with it. And we're very, very, very strict that the requirements are set, they follow us.

<table>
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<th>Relational capital</th>
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<tr>
<td>Brand/Reputation</td>
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| Sverre Helno, Voice | Then you must create a conceptualization. When we started the new match concept that we called Hof. We also changed the Jean Paul concept, pretty much. You need to find the core in the brands, and to find new attractive concepts. |
| Jan Flo, Moods of Norway | Branding is important. You must have a mix of people as well. That knows all about marketing, everything about design, and everything of the production. Whatever you are engaged in marketing is essential. |

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<th>Network/relationship</th>
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<tr>
<td>Jan Egil, moods</td>
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</table>
| Sverre Helno, Voice | expand first in Scandinavia and beyond. Networks are clearly more important now.  
It is extremely important to have a network in concerning customers. The best I can achieve with a customer relationship is that they were happy the last time they were there. In the old days people were loyal. Now you choose again. In that sense I do not think the customer is loyal, but the customer can select you again many times. But it's not a loyalty mindset. As long as I'm happy so I'm going to you again. But if I'm not happy, than I'm not coming back or it may take a long time. The main area is actually on the supplier side. Manufacturers, suppliers of brands and suppliers of locations. It is the most important relationships that focus on.  
You know, when you are interacting with them, you will an amount of trust. The trust in terms of your knowledge about the market, or the commercial dealings.  
So you increase your reputation and your partners think that your will deliver. That’s very important. I would keep it as a part of your entire value package.  
Is where we invest much more in the moment. Is to maximize the products that you do with a customer. If you already have a good customer relationship and you follow all of their systems. Many of the big customers have very complicated internal systems and to make a sale happen. For you as a supplier it is a lot easier to add new products into existing customer, than get a new customer. |
| Rajeev Koul, Innovation Norway |  
| Bernd Gemmer, V.fraas | |

Capital is still a resource for growth, but the respondents have not focused as much on the tangible resources in this part of the firms’ life cycle.

In terms of the human resources, it is still important for the firm to have the right kinds of people, with right competence and skills. But if we look at Moods of Norway and Voice they have hire people from the open market. In the startup and growth phase, Moods of Norway used friends or people they knew, but now they use recruitment agency. When Voice has found out what kind of
people they need, they also hire people from the open market. This job is a lot easier when they have a strong brand name, as they have in Norway.

The focus on building a brand and the firm’s reputation is still one of the main challenges and will be the factor that you can position yourselves most from your competitors.

It is also to build on the relationships that you have. It is easier for EuroDesign to expand their product range and lines to their existing customers, rather to try to sell that to new customers.

One thing that is very clear from the interview from Sverre Helno from Voice is that they work very systematically in all aspects of the organization. It seems like Voice have that as one of the key elements in their organization, to work systematically in all of their processes.

4.2.1.4 Resources needed in different stages of growth

Figure 16. By author. Resources needed in different stages of growth
To sum up the question whether or not EuroDesign’s resources change as the company grows, there are strong indications of that. It seems like the most crucial resources in the start is the financial capital, a good management that can handle the production and salespeople that sell the goods. As the firm grows, there is a higher need of systemization of what is being done, a clear corporate culture, in addition to a larger sales force and a larger administration. When the firm is more established, there are larger needs to improve and strengthen the brand, reputation and the relationships/network that the firm have.

4.2.2 Resources in different scenarios of growth

4.2.2.1 Internal growth

<table>
<thead>
<tr>
<th>Internal growth</th>
<th>Tangible resources</th>
<th>Capital</th>
<th>Investments</th>
</tr>
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<tbody>
<tr>
<td>Lars Schyman</td>
<td>If you have a textile company, then it is basic, basic, basic. It is fabrics, sewing machines and people that can sew. When you grow, you have one production line that you expand to two production lines. The production costs and salaries needs to be paid. Although the salary is low. And the delivery is still long way. It is normal that you purchase of materials and the delivery as there is a few months in between.</td>
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<tr>
<td>Bernd Gemmer, V.fraas</td>
<td>First invest into sales people and sales admin. Then you get the customer you are easily talking about a time difference of one to two years before you get a profit out of that. Which means that the company ownership must be prepared to really invest in that, without not immediately get a profit out of that.</td>
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Intangible resources
<table>
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<tr>
<th>Human Capital</th>
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<tbody>
<tr>
<td>Managerial competence</td>
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</tr>
<tr>
<td><strong>Rajeev Koul, Innovation Norway</strong></td>
<td>As the owner, or as CEO or the general manager of the company. You have to direct responsibility. So, it depends on the people. To whom you interest those staff, how they make how the company goes. So you have to be very critical on how, about selecting the people, on what kind of people you are going to hire.</td>
</tr>
<tr>
<td><strong>Lars Schyman</strong></td>
<td>It must be. The management must be fostered in the textile. There are so many examples of textile enterprises in which the management team do not understand the industry. Who do not understand the chain. There are many examples where it goes completely wrong. That because the focus is on a quick return. It happens so much in the garment production that does not happen in other production industries. Because the garment production is so basic. It happens so much that is unexpected all the time.</td>
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<tr>
<td>Sales &amp; admin</td>
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<tr>
<td><strong>Lars Schyman</strong></td>
<td>Great salespeople. It is number 1. Without skilled salespeople you can close down the entire business. We had salespeople who were both design and sellers. They created their own collections them. Super skilled salespeople that will earn much money. Actually, to earn the most money for the company.</td>
</tr>
<tr>
<td><strong>Bernd Gemmer, V.fraas</strong></td>
<td>I was looking at very good sales people that already brought their customer relations for example. So I invested in that. These people simply bring me their own customers. They don’t need to be merged in the company. They simply do what they do best. They simply sell. My obligation is to make sure that what they sell is something I can supply. These two areas, M&amp;A and internal growth are two completely different areas.</td>
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<tr>
<td>Organizational capital</td>
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<td>------------------------</td>
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<tr>
<td>Corporate culture</td>
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<tr>
<td><strong>Rajeev Koul, Innovation Norway</strong></td>
<td>Value proposition is of course critical; it’s the soul of the company. But when you want to grow that soul, what are important is the people. When you grow, you are entering into more transactions. And then an individual cannot handle too many transactions. You have to direct your responsibilities to other people. If there is differences in quality value for that employee, for him you will be very particular to the thread you will be using for your fabrics or garments, quality of the thread the straightness of the tread or whatever of the quality of the product. Your employee, you know starts make compromises on that. And as the company expands, those things start to get larger and you start to get complaints of your quality from the customers. And then they communicate with your other customers and says that you are not providing the right quality products and suddenly the market knows that and you lose your brand proposition.</td>
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<table>
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<tr>
<th>Relational capital</th>
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<tbody>
<tr>
<td><strong>Bernd Gemmer, V.fraas</strong></td>
<td>Is where we invest much more in the moment. Is to maximize the products that you do with a customer. If you already have a good customer relationship and you follow all of their systems. Many of the big customers have very complicated internal systems and to make a sale happen. For you as a supplier it is a lot easier to add new products into existing customer, than get a new customer.</td>
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If you want to grow internally you have two choices: You can sell more to existing customers or find new customers. If you want to sell more to existing customers, you need to have strong relationships, and they need to trust that you can deliver as promised. This is the most cost efficient way of internal growth. Getting new customers is time consuming and costs a lot more to gain, compared to using existing customers.
In order to grow internally you must invest in several things. The main investment is in the sales force. These sales people need to be great sellers, but it also a big advantage to target sales people that have a network and a good relationship to potential customers. A consequence of internal growth is that you will need to have an organization that is more robust and can handle the new amount of orders coming in. This includes a much stronger management that makes sure that the production is adequate and that the product is delivered on time. This also requires a larger administration that makes sure that the systems and the communication in the organization works good as the company grows. In this stage it is also very important that the company’s value proposition is well defined in order to make it easier to communicate what kind a firm it is to its stakeholders.

### 4.2.2.2 Resources needed in Mergers & Acquisitions

<table>
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<tr>
<th>M&amp;A</th>
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<tr>
<td><strong>Tangible resources</strong></td>
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<td><strong>Capital</strong></td>
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<td>If you are doing a merger or acquisition. That is more difficult. Of course you need the capital to acquire or merge with the company.</td>
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<tr>
<td><strong>Intangible resources</strong></td>
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<tr>
<td><strong>Human Capital</strong></td>
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<tr>
<td><strong>Managerial competence</strong></td>
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<tr>
<td><strong>Bernd Gemmer, V.fraas</strong></td>
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<tr>
<td>If you work with M&amp;A the most important the human resources. Your obligation is to have as quickly as possible to have synergies. Having two companies working together. And only one of the three acquisitions has been successful and the others have failed...Well, many reasons The main reason was that they did not invest enough human resources to make the merger successful. They thought that simply by buying a company that that would be enough.</td>
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<tr>
<td><strong>Lars Schyman</strong></td>
</tr>
<tr>
<td>But it takes a while to have good staff who can take over the running of</td>
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what you have purchased. It is not just so that you expand the company, but also expands into a new company. And putting someone who is skilled in one company onto another, it can also be completely wrong. It is difficult.

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<tr>
<th>Organizational capital</th>
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<tr>
<td>Bernd Gemmer, V.fraas</td>
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<tr>
<td>Lars Schyman</td>
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<tr>
<td>Rajeev Koul, Innovation Norway</td>
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When we look at M&A as a growth scenario, there are a couple of resources that are essential. Of course the capital needed in order to acquire or merge with another company must be present.
The most important resource identified is the human capital, and especially the managerial competence. M&A is a very complex and difficult way of growth. It requires that people use the same system, that they are able to share the same values and that they pull in the same direction in order for the firm to grow. The firm must be aware of the amount of work needed in order to have a good or successful M&A.

Lars Schyman also points out the risk of using M&A as a way of growth in India compared to doing that in Scandinavia. There are large cultural differences between the countries and there are very different perceptions of loyalty and honesty on what a firm is worth. Rajeev also points out the difficulties with M&As in India. He states that there are possibility to do good mergers or acquisitions, but it is very difficult to navigate and find the good deals. One of the reasons are cultural, which relates to what Lars also said. There is a large risk that you can be fooled by the selling part. It is crucial to do good diligence and check out every aspect of the firm before the merger or acquisition.

4.2.2.3 Resources needed in strategic alliances

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<tr>
<th>Strategic alliances</th>
<th>Intangible resources</th>
<th>Human capital</th>
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<tr>
<td>Rajeev Koul, Innovation Norway</td>
<td>You know, of course again the people are important. For strategic alliances you need to have good people to people relationship. You need to have good relationship with potential alliance partners. But, do that you should know who can be your potential strategic partner, alliance partner. The knowledge of your strategic partner, alliance partner is critical. It could end up, you know interacting with the wrong kinds of alliance partner and you know even if you have good relationship with them but it’s of no use.</td>
<td></td>
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<tr>
<td>Bernd</td>
<td>This has been a difficult task to find this supplier. Because you do not find a good buy often. In one hand they need to be very diligent, very down into detail. And they need good communication skills. In some instances you simply don’t have the same communication basic. You are talking about things. An Indian a German is hardly from a different value ground. And if you simply insist on you set if values, I am a German and following and follow my German strategy. You will lose because they are simply not willing to do that. Fundamental thing is a value proposition. The value proposition should be an interest to the alliance partners. That’s fundamental, you know. Without that the relationship will not be sustainable. If your product does not add any value to them. Even if you have good relationship to that partner, it will not last, be sustainable. You know, when you are interacting with them, you will an amount of trust. The trust in terms of your knowledge about the market, or the commercial dealings. So you increase your reputation and your partners think that your will deliver. That’s very important. I would keep it as a part of your entire value package.</td>
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<tr>
<td>Rajeev Koul, Innovation Norway</td>
<td>Relational capital</td>
<td>For strategic alliances you need to have good people to people relationship. You need to have good relationship with potential alliance partners. But, do that you should know who can be your potential strategic partner, alliance partner. The knowledge of your strategic partner, alliance partner is critical. It could end up, you know interacting with the wrong kinds of alliance partner and you know even if you have good relationship with them but it’s of no use.</td>
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In terms of the strategic alliances the managerial also here curtail. But in this growth scenario, the relational and communicative skills are more important compared to the other two scenarios. You
need to have good knowledge on how the other alliance partners do their work and you need to be able to trust them, and vice versa.

The value proposition is also here seen as important. In order to make a sustainable and competitive strategic alliance, it is a need for a clear value platform and the parts of the alliance need to know what to expect and what to get from each other. This requires very good communications between the partners. When this is in place, you have a good foundation for a sustainable and good strategic alliance that has the possibility to develop and grow.

4.2.2.4 Resources needed in different scenarios of growth

There are several strong indications that there are different resources needed in the different growth scenarios.

<table>
<thead>
<tr>
<th>Growth scenario</th>
<th>Resources needed</th>
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<tr>
<td>Internal growth</td>
<td>Internal growth requires more focus on internal competence and internal resources. Increasing the sales force was the first step, while building an organization that can handle the increase in sales is the second step. It includes a larger management that can handle the increased production, and an administration that can handle the organizational challenges that occur when the organization grows internally.</td>
</tr>
<tr>
<td>Mergers &amp; acquisitions</td>
<td>M&amp;A as a way of growth requires a very good management and an administration that is able to solve the challenges that occurs when two companies become one. This is very demanding and the company needs to invest a lot in this. It is also essential for the firm to have local knowledge or hire people with local knowledge and competence in order to evaluate the value of the firm that is going to be merged or acquired.</td>
</tr>
<tr>
<td>Strategic alliances</td>
<td>In terms of strategic alliance, there is more focus on the relational resources of the company. There must be value proposition that both of the companies can accept if they are going to work together. There are also very important that you have a management that is able to communicate very well with each other.</td>
</tr>
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</table>
5.1 Conclusion
In order for EuroDesign Pvt. Ltd to gain sustainable competitive advantage they need to primarily focus on two sets of resources: Capital and human resources. My research has indicated that you must develop your resources in order to create sustainable competitive advantage. Investing in capital and human resources will give the opportunity to develop organizational and relational capital, which will strengthen the firms’ competitive advantage.

In terms of the tangible resources capital is the most important resource, but you also need production facility and production equipment in order to deliver the products you are selling. There is need for a lot of capital in order to do those investments. In addition, most of the capital is bounded to the goods in the production. Since EuroDesign is operating in a very primitive industry, there is always a risk that some part of the production goes wrong, and EuroDesign must also have enough capital to cover the consequences that are related to an inadequately delivered order. That can be giving rebates, pay for shipment by air etc.

In terms of the intangible resources I have grouped those in to three categories: Human capital, organizational capital and relational capital. The most intangible resource for EuroDesign is the human capital. Under this category lies the managerial skills and competence that are crucial to handle orders and to make sure that EuroDesign is able to deliver the products they sell. In addition to that EuroDesign needs people who excel at selling fashion products and sellers with connections to customers and potential customers. These are the factors that give EuroDesign a competitive advantage. People with organizational and administrative competence will build the structures and the organizational competence that will support the sales and administrative personnel to optimize and do their work more productively.

When I have looked at how the firm is growing I have looked at this in two perspectives: I have looked at the firm in different stages of growth and I have also looked at the different scenarios of growth. When I have looked at the different stages of growth I have focused on the firm in the startup process, as the firm is growing and when it is more established.
The research has indicated that there is need for different resources in the different stages of a firm’s growth. In the startup, the most important resources is financial capital and human capital. In terms of the human capital, it is the sales capability and the managerial competence that are the most essential. In this phase you need to be able to sell your products, and you need to be able to deliver the products. As the owners of the company are Norwegian and based in Norway, it is even more critical to have a good management in India, since there are big cultural differences with doing business in India compared to Norway.

As the firm grows there is a need to have good organizational capital. The firm will be involved in more and larger transactions and you need an organization that is able to handle this growth. In addition to that, you need a larger sales force. These factors demands lots of financial capital, in order to handle the large amount of orders, and to be able to find the right people. It is therefore essential for a firm in this stage to work on its reputation and brand in order to make potential customers, partners and employees to trust your company. This is mainly done by delivering what you promise over time. You need to deliver the right quality at the right time over time. And you must also be very clear on what your value propositions are towards your customers, suppliers and employees. This is in order for them to know what to expect from you.

When the firm is even more established the firm’s reputation and brand is the most important in order for a firm to continue its growth. The corporate culture should also be very clear and the systematic way of working should also be a natural part of the organizational capital.

The different scenarios of growth that I looked at were internal growth, Mergers & acquisitions and strategic alliances.

In terms of the internal growth, the most important resources to invest in was the sales force and on the relational capital. The firm can focus on selling more to existing customers or to find new customers. If the firm wants to sell more to existing customer, they need to have good relationships with the customer. In order to get new customers your salespeople can try to establish relationships with potential customers, or you can find salespeople that already have these relationships with new customers.

The most critical resources for M&A are the managerial competence and organizational competence of the people that have the responsibility to make the merger or acquisition as successful as possible. In addition there are several indications that point on that M&A is very difficult in India,
and you need to be very diligent and careful when you do a M&A in India.
The strategic alliances on the other hand need very good relational capital and you need very good communicative skills between the organizations if the relationship is going to be sustainable.

5.2 Ending remarks
This has been a very demanding and challenging journey. The last months have required a lot of me as a person and I have been very frustrated at times. In this period I have strengthened my skills in terms of working systematically and analytically.

This thesis needed to mature over time in order to grow in the direction it did. There have been lots of discussions and thoughts about how to build the problem definition and how to approach it. I have got lots of good feedback from my supervisor Joyce Falkenberg when I got lost or when I was frustrated. Thank you very much Joyce for your reflective and valuable contributions in this process.

At the same time as I have worked with the thesis, there have been lots of action with EuroDesign in India. I have been visiting the factory two times while I have been working with the thesis. It has been very inspiring to get close to the case that I have been working on, and see that some of the challenges EuroDesign experience now more likely can be solved with the resources defined in the thesis.

I want to thank my co-workers Sunita and Karina that have done most of the work with EuroDesign while I have been working with the thesis. My brother Rohin have also pushed me to focus when things have been slow. I also want to send thanks to the respondents of the interviews. All of the interview objects are very busy and have an enormous competence in their respective fields. To meet these people and really dig dip into their experiences and knowledge has been some of the most motivating experiences connected to this thesis.

5.3 Critical review
This research has some weaknesses in terms of the research design. Since it is a qualitative research design, I have focused on few interview objects and on many variables. This gave me the
opportunity to find some potential relationships that can be investigated by other researchers. Since the objective for this thesis was to figure out what the important resource was for a specific company it seemed reasonable to talk with respondents that could share their knowledge in order to have a good indication on what was important for us. The largest weakness is that the sampling group was small, and if other people had been interviewed the answers could be different. On the other hand, most of the findings in this thesis seems relatively reasonable, and most of it can also be supported by theory. I also want to point out that this thesis is very context dependent. The resources that were seen as crucial and important in this case might not be as important in other cases or other industries.

5.4 Suggestions to further research
As mentioned in the critical review my research showed some relationships that could be researched more thorough in the future. The relationships where related to sustainability over time.

Firstly I saw some indications on how tangible and intangible resources gave competitive advantage, and that has some sort of dynamic. When you gain competitive advantage, you will earn money, which again can be invested in more tangible or intangible resources to maintain the competitive advantage.

The second relationship that I discovered was that by delivering the right product at the right time, you will increase your reputation or brand over time. This again will lead to better relationship with your stakeholders and it can also increase your network.

The third relationship I found data on was that there where clear indications on the need for certain resources to change as the firm grows. Here I found out that there where a larger need for some resources when the firm was at startup, when it was growing and when it was more established. It also seemed like the different scenarios of growth required different sets of resources.
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Appendix 1 - Interview guide

My interview guide will be very short and general. This is because I want to focus on the interview objects own experiences. It is important for me to make them do most of the talking and ask open ended questions.

The some of the interview objects have very different backgrounds and I want to explore what they find import in different scenarios of growth.

Firstly I will focus on their experiences with growth and what resources they needed in different growth scenarios. I also want to know what context they were in and what that means to the resources needed.

I will after that, focus more directly on the different scenarios of growth. And here, I will ask them about each kind of growth, their experience with this and what resources they have needed in the different growth scenarios.
Appendix 2

Interview with Bernd Gemmer:
My professional background from the fashion industry was that I have worked at three different companies. I worked for a company doing swimwear and underwear.
Ok
Where the production was in Germany, which tried to outsource the production to Eastern Europe and then to Asia. And that company did definitely not succeed, because the customers they had were not willing to change production place. They were used to have a very flexible and quick production in Germany. The main customers were mail-order companies. And the average 4-6 weeks time for production and suddenly they were faced with much longer delivery time. For Eastern Europe, the main limiting factor was that we did not find a partner that could give us enough capacity. So that the limiting factor was the capacity. This company did not succeed in changing the production structure and I left them at some stage. And then I moved to a company in Munich. It is probably one of the top five wholesalers in gloves worldwide. They do all kind of gloves, dress gloves, sports gloves or whatever. They are specialized in gloves and it’s a very old company. And they had roughly 80 % of the production was outsourced. 20 % of the production was by their own company and the company was again based in Eastern Europe. The limiting factor for that company was raw materials. Because the leather market is very difficult when it comes to the right quality levels. There were no limiting factors for the sport gloves since they are made of synthetics. So you have huge production capacity in Asia for all of the sports gloves. And they were done in Asia. That was very successful. Basically this was an experience where you can see that a company can do very much without having their own production capacity. They have a good set up for the suppliers and organized a good set up for them. Then I went to Fraas.
How long have you been there?
It’s almost 13 years.
How is your focus on growth, since you came to Fraas? How have you been working to grow as a company and how do you focus your resources on that.
The main focus has been in one hand to enlarge the total scope of the company. When I started it was very focused on very few markets. Many other markets have been neglected. So the main growth over the last ten years has been mainly by increasing turnover in other markets, European markets or Asian markets. Where the sales have not been very high, that was the main growth area.
And the other growth and this has just been the last two years where we have been doing that. Is to expand the product scope. Fraas have traditionally been very focused on winter scarves, and these winter scarves 70-80% of these scarves have been woolen scarves, so we simply try to expand the scope of the products that we offer, so we started to do knitted scarves and printed scarves. All of these in order to have a broader offer to our customers.

What is your company’s main competitive advantage?

I would say that the main advantage is that they only do accessories. Most of the competitors we have do not only do accessories but also other products. So our customers are always impressed by the depth of our range that we do. If you take the acrylic wool for example, the customers can choose from a range for about 120 options. This is definitely, simply the professionalism that we put behind what this small product base that we call textile accessories. For much of our customers it’s a tiny little area compared to their overall business. There are not more of our customers that have more than 5% of our product in their total turnover. For them it is always an add-on and they find this very interesting that it is a company that does that small niche area. I think that’s the competitive advantage.

Yes, totally.

Ehm, what kind of resources have you been mainly been focusing on as you have been growing? As you mentioned, you have been growing internally with different markets and different products. But how have you as an organization been working in order to meet this new demand and this new way of doing business?

The main area where we where needed to grow are… If you want to expand your customer base every new customer requires three to five times the effort you have to put into an existing customer. If you put that existing burden to you sales force they will not succeed because they will neglect the existing customers, or they will not put enough effort into the customers. The first thing we had to invest in was simply to expand the number of people working on sales and sales admin, because that is equally important department into make that growth possible. Everything else comes afterwards. After that we had it invest in quality control because we saw that as we grew we had more quality issues. We simply invest in more people doing quality control for the company. Then we have other areas as purchasing, people buying the products they had to be increased. It was simply more time consuming to control our suppliers. It’s not that you simply place an order to the supplier then you rely on that they deliver. No you really need people to control the timelines and the quality. But the main aspect was clearly that if you wanted to grow, you need to grow your sales
force.
When you worked. If you look at other kinds of resources. When you are working on growth. Was there large investments financially as well or did you try to grow organically? So you could increase the sales force.
No, I think that it is a very good idea to grow by acquisitions. So if you look at Yammers and laufken which is the company based in Düsseldorf, which I think you have been in touch with from time to time. This company as simply been bought by V.fraas 15 years ago. That was a clear expansion to an area that we have been very weak before. That was the boutique and department store area.
Yes.
And additionally it was an expansion for a new area that we did not have any expertise from before. It was lightweight and printed product. This I think you can more easily grow through acquisition. The only drawback is that most of the majority of all company to work on our particular industry. Family owned companies having very few professional structure, the owners and family itself are running the company. You cannot buy the owner. The owner wants to sell the business. What we have experienced in very many of the companies that were on sales that you did not get much from the money you were investing. Because what they wanted to sell were things we were not interested in. They wanted to sell their stocks their machines, their furniture’s their buildings. This is the things we are not interested in. We are interested in the customer relationships, the sales people. This is what we would invest in. But this is hardly what they sell.
So you can say that the physical resources are something you can buy anywhere?
Yes, the physical resources in abundance. What you are interested in are the social skills, the sales skills, the knowledge they have with the product, the relationship with the customers, all of these things are very important. But these mostly you cannot buy. That’s right.
How would you say that the need for different kinds of resources. As you said now, some of the things you cannot buy, Eh. Is it like that reputation or network important in the start or will that be more important as you grow as well?
I think that is coming with the growth. I think in the beginning at a new company, you always have to prove as selves. Both on the customer side, so the customers will start to use a new supplier. It takes time and it’s a risk to use a new supplier. You have to prove to that you are worth the new investment. But you also have to prove yourselves at the supplier side. For the suppliers are not rally keen to involve itself with new customers because it is a risk, Eh, and I think that simply that
if you have a steady and growing company than the reputation and the link between you and your customers will grow. That is not something you just can get from scratch.

You have been working a lot in Asia with suppliers and so on. What do you think is the most important for your suppliers for your suppliers to be a good supplier for you?

I think that the most important is to understand that our market or customers. Because often Asian suppliers have customers in different parts of the world. Different parts of the world have very different needs. It is always easier to work with suppliers that for some reason they have decided to concentrate on one market. Let’s say the European market. That they work with so many European customers as possible. But all of the European customers have almost the same expectancy towards quality towards, timing of delivery. I found that this is very difficult to work with suppliers dealing with Arab countries US and Europe at the same time. Arab market that’s a big market, the European market that is big and US that are always a big market are so different with the quality, the fashion, and the prices. For the suppliers it is extremely difficult to be good in all three markets. What we are looking for is some kind of specialization. That they are dedicated to a small niche. That they have professionalism towards execution.

Now you have been working on three types of growth. As you mentioned, internal growth, you have been working with alliances with good suppliers and M&A. for you company, what kind of, is it different set of resources that you need in the different kinds of growth?

Yes absolutely. If you work with M&A the most important the human resources. Your obligation is to have as quickly as possible to have synergies. Having two companies working together. And elimination cost that they both had. Have the same organization, having the same computer system, the same suppliers, the same warehouses etc. this is extremely demanding, since it requires extreme amount of communication between the companies. Lot of coordination and that requires that you have people that can communicate, and on the other hand you need a lot of organizational people that can facilitate. Because it is not easy to merge two companies. So this is a very different setup than for example internal growth. What I looked at with internal growth. I was looking at very good sales people that already brought their customer relations for example. So I invested in that. These people simply bring me their own customers. They don’t need to be merged in the company. They simply do what they do best. They simply sell. My obligation is to make sure that what they sell is something I can supply. These two areas, M&A and internal growth are two completely different areas. The third area, when it comes to strategic suppliers is very different, because you need buyers, very good buyers that understand a foreign supplier.
Okay.

This has been a difficult task to find this supplier. Because you do not find a good buy often. In one hand they need to be very diligent, very down into detail. And they need good communication skills. In some instances you simply don’t have the same communication basic. You are talking about things. An Indian a German is hardly from a different value ground. And if you simply insist on you set if values, I am a German and following and follow my German strategy. You will lose because they are simply not willing to do that. You will know that they have certain set of values too. So this has been, and is an ongoing task. The M&A is something that very rare. In the last 30 years V.fraas have only done three acquisitions in the area to buy another company to expand their business. And only one of the three acquisitions has been successful and the others have failed. Why was that, do you think?

Well, many reasons. The main reason was that they did not invest enough human resources to make the merger successful. They thought that simply by buying a company that that would be enough. If you look at the suppliers again. My impression is that you have a lot of experience with the suppliers. In order for a supplier to be competitive, what are the main resources that they need to invest in, in their company?

Ehm. I think that, well. I have two different set of supplier. One set of supplier, which is my favorite setup. Is a company that is very specialized in one particular business area and they are product champions. They are very good printers for example. They do not do anything else. And printing they do extremely well. And I can very clearly give to my buyer a portfolio of products which I want to produce for that particular company. I don’t give them any products that can fit that profile of the company. This for me is the easiest and successful collaboration. For both sides it is very clear what to expect and what you get. It is the easiest way to work together. Unfortunately, in specific areas of accessories these companies do not exist too often. Simply because many production companies’ textile accessories are too small to simply be doing that. So the second set of supplier is, and there are more of the second set than the first set. What I call agents, basically they does not have all production or very limited production capacity. But they have a good network of suppliers. And they really master that supplier network in order to accomplish a portfolio of products. Which I can by for them. A bit similar to the first setup, only that the first setup is much easier for me to control and manage. The second set you need to do a lot of monitoring and controlling to make sure that you really get what you want from the supplier. They not really have their own production. It is not easy for them to make sure that they control everything in every step
of the production. That they control the raw materials, the delivery time etc. so this is more demanding, but as I said, most of our external suppliers are more agents than own production companies.

I can see that. Ehm. If we look at V. Fraas again. What is your perspective about the future? What are you focusing on growth?

There are growth scenarios; you simply have the geographic areas. If you look at V.fraas we don’t work with any Arab countries are on our customer list. We don’t work with Iran or Iraq. All though both are huge markets for our products. So this is simply geographic. So that is in some stage that you want to invest additional resources that, geographical markets that you can simply expand where you are not present. That is one part. The other part and that is where we invest much more in the moment. Is to maximize the products that you do with a customer. If you already have a good customer relationship and you follow all of their systems. Many of the big customers have very complicated internal systems and to make a sale happen. For you as a supplier it is a lot easier to add new products into existing customer, than get a new customer. This is the main challenge you have in the moment. This is to enlarge the scope of the product and replace other suppliers. Simply you can only grow in our point of view by replacing other existing suppliers. This is the main task I personally see for my selves. I try to establish for my selves to my key account customers to be a product specialist, not for specific textile accessories, but for all textile accessories. But that is definitely very difficult because the customer still believe in specialization and as long as they have enough resources they need to concentrate on less supplies simply they cannot handle more suppliers.

You mentioned now just the ways to expand. What are the main challenges for you internally in order to reach those goals? One thing is definitely is financing. If you take the way we take that. First invest into sales people and sales admin. Then you get the customer you are easily talking about a time difference of one to two years before you get a profit out of that. Which means that the company ownership must be prepared to really invest over that, without not immediately get a profit out of that? That is really difficult in times like today’s times where the markets are very volatile. It is not easy to convince to a larger investment where he does not see immediate profits.

The other area is definitely simply the market for employees. As I said, accessories are a niche market. If you are working in the textile area there are many other companies which are interesting and might be tempting for potential employees to rather go to that area instead of concentrating/limiting themselves to that small part of textile accessories. Sometimes it is simply
difficult to find proper staff to that expansion.
And what do you then in order to get that kind of human resources. Do you have to use your brand or…?

Sometimes in Asia what we do is that we build the people ourselves. Try to bind them as tight to our company as possible give them a lot of perspectives in offering them good salaries etc. etc. this is the way we have been taking especially in China. We have roughly 300 employees. Out of these 300 it is only one foreign. The others are all Chinese that has been hired locally and trained by ourselves. And we go, this is for us the most time consuming way, the most expensive way, but the most promising way. The other alternative is to hire people from the market and that is always to take a risk. You never know if the people will perform in the new company.

I think that was the questions I was supposed to ask, and I am really impressed with your growth and the way you have been working.

To be honest, the past years we have not really been growing. Because, as I said some of the investments we made in the past had to be disinvested, so some of the companies we bought we had to close down. It increased the turnover, but was not a profitable turnover. But it still contributed to our overall turnover. So yes, you can say that the company’s performance the past 10 years have improved a lot, but if you look at the simply figure turnover, it has not improved a lot. We have improved the turnover in the past 10 years with a one digit figure.

I see.

So, turnover for us. In the business we are in, you can easily do turnover. Because accessories is easy to produce. Unfortnaly it is not easy to do money with these products. If you do not have a very perfect system of getting them out to the market. If you see that, the products you sell for three Euros, you have a real profit margin are 15 % of these three Euros you are talking about 40 cents. If you have one simple mistake you will destroy much more than those 40 cents.

So that is, it is not that very difficult as with higher value products, even if you mistakes you do a wrong delivery, wrong labeling or whatever. You can still earn money. Just to give you an idea.

Only to redo a labeling, I did labeling in India for customer that was wrong. It arrived in Germany. The customer tells me it’s not acceptable, you have to redo it. Just to redo a label on a scarf cost me more than one euro per single scarf. If you look that you have a profit margin on 40 cents. You have to invest one euro to remedy a mistake you have done you can very quickly run out of money. This is why accessories are interesting for many, since it’s so easy. But on the other hand, I don’t know many companies being profitable on that for a long period of time in that marked.
It is a very curtail point as well, since it is an easy product that the systems need to be perfect, or else it is waste of time and money.

Yes, totally.
Appendix 3
Interview with Rajeev

How are you?
I’m fine how are you?

Good still working with the company.
Okay
Eh, I’m writing the interview for the thesis.
Ok
And the focus will be like on your experiences with Ehms growing companies in India, Ehms what
resources do we need and how can you really make a growth company. That’s the main focus. So if
you could start with your experiences with starting up companies or helping companies grow in
India.
Norwegian companies?

Yeah, or Indian.
Like what kind of experiences do you have from before?
Well, there is a difference between Norwegian startups and Indian startups

Okay.
There is a broad difference between Norwegian companies in general and the Indian companies.
And that is reflected in the startups also. Like the Indian companies are more aggressive more
hungry. That is the same for the start ups. Norwegian start ups are usually run by younger people
and there is more drive in the younger people in Norwegian startups. They are more proactive, I
would use the word more aggressive as compared to the more established companies, in general.
Okay
Ehms, The Norwegian companies, the startups are usually a product of research and strong
technological skills. What we have noticed they have usually come out of some research
environment. It could be SINTEF, it could be NTNU, it could be from University of Oslo or some
clusters. They are driven by strong intellectual background.
Mhm. ok
Eh, that’s one observation. Yeah, that is in general what I can say about startups.

Okay. As when the startups start to grow, like when they are break even. What do you think is the most important resources for a company to have in order to grow?

The most important resources for a company are to know what they to offer. That is their own strength, product or capabilities. That is one thing.

And the second thing is that they need to be clear to who is the customer, who is the end user, who is the market.

Mhm

Eh, so once these two things are clear. Then the critical thing how to be to bridge the gap between, eh these two. How you reach the customer that is the most critical thing. So, I think what I have, my personal feeling is a clarity of that is the most important thing. Resources are important, but I have seen companies that have strong financial resources, but they have been sort of moving in the dark, and in the end they have not been that successful. Whereas companies that have been very clear to what they want, even they have less resources they have been much more successful.

Okay.

So, you think that it’s not the financial resources that are the most important, Eh but also like the clarity. Eh, you mention

But.

Yeah,

But most importantly

Yeah, how can a company gain those kinds of abilities or capabilities as you mentioned?

Eh, what’s important to have inside your company? Is the people or is other things that’s…

People are the number one thing. It’s the personnel you have, whether its promoter or the employees. It’s the most critical thing.

Mhm

And then the management should know what they are in the market for. What they want to give to the market. What they want to sell or what the service they want to provide. That should be very clear. This is sort of fundamental for any business; they should know what they are doing. But the second thing is, to who is the end customers, who is their market, what is their market. So that is where they have to understand their market and to the right kind of research.

Sound good. Eh, if you look at companies like ourselves. Eh, when we are looking at different ways of growth you have for example internal growth, mergers & acquisitions and you have
strategic alliances. Eh, in terms of strategic alliances what do you think is the most important resources to us, when we want to make good strategic alliances in India?

Ehm. You know, of course again the people are important. For strategic alliances you need to have good people to people relationship. You need to have good relationship with potential alliance partners. But, do that you should know who can be your potential strategic partner, alliance partner. The knowledge of your strategic partner, alliance partner is critical. It could end up, you know interacting with the wrong kinds of alliance partner and you know even if you have good relationship with them but it’s of no use. So that important to find the right Eh. People or right companies. As strategic alliance partner. And then you have to, eh. Fundamental thing is a value proposition. The value proposition should be an interest to the alliance partners. That’s fundamental, you know. Without that the relationship will not be sustainable. If your product does not add any value to them. Even if you have good relationship to that partner, it will not last, be sustainable. So, in order to make it sustainable you should know, present to them a good value proposition. The value proposition could be in terms of the products that you are making, in terms of the design you are be making or the market you can offer them. For example your familiarity to the Scandinavian market would be a value proposition. And that would be, something that could be, you know, be relevant to your alliance partners.

Totally. Eh. As you mentioned with relations. One thing is the personal relationships and value proposition, but are there other aspects that are important to make a solid relationship.

What kinds are you thinking?

I am just thinking that reputation or, or previous incidents, the factor of trust.

You know, all of the things I would say go under the values you offer. These are components of that. You know, when you are interacting with them, you will an amount of trust. The trust in terms of your knowledge about the market, or the commercial dealings.

Mhm

So you increase your reputation and your partners think that your will deliver. That’s very important. I would keep it as a part of your entire value package.

Yes. Very good idea

Ehm, one other way of growing is mergers and acquisitions. How is that in India, if you are going to buy up other factories or companies? What do you think is most important in that kind of situations?

Do you need other resources than when you do strategic alliances or is it almost the same?
You know, Mergers and acquisitions are an organic way of growing. By organic, you know, organic growth means, you have a factory. You have five machines. Then when you have the resources and add one more machine. You are growing slowly organically. But then if you want to grow rapidly. You want to say, have rapid growth. People look at other options. That is acquiring other companies or merging with another company

Mhm

You have to be very clear of what you want or what you are getting. There may be many good deals in the market, but they are not easily available. So if you get a right deal for example let’s say you have a factory with ten machines that you use for your work. Then you say your competitor that has let’s said has 20 machines, are he is interested in selling. Then you can eh, in a very short time grow twice the size. Then you have to figure out why that person should be selling. Whether you could buy it. You say he is selling his 20 machines; I just can simply expand the factory with 20 more machines. So what is the value that the company or merger is giving you. It can be smaller factories or industries. For example, that the owner of the factory is getting old, his children is not interested in running the factory or going into that business, so he think he can dispose of or letting the …. Selling 49 % of the stakes. Then you have a bigger, even if you have 51 % of the particular company you have a lot more leverage, so that could be a very quick way to go. You have to be very, you have to see. You have to value the .. Machinery, value the customers that the particular target have, you have to value the reputation and if it is a good deal, it is a quick way to grow. But what we recommend in India is that people are not always very straight forward here. There can be lot of you know. One, information about smaller companies will not always be available. So when you are getting into acquisitions we recommend that companies go for complete control.

Mhm and why is that?

By complete control that means, that the you have at least 76 % of the target company.

Mhm.

So that you have complete control in all kinds of decision making. The only thing is that you give your partner 26 % in profits. You will get complete control, and you will then show that it is no hidden addectives. Companies are very good at keeping things under (raps) you need to be really thorough and look at the books of the company. For example, they might claim that they have a property, but the property may have a big dispute, and then that asset will have not any value. But, when they will be selling to you, you know, they will be asking for you the value of the van(d) or the factory, so what we seriously is, one that you have complete control and that you do a very
thorough due diligence.

Mhm

Into the financial books, into the legal aspects of the company, so you don’t have any problems, any levitation in the time to come.

Sounds good. You talked a bit about organic growth. Ehmm, what do you think is the most important resources that terms of growth. Ehmm, when you are building the company up step by step. Is that the same as with the two others, like the value propositions and how to hit the market?

It’s eh, organic growth, the most important thing. Value proposition is of course critical; it’s the soul of the company.

Mhm

But when you want to grow that soul, what are important is the people.

Yeah

That ….. You have. You know, when you grow, you are entering into more transactions. And then an individual cannot handle too many transactions. You have to direct your responsibilities to other people.

Mhm

As the owner, or as CEO or the general manager of the company. You have to direct responsibility. So, it depends on the people. To whom you interest those staff, how they make how the company goes. So you have to be very critical on how, about selecting the people, on what kind of people you are going to hire. Because, you know, the value of the company will be decided on the owners or the founder of the company. And you know you have to transfer the value to people. The people you select should be a person that really believes in those values and then you can expect them to move the company in the way that you move. But there is a mistake in that, if you don’t select the right kind of people, then inevitably the things will not run smoothly.

What do you mean by that?

You know, for example. If one of the values of the company is to provide best quality work to your customers.

Mhm

Or whatever product you are making, you want to make, you know, make best possible quality. Then, to a certain extent, when you are a startup you will be able to monitor the quality and so on. But once you grow, start growing, your orders your books start expanding. Then you will not be able to do that work, that quality inspection yourselves. Then you hire people. And if there is
differences in quality value for that employee, for him you will be very particular to the thread you will be using for your fabrics or garments, quality of the thread the straightness of the thread or whatever of the quality of the product. Your employee, you know starts make compromises on that. And as the company expands, those things start to get larger and you start to get complaints of your quality from the customers. And then they communicate with your other customers and says that you are not providing the right quality products and suddenly the market knows that and you lose your brand proposition.

Mhm

So it just started from your employee being not quality conscious enough. Not hitting your values, but it is also important that the founders/entrepreneurs they should have a very clear concept of what kind of values to have. I have seen companies that have succeeded strongly, Ehmm are the once where the promoter have, you know very good set of values. Values that can be that they will be very ethical, values that they want to maximize the shareholders wealth, that they want to make no compromise of the quality. You know, for example big designer brand. They keep certain, let’s say that they not make cost compromise their products, and they have been so successful.

Mhm. Totally.

That was, Ehmm now we have talked about the different kinds of growth.

But, what do you think. Do you think the company needs, if you look at our company now as we are growing. Now we have one set of resources, do you think in order for us to still be able to compete in the future, do you think we have to change some of our resources, or gain more of some kinds of resources as we grow as a company?

In terms of resources, you have to set you own aims. Whether you want to grow, Ehmm, want to be.

Mhm

For example of you is a design house or a manufacturing unit whether you want to be limited to that product or you wanted to expand into ladies products. Like a garment company making let’s say eh blouses and tomorrow you want a complete range of garments. Men’s, women, children everything. So it depends on what kind of growth aspirations you have. If you have strong growth aspirations then you definitely need more resources. You need more capital, you need more people. So that always, that is what you need to have. Strong growth ambitions. You should always be planning ahead. As to how you could get those resources, in terms of people and capital. Again I want to emphasize on the people. Capital is easy, you know banks are here, dollars, whether you get it from X bank or Y bank, it’s the same.
Mhm
But, with the other resources, you need to be very, you know, very careful in of what kind of people you are getting
Hm
So you should always be on the look for the right people if you are expanding.
Yeah.
And planning for that is important, but again you basic values will come to the clear. What kind of quality you are delivering. If you are delivering the right quality, to your suppliers, buyers, your financial, they will always trust you. They will know that if you tomorrow, will diversify to ladies garment or garments also for example, you will be delivering a quality product.
Mhm
So when you are expanding, it would be easier to get the resources for growth and expansion if your basics are in place.
Yeah.
In order to find these kinds of right people, how important is network for the company?
Ehm, you know. It is very important that you meet people that are in the similar kind of work/business. Network is always very important; you can get people also professionally. But it is always good to look out, it’s always good to, when you are selling for example, it’s always good to Ehm, be meeting people. For example, when you are talking about alliances
Mhm
Network is very important. You are meeting people at the same forum, meeting designers, Ehm artists you...there is always possibility that something new can come out of that meeting.
Mhm
Something that even you have not even thought about.
Network is always important to that, and it’s always good to be you know, interacting.
Yes, yes.
I think I got most of the questions already.
Appendix 4
Intervju med Jan Egil Flo – Moods of Norway
Vi kan bare starte med hva din bakgrunn er?
Jeg er en lokal grunder ifra Stryn, eier masse butikker. Alt ifra klesbutikker, til sport, nattklubber og diverse.
Så du har vært med på en del av det.
Jeg har vært grunder fra jeg var 19 år. Kun vgs. utdanning. Så Simen og Peder har tidligere jobbet for meg i Stryn.
Okay
Jeg og simen kjenner hverandre fra Stryn, men simen og Peder jobbet i Stryn om somrene, så de jobbet for meg da.
Ikke sant.
Veldig mange av fra moods har jobbet for meg i Stryn og området der.
Og så kom de opp med en eller annen fantastisk forretningsidé og tok kontakt med deg, eller hvordan var det?
Ja, det er vel det. Jeg har vært med fra dag en, stått bak alt det kjedelige bak scenen for å si det sånn.
De har vært designerne og frontet merket, så har jeg tatt meg av all logistikk og papirer, selskapet og økonomi og ja. Alt det kjedelige på en måte.
Men allikevel det viktige?
Ja, det er nok riktig. Det er nok en av suksessene til Moods of Norway at de som sitter og skal være kreative og gode at de får tid til å være kreative og gode, altså. Det er veldig sjeldent at en superkeativ person er superstruktureret med ting som kreves for å starte opp en bedrift.
Mhm
Det er nok garantert en av suksessene, suksessfaktorene at vi var tre stykker da vi startet opp. At vi var tre stykker som kunne fordele oppgavene fra starten av.
Mhm.
Hva er det du føler du, når du starter et selskap er premissene for å lykkes? Du nevnte at du kanskje må ha en form for miks.
Nja. Du må i alle fall vite at du har rikelig tilgang til kapital.
Mhm
Ting du tror koster 100 000 koster 300 000, så har du budsjett på 1 million, så må du sørge for at du har 3 millioner, før er det koster. Budsjetter er en tallet. Så tror du, det du tror er 3 ganger så dyrt.

Ikke sant.


Hva skal da til for å få tak i denne kapitalen?


Helt klart


Du må nok det, helt klart.

Ehm, kan du..dette var helt i starten. Kunne du fortalt hva som kreves av dere idet dere begynte å vokse.

Nei, altså merkevarebygging er viktig. Du må ha en mik av typer også. Kan alt av marketing, alt av design, alt av produksjon. Så du må kunne drive et selskap. Det er utgifter og inntekter. Der er mange kalkulatorer som har regnet feil som i mange bedrifter. Så miksen av folk, marketing biten.
I forhold til folk. Hvordan har dere jobbet med å sette sammen teams, eller utvikle det?
I denne perioden.
Ikke sant.
I forhold til de dere rekrutterte i starten, var det noen problemer med det? I og med at dere kjente hverandre? Dere var veldig clean på at dette er helt profesjonelt.
Hm. Nå som dere har vokst, er det brandet, altså ryket desders som er da med på å trekke med dere folk og…
Ja, der er merkevaren som begynner å bli mer og mer kjent. Du har den kjente merkevaresyklusen hvor du har 1-2 % med de mest innovative, opp til med 15 % med neste gruppe, så har du den store gruppen fra 15-60 %. Går du over 60 % så kan merkevaren det hende at merkevaren går nedover igjen. For brukergruppen. Det er jo vitenskap, hvordan det…
Skal gå egentlig
Jaja, det var en bevisst strategi.
Ikke sant.
Distribusjon er en viktig del av merkevarebygging.

Ehm. I forhold til og det å skape konkurransefortrinn. Hva var det dere følte var unikt med dere i starten, og har det forandret seg med tiden eller?

Nei, det unike med oss er det at vi er et norsk klesmerke fra Norge, fra Norge of fronter det å være norsk. Alle andre norske klesmerker, heter enten Giovanni og tror de er italienske. Riccovero er jo våre naboer og god kompis i Stryn. Han heter ikke Riccovero. Det er han sin linje å ligge på.


Treff ganske bra der ja.

Når dere har vokst, hvordan type vekst har dere hatt. Du nevnte at dere har holdt en del igjen, og at dere kunne kastet dere rett ut.

Åja ja. Vi har holdt voldsomt igjen. Desto mer kjent vi blir, desto mer holder vi igjen.

Ja. Hvordan har det vært siden dere startet?


Mhm


Helt klart. Bare i forholdt til vekstbitten, i og med at det er en del av hovedfokuset. Kunne du bare beskrevet de årene som har gått. Litt i forhold til de prosessene dere har hatt og valgene dere har tatt.

ville samarbeide med og hvilken linje vi ville ligge på. Der har vi fulgt strategien veldig bra. At vi ikke har hoppet på alt mulig som vi kunne hoppe på.

Hvordan er det med organisasjonsstruktur og hele den biten? Hvordan var det, i starten så hadde du veldig mye av styringa. Når var det dette måtte settes mer i et system?


Ehm. Når er det du føler at denne strategibiten, at dere fikk tid til å slippe å være overalt hele tiden. At dere fikk den roen til å begynne å jobbe med strategibiten og det vi snakket om nå.


Mhm

Vi var frem ansatte i 2006. og nå er vi 150.

Ekstremt fort da.


Det høres fornuftig ut det. Det er vel noe man aldri kan undervurdere.

Nei, de har vi i styret nå, er vår daglige leder satt i styret sant. Han er en kompis av meg fra Stryn og har jobbet som McKinsey agent og jobbet i Aker tidligere, stort internasjonalt selskap. Og så har vi Pål Fure som er en av Norges mest anerkjente på merkevarebygging. Så da Telenor hørte om vi ville gjøre et samarbeid, så har vi alltid hørt med han. Og hørt om han synes det er bra eller dårlig for merkevaren. Skal vi lage skijakke, eller sånne ting går alltid via han bare for å høre. Ikke nødvendigvis på styremøte, men bare hva som er bra eller hva som er dårlig. Hva som er kult, hva som er dårlig. Vi hører alltid med han før vi trykker på knappen og sier ja.


Men det er mer viktig kanskje det, i forhold til det dere å gjøre.

viktig. Å begi seg ut på nye ting uten noen folk som har call på produksjon eller noe er veldig, noe jeg tror er tungt. Veldig tungt.

I forhold til det med rykte og sårne ting, det går litt i forhold til brand og tillit der, men jeg tenker i forhold til, det ene er brand i forhold til kunder men det andre er i forhold til leverandører og sårne ting. Hvordan er deres rykte som en ressurs, er det noe som har forandret seg siden det har startet? I og med at leverandørene trodde dere var større enn det dere var.

Jo, samtidig har vi levert. men du ser, altså en fabrikk ser at du dobler produksjonen for hver kolleksjon eller hver orden, da ser de at du går den rette veien. Vi har jo enda, nå er det motsatte. 


Det tar lang tid...


Helt klart.

Dette er helt klart vår utfordring for oss er transporten. Og det er helt klart at prisnivået stiger der også. 
På råvarene da?

Ja det og men arbeidskraft også. Det er klart det er veldig mange som begynner å se på Bangladesh og Vietnam. Kina og India begynner å bli nesten for dyrt det også. India er fortsatt billigere enn Kina, men det er vel fortsatt flere som gjør business med Kina.

I forhold til vekst i fremtiden. Hva er det dere tenker og hva kreves for å få det til?

Nei det vi ser på i forhold til vekst i fremtiden akkurat på dame og herrebiten, spesielt i Norge så ser vi ikke for oss at vi trenger så mye mer vekst. Men vi har jo sportskolleksjonen så skal vi ha 50 millioner å året bare på merkevaren og bruk av det. Vi produserte klokker i fjor, vi kommer med parfyme vi kommer med en komplett bagserie innenfor en annen type distribusjon, men samtidig er vi veldig varsomme. Vi er veldig redd barneklær blant annet. Fordi da tror vi at hele merkevaren til falle. Selv om det er en enorm etterspørsel etter det. Så det er jo ting vi sier nei til siden vi er redd
det skal skade merkevaren. Vi kan lage alt fra hotell til norsk røkelaks som vi kaller moods of Norway. Vi har ikke begynt med mat enda selv om vi har fått alvorlig mange forespørsler på det også. Men foreløpig holder vi oss til tekstil og det vi kan da. Og da var sport veldig
Appendix 5
Intervju med Lars

Fortell om din bakgrunn med det å starte foretak. Da du startet.


Kan du utdype mer hva det gikk i? Hva det gjaldt i forhold til leverandør og forhold til kundene?

Når det gjaldt leverandør så gikk det slik at du måtte ta hånd om at, hvis du har lagt inn en ordre, så skal det komme. Og mistenker vi at det ikke kommer eller at det kommer feil, så må vi ta hånd om det direkte. For å unngå forsinkelser og problemer. Har det gått så langt at vi må snakke med kundene så må man.. først må man prøve å løse problemet med leverandøren. Ser man at det ikke går, så må man informere kunden, og det må man gjøre fort som.. om man ikke sier ifra til kunden, så blir det enda vanskeligere. Jeg mener, vi solgte til postordre selskap og vi ikke leverer, så er det problemer. Fordi postkatalogen allerede er trykt. Og den kommer man ikke fra, og folk bestiller jo. Så er å se til at leverandøren leverer. Produksjonsmessig og leveringsmessig. Det vil si at alt finnes.


Når du starter opp et selskap, generelt i motebransjen, hva er faktorene som skal til for å lykkes. Hvis du ser på det interne i et selskap? Det eksterne går mer på at man treffer moten og andre trender, men hva skal til intern for å lykkes?


Det ligger på en måte på folk. At det er kompetente mennesker og struktur?


Hvis et selskap har det på plass og skal vokse, hva trenger man da av ressurser for å få gjiret det opp?


Det varierer litt, men er et godt poeng.

Hvis du ser i forhold til relasjoner er det noe som gjør at sannsynligheten blir større for at man ikke blir squeezed som leverandør.

Ja det er viktig.

 Hvordan er det man kan jobbe som leverandør for og på en måte kan skille seg ut?

Neste gang, kan skjerfene være like fine. Da blir det noen som i selskapet som sier at dette går ikke.
Om du legger en ordre her og den i butikk der, så kommer man i en situasjon hvor vi har tapt inntekten og vi ikke får kjøpt inn nye varer siden det gamle fortsatt er der. Da faller alt sammen. Da får de beskjed om at dette ikke går. Da må de bare finne en ny. Fordi man må tenke på at den som kjøper regner med å få inn varen i butikk og regner med at det selges på X antall uker. Etter X antall uker så har det kommet inn X antall kr i rene penger, som skal brukes til å kjøpe nye varer. Går ikke

I forhold til deres foretak i og med at dere jobbet som et mellomledd. Hva er det som kjennetegner bedriftskulturen deres som gjorde at dere lykkes. At dere gjorde det bra?


Ikke sant. Dere har fokusert mye på leverandører, siden det har vært en essensiell del av deres verdikjede. For dere er nettverk en essensiell sak? eller er det noe som ble så formelt, systematisk og profesjonelt at det ikke ble…
Hva mener du...

Det ene er å få oversikt over hva som rører seg av leverandører og kunder, men og da er det mer på uformelle kanaler det går på, eller mer formelt om dere skal, la oss si til India å finne leverandører. Fant dere en agent eller hvordan gikk dere frem for å finne leverandører?


Så selv er personlig kontakt og det å utvikle et nettverk utenom det og bare bruke mail noe som gir mer trøkk?
Mail er mail. Mail kan du bare slette. Mail er veldig bra, men mail kan det bli mye av. Personlig kontakt er alltid det beste. Da ser du jo, det beste er jo å få ti navn, og ut ifra de 10 navnene får du 30 navn for du spør jo bare om de kjenner noen som gjør det og det og det. Og da får du et bilde. Da spiller det ingen rolle om du er i kina eller India eller hva faen det der.

La oss si at det basike er på plass og omsetningen og sånt sitter. Man ser nå på videre ekspansjon. Man kan si at man vokser internt, at man går i partnerskap med andre fabrikker eller at man kan kjøpe opp fabrikker. Vil du si at forskjellig typer vekst krever forskjellige typer ressurser? Eventuelt hva kreves av de forskjellige?


Ikke sant.

forå rett, du vet ingenting. Du kan alltid bli lurt på et vis. Hva var det tredje alternativet, at du går sammen med noen?
Ja, partnerskap eller allianser.
Ja, men er det overhodet en bra løsning?

Det vet jeg ikke.


Det eneste der er at man kan spare mengde kapital?

Enten finner man dem i konkurrerende selskap som er selgere. Som er misfornøyde med sin posisjon og vil flytte på seg. Alternativ finner man dem hos kjøperne. I form av de som er innkjøpere av folk som vil prøve å være på den andre siden. Som har tanker og ideer på hvordan ting kan gjøres og ønsker å tjene mer penger. Det er vel de to tingene. Man kan ikke lyse ut sårne

Er det sånn at ryktet til selskapet/brandet til selskapet noe som blir viktigere mens man vokser?
I starten virker det som at basiken må på plass, men når man vokser så kan ryktet/brand bli viktigere når selskapet vokser?


Basiken er penger, salg og noen lunde personell. Så er det vel behovet for styrke relasjoner, struktur er det noe som blir viktigere når man vokser, sammen med rykte og sånne ting.

Forklar hva du mener med struktur.

Struktur kan være ITsystemer og administrative.

Appendix 6

Interview with Sverre Helno.

Din bakgrunn, litt generelt.

Hva var da bakgrunnen for Gressvig for å gå inn i Voice?

Mhm

Så, det man på en måte ser er at tekstil er en veksttilde for sport. Og synergier mellom det og distribusjon for de kolleksjonene vi lager her, innenfor sport. Og noen administrative konseptuelle funksjoner, som it, logistikk, HR og den biten, sånn at du kan lage det under et felles system.

Mhm.
Fra da du begynte i Voice, hvordan hadde deres forhold til vekst vært?


Da dere, Gressvig kom inn, har dere fokusert mer på vekst som en del av at dere tok over. Eller jobbet dere med å styrke dere selv?


Og vi gjør det bare.. man kan forenkle retail ganske mye. Enten så kommer din veksten fra de butikkene du allerede har eller fra nye butikker. Hvis veksten kommer fra de butikkene du har, så må den komme fra de kundene du allerede har eller så må du rekruttere nye kunder. Og hvis du erkjenner det, noe som er ganske enkelt å erkjenne, så kan du se på hva er det som driver nye kunder inn i butikken og hva er det som driver eksisterende kunder til å komme oftere. Og så kan du jobbe systematisk med aktiviteter knyttet til det.

Mhm.

Og det er det vi har jobbet mye systematisk med nå. Og det kanskje aller viktigste i retail, så er det å ha konsepter som er tydelige. I alle bransjer så finner du stort sett butikker som holder på med mye av det samme. Det er ingen dramatisk forskjell på det du finner på kiwi og det du finner på Rimi.
Men det er en dramatisk forskjell på hvordan disse kjedene utvikler seg. De har fotavtrykk i markedet, de har forskjellige markedsposisjoner og de har forskjellige forbrukerpreferanser. Det ikke fordi kiwi har et annet sortiment, eller andre priser eller andre beliggenheter, eller andre åpningstider, så det er stort sett likt alt sammen, og de rekrutterer stort sett de samme folka. Så det handler litt om hvordan du klarer å skape et fotavtrykk, med massekommunikasjon, butikker, selve konseptet, hvordan det settes sammen. Og hvordan du klarer å trene folka som jobber, det er forskjellen. Og der kan det være store forskjeller mellom konsepter.

Ikke sant, Hvordan har dere.. Du sier at dere har jobbet systematisk med å forbedre seg og det å jobbe med vekst. Hvordan har dere konkret jobbet med det? Hvilke typer ressurser har dere prøvd å styrke dere mer på enn andre. Og hvorfor?


Er det også som en del av konseptualiseringen?

Det er jo, i forhold til konseptualiseringen så er det jo veldig i forhold til det eksterne, i forhold til kunder og slike ting. Hvordan har dere da jobbet internt for at slike ting skal fungere. Hvordan har du brukt de ressursene dere har tilgjengelig for å få…


Så får dere er det viktig å bruke franchisetakerne deres til å teste ut.


Hvordan ser der for dere videre vekst? Hvordan er ambisjonene fremover? Hvis dere har en femårsgreie eller..

Det er knyttet til det å bygge flere av de store Matchbutikkene. Det skal vi gjøre. Vi skal fylle dem med flere kategorier. Og vi skal ta Jean Paul inn i flere distribusjonskanaler og inn i flere kategorier. Det er det vi jobber med.

Enkelt og greit. Hva er det som skal til for at den strategien dere har lagt skal lykkes. Og hva er det som eventuelt gjør at det ikke lykkes.

Hmm.

Fra deres side, ikke nødvendigvis at det er noen kriser som skjer i markedet. Internt hos dere. Når strategien er ferdig, og strategien er testet ut. Vi har jo testet det ut, så handler det først of fremst klarer å respondere på to ting. At vi ikke mess up med overførelsen. At vi leverer stabil kvalitet og at vi er gode på å følge opp selv på det vi sier at vi skal være gode på å levere på. Og det andre er at det skjer noe dritt i verden. Det kan være at bomullsprisene skytes sky high som det gjør nå. Det kan være at kineserne ikke vil produserere så mye til eksport lengre. Det kan være drøssevis med sånne ting og vår evne til å reagere på omverden. Det er for eksempel å starte en tekstilfabrikk i India nå høres ut som en svært god ide. Fordi presset på kapasiteten i Kina nå er veldig stort og alle er på vei, pakistan, India, Bangladesh.

Våre sourcing mennesker er mye i India for tiden.
Et lite avsluttende spørsmål. Det har en del med det interne, fordi det er noe jeg fokuser mye på i oppgaven. Hvordan er deres på å utvikle de menneskene dere har og hvordan jobber dere med det? Nå har dere fordelen med å ha et brand som står ganske sterkt her. Hvordan bruker dere det og hvor viktig er det?


Egentlig ganske systematisk jobbing med det. Og så er vi veldig, veldig, veldig strikt på at de kravene som er satt, de følger vi. Hvis du liker og begynner å like Per, og så er det ikke så farlig med de salgene, da fungerer ikke sånn systemer. Hvis du skal være designer her, så skal du være det.


For det første er jeg ikke sikker på om vi gjør det. Jeg er ikke sikker på om det er så viktig. I forhold til de viktigste konkurrentene i markedet, så har vi bestemt oss for en annen markedsposisjon. Hvis Varner er drittende på lavpris, så er de det. Og de er bedre enn oss på lavpris. Hvis vi har mål om å jobbe med en blanding mellom egen kolleksjon og merkevarer, høyere produktkvalitet og klær som varer lenger, så prøver vi på noe annet. Så henter vi forskjellige kundesegmente og da er vi ikke i samme grad en direkte konkurrent. De som prøver på det vi prøver på utenom oss. De som ikke er i Match da, de er i veldig løse kjedesystemer. De er en del, de er i den gruppen som har mistet mest markedsandel hvert eneste år i 20 år. De jobber ikke så systematisk, de har ikke de ressursene
rundt seg og jeg tror ikke det kommer til å holde fremover. Noen av dem kommer til å overleve, fordi det alltid er en eller tre high high high-end butikker i byer som Oslo eller Trondheim eller drammen og sånt, men det er ikke mer.

I forhold til nettverk, hvor viktig er det for dere eller er det viktig for dere å bygge opp et nettverk? Hva tenker du på da?

I forhold til å ha oversikt over alt som skjer. Eller er det noe som, når dere er så store som dere er kanskje ikke like viktig. Alle av leverandører vil gjerne levere til dere, og alle av potensielle kunder/franchisetakere vil gjerne jobbe med dere.


Tusen takk for intervjuet.