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Analysing the business strategy for SMEs

A focus study based on Bioluup Oy

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ABSTRACT:

This research focuses on the creation of business strategies for small and mid-size enterprises (SMEs). It seeks to answer the question "How to analyse the business strategy of an SME by using a focus group study?" The definitions and limitations of this research are on SME companies and their business strategies. The research concept is based on the strategic needs of Bioluup Oy. Bioluup Oy has been established in 2015. It has conducted its five-year-plan and got their business standardized. With this research Bioluup Oy seeks managerial implication on how they should design their next business strategy.

The literature review was separated in two parts. First part was about SMEs. Focus on that part is on entrepreneurship and on the importance and survival of the SMEs. First part tells how broad the definition of SME really is, how every company starts with one man or a small group of people, and finally about the challenges SMEs might have in order to survive. The second part of literature review deepens understanding of the idea of the business strategy and its importance. Explanations of mission, vision and values focuses to explain about applying the business strategy.

The research uses focus group study, i.e. it is qualitative research. Seven persons participated to the focus group study. Participants had the managerial level experience and competencies related to SMEs and business strategies. The group discussed in a session about key elements of forming business strategies for SME companies. Furthermore, the discussions reviewed business strategies from multiple point of views. The subjects of the discussions were similar to the literature review in order to get confirmation and new points of view on those subjects. In addition, there was discussion about employee perspective related to creating, implementing and conducting the business strategy. Employees are one of the most significant resources that a company has and thus their integration in decision-making is paramount from creation to execution of a business strategy.

This research gives a managerial implication for the Bioluup Oy. It states that a wide understanding of the current situation, past and future is seen as the key element for the SME company to form a business strategy. Other points in it are employee's involvement in the process, reviewing and updating the strategy regularly and acting upon the strategy. The company needs to define and periodically review targets that they want to achieve. Everyone in the company needs to be determined to reach the targets defined in the business strategy.

KEYWORDS: Business strategy, SME, Bioluup Oy

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Abbreviations

SME = Micro, small and medium sized companies

BSC = Balanced scorecard

1   Introduction

1.1   Background of the study

"Failing to plan is planning to fail" is a popular adage attributed to Benjamin Franklin (Raje, 2008). It means that there will be problems in one's activities if those have not been thought through. If there has not been any planning, there is no clear picture of what when and where needs to be done. If there is not any idea what needs to be achieved nobody can say if the targets have been reached or not. If none of the targets have been reached it is a failure.

Business strategy is a master plan that controls all operations of the company. It ensures that the company will know where it is going and how to get there (Heubel, 2021). It defines how the company will compete in its market and how it will increase its functions. Business strategies aim to increase the value of the company (Motohashi, 2015). By planning and carrying out different actions company value will increase which will benefit all the stakeholders, workers and partners. This will also help the company to do investments and research and development projects that will have an impact on the company's value in future.

This study focuses on defining business strategy for a SME company. This is case study of a SME company called Bioluup Oy whose business is recycling food products that are unfit for sale. Bioluup Oy has been founded at the end of 2015 and the 5-year plan was made then. Bioluup Oy conducted the plan but did not continue developing the strategy further along with the first one. This led to the point where the start-up phase is done and there is uncertainty what would be the optimal steps for the company.

1.2   Research question and objectives

1. Research question:

   How to design business strategy for SMEs?

1. Research objective

   Define the key information a company needs to gather and understand to be able to create a business strategy

2. Research objective

   Discover if every company have a business strategy

The research will answer the research question by finding answers to its objectives. First objective aims to understand what kind of data is needed in a business strategy creation process. Second objective looks an answer into how business strategy is seen on different companies and if the business strategy concept varies depending on of the company's age, innovative level or amount of the workers inside the company.

1.3 Definitions and limitations

1.3.1 Business strategy

Business strategy: Business strategy is a set of selections which aims to get competitive advantages (Mitronen & Raikaslehto, 2019) It is an accurate plan on how to reach set targets in business (Cambridge Dictionary, 2021). It contains detailed targets and actions on how to reach those targets. (Korda, 2021).

1.3.2 SME company

SME company: SME companies are companies that have economic activity. Their employer headcount is less than 250 people and they have either less than 50-million-euro annual turnover or less than 43-million-euro balance sheet. (European Comission, 2015)
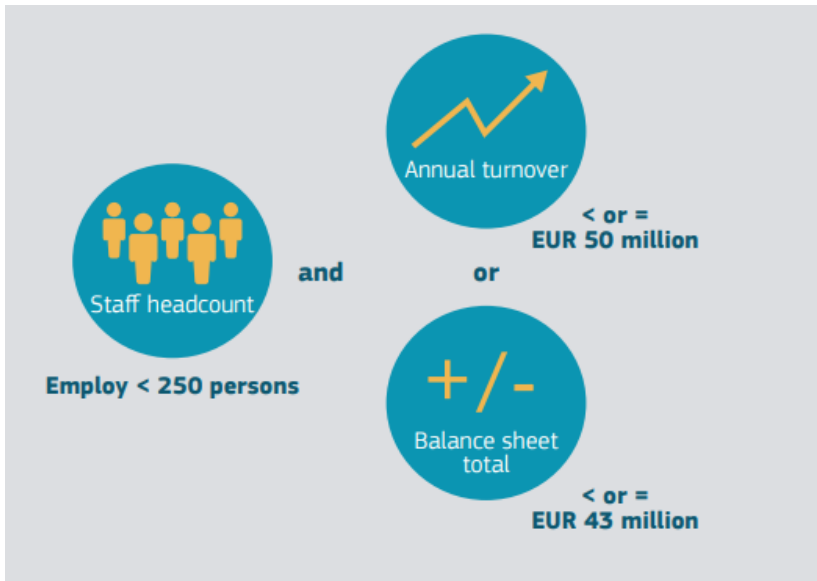
Figure 1 Criteria for SME company (European Comission, 2015)

SME company category consists of three size-based subcategories which are micro-, small- and medium-sized companies. These all are classified inside of the SME category. (European Comission, 2015)

Figure 2 Detailed classification of SME companies (European Comission, 2015)

1.4   Research design

This study is qualitative research. It reviews, collects and analyses data that is not measured normally with numbers. This is one of the most common features in qualitative research (Trochim, 2021). In this study data is normally in a written form and needs to be self-categorized and analysed.

Data is collected from the focus group. For the focus group people with study related competences is collected. They will be interviewed as a group in an open-minded state. Idea is to have an open discussion with a variety of points of views and opinions about the topic (Seale ;Gobo;& Gubrium, 2004). Group interview will encourage deeper discussions due to possible refined questions and encouragements to speak from the group. Group interview causes uncommunicative behaviour in some participants. The role of interviewer is crucial in ensuring discussions to be open, forward going and meaningful.

1.5   Structure of the study

This study is based on five chapters. Each chapter complements each other and delivers the research in an intelligible way.

The research starts with an introduction chapter. In that chapter the background, research question and objectives, definitions and research design and structure are explained.

Second chapter focuses on the case company. In that chapter the background and current state of the case company is reviewed.

Third chapter reviews literature related to research. The chapter focuses more on literature of business strategy and SME-companies.

In the fourth chapter methodology of the study is conducted. For the study focused group study workshop is conducted. Data gathered from the workshop is then analysed and reviewed.

Fifth chapter summaries the whole study. In it the whole study is summarized and conclusions from it made.

1 Chapter

Introduction

2 Chapter

Background of the case company

3 Chapter

Literature review

4 Chapter

Methodology of the study

5 Chapter

Summary and conclusion
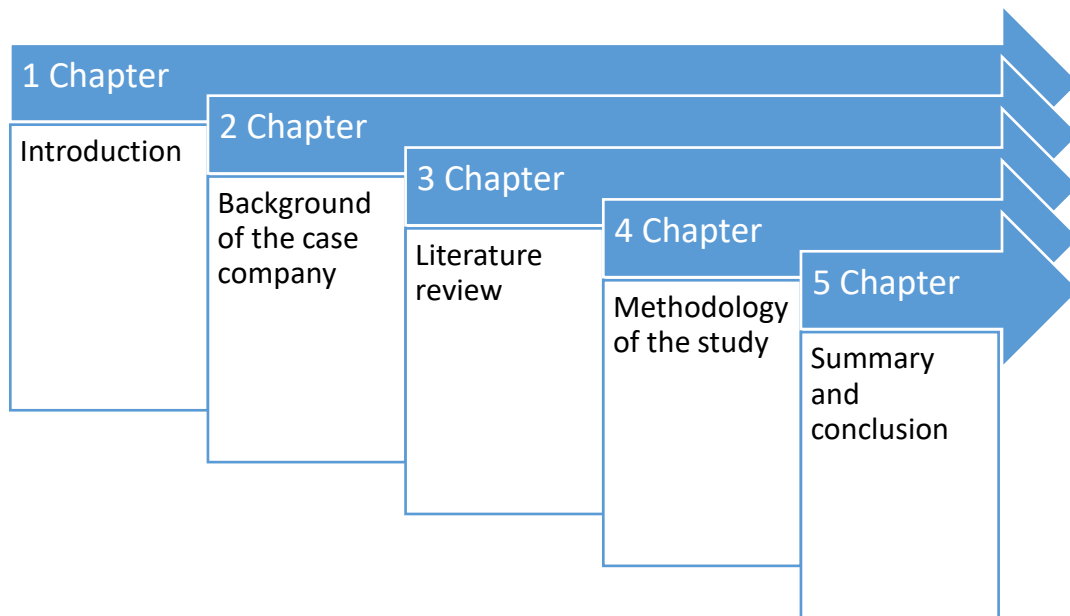
Figure 3 Structure of the study

2 Background of the case company

2.1 Introduction of Bioluup Oy

Bioluup Oy recycles food products that companies cannot sell to customers and cannot be recycled due their packages. Generally, most of the food products can be recycled and turned into the biogas, but some packaging materials cannot be separated from the biomaterials in biogas process. Unseparated packaging materials cause problems in the biogas process later. Because of the problematic packages some defected food products are disposed of in waste-to-energy plants. To prevent unsellable food products dispose in waste-to-energy plants, Bioluup Oy decided to offer recycling for problematic food products. (Äijö, 2021)

Bioluup was founded in 2015 when it discovered the problematic food product disposal. Further investigation showed that some companies needed to dispose of their food products in waste-to-energy plants since there were no other options. At the same time the companies and consumers started to be more aware of ecological aspects and more demanding about how responsible the companies are. (Äijö, 2021)

Bioluup Oy works towards the situation where all the food products disposed of by the companies could be recycled. Bioluup Oy identifies the food products that cannot be recycled due packaging obstacles, develops method to separate the package from bio-material and provides recycling service for the companies. Currently the main service is recycling of food products packed in glass jars. There are also several other food products for what recycling methods are currently developed. (Äijö, 2021)

Table 1 Key figures of Bioluup Oy (Asiakastieto , 2021)

Key figures of the company	2016	2017	2018	2019	2020
Turnover (1 000 €)	30	56	30	37	83
Change in turnover		102,20 %	-46,40 %	23,30 %	124,30 %
Operating profit / operating loss	11	19	-1	-14	6
Operating profit (%)	36,70 %	33,90 %	-3,30 %	-20,00 %	5,80 %

Table 1 shows that Bioluup Oy's turnover has been low. When Bioluup Oy was started the turnover for the next 5 years was planned to be around 60 000€ annually. It was understood that strictly limited service with which Bioluup started its journey would not provide significant turnover for the company. On average the first 5 years provided 47 200€ turnover annually which is lower than expected. What is not shown in the graph is company grants. Bioluup Oy has applied projects related to Bioluup Oy's business from Centre for economic development, transport and the environment. From four applied projects three has got seal of approval. These projects have made it possible for Bioluup to develop their business. (Äijö, 2021)

2.2 Business strategy of the company

When Bioluup Oy was founded the 5-year business plan was created. Core business for the company was determined to be recycling of packaged biomaterial. The business would start with one customer. Recycling service of biomaterial packed in glass jars would be provided for the customer. Other points in the 5-year-plan were to establish the company's processes, official permits and the core services that the company needs and to get funding for business related projects. The turnover was planned to be (60 000€ annually 300 000 €) in total for the 5-years. There were no solid targets to get new customers for the company. With biomaterial in glass jars recycling service, it was agreed to let all the possible customers know that Bioluup Oy provides new recycling service, but other efforts for it would not be done. (Äijö, 2021)

Business plan was not seen as an active tool for Bioluup Oy. If it would have been used right and reviewed regularly Bioluup Oy would not currently be in the situation where there is no clear picture of the becoming years. Different business plans and options have not been reviewed enough to be sure how to continue. It is possible that Bioluup Oy should continue with its current business strategy, but it may also be something totally different. During the first 5-years Bioluup Oy has got a better understanding of industry and boundaries in Bioluup Oy's activities. With the knowledge Bioluup Oy has

gathered in its first years, combined with knowledge gathered from researches, a new business plan is needed for the company. It is unacceptable that the company is in a floating state where it is not going towards anything. We know and understand the reasons which have led the company to current the state, but now it is time to correct things. (Äijö, 2021)

3 Literature review

3.1 Business Strategy

3.1.1 Types of business strategy

Jouko Hannus explains that there are two different kinds of ways of building the business strategy (Hannus, 2004). First is planned and rational and the other is experimental. Planned and rational method is a classical way of building a business strategy where everything has been planned and it is clear where the company's targets are. Main focuses in planned and rational business plans are product and market selections and competition strategy.

Experimental business strategy is an active tool that forms over time with business. It is for situations where the company has not been able to gather enough reliable data to make a solid business plan. This does not mean that companies that use experimental business strategy would not be able to act upon their business strategy. It means that they have collected data for various scenarios and will adapt their business strategy according to the situation. SME companies and especially micro-companies are using experimental business strategies (Santalainen, 2009). Santala states that although SME-companies business strategy is not printed wall size and flashy, it does not mean that it would not exist. He sees that good business strategy competencies are needed for companies to succeed.
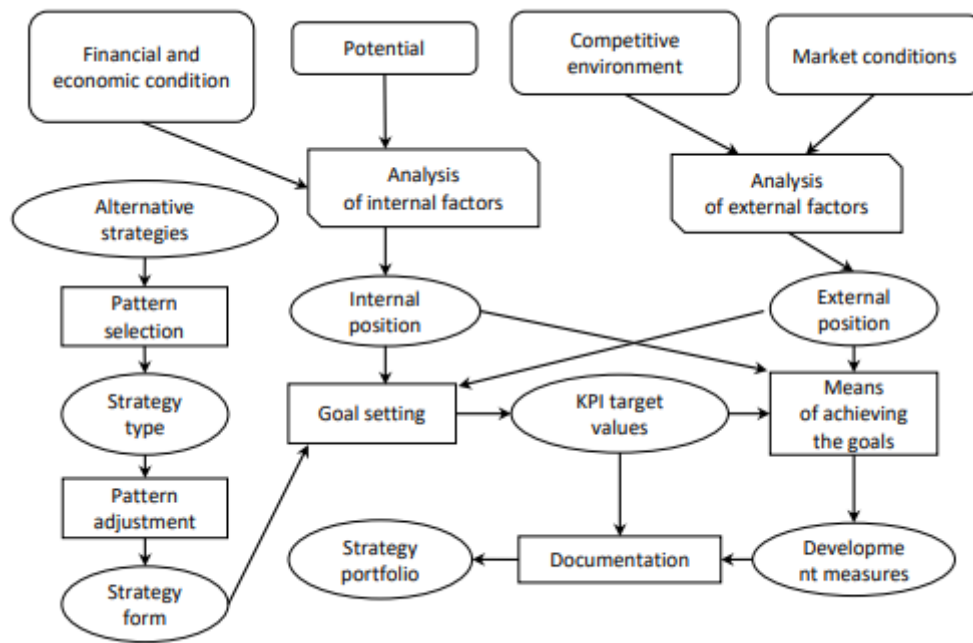
Figure 4 Example of enterprise strategy design (Balashova;Batkovskiy;Kalachikhin;Semenova;& Telnov, 2018)

3.1.2 Foundation of business strategy

Research shows that most successful companies are separated from others with clear and strong strategy (Tracy, 2015). They have set their goals and objectives clearly to every level of their functions. They know what their goals are and how to reach them. This leads to the state where everybody working for the company knows what is expected from them and how they can affect the most to reach the goals. Working together with clear goals and objectives forms a base for success.

Brian Tracy's key point in forming the foundation for business strategy is understanding the company's state (Tracy, 2015). By understanding where the company stands and how it got there, forces company to think if they are in state where they want to be. It forces company to look around and understand the field where they are operating and who else is there. By analysing the past company reviews lessons learned and best practices.

McKeown and Durkin have defined seven principles of digital business strategy (McKeown & Durkin, 2016). They have found similar topics for business strategy foundation that Tracy also found. Their business strategy foundation is categorized as internal analysis. This category contains following principles: Know yourself, know your customer, competition and resources. In the first point the company needs to define their ambition by stating their mission, vision and values. Stated ambition is the promise to the company itself and its customers about what the company has to offer to everyone. By knowing their customers, companies can get a better understanding of the field they are operating in. By knowing the competition type and competitors' the company can get the understanding about required actions in the market. Labour, knowledge and equipment are seen as resources. With understanding the limitations or wide variety of resources in the company's use it can adjust its actions based on.

3.1.3   Mission vision and values

Mission is about how the company is going to serve its customers and stakeholders (University of Minnesota, 2021). What it is going to do and why should stakeholders keep up with it. It is the reason for everything. Mission is an important part of business strategy foundations stating what the company is going to do. Next step for the company is to define what actions and events need to happen for the company to be able to reach its mission statement.

Vision gives relief to everybody in the form that the problem is solved (Länsisalmi, 2013). It is a pair for the problem that company has defined in their strategy. Visio is a state where the problems are defeated and goals reached. It is the reason for the hard work and gives purpose for all doing. A vision can be also used to determine what is important and what is not. A vision starts with the values of the company and its stakeholders (Law, 2021). With right valued vision the company can inspirate their current stakeholders but also gather more.

Values guide what the company is doing. Values are core principles that drive the company's actions and culture. It helps with decision making and creates a moral compass for the company. Values are defined with mission and vision and communicated through organization. It is crucial for the management team to base their actions to values and by that impress that values are code of ethics in the company. (SHRM, 2021)

A vision needs to be introduced with passion to everybody (Länsisalmi, 2013). Since the vision is normally something that can be hard to reach it is easily questioned. Study shows that workers do not know their mission and vision (Kopaneva & Sias, 2015). When people working in the network industry were interviewed, they told their mission and vision based on the industry they were working in, even though the company's real mission and vision stated they are improving people's welfare. When asking future goals, answers were about better future and better organization, which were not fully aligned with what the company stated. These misalignments impress that the employees do not know, believe or remember their company's key business strategy points. Common reason for this is that the strategy and its mission and vision have not been implemented to workers properly. Another reason is that the company does not act upon its strategy. The daily acts are not in line with mission and vision which makes those insignificant.

3.1.4   Taking business strategy to use

After stating the mission, vision and values Kaplan and Norton (Kaplan & Norton, 2021) see that defined details are needed to be transformed into objectives and measurements. These need to be visualized and communicated to everybody who are related. They see their developed strategy map to be helpful in visualization and communication of business strategy. From strategy map details can be transferred to balanced scorecard in which all the objectives will get a measurable form. With balanced scorecard company can measure their business strategy progress.

After defining specific targets and metrics for business strategy Kaplan and Norton guides companies to define resources and projects for objectives and measures (Kaplan & Norton, 2021). Each target will get a certain person as an accountable for targets. That person will define the projects what is needed to reach the target. They will design how the targets will be met and if they have enough resources, especially labour and budget wise.

Business strategy needs to be reviewed and adjusted if needed (Kaplan & Norton, 2021). Periodical business strategy meetings are needed. In those meetings it needs to be reviewed if the business strategy is conducted as planned and if the achievements were achieved as planned. If the targets are not met, it is needed to be reviewed if the actions done were not done correctly or if those were not effective. It also needs to be reviewed if new actions or projects are needed to compensate for the missing outcomes.

3.1.5 Tools for business strategy

A strategy map is a tool that gathers all the strategy related key points together and visualizes relationships between those (Kaplan & Norton, 2009). It visualizes the priorities of the company. It is easily understandable and can be presented as it is to the whole company. It starts by stating the company's mission and vision at the top. Values and those drivers are presented on a chart. Chart points out what are the things to focus on strategy to reach the vision.
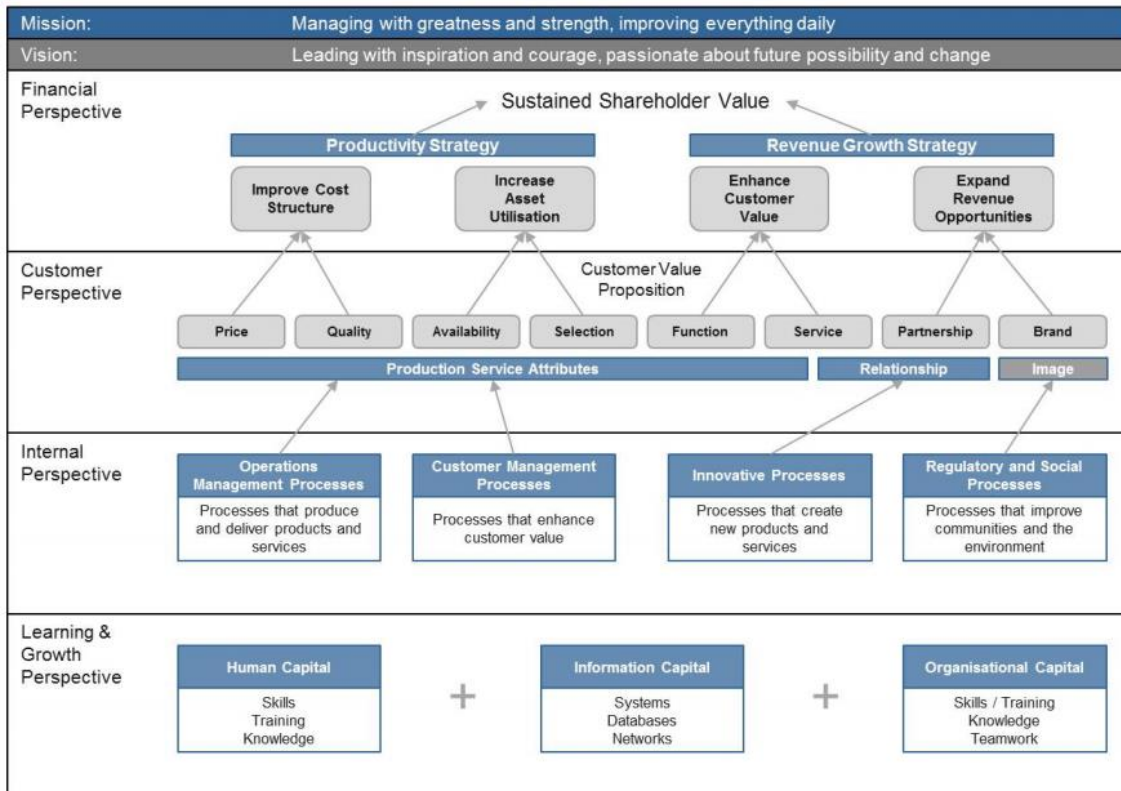
Figure 5 Example of a business strategy map (Intrafocus, 2021)

A balanced scorecard tool transforms objectives and goals into the numerical form in which those can be measured (Sirin;Gunduz;& Moussa, 2020). This gives a framework that shows the company's priorities and what are the drivers for those. A balanced score-card forces its users to think its four perspectives which are lately established to be financial, public authorities, scheduling and innovation and operational. Kaplan and Norton defined the perspectives to be: Customer, internal, innovation and learning and financial perspective (Kaplan & Norton, 2021). Balanced scorecard forces its users to focus on certain metrics instead of multiple different ones. It has improved clarity of company status, when all the needed values are in one report instead of multiple different ones. During recent years it has been highlighted that a balanced scorecard is a strategic tool that transforms strategies to actions (Malmi;Peltola;& Toivanen, 2006). The utilization of the balanced scorecard is seen as a priority. If the balanced scorecard is not used as a key strategic tool its use may easily become useless. If the tool becomes more like "tick the box"-exercise it is not used correctly and will not give any results.

Vision	Transforming society through ease of access to ultra-high-speed information services		
Purpose	Delivering mobile services that contribute to society while acting lawfully, ethically and with integrity wherever we operate		
Strategic Priorities	Content Partnerships	Customer Service	Brand Awareness
Strategic Results	Strong supply chain for content and information services, exclusive agreements	Clarity in offering that surpasses anything in the market today, best user interface	Reinvigorated brand based on successes, attract a wider and younger audience

Strategic Objectives	KPIs	Targets	Projects
Financial Increase Revenue → Increase Profitability ← Decrease Operating Costs	• Net profit • Operating costs • Revenue in target markets	• ↑ 5% per year • ↓ 3% per year • ↑ 12% per year	• Implement new financial accounting system • Simplify billing operations • Competitive end user requirements market studies for new UK regions
Customer Improve Clarity of Offering — Improve Market Perception — Improve Customer Satisfaction	• % Market share index • % Customer satisfaction index • % Focus group user index	• ↑ 3% per year • 85% this year • > 90% each focus session	• "Improve the Offering" two year programme • Create improved offering selection process • Hook into 'Improve the Offering' programme
Internal Processes Improve Offering Selection — Improve Information Services — Improve Stock Reliability — Improve Cost Control	• New products as % of sales • Brand awareness score • Cost efficiency index	• 12% this year • ↑ 5% per year • > 90% every reporting period	• Training programme for new offerings and user interface • Product and marketing training programme • 2 year content supply agreements
Organisational Capacity Improve Knowledge and Skills — Improve Technology — Improve Supply Chain	• Employee development plans • Technology training index • Supply chain efficiency index	• 95% in place • 90% efficient • 95%	• Technology improvement programme including data centre upgrade

Customer Focus - Integrity - Quality - Helpfulness - Community - Efficiency

Figure 6 Example of a completed balanced scorecard (Intrafocus, 2021)

SWOT analysis is a tool that uses a multi-criteria decision-making method. It analyses internal and external matters. It forces its users to analyse their topic from opportunities and threats of environment and weaknesses and strengths of the organization point of views (Namin, ym., 2019). This helps them to understand their position and key points to focus on. SWOT is mainly used with plain topics. When the topic gets more complex the utility of SWOT analysis gets more complicated and may not function as wanted.

Strengths
What do you do well?
What unique resources can you draw on?
What do others see as your strengths?

Weaknesses
What could you improve?
Where do you have fewer resources than others?
What are others likely to see as weaknesses?

Opportunities
What opportunities are open to you?
What trends could you take advantage of?
How can you turn your strengths into opportunities?

Threats
What threats could harm you?
What is your competition doing?
What threats do your weaknesses expose to you?

Figure 7 Example of SWOT analysis tool (Mindtools, 2021)

Benchmarking is a method where the company reviews other companies and their methods and processes. Best practices are then copied and taken in use in the company which made benchmarking (Haievskyi, 2019). Finding new methods and gaining more knowledge takes a long time. Benchmarking gives the possibility for companies to acquire tested methods for improvements which spares companies their resources. Even though international competition is increasing, benchmarking is still seen as valuable tool for everybody. Openness, sharing knowledge and working together have been seen as a benefit for all. Tuominen has stated the steps for doing the benchmarking (Tuominen,

2016). Process starts by defining what is the wanted subject or process for benchmarking and which company would be the benchmark-company. Next steps are to understand how the selected subject done in one's own company and how it is done in the benchmarking company. Steps to be taken next are to learn from the benchmark-company, define targets for changes and implement learned points to own the company. Finally, new things are needs to be established to one's own company and developed further.

3.2 SME

SMEs are small and medium sized independent companies that cannot be categorized as subsidiaries. Exact definition varies in different countries. The most used method to define SME is how many employees the company has. Eu defines the limit to be less than 500 when the Unites States defines the limit to be less than 500 employees. Usually, it has been agreed that small companies have less than 50 employees and micro-companies have less than 10 to 5 employees (OECD, 2005).

3.2.1 Importance of SMEs

SMEs are seen to have a significant role in national economies. Most significant part of employment and income comes from SMEs. This can be seen globally (International Trade Centre, 2017). In Organization for Economic Co-operation and Development (OECD) countries for every large enterprise which has over 250 employees there are over 500 companies that have less than 250 employees when looking data from 2018 (OECD, 2018). Same data says that the same ratio is over 1000:1 in Greece (1341 to 1) and in Italy (1047 to 1). Lowest ratio between SME company and large company can be found from Switzerland (119 to 1) and from New Zealand (183 to 1).

The chart below (Table 2) illustrates distribution of workers in SME companies. It shows that most employees (44%) work in medium sized companies with 50-249 employees. Partition of micro sized companies from all SME companies is 19 %. From table 3 it can be seen that 54 % of employees in OECD data work for a SME-company. Difference is

almost 7million workers, meaning that if 3,44 million workers would turn from SME category to a large company category the distribution would be equal.

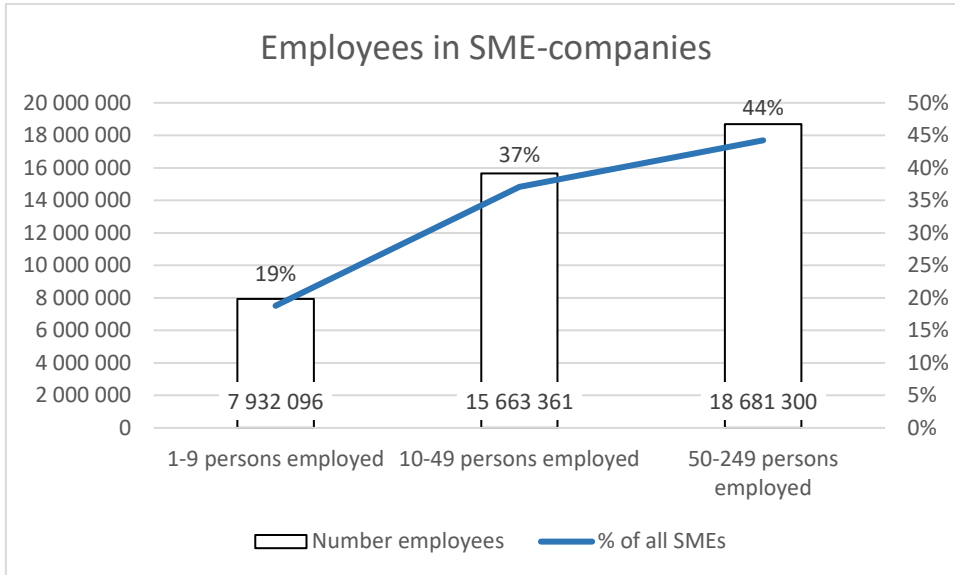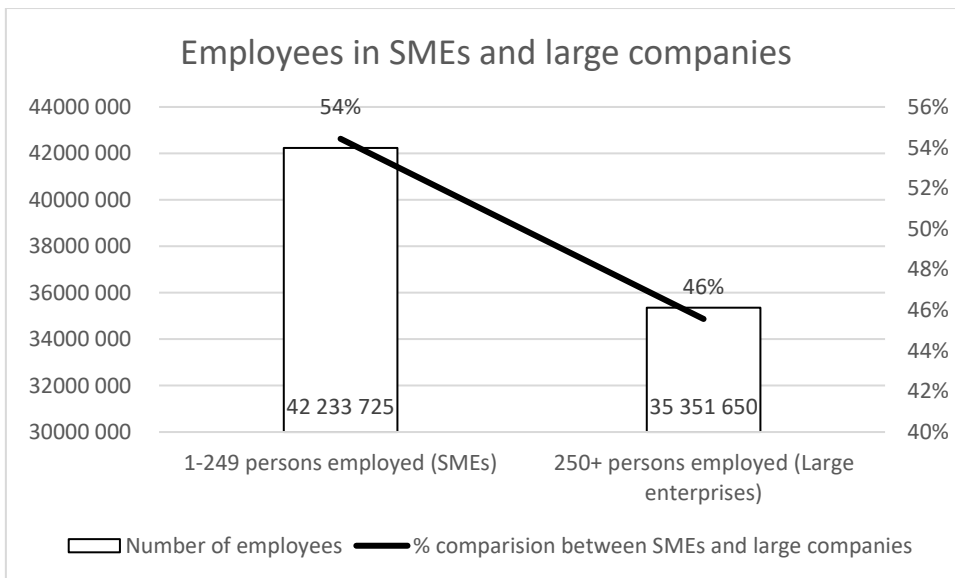**Table 2 Employees in SME-companies (OECD, 2018)**

Table 3 Employees in SMEs and large companies (OECD, 2018)

OECD data from 2018 shows that there is a bigger amount of SME companies than large companies. SMEs also have more employees than large companies. When comparing turnovers, it can be seen from table 4 that large companies have significant lead. Large

companies have over 46 % bigger turnover than SMEs. From 29 countries that were in sampling, SME-companies in 6 countries had a bigger turnover than large companies. Those countries were Estonia, Iceland, Italy, Korea, Latvia and Portugal.

Table 4 Turnover comparison of SMEs and large companies (OECD, 2018)
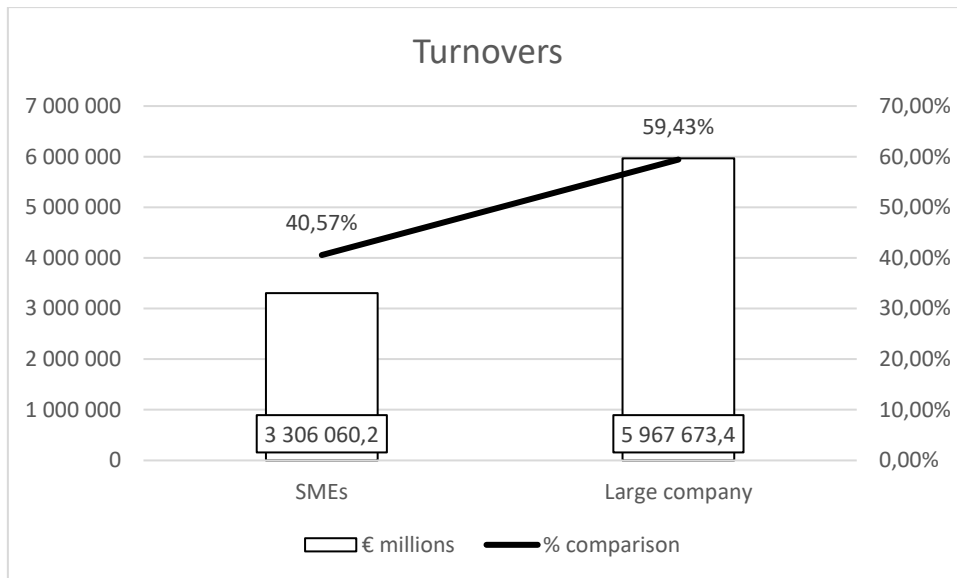
3.2.2 Entrepreneurship

Founding your own company has a great interest among the young adults. A study conducted in South Africa discovered that almost half from 750 young people who were interviewed for the study answered that their dream job would be running their own company (Kew;Turton;Herrington;& Christensen, 2013). Running your own company had a significant rank also as the second preferable option for dream the job. Study also discovered that young people do not start their own companies since they see it as too high a financial risk or they would not be able to get a funding for their company. Over one third of the interviewed answered that they believe to have competencies to start their own business and a little bit over 22 percent believed that they would not have enough skills or training to start their own business.

Entrepreneurs are the ones who start businesses which will turn as start-ups and after start-up, to a SMEs: When looking at the definitions, the start-up companies are SMEs, but the difference comes from continuity and settled functions (Hecht, 2021). In their 13th edition of company founders guide, Holopainen and Levonen state different standards for entrepreneurs. They state that as an entrepreneur one needs to have interest and believe in their own idea and competency, desire to perform, strong will to succeed, independence and initiative, ability to make decisions, tolerance for uncertainty, ability to take risks and purposefulness and perseverance.

3.2.3   Transiency and survival

Piatkowski (Piatkowski, 2012) stated that the company will not survive in their field without having a competitive advantage. Without having a well-structured and conducted strategy it is hard to have the right competitive advantage. Companies with more employees are more prepared with their strategy. From micro companies 50 %, from small companies 67 % and from medium companies 67 % have development strategies. With SMEs having only a one-year plan, 38% of all micro companies and 33 % of all medium companies, there is a problem with strategy. Short period plan is mixed with business strategy which causes companies to focus only on short periods. Due to this companies with short strategies cannot act upon the situation fast enough since their strategy is narrow due to the timespan.

Piatkowski study (Piatkowski, 2012) showed that the top three barriers for SMEs conducting business in Poland are national administrations related to taxation, administrative procedures and legal regulators. On the other side the key success factors were quality of products, price policy and company image. Most of the entrepreneurs who answered to the study also thought that long-term development strategy and qualified employees were important in creating competitive advantage.

Companies, especially SMEs, have different life spans. There are multiple reasons and methods for companies to end their business. Company can be ended due lack of income

or lack of resources. Also, it can be sold to another company, the owner might retire or it might be moved aside to wait for the right timing which may not ever come. (Rajala, 2020).

3.3   Theoretical framework of the study

In literature review a wide range of different kinds of literature was reviewed. The literature reviewed concentrated on companies' business strategies and how those are transformed. The SME part focused on the importance of SMEs, entrepreneurship and how SMEs can survive.

From the business strategy part, it was discovered that business strategies can be separated roughly to planned and experimental categories. Where planned is more stable and focused when experimental varies and is updated when new data is gathered. Clearly defined and communicated mission, vision and values turns strategy to plan and gives meaning for doing the tasks. Employees need to be committed to the strategy so that everybody knows what they need to be doing and why. Tools to help creating, using and implementing the business strategy are balanced scorecard, SWOT analysis and benchmarking.

SMEs have an important role in the whole world's economy. Even though their overall turnover is less than large companies have, they have more employees making them more significant for the economy. SMEs are divided into three categories which are micro, small and medium companies. The breakdown is done by how many workers the company has or what its turnover is. There cannot be a company without entrepreneur with certain competencies, right employees and competency advantages which are strongly related to business strategy.
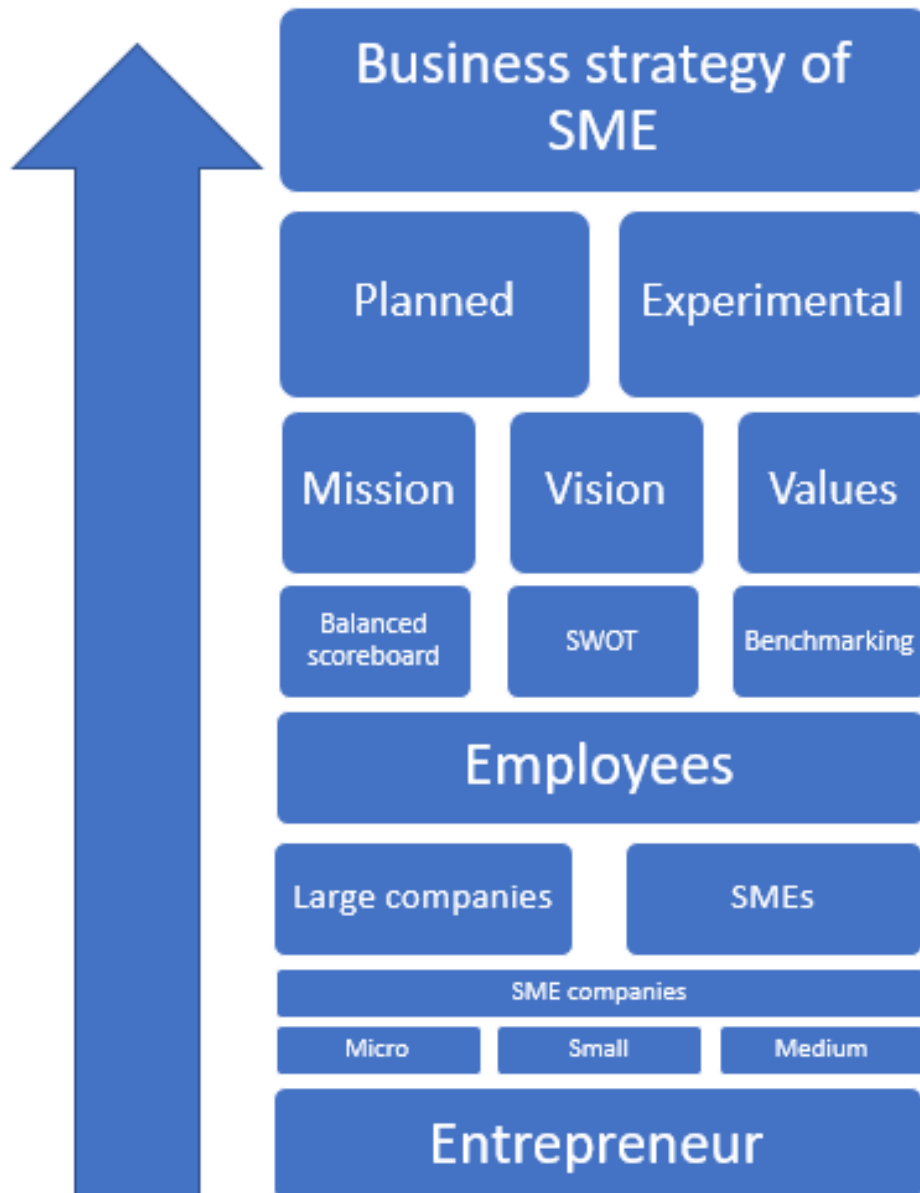
Figure 8 Framework of the study

Figure 8 visualises the framework of the study. In this visualisation it was seen that everything starts from the entrepreneur. They will grow their business from micro to medium sized companies before turning to large companies. Employees are a huge part of the companies and companies' success. By using balanced scorecard SWOT-analysis and

benchmarking the company can create their mission vision and values. With mission, vision and values they will form their business strategy which is experimental or planned.

4 Methodology of the study

4.1 Data collection

For the data collection a focus study group methodology was used. Nine people were invited to participate into the discussion session. From nine people, seven were able to take part in the discussion. Due to the global pandemic situation the group met online using a video conference platform. The agreed time for the meeting was four hours. Anonymous participation was provided for the study participants. For that reason, participants names or whole discussions are not provided in the study. For the study participants gender, their or their employers company size, working level and age were gathered for this study. Gathered information can be found in appendix 2. (Appendix 2.). For the study quotations from discussions are allowed to be uses when those do not reveal more information from the quoted person than agreed.

Meeting started with the introduction of the study and the group. Research framework was presented and explained for the participants. Scope of the study was explained with limitations and definitions. Effort was made to make sure that everybody understood from the beginning the key points of the study and what was expected from them. Participants were given an option to make detailed questions about the study to ensure their understanding. Since participants were not familiar with each other, they were introduced individually to the group. These steps created a solid base for the study. Success of the focused study group is dependent on an open-minded atmosphere (Seale C. ;Gobo;Gubrium;& Silverman, 2004) and these steps encouraged people to freely express themselves and their opinions.

A semi-structured questionnaire was created for the meeting. The questionnaire was based on the literature review formed for the study. The reason for the use of a semi-structured questionnaire was to make sure all the necessary points were discussed and to help the chairman to lead the discussion. The questionnaire focused into the main

questions about business strategy and on how to conduct a solid one from the SMEs point of view. The questionnaire (Appendix 1.) started by discussions about what skills, people and gathered info is needed for creating a business strategy. From there the discussion turned to tools that help to create the business strategy. Mission, vision and values were covered by discussing how the group found those necessary and the usage of them. When talking about the need and the benefits of business strategy points about, different types of strategies were discussed. This included points about differences in business strategies for emergent companies versus companies that have been active for a longer period and differences with companies that have few or more workers. Last questions were about business strategy implementation, what is the role of the management team and how people relate to business strategy and its success.

4.2 Data analysis

4.2.1 Question 1: How is business strategy created?

The discussions started by talking about how to create business strategy. It was said that all it needs is that the persons in charge agree where they want to take the company. Business strategy is created by agreeing the future goals of the company. Then next step is to agree the steps needed to be done to reach those goals. There was discussion if just an agreement is enough that the business strategy is created. Some thought that it also needs to be put on paper and communicated to the whole company before the business strategy can be said to be created. Discussions about if an unwritten plan for the company can be seen as business strategy or not started at this point and was returned in several times during discussions.

4.2.2 Question 2: What is needed for business strategy creation?

When creating a business strategy, preparations was seen to be the main area to focus for the company. The company needs to understand all the aspects that affect the company. The group found an agreement that the state of mind was important when defining the end goals for the company. The management and the owners need to have a mutual

agreement on where the company is wanted to be and the will to do the effort reaching it. With agreed, focus the company needs to understand where they currently are and how to reach the agreed target. Understanding the current situation was seen as slightly more important than understanding the past. It was seen that the current situation gives better understanding of possible coming challenges than the data gathered in the past. Understanding the past was seen more like learning points from where the companies were able to predict a little bit how the market might act and what has worked previously. Understanding the past were seen problematic due to the possible lack of the information. It might be hard to reveal the root causes of the problems that happened years ago and there is a possibility of misjudgement those.

> *One needs to understand the past and what things have worked previously. Where we stand currently and what competencies the company currently has. – Person 4*

Right mind set was seen to be more important than the position of the company when defining the business strategy. Normally people in the management team and company board have the right mindset and will make the effort for the company, but this doesn't mean that people working in blue collar positions could not give highly considered inputs for business strategy. The diversity was seen necessary when defining the business strategy. It is not efficient that everybody knows everything in companies, which is why it is important to include various people in the business strategy process.

Curiosity, soft skills, open-mindedness, rationality and daydreaming were seen as good skills for people defining the business strategy. A curious person gets interested in new things. That person has the ability to test new things and seek for improvements. Soft-skilled people can take into account all the persons that are related to the creating process. Those people are willing to work in a group and have a respect on others' opinions. A rational person can understand what can be reached and what cannot be. That person can transform all the utopistic ideas into a more rational form. A daydreaming person is the one that makes up all the utopistic ideas. That person dares to set targets high and think from different angles. The study group discussed if a pessimistic person is needed.

That person would have the hardest part in the process. That would be to make sure the ideas are good enough by questioning the ideas. The idea was not to prove that the ideas would be wrong rather than those would be right, when a pessimistic person cannot point out inaccuracies.

4.2.3   Question 3: What tools can be used when defining the business strategy?

When creating the business strategy study participants found that different tools improve the process by forcing them to consider different aspects of the topic. This reduced the risk of making wrong decisions. Most of the group had used different tools in the process of making business strategy.

The used tools in the business strategy making process varied by the company and if the company had adapted any transformational framework in their functions. SWOT-analysis was the first tool mentioned in the discussions. It was seen useful due to its simplicity. It was seen as a tool that can be used with people from all levels. SWOT-analysis had been used by all of the participants, even those whose business strategy was built more to explain their continuous business than setting goals and improvements. Participants from companies that had adapted transformational frameworks to their functions, like LEAN, saw tools from those frameworks useful. OGSM strategic planning process and its varieties was said to make the business strategy process transparent and easy to follow.

> *SWOT is easy and simple to use. From SWOT it is easy to go deeper and take findings further. It gives limit points for actions fast with what one can do the business plan. It is a good tool to use in communication. – Person 6*

A market study was mutually agreed to be very useful when defining the targets and opportunities in the market. It would give a great input for understanding the market's current situation and to give insight of upcoming trends. With this knowledge, company could make decisions based on more solid facts rather than their own thoughts and opinions. On the other hand, market study was seen as a tool that SME companies could not do by themselves and that should be bought from agencies. Buying the market study

from outside of the company might become a financial obstacle for multiple SME companies. The uncertainty of the return of the investment to the market study was seen as the main reason why it might not be used by the SME as much as it could be.

> *It would be really useful if companies would do the market studies. It would help to define the right kind of business study and to focus on the right things. It would help companies to focus on products that have over one year lifespan. – Person 3*

Right kind of atmosphere was seen as useful tool when creating the business plan. Participants need to be in the right mindset to be able to think and consider all the points of view and to express their real thoughts. This comes important especially in situations when there is hierarchy differences or manager-worker relationships between participants. The one who manages the meeting has a huge role in this. That person needs to consider how to create a free, open-minded and topic focused atmosphere to the business strategy workshops.

4.2.4 Question 4: Mission, Vision and Values – What are the roles of those? How essential those are for business strategy?

Mission and vision were seen as the minimum every company should have defined. Values were seen important, but from the business strategy perspective it is not as important as mission and vision. When a company can define a clear and understandable mission and vision, they have an understanding what they will do and why. Values were seen to define more a company's ethics and working atmosphere.

Mission, vision and values were also seen as the most used visuals that company communicates to everybody inside and outside of the company. It is seen as the bare minimum information that employees of the company should know and be able to explain. There were experiences about cases where all the workers were told to learn the company's mission, vision and values by heart for the ISO-standard audit.

Mission, vision and values are strongly communicated in our company. Those are visualized in the hallway of the company where everybody can see those. Those are realistic and we are living according to them. Everybody also can name them. – Person 5

4.2.5 Question 5: Does every company have a business strategy?

Company's size and industry had an impact on companies needs and benefits of business strategy. All the participants agreed that every company has a business strategy even if it is clearly stated somewhere or if it lies in the micro company owner's head. Complexity of business models forced the companies to spend more time on business strategies than companies that have solid state and a market without plans of expanding or development. Therefore, the more complex companies get more benefits from defining and reviewing the business plan.

I think every company has a business strategy. What varies is how it is handled and if it is written down or not. – Person 1

The benefit of a business strategy was seen as remarkable. It gives clarity for functions and goals to reach. With business strategy all the workers know what is expected from them and it guides them about how they do their work. It was also seen as important to communicate business strategy outside of the company to give a wanted impression to possible customers.

Participants were not able to say after how many workers recruited company should have their mission, vision and values visible and communicated. One view was that if the company has a VAT-number mission, vision and values should be the first things to define.

In hiring process participants said that they would like to know about the company's mission, vision and values before applying. With those they would get information about the company's ethics. Stated mission, vision and values would be as useful as

informational for the person applying than the fact that the company has not stated or could not explain their mission, vision and values.

> *If I would go to work for a company, I would be interested in their mission, vision and values. Those would be input for me on how long I would like to work for the company. – Person 6*

Some participants had experience about made up business strategies linked to mission, vision and values. In those cases, companies had a clear path that they followed. They had goals to grow bigger and improve, but business strategies weren't communicated to workers. This led to a situation where workers had to learn the company's business strategy's key points in short notice, since those might be asked in the audit. This was seen inappropriate use of business strategy. It was pointed out that in this kind of cases the business strategy cannot be taken seriously. If it cannot be taken seriously, business strategy can be seen as a waste of the time.

4.2.6   Question 6: Should business strategy be solid for coming years or can it be seen as a living tool?

It was agreed that one type of business model and its process is not suitable for every company. There was a high contrast in discussions were had between participants had been working in medium companies and in micro companies about how business model and its review process should be done. Discussed differences were about the life span of a business strategy and how often it should be reviewed and updated. The participants from medium companies had thoughts and experiences from a long span and yearlong business strategies when participants who had experience from micro companies had maximum of yearlong strategies. Micro companies' strategies were made to smaller targets when medium companies had bigger images and goals with multiple split milestones and targets.

The participants from micro companies saw that their business strategies might change in a short period if an opportunity would occur. They were seen as more flexible in their business than medium companies. Common understanding was that micro companies might work in multiple different industries and change the balance between them depending on their situation. Due to balancing between different industries in irregular periodic work, companies should update and review their business strategies continuously. This was seen to be time consuming without enough use for companies.

> *Every now and then I have thought if, I should write some kind of business strategy on the paper for my company. Then I realise how many different things my company has done and might be doing in the future. This causes the business strategy to be complex and shallow, so I don't need it to be worth the effort to write it on paper. – Person 2*

It was agreed that it is a reality for many companies to change business plans continuously, especially among SME companies.

4.2.7 Question 7: Will companies age and level of innovation affect to its business strategy?

The current state of the company was seen to affect the company's business strategy more than its age. It was seen that company's' current performance and level of innovativeness had more impact to the business strategy than how old the company was. There might be companies that are two or twenty years old and still looking for their own specialty of work, meaning they might change their business strategy yearly or even monthly. At the same time there are companies that have made their business plan when they started and after ten years are still living up to it. On the other hand, it was agreed that it is more common that older companies have more stable business strategies than freshly established ones.

> *When the company grows and gets bigger it needs more clarity for its doing. Older companies tend to have already tested all the ideas and settled for more permanent ones when younger ones might still look for their own thing. – Person 3*

4.2.8 Question 8: Does business strategy vary if the company has 3 or 290 employees?

Number of workers was seen to have an impact on the company's business strategy. Companies that have less workers tend not to communicate their business strategy or mission, vision and values like the companies that have more workers. Workers engagement to the company is crucial. It was seen that bigger companies use business strategy communication also to engage workers in the company. At the same time, it will give clarity for functions inside of the company. With micro sized companies the engagement is done more freely and people based. The manager might spend more time with all the workers and by that the workers are on track with what is going on in the big picture.

> *With a small group we have discussed business strategy even over a pint. This has ensured honest feedback and ideas for the topic. – Person 6*

4.2.9 Question 9: What is the role of the management team in implementation of business strategy? How about workers' role?

Focus study group agreed that if the business strategy is not communicated, spread and pursued by managers, workers will not see it relevant. In this kind of situation business strategy is done for other reasons than to give the company the line of conduct. Business strategy is also needed to escalate to every function of the company. This is how business strategy will be a part of everybody's daily work and they can have an impact on it. This will engage workers to do their part for reaching the strategy goals.

> *Commitment is the first thing when implementing the business strategy. Managers need to involve everybody in business strategy so that it affects everybody and everybody can affect it. Targets should be split to targets for every function of the company. Business strategy needs to be part of everyday life. It needs to be visible and everybody should act on it. – Person 4*

4.3 Reliability and validity

To be sure that the study is reliable and valid it followed primary and secondary criteria of validity (Whittemore;Chase;& mandle, 2001).

Criteria	Assessment
Primary criteria	
Credibility	Do the results of the research reflect the experience of participants or the context in a believable way?
Authenticity	Does a representation of the emic perspective exhibit awareness to the subtle differences in the voices of all participants?
Criticality	Does the research process demonstrate evidence of critical appraisal?
Integrity	Does the research reflect recursive and repetitive checks of validity as well as a humble presentation of findings?
Secondary criteria	
Explicitness	Have methodological decisions, interpretations, and investigator biases been addressed?
Vividness	Have thick and faithful descriptions been portrayed with artfulness and clarity?
Creativity	Have imaginative ways of organizing, presenting, and analyzing data been incorporated?
Thoroughness	Do the findings convincingly address the questions posed through completeness and saturation?
Congruence	Are the process and the findings congruent? Do all the themes fit together? Do findings fit into a context outside the study situation?
Sensitivity	Has the investigation been implemented in ways that are sensitive to the nature of human, cultural, and social contexts?

Figure 9 Primary and secondary criteria of validity (Whittemore;Chase;& mandle, 2001)

Group selected as the focus study group was multitalented from various industries and backgrounds. All the participants had a degree in engineering. All participants currently worked or have worked in SME companies. During those times they had gathered competences related to business strategy. All of them had been participating in defining, creating or implementing business strategies. Participants worked in manager positions and most of them had direct employees. Two participants had their own micro companies. It was made sure that no participants had any reasons to mislead the study or give false information. All the participants understood the importance of the study and acted upon it.

Group interview was recorded and reviewed multiple times to get an absolute understanding of what the participants were saying. Nuances in voices and words used were scouted to be sure that all the opinions were understood correctly.

The literature review that was done for the study used reliable sources with studied information. Information used in literature review is strongly related to this study's research questions and forms a solid base for it. The collected information had similarities to literature review which indicates that the collected data would be repetitive.

Person conducting the study doesn't have any dependencies to study's outcome. That person can be seen as suitable for conducting the study and can be trusted to give an outcome based on collected knowledge from literature review and focus group study. That person is also motivated to conduct the study with his best knowledge without including information that is not reliable or valid or excluding reliable and valid information related to study.

5 Summary and conclusion

5.1 Summary of the study

Chapter 1 is the introduction of the study. It explains the background and reason for the study. It states the research questions to which study aims to find the answers. To be able to clarify the question the chapter gave definitions and limitations for main points of the study. Chapter also stated the structure for the study.

Research questions of the study:

1) How to design business strategy for SMEs?

Chapter 2 reviewed the case study of the study. Bioluup Oy was introduced and its business strategy was reviewed with the interview of the company's CEO. This chapter gives a better understanding of one possible situation with an SME company's business strategy.

Chapter 3 is literature review about business strategy and SME company related literature. It deepens the understanding of the study topics like business strategy key points, different kinds of business strategies, foundation of business strategy, and company's mission vision and values. Literature review about SME companies focused on data about the importance of SMEs and what kind of skills are needed to be an entrepreneur. At the end of the chapter, the framework of the study was explained.

Chapter 4 explained the methodology of the study. It reviewed how data was collected for the study and how focus group study was conducted. In data analysis the collected data was reviewed question by question. In the last part of the chapter the reliability and validity of the study was reviewed.

Chapter 5 gathers the whole study into a conclusion and future thoughts. Conclusion of the study is explained in managerial implications. In the end of the chapter, it is discussed what future research would deepen this study.

5.2 Managerial Implications

Research question of the study is "How to design business strategy for SMEs". This was approached by literature review where background data of business strategies and SMEs was gathered. In the next step, the focus study group had discussion about the topic. Participants in the focus study group had wide knowledge about SMEs and business strategies. This managerial implication is written based on their bottom lines and agreements, literature review and Bioluup Oy's interview.

5.2.1 How to design business strategy for SMEs using Bioluup Oy as an example?

Common consensus of Bioluup Oy's direction cannot be underlined enough. Owners of the company need to have a uniform understanding of what is expected from the company. It needs a solid and clear business plan where the company is aiming and what is needed to be done to reach there. Current situation, in which the company established its functions, is the end result of the first 5-year plan. During that time Bioluup Oy did not look further with their plan. This is a common problem with SME companies where time does not stretch to do everything needed. This caused the situation where the plan ran out without following plans. This left the company in an uncertain situation about what will be done next.

From discussions with the focus study group, it can be stated that that case company Bioluup Oy should design their business strategy based on facts and will of doing the work. Bioluup Oy should start their process by stating where they want to be in next the coming year. Define the vision of the company in future. Vision should be a clear image of the outcome. The idea of this is to define the destination towards where the company

is going. When the destination is known one can define how it can be reached. With that company can define what are the tools, resources and actions needed to reach it. If the destination is unknown and unclear, the company will travel blindfolded.

Next step would be to understand where Bioluup Oy stands currently. Bioluup Oy needs to define the gap between the current status and the wanted outcome. This is the crucial part, since if failed in this, the outcome might not be reached since the gap to it has been defined incorrectly. It is also important to understand the journey the company has travelled. From that journey the company can learn important lessons and evaluate the realism of the goals defined in the first step. Evaluating of the realism helps the company see the points in the past that might need extra care when executing their business strategy. Another check if their wanted outcome is realistic is analysing the future. Company should not invest in topics or phenomena that might turn unfavourable in the future. For example, it is not favourable to invest in providing a new service if there is not enough customers for it. A market study is recommendable when analysing the future aspect. The company could form their mission based on these. Mission states how they will achieve their vision. Mission and vision together are the base for everything the company is doing and answers the question why certain things are done.

Certain tools should be used when creating the business strategy. SWOT-analysis helps the company to think about things from multiple angles. It can be used in almost every step of the business strategies creating process. It can be used also in communicating the outcome inside and outside of the company. Communicating with a SWOT-analysis, the company impresses that thorough thinking has been made. When using business strategy in everyday work these tools are useful. The balanced scorecard and the OGSM strategy tool will turn the business strategy process to clear targets with defined indicators. With these tools the business strategy can be escalated to every level and functions of the company.

Implementation of the business plan is as important as creating it. If the business strategy is not implemented, it has been a waste of time. In implementation, communication is the key. All the workers of the company need to understand what the goals of the company are and how those goals are reached. Implementation should be done so that everybody can understand how their input affects business strategy and what are the benefits of reaching the goals. Visualisation of business strategy to company's wall might help in business strategy communication, but it cannot be the only method to communicate business strategy to employees.

Bioluup Oy needs to make a solid plan when and how they review their business strategy. Current business strategy progression is needed to be reviewed at least monthly. This ensures that the company is able to make remedial actions if the defined targets are not met as planned. At least yearly, company needs to review their business strategy from a future perspective. They need to adjust it according to the new knowledge and trends occurring. These actions will ensure that in the future the company will not end up in a state of uncertainty.

5.3 Conclusion

5.3.1 1. research objective

A business strategy is a core of a SME company. It gives the company the purpose and reason for the processes inside it. With the business strategy there is a common understanding why things are done and how. To be able to define the strategy, it needs to be clear where the company wants to be and when. With this decision company can start to analyse what actions are needed to reach the target. It is needed to understand the past, present and the future in the analysis. The whole market from the business field is needed to be analysed to understand the possibilities. Lots of tools, like SWOT analysis and the balanced scorecard, can be practical when defining the targets.

This study strengthens the commonly known thoughts about business strategy creation process. In the focused study group multiple thoughts were based on themes that have been discovered earlier. This means that same themes are still going strong related to the creation process of the business strategy.

5.3.2   2. research objective

Companies' business strategies come in different forms and are done for different reasons. It might be built up the way that everybody has had an option to influence it, or it might have been created in owners head along the time in silence. It might be visualized to company's wall or be written to a grid paper on the break rooms coffee table. It might be done for profit-making purposes or since it is needed for an audit. Even though the strategy might be visible or hidden it is still there. In the bare minimum the entrepreneur has an idea what the company does now and what it will do in the future. Therefore, it can be seen that every company to have a business strategy.

Defining the business strategy and mission, vision and values are waste of time if the whole company does not base their actions upon the strategy. If the business strategy and points from it are not obeyed, the company can be seen as lost as it would be without the business strategy. This might lead to trusting issues in network and with stakeholders.

People's involvement was another thing that was highlighted in the focus study group which was not brought up strongly in literature. The whole company should have a possibility to have an impact in forming the business strategy and at the minimum to affect its progress. Workers are one of the biggest resources in the company. If its potential is not included in aim to reach business strategy targets, the success might be arguable.

5.4 Future research

Future research could concentrate on what is the role of employees in succeeding with a business plan. Industrials across the globe are starting to understand the importance of employees. When employees are cared for and given the opportunity to influence their work, they tend to perform well for the company.

Researchers could interview different companies about their business strategy success and how their employees are able to affect it. Interviews would indicate if there were differences between companies where workers know the company's business plan and are able to affect it and companies where workers do not have any change to impact business strategy or its succession.

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Appendices

Appendix 1. Semi structured questions for focus study group

1) Question 1: How is business strategy created?

2) Question 2: What is needed for business strategy creation?

3) Question 3: What tools can be used when defining the business strategy?

4) Question 4: Mission, Vision and Values – What are role of those? How essentials for business strategy those are?

5) Question 5: Does every company have a business strategy?

6) Question 6: Should business strategy be solid for coming years or can it be seen as a living tool?

7) Question 7: Will companies age and level of innovation effect to its business strategy?

8) Question 8: Does business strategy vary if the company has 3 or 290 employees?

9) Question 9: What is role of management team in implementation of business strategy? How about workers role?

Appendix 2. Participants

Person 1. Male, working in micro sized company. Manager level. Age 30 – 49 years.

Person 2. Male, working in micro sized company. Manager level. Age 30 – 49 years.

Person 3. Female, working in small sized company. Manager level. Age 30 – 49 years.

Person 4. Male working in large sized company. Manager level. Age 30 – 49 years.

Person 5. Male working in medium sized company. Manager level. Age 30 – 49 years.

Person 6. Male working in medium sized company. Manager level. Age 30 – 49 years.

Person 7. Male working in medium sized company. Manager level. Age 30 – 49 years.