Strategic Management of a Finnish bus company: Challenges and Opportunities

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Abstract
Undoubtedly, strategic management’s role has enabled businesses to attain growth, adapt to new trends, and face competition. While examining the bus transportation industry in Finland, which faces competition, we demand to know whether it will lead to a case company's success and competitive advantage by assessing its strategic management methods. Moreover, results show that the case company has gone through many challenging threats throughout its existence. However, by conducting a strategic assessment, strategic choice, and implementing other strategic management methods specified in this case study, the company can grow and compete against other bus transport services companies in Finland.

Keywords
Strategy, Finland, Competitive advantage, Strategic Management, Strategy Implementation
Strategic Management of a Finnish Bus Company: Challenges and Opportunities

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Abstract

Undoubtedly, strategic management’s role has enabled businesses to attain growth, adapt to new trends, and face competition. While examining the bus transportation industry in Finland, which faces competition, we demand to know whether it will lead to a case company’s success and competitive advantage by assessing its strategic management methods. Moreover, results show that the case company has gone through many challenging threats throughout its existence. However, by conducting a strategic assessment, strategic choice, and implementing other strategic management methods specified in this case study, the company can grow and compete against other bus transport services companies in Finland.

Keywords: Strategy, Finland, Competitive advantage, Strategic management, Strategy implementation

1. Introduction

An effective strategic management process formulated by an organization to combat and address the competition factor will enable it to stand out in the long term once the strategies are implemented. Besides, assessment and management of strategy on marketing will allow the organization to assess its performance, customer increase or decrease, market share, and other relevant information to determine its status in the business environment.

The Covid-19 pandemic has impacted businesses, and the bus transportation industry is no exception (Rawat, 2021). Transport by road is the most popular area of transportation in Finland, particularly due to the absence of rail networks in rural areas. Long distance buses often sell inexpensive tickets when purchased online in advance and offer generous discounts to students and senior citizens.

This case study explores the need for a strategic management process through analyzing a case company’s growth and competitive advantage in its respective industry. In the Finnish long-distance bus transportation industry, Koiviston Auto, Pohjolan Liikenne Oy, and Väinö Paunu Oy are among the top players in recent years with a vast market share of the total market. Therefore, creating a competitive market becomes essential, especially when considering the number of new entrants. Hence, losses occurred in recent years primarily because of the pandemic. In the coming years, actions should be taken to combat the situation. Furthermore, the study provides recommendations from the findings conducted in this research on implementing strategic management methods to increase competitive advantage.

2. Theoretical motivation

2.1. Competitive strategy and strategic management

Accordingly, Porter (1996) describes Competitive strategy as the decisiveness to select a distinct set of activities to achieve a mix of exclusive value. Strategy can be defined as creating defenses against forces of competition or searching for a position within an industry with weak forces (Porter, 2008).
According to Porter (1996), Strategic positioning is performing different activities from competitors or performing similar activities in distinctive ways. Strategic management is the process of analyzing the situations that occur within a company, formulating strategies relating to the different conditions, and in the end, implementing the method (Henry, 2008).

3. Research context
3.1. Finnish bus case company and key challenges

The case company is a Finnish company that offers transportation services across Finland, such as public transportation and rental service (Bloomberg, n.d.). The company is located in Tampere, Pirkanmaa region, serving as a part of Finland’s bus transportation industry service. The company has around 140 employees and earned 14.79 EUR million (17.50 USD million) in sales in 2020 (D&B Business Directory, n.d.). The forecast for the year-end 2021 expects sales to be around the 11.79 million EUR (13.94 million USD) mark and around 9.78 million EUR (11.6 million USD) for 2022 (J. Mustonen, personal communication, December 17, 2021). The company was founded in 1926, and after three years (1929), it expanded its traffic between Tampere and Jyväskylä. At that time, around forty buses were available and operating just before the winter war (Paunu, n.d.). Presently, the company has around one hundred and forty employees (J. Mustonen, personal communication, December 17, 2021). This study will focus on ExpressBus, a division within Väinö Paunu Oy that focuses on long-distance routes. By the end of 2021, the ExpressBus brand had four bus companies using its brand for long-distance routes within Finland.

(Shukla et al., 2021) has emphasized that strategy of lockdown leads to unemployment and a negative impact on the economy. This has been evident when the bus company stopped services during the pandemic on non-profitable routes due to less travelers, people working from home and less demand. This resulted in many drivers losing their jobs and inconvenience for passengers in rural areas. The bus company was forced to implement a range of cost reduction steps to avoid further losses during the pandemic which included frequency adjustments to route schedules.

The bus company has restarted many routes in 2022 and the passenger demand is growing steadily but slowly. The case company has been always the first choice for passengers due to always on-time services, customer service and the quality of the buses. It is the most popular bus company in Finland as it provides the most comprehensive routes across the whole of Finland. The bus transportation industry in Finland operates on a hub and spoke model of optimization where the bus company route planners organize a series of spokes in regional towns which ultimately connects to a central hub which is the capital city ‘Helsinki’. From the central hub ‘Helsinki’, the buses travel outward to smaller towns in Finland and connect with feeder buses which are operated by other bus companies, called spokes, which help passengers in rural areas reach their destinations with minimum waiting time. The bus transport industry in Finland is meticulously planned and arranged as cruise liners, airlines, the case company, and the feeder buses have all aligned timelines in a seamless manner. This is to ensure good connectivity for the passengers in the era of multi-modal transportation.

(Shukla et al., 2021) has suggested the use of systems dynamic modeling to assess the impact of Covid-19 pandemic. This impact assessment method can be used by all types of businesses including the bus transportation industry in Finland. The busses from the case company are used for passenger mobility and logistics delivery of parcels at designated parcel pick up points across Finland. The bus company operates buses to airports and international cruise terminals in Finland which allows for better mobility and convenience for passengers and international tourists.

3.2. Survival through the pandemic

By 2021, the company had 10% traffic compared to 20%–25% before the pandemic. The forecast for the first half of 2022 will be approximately the same as 2021 in turnover. Moreover, the company received support from the state, whereby it received 800,000 EUR (946,073 USD) in 2020 and 1,500,000 EUR (1,773,888 USD) in 2021. Other bus operators in Finland, such as Onnibus, received approximately the same amount from the state to help them survive during the pandemic. However, the state announced that the government has no funds to support the bus operators for the year 2022, which makes the year 2022 challenging for long bus operators in Finland. One of the company’s strategies for the coming years is to sell some of its current fleets since the volume of buses operating has decreased this year due to the pandemic. However, one challenge the company faces in reducing its current fleet is that the price per bus has reduced significantly. Before the pandemic, one bus could be sold for around 100,000 EUR (118,259 USD), but in the third quarter of 2021, one bus could only be sold for no more than 40,000 EUR.
(47,304 USD) (J. Mustonen, personal communication, December 17, 2021).

During the year 2020, all four bus companies in the chart below had lower earnings than the year 2019, and the pandemic was one of the major factors. For Väinö Paunu Oy, the cancellation of the route to Helsinki airport reduced the competitive advantage over other competitors. The passengers who preferred using its buses to commute directly to Helsinki Airport could now choose between train or bus from any part of Finland and commute to Keimola or Tikkurila and change to a local train that will take them directly to the airport. Earnings for Onnibus (a part of Koiviston Auto), Savonlinja Oy, and Pohjolan Turistiauto also decreased since there was a period during the year with lockdown mainly in the Uusimaa region (Fig. 1).

With the rise of COVID-19 infections and reduction of passengers traveling by buses in 2020, Pohjolan Turistiauto, Koiviston Auto, and Väinö Paunu Oy reduced some of its employees with Pohjolan Turistiauto reducing 99 employees in 2020. Only Savonlinja Oy was able to gain a few employees during 2020 (Fig. 2).

4. Research methods

4.1. Data sources

The data for the case study was collected through focus group discussion, interviews, and questionnaire sources. Firstly, focus group methodology is a qualitative method of data collection involving a small number of people within an informal group discussion on a specific topic. Afterwards, the conversation is recorded, transcribed, and analyzed by formal techniques used in qualitative data, such as content analysis (Silverman, 2021). Content analysis involves a systematic summary of the data set as a whole (Silverman, 2021). The main focus is examining data that instances of certain kinds keep on recurring, leading to systematically identifying the cases throughout the data set (Morgan, 1995). The researcher has to decide on the unit of analysis which can be the exclusive or individual participants (Carey & Smith, 1994). Focus group discussion was utilized to gain more insight into the case company's customers' relationship.

Secondly, qualitative interviews are used as one of the primary data collection methods. According to (Burns, 1999, p.118), "Interviews are used widely, and it is a famous method of collection of qualitative data." The authors use this method to collect a specific type of information (Merriam, 1998). The reason for conducting an interview is to avail knowledge that exists and may be expressed by answers that the researcher can interpret (Flick, 2006). Interviews with people involved in the top management of the case company were essential to attain information concerning the competitive advantage of the case company and strategic management methods in use. Ethical practices were maintained between interviewee and interviewer by
the researchers elaborating the data, which will only be used for the purpose of the study. Besides, no company secrets would be exposed in this study; only the topic researched data and information will be included in detail. Additionally, the interviewee had the opportunity to comment on the case study before its publication. During the ongoing process of this study, interviews were conducted to acquire the data concerning strategies used by the company to be competitive in the market.

Questionnaires were the third type of data source utilized. The survey was conducted after the author received a research permit. All the respondents received the same questionnaire. The questionnaire was conducted to measure customer satisfaction and the respondents’ perception of the case company’s service provision throughout Finland.

4.2. Data analysis

The focus of this qualitative study was to gain more insight on the customers (University of Applied Sciences students) who travel by the case company buses and their customer relationship with the bus company and what will be the possible outcomes of it?

The group discussion had to take place on Microsoft Teams because the members could not meet face-to-face. The discussion structure was open-ended questions, which led the participants to express their opinions more openly and provide more information. The names, occupations, gender, and other participants’ personal data remain confidential due to the requests from some of the participants (Table 1).

The focus group participants are aged 21–40, and each member within the focus group has different social status and background. However, their experiences are relatively similar to the customer relationship with the case company (Table 2).

The authors were able to interview a representative of the case company on different occasions to gain more information and data on the growth, competition status, current business state, effects of the pandemic, and strategic management methods implemented currently and in the future. The interviews were conducted via Zoom and face-to-face.

In April of 2021, the author surveyed a sample size of 16 respondents in Finland. The purpose of the

![Fig. 2. Number of employees present in Finland's four long-distance bus companies during FY 16-FY 20. Retrieved 20 February 2022 from https://www.asiakastieto.fi/web/ff/](https://www.asiakastieto.fi/web/ff/)

Table 1. The focus group discussion participants.

<table>
<thead>
<tr>
<th>Total Number of Participants</th>
<th>Discussion Type</th>
<th>Duration (minute)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Participant</td>
<td>Focus Group (MS Teams)</td>
<td>15</td>
</tr>
<tr>
<td>2nd Participant</td>
<td>Focus Group (MS Teams)</td>
<td>15</td>
</tr>
<tr>
<td>3rd Participant</td>
<td>Focus Group (MS Teams)</td>
<td>15</td>
</tr>
<tr>
<td>4th Participant</td>
<td>Focus Group (MS Teams)</td>
<td>15</td>
</tr>
</tbody>
</table>

Source: Authors.

Table 2. The research participants.

<table>
<thead>
<tr>
<th>Interviewee's Position</th>
<th>Interview Type</th>
<th>Duration (minute)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Manager</td>
<td>Individual (face to face)</td>
<td>20</td>
</tr>
<tr>
<td>Financial Manager</td>
<td>Individual (Zoom)</td>
<td>30</td>
</tr>
</tbody>
</table>

Source: The authors.
questionnaire was to; Firstly analyze if the service offered by the case company is acceptable and appreciated by the students studying at a particular university of applied sciences in Finland. Secondly, find out the perception of students’ customer segment on the price charged by the case company.

5. Findings

The main strategic management tools of the case company are outlined in this section. Interestingly, the authors observed that during the case company’s lifecycle, strategic management tools had to be implemented for the company’s continuity whenever challenges arose. The formulation of strategic management tools was enacted and implemented during the process.

5.1. Customer satisfaction

The respondents were satisfied with the services offered by the case company. The bus company’s internal space and seating arrangement were reasonable, and others opted for a neutral response. The reliability of the services rendered by the bus company is favorably neutral among the respondents. Lastly, it presents that the satisfaction of the service does not depend on the age or gender group of customers.

5.2. Strategic assessment

The findings revealed that Strategic Assessment should be carried out often to assess the particular situation and possible long-term impacts on the company. Thus, requiring the firm to overview carefully processes on how it performs in the industry and features of the industry where the company operates. Strategic Assessment determines the company’s possibilities to adapt to its intent strategy whenever the industry changes. Also, the success of previous strategies, trends that are to arise soon, the overall performance of the case company are all included to analyze and produce critical decisions (Macmillan & Tampoe, 2001). Since the rise of the pandemic, assessment of strategies formulated to adapt to the challenges brought by the restrictions and find more ways to attract and ensure customers’ safety while they board the buses. Furthermore, the company’s top management is responsible for carrying out the strategy assessment process while involving all company members, stakeholders and utilizing the feedback from customers and health professionals to adapt to the current policies.

5.3. Strategic choice

Strategic choice is to be performed by the case company once outdated strategies are impacted by the situation, aligning with the organization’s strategic intent. Therefore, actions and steps necessary shall be noted down, and procedures on implementing them for the company’s benefit in the long term (Macmillan & Tampoe, 2001). The top management is responsible for making strategic choices gathered from the data and information collected in the strategy assessment process. Transparency and flexibility are some of the choices to inform the customers while communicating with health institutions to ensure ethical and safe travel for all parties using the bus services, resulting in customer satisfaction and fewer infections.

5.4. Strategic implementation

Additionally, a strategic implementation should be implemented and showcases the organization’s flexible process in designing and structuring strategies that have to be transferred and effectively understood by external and internal stakeholders and finally be implemented throughout the organization (Henry, 2008). While executing the strategy implementation process, transparency and clear objectives should be formulated and communicated throughout all company members and external parties to ensure effective and efficient implementation of strategies that will produce good results.

6. Discussion

6.1. Contributions and implications

6.1.1. Blue ocean as a strategic management method

The findings of the case study analysis show that by implementing the Blue Ocean strategy, which advocates eliminating unnecessary attributes, reducing all features that pushes up the cost, raising utility, and creating higher value, a brand can redefine its market where competition is non-existent. The bus transport industry, for instance, has comparatively low entry barriers meaning the case company has to invest heavily in routes that new entrants are aggressively entering (Porter, 2008).

6.1.2. Utilizing Matkahuolto to retain new and existing customers

Moreover, the presence of Matkahuolto raises awareness to people across Finland to commute using public transport while also offering products and services related to transport. One of the most
valuable features of Matkahuolto is its provision of bus schedules and tickets from different bus companies serving in different long-distance routes throughout Finland (Matkahuolto, n.d.). The buyers decide which bus to board while comparing tickets’ price and time from one destination to another through Matkahuolto’s app or website. Also, the buyers demand bus operators to increase the quality they provide or at least the quality level to be on par with other competitors on the routes they operate (Porter, 2008).

6.1.3. Threats from other forms of transport

The availability of train services for passengers across Finland cities raises the threat of substitutes whenever customers tend to change from bus transport. Especially when considering that most of the long-distance trains are faster, safer during the period of the pandemic, more spacious, access for kids to play, a cafeteria on board, and more seats that can suit a group of passengers who travel together than buses (VR Group, n.d.). The costs of switching from bus transport to train transport are relatively low (Bruijl, 2018, pp. 3–6).

6.1.4. Competition threat from bus companies

Whenever rivalry amongst current competitors is compelling, the profitability inside the industry takes a blow. Corporations can develop measures such as creating new goods, improvements in service, discounts in price, and campaigns in advertisements (Porter, 1985). High competition in the Helsinki-Tampere-Vaasa route has seen many operators such as intercity trains and Onnibus create a challenge even for the case company to retain repetitive customers along the routes. Some competitive rivalry exceeded to a point where some transport companies formed cartels to prevent competition from entering the market in 2008, limiting competitors’ access to Matkahuolto’s services; therefore, customers could not purchase a ticket or check route schedules from Matkahuolto (European Commission, n.d.).

6.1.5. Survival crises

In addition, more than one hundred and fifty drivers of the case company had to be laid off because fewer buses were operating from 2021, which also led the company to sell a number of its long-distance buses so that they won’t remain non-operative, resulting in more losses for the company. Moreover, from the summer of 2022, Pohjolan Likkenne will operate as the primary local bus operator within Tampere, which before Paunu was operating for many years. One of the reasons Pohjolan Likkenne got the tender is because all of their buses will be using electrical, so some of the drivers laid off from Paunu local buses will be transferred to Pohjolan Likkenne in mid-2022. Even though the part of Paunu, which is mainly operated in the city of Tampere, is not directly related to the operations of the long-distance brand of the company, it will indirectly affect the company as of 2022, possibly affecting the brand name of the company (J. Mustonen, personal communication, December 17, 2021).

(Pandey & Bajaj, 2020) have addressed the global human resources challenges during COVID-19 pandemic and assessed the effect of various factors on human resources. Similarly, due to laying off some of the employees of the bus company during the pandemic, it is recommended that an empathetic approach should be adopted as it concerns the well-being of the employees. The employees should be explained that the result is due to a reduction in the business available for the bus company and very few to no passengers for certain routes. Such an approach is the hallmark of emotionally intelligent leaders who would lead the human resource teams and companies of the future.

7. Limitation

The authors identified various challenges face the company in its growth within its industry. This case study shows that when the strategic management methods are implemented, the company should build a practice and culture to conduct a short-term and long-term follow-up process, especially during the ongoing pandemic. Future research should consider other challenges facing the company on its short distance bus operations in the region of Pirkanmaa.

8. Conclusion

The case company can overturn its challenges into strategic opportunities by implementing Blue Ocean Strategy considering other competitors utilize on Red Ocean Strategy. The main characteristic of the blue ocean strategy is that innovation is essential in developing new environments whereby competition may seem irrelevant (Burke et al., 2010). Using the blue ocean strategy, the company creates demand in the industry whereby regulations and policies are not fixed and by not encountering its main competitors (Kraaijenbrink, 2017). In addition, the foundation of the blue ocean strategy is value innovation which is developed in places where the company’s activities behave in favor of its cost structure and value proposition to the customers (Kim & Mauborgne, 2005).
Social listening is a vital instrument to connect with present and potential future customers (Panwar & Khan, 2020). The case company has a digital presence and an online booking website for its passengers. The digital experience for customers should be enhanced to listen to the passengers’ thoughts, opinions, and feelings through social listening. It could help to focus on specific routes of interest to passengers and thereby improve bonding, utility of buses and engage customers in a meaningful manner. New age bus customers in Finland buy tickets online and use mobile apps to scan the bus tickets. Social listening would help bridge the gap in the digital age for the case company.

Furthermore, while collecting data from the respective sources, the researcher gained more knowledge from the discussions and opinions of the respondents about how they feel and view the case company. Moreover, proper handling of customer complaints whereby most customers have been delighted with the services they received from the company over the years. The buses are on time, and the drivers provide good customer service. However, in cases where something negative occurs, the company makes personal contact. Additionally, most of the respondents were satisfied with the services offered by the company even during the pandemic. As a result, more effort and emphasis are to be applied to marketing and pricing to attract and retain more customers. It should be noted that before the pandemic, sales were much better. Important insights can be attained from this study to the case company’s management team and other bus companies to help them implement strategic management methods required to gain competitive advantage and growth even during times of survival threats.

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**Conflict of interest**

The authors declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

**Annexures: Exhibits**

Exhibit 1. Good customer care has ensured brand loyalty for many years.
Exhibit 2. The company has a good reputation for its on time departures and arrivals.

Exhibit 3. Väinö Paunu Oy driver assisting passengers with their luggage and boarding in at Tampere bus station.
References

le/company/5484361Z:FH.


