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ABSTRACT

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This thesis examines the relationship between the strategic focus of Finnish SMEs and their business performance in the years 2013-2015.

Research is based on the large enterprise study (Suuri Yrittäjätutkimus) conducted by credit marketing company Collector Finland Oy in cooperation with the University of Vaasa and builds on the Master’s Thesis by Vainio in 2014. The method of analysis has been the RAL (responsiveness, agility, leanness) -model developed by Takala which based on distributions of the critical success factors cost, quality, time and flexibility determines the strategy types; prospector, analyzer and defender formulated by R.E. Miles and C.C. Snow.

Results from the analysis shows clearly that the business environment of Finnish SMEs has been slowly deteriorating over the years 2013-2015. The same applies to the companies’ financial situation and consequently their competitiveness. The outlook on future performance still remained relatively unchanged. The results also show that while quality was the most common critical success factor throughout the time-period cost had become a more emphasized factor in 2015. Prospector proved to be the most competitive strategy type throughout the time-period and emphasize on time was connected to over-average performance.

KEYWORDS: Competitive advantage, Strategic focus, RAL-model, Critical success factor, SMEs
Denna avhandling undersöker förhållandet mellan Finländska SMFs strategiska orientering och företagsverksamhetens prestanda under tidsperioden 2013-2015.

Studien baserar sig på den stora företagsundersökningen (Suuri Yrittäjätutkimus) som genomförts av finansieringsbolaget Collector Finland Oy i samarbete med Vaasan Yliopisto. Denna avhandling bygger på magistersavhandlingen av Vainio (2014). RAL (responsiveness, agility, leanness) – metoden, utvecklad av Takala, har använts vid analysen. RAL-modellen fastställer de olika strategiska typerna (prospector, analyzer och defender) som utformats av R.E. Miles och C.C. Snow, utifrån fördelningen mellan de kritiska framgångsfaktoreerna kostnad, kvalitet, tid och flexibilitet.


NYCKELORD: Konkurrensfördel, Strategisk orientering, RAL-modell, Kritisk framgångsfaktor, SMF

Tutkielma perustuu suureen yrittäjätutkimukseen (Suuri Yrittäjätutkimus), joka suoritettiin rahoituspalveluyhtiö Collector Finland Oy:n toimesta yhteistyössä Vaasan yliopiston kanssa. Tämä päätööö on jatkoa Vainion pro gradu tutkielmalle (2014). Tutkimusmenetelmänä on käytetty Takalan kehittämä RAL (responsiveness, agility, leanness) – malli. RAL-malli määrittelee erilaiset R.E. Miles ja C.C. Snowin strategiatyypit (prospector, analyzer ja defender) perustuen kriittisten kilpailuetujen jakaumaan (kustannus, laatu, aika ja joustavuus).


AVAINSANAT: Kilpailu, Strategian suuntautuminen, RAL-malli, Kriittinen kilpailu, PK-yritykset
1. INTRODUCTION

1.1 Topic of the study

This master’s thesis examines the relationship between the strategic focus and the business performance of Finnish small and medium-sized enterprises in the years 2013-2015. The strategic focus of a firm is determined with the RAL-model developed by Takala (Takala, Koskinen, Yang, Serif Tas & Muhos 2013b:46) which is based on the strategy typology model presented by Raymond E. Miles and Charles C. Snow in 1978.

Data for this research has been gathered by the credit marketing company Collector Finland Oy in the first half of each year during the time-period 2013-2015. Questionnaires were filled in by 171 Finnish companies in 2015, 583 companies in 2014 and 446 companies in 2013. The general questions numbered 1-4, 6–7, 13 and 18–26 are relevant for the scope of this thesis. See APPENDIX 1 for general questions nos. 1-26.

This thesis builds further on the master’s thesis Kestävä kilpailu etu suomalaisissa pienissä ja keskisuurissa yrityksissä (English title: Sustainable competitive advantage in Finnish small and medium sized enterprises) by Vainio (2014) which presents results for the study in 2013.

1.2 Small and medium-sized enterprises

Small and medium-sized enterprises (SMEs) are defined in the EU recommendation 2003/361 as enterprises that have less than 250 employees and
a turnover of no more than 50 million euros or balance sheet total of 43 million euros (European Commission 2015). Karami (2007: 78-79) explains that the term SMEs has been used loosely for a long time. The cap on the number of employees and turnover is, according to some scholars, of less importance; other criteria for classifying SMEs are instead emphasized such as independent management, a small group of owners and a local business. (Karami 2007: 78-79.)

The majority of the researched companies had a turnover below 10 million euros. Around 6 -9 % of companies had a greater turnover and only 1% had a turnover above 100 million euros. Likewise 1% of the researched companies had more than 100 employees, but did not state if they had more than 250 employees. The amount of owners is not evident from the study and none of the companies are state-owned. On the basis of the researched companies meeting the not so fixed criteria for SMEs the study can be considered to be one of small and medium-sized enterprises.

1.3 Contributions of the study

This master’s thesis relates traditional and contemporary theory of strategic practices and the concept of competitive advantage to current challenges of Finnish SMEs in the year 2015. Shifts in the strategic focus of enterprises during the researched time-period are examined and discussed. Potential reasons for differences and trends are presented and their validity is considered. Specific strategic focuses and strategy types, from the strategy typology by Miles and Snow, are uncovered as more beneficial than others.

To suggest or commend a particular strategy as superior to others is problematic. Imitating a prosperous competitor’s strategy is not a certain method for success.
This is because no companies run their businesses according to identical conditions. The prerequisite resources for successfully implementing a said strategy might not be available or accessible. There is also an issue with competitive advantages’ tendency to erode when multiple actors venture on the same advantages.
2. LITERATURE REVIEW

2.1 Competitive advantage

A competitive advantage is according to (Nilsson, Olve & Parment 2011: 163) a capability in a company that gives it a unique or at least not easily imitated advantage over the competition. A company is considered to have a competitive advantage if it can persuade its stakeholders to choose its products instead of its competitors’ products (Maillard 2013: 15). Over-establishment of firms in industries and markets in capitalist economies is something that makes it critical for enterprises to maintain their competitive advantages in order to survive (Nilsson et al. 2011: 135).

The traditional and widely recognized Five-Forces model for competition by Porter (e.g. Porter 1990: 35-36, Grimm, Lee & Smith 2005: 31, Robertson & Caldart 2009: 36) paints a picture of competition where the strengths of the five forces: bargaining power of customers, bargaining power of suppliers, rivalry among existing firms, the threat of new entrants and the threat of substitute products, determines the profitability of an industry. See Figure 1. In industries where the competitive forces are weak it is possible for a larger number of firms to prosper whereas strong forces entail high demand on (and often low margins for) companies (Porter 1990: 35). This view puts great emphasize on the business environment and the industry structure in defining competitive advantages (Grimm et al. 2005: 31).
Porters’ models tend to view the business environment as stable and competitive advantages as sustainable (Grimm et al. 2005: 37). The static nature of the five-force model has been subject to critique as the model does not take into account the future state or direction of the industry, only its current state. (Robertsson & Caldart 2009: 36, 48). The present-day business environment is frequently described as turbulent and fast-paced (e.g. Grimm et al. 2005: 37, Robertsson & Caldart 2009: 46). Theories based on static business environments can logically never be fully compliant with turbulent conditions. Although Porter’s model may be used to successfully position a firm within an industry today, that position may very well prove to be unsuccessful tomorrow due to rapidly changing conditions (Grimm et al. 2005: 37). Newer theories search for a less...
static and more innovative approach to strategy and competitive advantages (e.g. Grimm et al. 2005: 37, Doz & Kosonen 2008: 17, Robertsson & Caldart 2009: 48, 190).

2.1.1 The action-based approach

The action-based approach is an attempt at constructing a model more fitting for the present-day business environment (Grimm et al. 2005: 238). The illustration in Figure 2 shows that the course of a firms’ actions is cyclically dependent on customers’ reactions to previous actions of the firm as well as competitors’ actions on the market.

Figure 2. Interaction cycle between customer and firm. Adapted from Robertsson & Caldart (2009:81).
Competitive advantage is according to the action-based approach sustained through sufficiently fast responses to other firms’ actions in the market as well as to external changes in the business environment. Plans and strategies are adjusted on the basis of competitors’ lowered prices, expansions or new product launches and potential investment projects are reevaluated whenever new information about the environment surfaces (Koller, Goedhart & Wessels 2010: 657, Grimm et al. 2005: 8-13, 22). The frequency of these kinds of actions and reactions is continuously rising (Grimm et al. 2005: 8-13). Changes in customers’ preferences and needs are usually the origins for new competitive advantages as well as the deterioration of old ones (Porter 1990: 46). As can be discerned from Figure 3, competitive advantage and competitive performance is determined by the interactions of competing firms.

Figure 3. Action-based model of competitive advantage (Grimm et al. 2005: 85).
2.1.2 Sustainable competitive advantages

Different techniques have been developed to measure sustainable competitive advantage (SCA). SCA has in this context been described as "...the measurement of risk level for that the operation strategy should be improved to sustain the operation competitiveness during the period considered." (Takala, Muhos, Tilabi, Tas & Yan 2013c: 57-58). It has however been argued that trying to sustain a competitive advantage is not always worth the effort. This is especially true for business environments that are constantly changing and highly competitive. (Grimm et al. 2005: 21). Grimm et al. (2005: 21) asserts that most competitive advantages in the present-day business environment will eventually fail. Sustaining an existing advantage can therefore sometimes do more harm than good as it distracts from the development of new competitive advantages and starves these of necessary resources (Porter 1990: 582).

To achieve industry leadership is a popular strategic goal. It is however important to remember that market share growth is the result of competitive advantage not the source of it (Porter 2004: 25-26). Holding 100 percent of the market share is rarely ideal (Porter 2004: 221). From this follows that not all competitors should be viewed as threats. Some competitors can in fact contribute to increase a company’s competitive advantage. This is possible for example when products have a cyclical or seasonal demand. Instead of maintaining the necessary capacity throughout the time-period, it might be preferable to let competitors serve the demand surplus. (Porter 2004: 201-203.) Maintaining a higher capacity increases costs which lowers margins and erodes the benefits from increased sales. Not raising capacity while still trying to serve all customers throughout the time-period easily leads to inability to meet demand which consequently amounts to unsatisfied customers and loss of brand reputation.
2.2 The importance of strategy

Many different definitions of strategy exist. Some definitions focus on strategy as a plan, others bring attention to resource allocation or the objectives of the company. Some try to combine all three above mentioned parts while others refer to strategy as the position or perspective of the organization. (Karami 2007: 3-4.) The strategic management process has according to Karami (2007: 81) traditionally “/…/ attempted to answer six basic questions: What is our business? Where are we now? Where do we want to be? How are we going to get there? Which way is the best? And shall we do it?”

Strategy has been described as merely an explanation for the patterns of decisions already taken. In contrast, it has also been seen as an attempt at achieving competitive advantage through intelligent resource allocation based on predictions of future environmental conditions. The strategy of a company should according to the latter formulation answer to the question: - Why will the company be successful in the future? (Nilsson et al. 2011: 133-134.)

Choosing a strategy that will enable the company to conduct a successful business in the future does always include some amount of risk. Forecasting the future is never infallible. There is also a risk that the strategy never gets connected to, or in time loses its connection to, the daily activities of the company and remains/becomes abstract. (Nilsson et al. 2011: 136-137.) Since investments in production factors such as employees, technology and facilities cannot be easily changed it may be crucial for a company’s success to choose the correct strategic focus already at start-up (Karami 2007: 33). The chosen strategy should be based on existing strengths in the company and cater to predicted needs from the external environment (Nilsson et al. 2011: 163). This calls for the strengths and
weaknesses of a firm’s resources to be assessed before the strategic focus is determined (Karami 2007: 160).

Strategy is according to Porter (2004: 21) dependent on industry structure and the prevalence of strategies differs from industry to industry. When the structure of an industry changes it can erode competitive advantages and shift the balance between strategies (Porter 2004: 22). Differences also exist between different segments of an industry which makes certain segments more or less attractive to a company since they also entail different requirements for achieving competitive advantages (Porter 2004: 231, 234). An industry is divided into segments according to or in any combination of the following; type or variety of product, type of buyer, distribution channel and/or geographic buyer location (Porter 2004: 238).

The strategy of a company can be to serve few segments or many (Porter 2004: 255). Segments that are poorly served by competitors are potentially lucrative segments to focus on. (Porter 2004: 232). Companies that focus on multiple segments should continuously reevaluate the chosen segments and contemplate if abandoning certain segments would boost profitability. Segments can become unattractive if they have low growth potential in sales, poor compatibility with the company strategy, or does not compliment other served segments. (Porter 2004: 271.)
2.2.1 Resource fluidity

The company’s resources are central to its strategy. Resources are defined by Karami (2007: 160) as the inputs to a company’s production process. This definition includes both tangible resources such as capital, personnel, facilities and technological equipment and intangible resources such as the reputation of the brand and patents (Karami 2007: 160). The strategic value of a company’s resources increase as resources are combined or integrated. The integration and combination of a company’s resources make up its capabilities. A firm’s capabilities can also be described as its abilities to complete certain operations or activities. (Karami 2007: 160-161.) Furthermore, a firm’s capabilities can be divided into its ordinary (or organizational) capabilities and its dynamic capabilities. Dynamic capabilities are explained by Robertsson and Caldart (2009: 53) as capabilities that drive and control changes in organizational capabilities through acquisitions of new resources, disposing of old ones or combining of existing resources.

Resource fluidity is defined by Doz and Kosonen (2008: 29) as “/…/the ability to redeploy resources quickly toward strategic opportunities as they develop”. A constraint to resource fluidity is locked in resources. This is a common issue in hierarchical organizations where resource allocation is promoted within units but not between them (Doz & Kosonen 2008: 98-99). Decentralized management responsibility can trap resources in highly autonomous business units. Locked in resources are also naturally the results of long-term resource planning and budgeting. (Doz & Kosonen 2008: 29-30.) To some extent can locked in resources be avoided by connecting planning to market events throughout the financial year (Doz & Kosonen 2008: 105). Implementation of a multidimensional organization through business modularity is also something that facilitates
resource allocation (Doz and Kosonen 2008: 32, 46-47). Without the necessary resources accessible a company cannot react quickly to changes in the business environment.

2.2.2 Strategic agility

New strategic positions are created and start competing with old ones as industries change. The origins of these changes are among others: changes in customer preferences, technology or in the competencies of companies. (Markides 1999: 60.) Yauch (2011: 384) defines an agile firm as one that is capable of reacting and responding to an environment that demands change while at the same time tending to its customers and business goals. Or as (Doz & Kosonen, 2008: 14-15) explains it: succeeding at strategic agility today requires “/.../ continuous redirection and/or reinvention of the core business without losing momentum”. Doz and Kosonen (2008: 96) further elaborates that there are three fundamental parts to strategic agility: resource fluidity, collective commitment and strategic sensitivity, resource fluidity being vital to the latter.

The structures of a firm can according to Yauch (2011: 391) facilitate or hinder agility but they are not by themselves representative for the agility of a firm or lack thereof. High performance in turbulent environments is a better measure for agility than a firm’s capabilities. (Yauch 2011: 391.) Robertsson and Caldart (2009: 58) argue that the rapidly shifting conditions of a turbulent environment can make planning very difficult and detailed strategies unsuitable. As the pace of change in the business environment escalates, strategic agility becomes increasingly important (Doz & Kosonen 2008: 17).

Strategic agility demands a dynamic view of strategy. This becomes evident from the elements that comprise a dynamic strategy, which can be seen from Figure 4.
Markides (1999: 63) stresses that the firm can transition into a new industry (or technology) at any stage during the process.

**Figure 4.** Elements of a dynamic strategy. Adapted from Markides (1999:62)
2.3 Competitive advantage through strategic orientation

In order to reach a distinct strategic position and thereby consequently acquire a competitive advantage, a firm needs to decide on its strategic focus. The four factors cost, quality, time and flexibility are central to the strategy typology by Miles and Snow (1978) presented in chapter 2.4. Below follows an explanation of the expressions and impacts of focusing on any of the four factors mentioned above.

2.3.1 Cost-focused strategy

The aim of cost-focused strategy is to achieve a sustainable cost advantage for the firm. Porter (2004: 97) describes this in the following paragraph.

A firm has a cost advantage if its cumulative cost of performing all value activities is lower than competitors’ costs. The strategic value of cost advantage hinges on its sustainability. Sustainability will be present if the sources of a firm’s cost advantage are difficult for competitors to replicate or imitate.

According to Porter (2004: 99) cost advantage can be achieved either through the control of cost-drivers or by reconfiguration of the value chain. A reconfiguration of the value chain is a move into a more efficient way of designing, producing, distributing or marketing a product. This can for instance be gained through a change of raw materials, a new distribution channel or media for advertising. (Porter 2004: 99, 107.) Cost-driver is the term for factors that influence costs in a firm (Porter 2004: 70). Anklesaria (2007: 20) describes cost-drivers as causal relationships between activities and certain costs. When cutting costs in a firm it is important that focus is on both direct and indirect cost. It can also help to divide costs into the three groups: purchased operating inputs, human resource costs and assets. (Porter 2004: 67.)
A great deal of business decisions in a company involve trade-offs between differentiation and cost-savings. These are for example the range of products offered, the distribution channels used and the technology chosen. Other policies that have a big impact on costs are the quality of raw materials used as production inputs, amount of R&D and human resource policies. (Porter 2004: 80-81.)

2.3.2 Quality-focused strategy

Focus on quality can be explained as having a focus on fulfillment of customer expectations. How well a company’s products conform to expectations is determined by their users. The following aspects influence this determination: the extent to which the product conform to the performance advertised, the needs satisfied by using the products and the gained profit for the user in relation to the effort/investment required to access, understand and use the product. Users or consumers of the products include all of the company’s stakeholders i.e. investors, suppliers, employees and clients. Improving quality involves identification of activities in the business that can be altered in a direction that would improve the stakeholders’ view on the quality of the products or the business as a whole. (Maillard 2013: 14-15).

Takala, Shylina, Forss & Malmi (2013a: 66) makes a distinction between process quality or design quality; process quality meaning correctly and smoothly run operations in the production, and design quality referring to features in a product or service that conform to the standards set by customer expectations. A quality advantage is based on either type of quality (Takala et al. 2013a: 66-67).
2.3.3 Delivery-focused (time) strategy

The terms time and delivery will be used interchangeably throughout this thesis, always referring to the same strategic focus that is explained in this chapter. A time-focused strategy emphasizes the value of time-efficient processes. Reliable (as in punctual) delivery-times for products and services are essential.

Increasingly time-efficient processes can be achieved through adaption of systems for improvement of business processes. The Japanese production system invented at Toyota is concerned with eliminating unnecessary waste, which includes “unnecessary time” (Whipp, Adam & Sabelis 2002: 105). Time is in the Toyota-system managed through the use of Kanban (cards for the purpose of information control in moving parts and materials through the production system) (Whipp et al. 2002: 105). Just-in-time (JIT) is also a widely known concept from Toyota. The central thought of the JIT philosophy is the elimination of storages; every part or product should be available only as it is needed. This means that only the products already ordered by the customer are produced and materials used in the production are acquired as they are needed.

2.3.4 Flexibility-focused strategy

Flexibility is not as easily defined as the other critical success factors (cost, quality and delivery). Or as Adegoke (2005: 974) explains it:

Flexibility, it seems, still presents something of a conundrum, a paradoxical concept where authors cannot agree on answers to even the most basic questions, e.g. What is flexibility? When should a company strive for it? How can it be measured? How can it be implemented?

Managers seldom perceive any intrinsic value in flexibility. It is instead used as a means to achieve other goals: e.g. in the purpose of shortening delivery times
or improving productivity or quality in production processes. (Slack 2005: 1195.) This is why flexibility is treated in a different way from the other critical success factor formulas in chapter 3. While the other critical success factors together add up to 100 percent, flexibility “goes beyond” this percentage.

It has been said that flexibility in an organization facilitates and fosters new product development and changes in production levels (Adegoke 2005: 973). Flexibility in an organization can be referred to as new product flexibility (introduction of new or modified products), mix flexibility (a change in the range of products offered), volume flexibility (a change in the production output) or delivery flexibility (adaptation to a requested change in time of delivery) (Adegoke 2005: 974-975). The four above mentioned flexibility types have been classified as first- order flexibility types (Suarez, F.F., Cusumano, M.A. and Fine, C.F. 1996: 224).

The competitiveness of a firm is directly impacted by first-order flexibility types while low-order flexibility types only affect it indirectly. The following capabilities are referred to as lower-order flexibility types and are closely connected to resource fluidity: routing flexibility, component flexibility, material flexibility and machine flexibility. (Adegoke 2005: 975-976.) The manufacturing systems ability to change is further differentiated by Adegoke (2005: 974) into flexibility; the ability to “(...) flex across a range of states such that it can return to its exact original state (...)” and change capability; “(...) the ability to alter state “permanently” from one configuration to another quickly and easily (…)”.

Slack (2005: 1192) writes that managers are restricted in their perception of flexibility in two ways. They tend to connect it to individual manufacturing resources as well as attach it to certain resources such as the flexibility of machines or the work-force. (Slack 2005: 1192.) The sources of flexibility are in
fact numerous. The following six sources have been presented by Suarez et al. (1996:225):

1) the technology used in the production,
2) management methods used in the production,
3) associations to actors in the supply chain,
4) human resource policies,
5) design of the product
6) and accounting system and ICT.

A differentiation has also been made between flexibility that refers to range and that which refers to response. Range refers to the capabilities in a production system to change states, and response refers to the smoothness by which these changes can be made in terms of time and/or cost. (Slack 2005: 1194.) According to the research addressed by Slack (2005: 1195) there is in general an importance order set by managers for these two types of flexibility. Response flexibility is considered to be the more pressing issue and range flexibility is considered more of a long-term project. (Slack 2005: 1195) A company can still be perceived as flexible without having the in-house capabilities for flexibility if it can utilize its suppliers for the missing capabilities (Adegoke 2005: 988).

2.4 Miles and Snow strategy typology

The strategy typology presented by Miles and Snow in 1978 groups organizations into four strategic types: defenders, analyzer, prospectors and reactors. It is one of a small number of theories that remain relevant more than thirty years after its
presentation. This claim is supported by the book’s (Organizational strategy, structure, and process) multiple editions and numerous citations.

The first three organization-types use certain response mechanisms in a consistent matter which gives them the opportunity to adapt to changes in the business environment in a stable way. Reactor-organizations lack these response mechanisms which make them unstable organizations. (Miles & Snow 1978: 154.) Miles and Snow (1978: 157-158) emphasize the importance of becoming learning organizations and strengthening of the weak parts of the strategic structure. In order to do this, organizations must know their strategy type and the strengths and weaknesses of this type of organization. (Miles & Snow 1978: 158.)

2.4.1 Defenders

Defenders are organizations that strive to become market leaders in a narrow market-segment through efficient processes. Processes are usually made more efficient through the acquisition of high-efficiency equipment and strict cost-control as well as improvement of routines for processes such as scheduling, quality control and distribution. (Miles & Snow 1978: viii, 29ff, 40.) Defenders want to keep their part of the market closed off from competitors and their position as prominent and stable as possible. This kind of narrow focus is often accompanied by ignorance of any market-developments that do not directly affect the own business or occurs outside the chosen market-segment. A defensive strategy is usually a trade-off between sustainability and short-term profitability at the expense of the latter (Porter 2004: 482).

The central thought of a defensive strategy is as previously mentioned to make it undesirable for competitors to enter a certain market or domain. (Porter 2004:
This is achieved through a series of protective actions such as raising of entry barriers. An entry barrier is for example very low prices that only give satisfactory revenues if manufacturing cost are low enough. Lowering the costs of manufacturing processes normally acquire initial investments in new equipment or training. This will make a market entry less attractive for competitors that would have to make an initial financial sacrifice to benefit from market entry.

When defenders grow it is normally because the efforts made towards becoming a more prominent actor within the chosen market segment has paid off and resulted in more orders. (Miles & Snow 1978: 38.) Growth through implementation of new products in the product line or through entering new markets are less often in the defenders’ interest. When a defender introduces a new product it is often one very closely related to its earlier products and new market segments of interest are those most similar to its current market segment. The defenders lack of market differentiation makes it vulnerable to shifts in the market. (Miles & Snow 1978: 38-39.)

The defender is probably at the greatest risk of substitution out of the strategy types. A product or service can be substituted in more than one way (Porter 2004: 276). The most straightforward kind of substitution is when a product or service replaces another in its purpose for buyers. Other kinds of potential substitutions are for instance when a buyer begins to see the product or service as unneeded, or needed to a significantly lower extent or recyclable (or replaceable by used products). (Porter 2004: 273, 276.) Performance oversupply is also something that can trigger a shift in the market. *Performance oversupply* is reached when there are multiple actors in the market who offer products with a higher level of an
attribute (for example capacity, functionality or reliability) than that which the customers require. (Christensen 2011: 212.)

Further characteristics of defender organizations are technological efficiency, highly specialized work roles and centralized management (Miles & Snow, 1978: 41-44). The strategic orientation described by Porter (2004: 111) as cost-advantage through focus is similar to the defender strategy.

2.4.2 Prospectors

Prospector organizations are in some senses the opposite of defender organizations. (Miles & Snow 1978: 49.) While the primary focus of defenders is to keep and strengthen their position within a narrow market segment, the prospectors' goal is to continuously acquire new market shares and product domains. The prospector moves towards this goal through a constant search for new product and market opportunities. This search often includes continuous scanning of the external business environment as well as innovative work within the prospector organization. Resources are abundantly allocated to facilitate a search that goes beyond the prospector’s current market-segments. (Miles & Snow 1978: 55-57.)

Prospectors strive to be the first to introduce a new product on the market and may regard their reputation as an innovator as more important than keeping a high profitability (Miles & Snow 1978: 51, 56). Innovation is a central driver of the prospector strategy (O’Regan & Ghobadian 2004: 83). These organizations are under constant development both through moving into established markets and through creation of new markets (Miles & Snow 1978: 56-57). While the defender tries to hold on to and improve its products for as long as possible, the
prospector tries to avoid locking themselves to any particular products and instead focuses on always offering the most sought after products as of any particular time.

The diversification strategy described by Porter (2004: 374) as “/…/focus on finding and entering new businesses /…/” has a lot in common with the prospector strategy. A rule related to the diversification strategy is that the new integrated business should be of a sort that strengthens the existing businesses. (Porter 2004:374) This is a rule that is also applicable to the prospector strategy. The prospectors approach to surviving in the market can also be closely tied to the concept of strategic agility. Doz and Kosonen (2008: 22-23) put forward the notion that conventional well thought out scanning of the environment might not be the best approach when the business environment is particularly uncertain and complex. Better results may be accomplished by somewhat random explorations. Random scanning saves valuable resources and time that would have been allocated to creating forecasts. (Doz & Kosonen 2008: 22-23) This is especially true when dealing with disruptive innovations. The forecasts of experts are according to Christensen (2011: 178) always incorrect about disruptive innovations.

According to Christensen (2011: 142-143) there is not necessary any competitive advantage to pioneering in a new technology unless the technology is disruptive. Disruptive technologies are generally simpler, cheaper, smaller and more convenient versions of existing products on the market that possess a feature that (new) customers find important. (Christensen 2011: xviii). Disruptive technologies have been known to step by step take over the market and render older technologies obsolete.

Other characteristics of the prospectors are the use of multiple non-cost-intensive technologies, multi-skilled workers and decentralized management. Prospector
organizations risk low profitability due to inefficient, cost-intensive processes and unsuccessful investments into new domains. (Miles & Snow 1978: 58-67, 157.)

2.4.3 Analyzers

Analyzer organizations combine the strategies of the defender and prospector types. This type of organization tries to balance between strengthening of the core business and branching out, or in other words between stability and flexibility. To facilitate this strategy analyzers normally use standardized technology for their core products and less cost-intensive multi technology for their newer products. (Miles & Snow 1978: 68-71.)

When an analyzer introduces a new product to its product line it is often one that has already proven to be successful by prospector organizations. The analyzers growth strategy is to grow both through increasing demand for its core products and by moving into new markets. (Miles & Snow 1978: 73.) Analyzers are often matrix organization. (Miles & Snow 1978: 75-76.) Analyzers have also been described as organizations that operate differently depending on the nature of the market; in static markets they strive for cost-efficiency and in dynamic markets they imitate the conduct of their most successful competitors (Takala et al. 2013c: 57).

2.4.4 Reactors

The reactor is not a viable or competitive strategy type such as those previously mentioned at least have the potential to be. Reactor-organizations can instead be described as organizations that are failing at adopting a strategy. Reactor-
organizations react to changes in the business environment in an inconsistent way which makes them unstable organizations. (Miles & Snow 1978: 93.)

Failing to adapt one of the strategy-types analyzer, prospector or defender leads in general to poor business performance (Miles & Snow 1978: 93). Miles and Snow (1978: 82) mention the following three ways in which an organization can become a reactor: if management fails to communicate a workable strategy, in case processes, technology and structures do not support the chosen strategy or if the chosen strategy has ceased to be applicable to the business environment.
3. RESEARCH METHODOLOGY

The four elements of the RAL-model are quality, cost, time and flexibility (Takala et al. 2013b:46). Adding the values for quality, cost and time should add up to 100 %, the percentage for flexibility adding to this value. The following equations (1), (2), (3) and (4) have been used for calculating the critical success factors:

\[ Q[\%] = \frac{Q}{Q + C + T} \]  
(1)

\[ C[\%] = \frac{C}{Q + C + T} \]  
(2)

\[ T[\%] = \frac{T}{Q + C + T} \]  
(3)

\[ F[\%] = \frac{F}{Q + C + T + F} \]  
(4)

Fixed portions between the critical success factors determine the strategy types according to equations (5), (6) and (7). Prospector strategy is primarily focused on quality, defenders put the most emphasize on cost and analyzers balance between focus on quality, cost and time. (Takala et al. 2013b:46).

\[ \text{Prospector} = 1 - \left(1 - Q[\%]^3 \right) \left(1 - 0.9 \times T[\%] \right) \left(1 - 0.9 \times C[\%] \right) \times F[\%]^{\frac{1}{3}} \]  
(5)

\[ \text{Analyzer} = 1 - (1 - F[\%]) \left( \text{ABS}(0.95 \times Q[\%] - 0.285) \times (0.95 \times T[\%] - 0.285) \right) \times (0.95 \times C[\%] - 0.285) \right) \right)^{\frac{1}{3}} \]  
(6)

\[ \text{Defender} = 1 - (1 - C[\%]^3) \left(1 - 0.9 \times T[\%] \right) \left(1 - 0.9 \times Q[\%] \right) \times F[\%]^{\frac{1}{3}} \]  
(7)
4. COMPETITIVENESS OF THE FINNISH INDUSTRY

This thesis has already ascertained that the prevalence of competitive advantages is different in different industries and industry segments. It has also stated that there are varying mixes of strategies within industries i.e. not all strategy types have the potential to be successful in all industries or segments. Besides the industry types there is also the factor of scenario that affects the occurrence of competitive advantages and strategy types. The present-day scenario, in 2015, is that of a financial stagnation no one yet knows the duration of.

The optimal strategy for a company is generally different for different scenarios. An enterprise can prepare for several likely scenarios if it has the resources and funding available. Building a strategy around one single scenario is risky. (Porter 2004: 471.) This risk increases as the state of the business environment becomes exceedingly uncertain and turbulent.

4.1 Past financial development of the Finnish economy

Finland built its economy on a smaller number of large firms as opposed to for example Norway where the government to a greater extent has supported small-scale enterprises (Fellman, Iversen, Sjögren & Thue 2008: 563-564). Like all capitalist systems the Finnish economy shifts between periods of growth and regression.

The country went through a deep recession in the early 1990s which was caused by the decline in exports due to the international recession during this time
period and worsened by the collapse of the Soviet market following the disintegration of the Soviet Union in 1991. Another fairly recent decline that affected Finland took place in the 1970s. (Fellman et al. 2008: 189, 562.) Poor handling and understanding of complex financial instruments in combination with insufficient funds of homeowner, financial institutions and corporations were primary causes to the most recent recession (Gylfason, Holmström, Korkman, Tson Söderström & Vihriälä 2010: 14). Although Finland had very little, if any, involvement in the policies and operations that lead to the most recent financial crisis that started in 2008, and in 2015 is still ongoing, it was badly hit by its repercussions (Gylfason et al. 2010:12). According to Gylfason et al. (2010:21) this is greatly due to the great openness and reliance on foreign export that characterize the Nordic countries.

There are various policies available for governments that have the purpose of lowering the costs of a country’s firms and thereby raise their competitive advantages in relation to international competitors (Porter 1990: 12). Governments were in 2008 much quicker to react and implement these kinds of counteractive policies such as lowered interest rates than during previous recessions (Gylfason et al. 2010:17).

4.2 Global ranking

In order to understand the potential of a firm one needs to know its capabilities and weaknesses as well as the state of the business environment it operates in. Or as Porter (1990:2) explain it when put in a context where the business environment constitutes a nation: “A firm must understand what it is about its home
nation that is most crucial in determining its ability, or inability, to create and sustain competitive advantage in international terms.”

Competitive advantage will result from a strategy that successfully harnesses present-day circumstances in the business environment (Porter 1990:578). A nation’s main economic goal is to achieve a high and rising standard of living for its population. This can only be attained through high productivity and sustaining growth thereof. (Porter 1990:6.) Porter (1990:11) puts forward the notions of Smith and Ricardo which states that the nation which globally is the low-cost producer will be the exporter respectively that forces in the market will allocate resources within a nation to its relatively most productive industries.

Measured in GDP Finland placed eleventh (out of 45 countries) in Europe in 2014 (statisticstimes). According to World Economic Forum Finland rank fourth in the world in competitiveness. See Table 1. The ranking is based on a vast number of criteria classified into the twelve groups named pillars that can be seen in Table 2.

**Table 1.** Global competitiveness index 2014-2015 (World Economic Forum).

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Switzerland</td>
</tr>
<tr>
<td>2.</td>
<td>Singapore</td>
</tr>
<tr>
<td>3.</td>
<td>United States</td>
</tr>
<tr>
<td>4.</td>
<td>Finland</td>
</tr>
<tr>
<td>5.</td>
<td>Germany</td>
</tr>
<tr>
<td>6.</td>
<td>Japan</td>
</tr>
<tr>
<td>7.</td>
<td>Hong Kong SAR</td>
</tr>
<tr>
<td>8.</td>
<td>Netherlands</td>
</tr>
<tr>
<td>9.</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>10.</td>
<td>Sweden</td>
</tr>
<tr>
<td>11.</td>
<td>Norway</td>
</tr>
</tbody>
</table>
The pillars affect different economies to different degrees according to their stages of development. The first four pillars; institutions, infrastructure, macroeconomic environment, health and primary education, have the most effect as the economy is in an early stage of developing. As development advances the later pillars; higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness and market size increase in importance. At the highest degree of development the two last pillars business sophistication and innovation have the greatest effect on competitiveness. Finland is classified as having the highest degree of development, hence its competitiveness is driven by business sophistication and innovation. (World Economic Forum.)

Table 2. The GCI framework: The twelve pillars (World Economic Forum).

<table>
<thead>
<tr>
<th>The GCI framework: The twelve pillars</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Institutions</td>
</tr>
<tr>
<td>2. Infrastructure</td>
</tr>
<tr>
<td>3. Macroeconomic environment</td>
</tr>
<tr>
<td>4. Health and primary education</td>
</tr>
<tr>
<td>5. Higher education and training</td>
</tr>
<tr>
<td>6. Goods market efficiency</td>
</tr>
<tr>
<td>7. Labor market efficiency</td>
</tr>
<tr>
<td>8. Financial market development</td>
</tr>
<tr>
<td>9. Technological readiness</td>
</tr>
<tr>
<td>10. Market size</td>
</tr>
<tr>
<td>11. Business sophistication</td>
</tr>
<tr>
<td>12. Innovation</td>
</tr>
</tbody>
</table>
4.3 Financial outlook in the year 2015

The financial development of the Finnish economy is according to Rantanen (2015) at risk of becoming negative for the fourth year in a row. A growth rate of 0.3 % in 2015 was forecasted by the Finnish Treasury in June of 2015. Growth figures for the years 2016 and 2017 were predicted to be both 1.4 %. Increased trade in the euro area is expected to boost growth for the Finnish economy in the years subsequent to 2015. The industrial production rate is however forecast to in the year 2017 still be slightly lower than it was ten years earlier. (Valtiovarainministeriö 24a/2015:3-5, 11.)

The shrinking export market has been put forward as a primary reason for the long-lasting recession. The most significant decreases have been in sales to Sweden and Russia but there is also a decrease in exports to Western Europe. (Rantanen 2015.) The impact of diminishing trade to Sweden and Russia is considerable since these countries are the biggest trade-partners of Finland beside Germany (tilastokeskus.fi). The case studies presented by Fellman et al. (2008: 574) indicated that initial investments in the Nordic market is a necessity to further global expansion. It is therefore probable that initiating export to other countries in order to offset the loss of neighboring markets is especially challenging.

Despite the recession’s obvious downsides it might not be all bad. Challenges have historically proven to be a driving force to innovation and change in economies of numerous countries (Porter 1990: 282). Economies where wealth has already been achieved tend to on the contrary gradually lose their
competitive edge as focus shifts from improving and increasing to preserving (Porter 1990: 556). The same holds true for individual firms; without some kind of impetus for change the need for stability and security increases (Porter 1990: 581). The ten following factors have been put forward as sources to turbulence in the environment that pressure a company to change:

1) the state of the economy,
2) competitors,
3) customers,
4) suppliers,
5) governments,
6) the parent company,
7) other units within a company,
8) foreign customers or suppliers,
9) technology
10) and the weather (Yauch 2011: 393-394).
5. GENERAL ANALYSIS, YEAR 2015

Below follows the results from the general analysis of the respondents’ answers to questions nos. 1-4, 6–7, 13 and 18–26 from the questionnaire used in the 2015 study, see APPENDIX 1. Further interpretations of the results can be found in chapters 6, 7 and 8. Statistical distributions have been calculated for all 171 enterprises that participated in the study, provided answers were not left blank for said question. Answers from 102 respondents’ have been used in the analysis of critical success factor classifications according to the strategy typology put forward by Miles and Snow in 1978. The reason for limiting the analysis to above mentioned sample of 102 companies is the mode of answering to question no. 22:

- What is the most important critical success factor in your field? All cases of samples where the respondent had replied to more than one critical success factor (e.g. both cost and quality) were reduced from the sample in the analysis. Focusing on more than one critical success factor is also known as multi-focused strategy. The reasons for not including potentially multi-focused enterprises is discussed in chapter 8.

5.1 Critical success factor

Quality is the most common critical success factor among Finnish SMEs in 2015 followed by cost and flexibility. Time (or delivery) is the least common critical success factor. See Table 3. The distribution has been calculated using equations (1), (2), (3) and (4). See chapter 3 for further descriptions.
Table 3. What is the most important critical success factor in your field? All enterprises. Year 2015.

<table>
<thead>
<tr>
<th></th>
<th>Q [%]</th>
<th>C [%]</th>
<th>T [%]</th>
<th>F [%]</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0,267</td>
<td>0,533</td>
<td>0,200</td>
<td>0,167</td>
</tr>
</tbody>
</table>

Construction companies and enterprises from the metal industry make up the largest groups out of the sample of companies that participated in the study (18 pcs and 15 pcs). When accounting for construction companies only the distribution shifts more towards cost and time and away from quality and flexibility, as can be seen from Table 4. When accounting for enterprises from the metal industry only, there is likewise a greater focus on cost. See Table 5.

Table 4. What is the most important critical success factor in your field? Construction companies. Year 2015.
Table 5. What is the most important critical success factor in your field? Enterprises from the metal industry. Year 2015.

5.2 Strategy types

Prospector is the dominant strategy-type among Finnish SMEs in 2015, followed by defender and analyzer, as can be seen from Table 6. The strategy types have been calculated using equations (5), (6) and (7). The strategy types are as previously mentioned determined through set distributions of the critical success factors where quality is the main basis for the prospector strategy, cost is the basis for the defender strategy and the analyzer shifts between focus on quality-, cost- and time. The analyzer strategy falls below the 0.9 mark in 2015; a value that is set as a threshold for competitiveness.
The defender strategy is however the most common strategy among construction companies and the analyzer strategy is the most common among enterprises from the metal industry. See Table 7 and Table 8.

Table 7. Strategy types of Finnish SMEs. Construction companies. Year 2015.

Table 8. Strategy types of Finnish SMEs. Enterprises from the metal industry. Year 2015.

5.3 The respondents position in the company

The majority of respondents in 2015 were entrepreneurs (68 pcs) followed by shareholders (17 pcs), something else (14 pcs) and chairmen of the board (8 pcs). Quality is the most common answer among all groups of respondents and chairmen of the board are the most prone to answer time, as can be seen from Table 9. The strategy type analyzer is the most common among companies where
the respondent is the chairmen of the board or “something else” (the majority of these identified themselves as CEO). The dominance of the prospector- and defender- strategies, at the expense of the analyzer-strategy, is the most prominent among entrepreneurs in 2015. The weakened state of analyzers is present for just shareholders and entrepreneurs. See Table 10.


<table>
<thead>
<tr>
<th>Position</th>
<th>Entrepreneurs</th>
<th>Shareholder</th>
<th>Chairman of the Board</th>
<th>Something Else, What?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneur</td>
<td>0.490</td>
<td>0.078</td>
<td>0.091</td>
<td>0.078</td>
</tr>
<tr>
<td>Shareholder</td>
<td>0.545</td>
<td>0.190</td>
<td>0.214</td>
<td>0.180</td>
</tr>
<tr>
<td>Chairman of the Board</td>
<td>0.500</td>
<td>0.167</td>
<td>0.333</td>
<td>0.250</td>
</tr>
<tr>
<td>Something Else, What?</td>
<td>0.450</td>
<td>0.364</td>
<td>0.353</td>
<td>0.364</td>
</tr>
</tbody>
</table>

Table 10. What is your position in the company? Strategy types. Year 2015.

<table>
<thead>
<tr>
<th>Position</th>
<th>Entrepreneurs</th>
<th>Shareholder</th>
<th>Chairman of the Board</th>
<th>Something Else, What?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneur</td>
<td>0.900</td>
<td>0.908</td>
<td>0.931</td>
<td>0.935</td>
</tr>
<tr>
<td>Shareholder</td>
<td>0.891</td>
<td>0.923</td>
<td>0.931</td>
<td>0.932</td>
</tr>
<tr>
<td>Chairman of the Board</td>
<td>0.889</td>
<td>0.927</td>
<td>0.932</td>
<td>0.931</td>
</tr>
<tr>
<td>Something Else, What?</td>
<td>0.864</td>
<td>0.931</td>
<td>0.931</td>
<td>0.931</td>
</tr>
</tbody>
</table>

Legend:
- Defender
- Analyzer
- Prospector
5.4 Turnover

The majority of the researched enterprises had a turnover below ten million euros (approximately 6% had a greater turnover). Just two out of 31 cost-focused enterprises surpassed the 10-million-euro limit and none of these had a turnover above 20 million euros. A third of time-focused firms however (three out of nine) had a turnover above 10 million and two out of these had a turnover above 20 million. See Tables 11–12.

Table 11. Your company’s turnover-range in millions of euros: All respondents. Year 2015.

While defender-organizations are roughly as common as prospectors among the companies with a turnover in the scale 0–2 million most of companies with a turnover above 20 million are prospector-organizations. Due to the smaller sample of just five companies with a turnover above 20 million this could however be incidental. The three strategy-types are approximately equally common among companies with a turnover in the midrange 2–20 million. See Table 13.

**Table 13.** Your company’s turnover-range in millions of euros: Strategy types. Year 2015.

<table>
<thead>
<tr>
<th>Turnover Range</th>
<th>Defender</th>
<th>Analyzer</th>
<th>Prospector</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-2 M</td>
<td>0.823</td>
<td>0.826</td>
<td>0.934</td>
</tr>
<tr>
<td>2-20 M</td>
<td>0.867</td>
<td>0.917</td>
<td>0.915</td>
</tr>
<tr>
<td>20+ M</td>
<td>0.825</td>
<td>0.925</td>
<td>0.932</td>
</tr>
</tbody>
</table>

5.5 Expected turnover growth

The majority of Finnish SMEs expect a turnover growth below 20% in the following year, as can be seen from **Table 14**. Cost-focused firms expect the least amount of turnover growth out of the four groups and the majority of cost-focused firms can be found among the firms that do not expect any turnover growth. Expected turnover-growth in the range 1–9% is the most common answer for quality-focused enterprises. Quality- and time-focused enterprises are
the least disposed to expect zero turnover-growth. They are also the only types that are found among the enterprises that expect more than 30% turnover growth. See Table 15.

**Table 14.** How much turnover-growth do you expect in the following year? All respondents. Year 2015.

Analyzer-strategy is the most common strategy among enterprises that expect a turnover growth in the range 10–29%. Defender is the predominant strategy among firms that do not expect any turnover growth and prospectors are most common in the range 1–9% expected turnover growth. See Table 16.

5.6 Number of employees

Firms with the lowest number of employees, 1–9, are likely to emphasize quality or cost while the once in the midrange, with 10–49 employees, in general concentrate on quality. Companies with more than 20 but less than 50 employees are the most prone to emphasize flexibility. Furthermore, enterprises with more than 50 employees are the least inclined to emphasize quality and most likely to concentrate on time. See Tables 17-18. It seems as though the strategy type analyzer becomes increasingly common as the employee count rises. See Table 19.
Table 17. Your company’s employee count: All respondents. Year 2015.

Table 18. Your company’s employee count: Critical success factor. Year 2015.

Table 19. Your company’s employee count: Strategy types. Year 2015
5.7 Amount of sales that is export

As can be seen from Table 20, most enterprises (88 out of 171) focus solely on the domestic market. The next largest group exports 1-9 % of sales. Emphasis on flexibility seem to become increasingly important as the amount of export rises. Quality-focused firms are more prone to export than cost-focused firms. This implication can be drawn from the fact that only three out of 31 cost-focused firms can be found in the group that export 1-9% of sales, as opposed to 11 out of 39 quality-focused firms belonging to this group. See Table 21.

Table 20. What amount of sales is export? All respondents. Year 2015.

5.8  Financial situation

The majority of enterprises (123 out 171) evaluate their current financial situation as satisfactory to excellent in 2015. The financial situation has remained unchanged for many firms in the last few years. A large group of respondents also expect their firms’ financial situations to stay the same in the following year. See Table 22.

Table 22. How is your company’s financial situation today? / How has your company’s financial situation changed over the last few years? / How do you expect your financial situation to change in the following year? All enterprises. Year 2015.

Prospector-organizations are overrepresented among firms that have a good, excellent or fair current financial situation. Defender-organizations are scattered throughout the scale while analyzer-organizations in general claim to have a
satisfactory financial situation. See **Table 23**. There are no clear trends discernable in regards to critical success factors or strategy types for the past change in the financial situation.

Quality-focused enterprises in general expect their financial situation to improve. While cost-focused enterprises are common among firms that expect their financial situation to worsen only one out of 39 quality-focused enterprises can be found in this group. Respondents from flexibility-focused enterprises are more prone to expect their financial situation to worsen than improve and time-focused enterprises expect it to stay the same. See **Table 24**.

**Table 23.** How is your company’s financial situation today? Strategy types. Year 2015.

**Table 24.** How do you expect your company’s financial situation to change in the following year? Critical success factors. Year 2015.
5.9 Cash-flow stop

Finnish SMEs are not equally capable of handling a cash-flow stop for 30 days. As can be seen from Table 25 there are companies that claim they would manage well (44 pcs) or very well (19 pcs) as well as those that believe they would cope poorly (29 pcs) or very poorly (44 pcs). Cost-focused enterprises tend to evaluate their ability to manage a cash-flow stop for 30 days weaker than quality-focused enterprises. See Table 26. Analyzer-organizations seem to likewise be worse off than prospector and defender-organizations in case of a cash-flow stop. Prospector-organizations are in general the most capable strategy type in this situations. See Table 27.

Table 25. How would you handle a 30-day cash-flow stop? All respondents. Year 2015.

Table 27. How would your company manage a 30-day cash-flow stop? Strategy types. Year 2015.

5.10 Business environment

The majority of respondents perceive the current business environment of Finnish SMEs as weak to fair. Few (13 out of 171) perceive it as good and no one answered excellent. None of the respondents claimed the business environment had improved considerably in the last five years. Most respondents (86 pcs) stated that it had worsened slightly. The ones that claimed the business environment had worsened considerably make up the next greatest group of respondents (44 pcs) followed by those that perceive it had stayed the same (31 pcs) and the ones who say it had improved slightly (9 pcs). Expectations for changes in the business environment in the following year are overall moderate; few expect considerable changes in that time-frame. Expectation are nevertheless that the environment will change in a more progressive direction than it has in the last five years. See Table 28.
While respondents from cost-focused enterprises in general give the most negative descriptions of the current business environment, time-focused firms find it the most beneficial. Enterprises that focus on quality-are slightly more positive than cost-focused firms, but the difference is marginal. See Table 29. Time-focused enterprises also give the most positive recount for past changes in the business environment and respondents from cost-focused firms give the most negative answers. The gap between answers from respondents in quality versus cost-focused firms is noticeably greater for the perceived change in the business environment than for its current state; i.e. enterprises that focus on quality found
the change considerably more beneficial. Flexibility-focused firms give fairly negative answers to both questions. See Table 30.

The deviation in answers between quality- and cost-focused enterprises increase still for expected changes in the business environment; quality focused firms being more optimistic. Time-focused companies are overall more inclined to expect the business environment to improve than deteriorate and flexibility-focused firms’ answers are scattered in the middle of the scale, as can be seen from Table 31. There are no substantial differences between the answers from organizations of different strategy types.


Table 30. How has the business environment for Finnish SMEs changed in the last five years? Critical success factors. Year 2015.
Table 31. How do you expect the business environment for Finnish SMEs to change in the following year? Critical success factors. Year 2015.

5.11 Competitiveness

The respondents’ evaluation of their own competitiveness follows the trend for their financial performance, although they are less inclined to choose the answers at each end of the scale (excellent or weak). The competitiveness of Finnish SMEs has also deteriorated at roughly the same pace as their financial performance. Most respondents expect their competitiveness to stay the same or improve slightly in the following year. Few expect it to change considerably. See Tables 32-34.

Table 32. How do you perceive your own competitiveness? All respondents. Year 2015.
Table 33. How has your competitiveness / financial situation changed in the last five/few years? All respondents. Year 2015.

Cost-focused firms evaluate their competitiveness in general more negatively than quality-focused enterprises. The same goes for respondents from analyzer-organizations in relation to both defender and prospector-organizations. See Tables 35-36. The trend for respondents from firms that focus on cost to answer more negatively becomes even more prominent for the following question; -How has your competitiveness changed in the last five years? Time- and flexibility-focused firms have in general had a more positive development than cost- and quality-focused firms. See Table 37. For expected changes in competitiveness
there are no clearly discernable trends in regards to the different critical success factors or strategy types; answers are scattered in the middle of the scale.

**Table 35.** How do you perceive your own competitiveness? Critical success factors. Year 2015.

**Table 36.** How do you perceive your own competitiveness? Strategy types. Year 2015.
Table 37. How has your competitiveness changed in the last five years? Critical success factors. Year 2015.

<table>
<thead>
<tr>
<th></th>
<th>Q [%]</th>
<th>C [%]</th>
<th>T [%]</th>
<th>F [%]</th>
</tr>
</thead>
<tbody>
<tr>
<td>IMPROVED CONSIDERABLY</td>
<td>0,667</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IMPROVED SLIGHTLY</td>
<td>0,400</td>
<td>0,200</td>
<td>0,400</td>
<td>0,444</td>
</tr>
<tr>
<td>STAYED THE SAME</td>
<td>0,567</td>
<td></td>
<td>0,333</td>
<td>0,143</td>
</tr>
<tr>
<td>WORSENED SLIGHTLY</td>
<td>0,478</td>
<td>0,435</td>
<td>0,087</td>
<td>0,207</td>
</tr>
<tr>
<td>WORSENED CONSIDERABLY</td>
<td>0,300</td>
<td>0,700</td>
<td></td>
<td>0,000,167</td>
</tr>
</tbody>
</table>

5.12 Summary

Focus on time gives an advantage in 2015. This can e.g. be seen from the dominance of time-focused firms among enterprises with higher turnovers as well as among enterprises that expect a high turnover growth. Focus on quality seem to in general be preferable to cost in regards to many aspects (e.g. financial performance and competitiveness) but differences among the groups are great, i.e. a significant amount of firms of either type can still be found at each end of the scale.

Prospector is the most competitive strategy type in 2015. This can be seen from prospector-organizations’ overall healthier financial situation and ability to cope with a cash-flow stop as well as from their evaluation of their own competitiveness. Prospectors are however not without exceptions prosperous. It is evident from for example their evaluation of their financial situation that a substantial amount of prospectors can also be found among enterprises that have a fair or even poor financial situation. Analyzers, although in minority, seem to
be doing somewhat better than defender-organizations and slightly worse than prospector-organizations. Defender is the least advantageous strategy-type in 2015. This is evident from the small amount of defender-organizations among companies with a higher turnover as well as from their overrepresentation among firms that do not expect any turnover growth. A significant amount of firms of either strategy type can however still be found at each end of the scale in many instances. There is for example a considerable amount of defenders that would handle a cash-flow stop for 30 days well and likewise a considerable amount of prospectors that would cope very poorly.
6. COMPARATIVE ANALYSIS, YEARS 2013-2015

Below follows the comparative analysis of questions 2, 4, 6-7, 13 and 18-26 from the years 2013, 2014 and 2015, see APPENDIX 1. Results and trends in different years are presented and compared. Conclusions that can be drawn from these results are presented in chapter 7. Underlying causes to visible trends as well as their validity and reasons for deviations are discussed in chapter 8.

6.1 Critical success factor

Quality remains the most common critical success factor among Finnish SMEs in the years 2013-2015. Cost has become a more emphasized factor in 2015, most probably at the expense of quality, which is less dominant than in the two preceding years. While emphasize on time has seen a decrease since 2013 flexibility remain at approximately the same levels in all three years. See Table 38.

Table 38. What is the most important critical success factor in your field? Years 2013-2015.
6.2 Strategy types

Prospector is the dominant strategy-type among Finnish SMEs in 2015, followed by defender and analyzer. Analyzer-organizations have become noticeably less common in 2015. It seems as though the tables have turned for the ratio of defender and analyzer-organizations in just two years. Analyzer-organizations were as recently as 2013 the dominant strategy-type and in 2015 they have fallen below the 0.9 threshold for competitiveness, as can be seen from Table 39.


<table>
<thead>
<tr>
<th>Year</th>
<th>Defender</th>
<th>Analyzer</th>
<th>Prospector</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>0.890</td>
<td>0.919</td>
<td>0.926</td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td>0.914</td>
<td>0.926</td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td>0.912</td>
<td>0.933</td>
</tr>
</tbody>
</table>

6.3 Turnover

There was no choice of 0-1 million in 2013 so the smallest range of 1-2 million can be assumed to include possible companies that had a turnover below 1 million in 2013. With this in mind there are no great differences in turnovers among the responding companies in the years 2013-2015. The overall turnover among Finnish SMEs participating in the study is the lowest in 2014. See Table 40.
Table 40. Your company’s turnover-range in millions of euros: All respondents. Years 2013-2015.

In regards to the critical success-factors there are no substantial differences between the groups; the turnover of all groups except cost-focused firms is somewhat higher in 2015 than in 2014. The turnover of time-focused firms seem to have increased the most but when considering the small sample of just nine companies focusing on time in 2015, the deviation may be incidental. See Tables 41-42.

Table 41. Turnover ranges transformed to integer values for comparison.

<table>
<thead>
<tr>
<th>Range</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-1 M</td>
<td>1</td>
</tr>
<tr>
<td>1-2 M</td>
<td>2</td>
</tr>
<tr>
<td>2-10 M</td>
<td>3</td>
</tr>
<tr>
<td>10-20 M</td>
<td>4</td>
</tr>
<tr>
<td>20-100 M</td>
<td>5</td>
</tr>
<tr>
<td>&gt;100 M</td>
<td>6</td>
</tr>
</tbody>
</table>
Table 42. Your company’s turnover-range in millions of euros: Critical success factors. Arithmetic means from values in Table 41. Years 2014-2015.

While analyzer-organizations have become noticeably less common among companies with a turnover of up to 2 million over the last three years, prospector-organizations remain approximately equally prevalent throughout the time-period at all turnover-ranges. Most of the significantly fewer analyzers in 2015 have a turnover above 2 million. See Table 43.

Table 43. Your company’s turnover-range in millions of euros: Strategy types. Years 2013-2015.
6.4 Expected turnover growth

The expected turnover growth of Finnish SMEs was a great deal higher in 2014 compared to answers in 2013. Expectations have continued to increase slightly in the year 2015, as can be seen from Table 44. The increasingly weakened state of cost-focused firms can be seen from their lower expectations on turnover growth in 2015, compared to values in 2014. See Table 45.

Table 44. How much turnover growth do you expect in the following year? All enterprises. Years 2013-2015.

6.5 Amount of sales that is export

As can be seen from Table 46, most of Finnish SMEs concentrate solely on the domestic market, although emphasis on export seem to have increased somewhat during the time-period. Only a fraction of companies sell more than 90% on export. Flexibility-focused firms export the most in relation to their total sales. Cost- and flexibility focused firms export more in 2015 than in previous years while time- and quality focused companies export less. This alters the situation from the preceding two years when cost-focused enterprises exported...
the least. See Table 47-48. Prospectors seem to export less in 2015 than in previous years. See Table 49.

Table 46. How much of sales is export? All respondents. Years 2013-2015.

Table 47. Ranges for percentages of sales that is export transformed to integer values for comparison.

Financial situation

The financial situation of Finnish SMEs seem to have deteriorated during the last two years; more respondents claim their financial situation is weak, fair or satisfactory in 2015 while fewer claim it is good or excellent. See Table 50. The past development of the financial situation is also increasingly deteriorating in the years 2013-2015. As can be distinguished from Table 50, this is in agreement with the respondents’ evaluation of their current financial situation. The respondents expect their financial situation to continue developing in the same manner in the following years as it has in the last few years. Very few expect any drastic changes in their financial situation in the following year.
Table 50. How is your company’s financial situation today? / How has your financial situation changed in the last few years? / How do you expect your financial situation to change in the following year? All enterprises. Years 2013-2015.

All critical success factor groups have a deteriorating financial situation in 2015, the slightest decline can be seen for time-focused enterprises. The trend for respondents from quality-focused enterprises to answer more positively than respondents from cost-focused enterprises persists in the years 2013-2015. Time-
focused firms give in general the most positive recount of their current financial situation followed by quality, flexibility and finally cost-focused firms. See Tables 51-52.

Developments in the financial situations of Finnish SMEs are also increasingly negative irrespective of the critical success factors. Companies that focus on cost were overrepresented among firms that claimed their financial situation had worsened in all three years. The trend for quality-focused enterprises to answer more positively compared to the answers of cost-focused firms persists in the years 2013-2015 and has become more easily discernable in 2015. Flexibility and time and cost-focused enterprises claim in 2015 to have had a less favorable development in the last few years than they did in the two previous years. See Tables 53-54.

Quality-focused enterprises are as can be expected more positive about the future development of their financial situation than cost-focused enterprises. This trend has also become more discernable over the last two years. Both time- and flexibility-focused firms seem in 2015 to expect a more negative future financial situation than they did in 2014. See Tables 55-56.

**Table 51.** Choices transformed to integer values for comparison.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>WEAK</td>
<td>1</td>
</tr>
<tr>
<td>FAIR</td>
<td>2</td>
</tr>
<tr>
<td>SATISFACTORY</td>
<td>3</td>
</tr>
<tr>
<td>GOOD</td>
<td>4</td>
</tr>
<tr>
<td>EXCELLENT</td>
<td>5</td>
</tr>
</tbody>
</table>
Table 52. How is your company’s financial situation today? Critical success factors. Averages according to Table 51. Years 2013-2015.

Table 53. Choices transformed to integer values for comparison.

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>WORSENED CONSIDERABLY</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WORSENED SLIGHTLY</td>
<td></td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>STAYED THE SAME</td>
<td></td>
<td></td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IMPROVED SLIGHTLY</td>
<td></td>
<td></td>
<td></td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>IMPROVED CONSIDERABLY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5</td>
</tr>
</tbody>
</table>

Table 54. How has your financial situation changed in the last few years? Critical success factors. Averages according to Table 53. Years 2013-2015.
Table 55. Choices transformed to integer values for comparison.

| WORSEN CONSIDERABLY | 1 |
| WORSEN SLIGHTLY | 2 |
| STAY THE SAME | 3 |
| IMPROVE SLIGHTLY | 4 |
| IMPROVE CONSIDERABLY | 5 |

Table 56. How do you expect your financial situation to change in the following year? Critical success factors. Averages according to Table 55. Years 2013-2015.

Prospector is the most common strategy type among firms that evaluated their own financial situation as excellent or good in 2015. It was also the most common strategy type among enterprises that answered excellent in 2013. Prospectors-organizations seem to be the least unison group of the three strategy types; their answers are often spread fairly evenly across the answering-scale. This also applies to the question about their current financial situation. The financial situation for prospectors seems to be slowly declining, as more respondents in 2015 chose to answer fair and less claimed a satisfactory situation. See Table 57.
Analyzer-organizations were approximately as financially strong as prospectors in 2014 but they have weakened in 2015. The financial situation of defenders has in general improved. Many analyzers answer that their financial situation is satisfactory in 2015 as opposed to in 2014 when their answers were more evenly distributed over the scale with their center of mass towards the positive end of the scale. In 2013 there was a visible division of analyzers into two groups; one group that claimed their financial situation was good and another which stated it was poor. The answers of defenders are in accordance with the other strategy groups weighing more towards the negative end of the scale in 2015. The change is however minor and answers are fairly evenly distributed in all three years. See Tables 57-59

Respondents from all strategy types in 2015 in general give a more negative recount of their financial development in the last few years than they did in the two preceding years. The division into two groups of companies; one with a positive financial development and one with a deteriorating financial situation is discernable for prospector and defender-organizations in 2015. Analyzer-organizations in general give more moderate answers. See Tables 60-62.

Prospectors and defenders are also divided into two groups when asked about their expectations regarding future financial situation. One group expect a further deterioration of their financial situation in the following year and the other expect a further improvement. Analyzers expect in general to keep their satisfactory performance or experience minor improvements or declines. See Tables 63-65.
Table 57. How is your company’s financial situation today? Prospectors. Years 2013-2015.

<table>
<thead>
<tr>
<th></th>
<th>WEAK</th>
<th>FAIR</th>
<th>SATISFACTORY</th>
<th>GOOD</th>
<th>EXCELLENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prospector 2015</td>
<td>0.921</td>
<td>0.950</td>
<td>0.902</td>
<td>0.935</td>
<td>0.942</td>
</tr>
<tr>
<td>Prospector 2014</td>
<td>0.929</td>
<td>0.928</td>
<td>0.936</td>
<td>0.930</td>
<td>0.936</td>
</tr>
<tr>
<td>Prospector 2013</td>
<td>0.916</td>
<td>0.934</td>
<td>0.923</td>
<td>0.924</td>
<td>0.946</td>
</tr>
</tbody>
</table>

Table 58. How is your company’s financial situation today? Analyzers. Years 2013-2015.

<table>
<thead>
<tr>
<th></th>
<th>POOR</th>
<th>FAIR</th>
<th>SATISFACTORY</th>
<th>GOOD</th>
<th>EXCELLENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analyzer 2015</td>
<td>0.855</td>
<td>0.835</td>
<td>0.965</td>
<td>0.895</td>
<td>0.907</td>
</tr>
<tr>
<td>Analyzer 2014</td>
<td>0.855</td>
<td>0.910</td>
<td>0.936</td>
<td>0.940</td>
<td>0.928</td>
</tr>
<tr>
<td>Analyzer 2013</td>
<td>0.947</td>
<td>0.878</td>
<td>0.883</td>
<td>0.961</td>
<td>0.856</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th></th>
<th>POOR</th>
<th>FAIR</th>
<th>SATISFACTORY</th>
<th>GOOD</th>
<th>EXCELLENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defender 2015</td>
<td>0.921</td>
<td>0.938</td>
<td>0.918</td>
<td>0.921</td>
<td>0.917</td>
</tr>
<tr>
<td>Defender 2014</td>
<td>0.927</td>
<td>0.916</td>
<td>0.915</td>
<td>0.911</td>
<td>0.915</td>
</tr>
<tr>
<td>Defender 2013</td>
<td>0.913</td>
<td>0.924</td>
<td>0.922</td>
<td>0.905</td>
<td>0.906</td>
</tr>
</tbody>
</table>
Table 60. How has your financial situation changed in the last few years? Prospectors. Years 2013-2015.

Table 61. How has your financial situation changed in the last few years? Analyzers. Years 2013-2015.

Table 62. How has your financial situation changed in the last few years? Defenders. Years 2013-2015.
Table 63. How do you expect your financial situation to change in the following year? Prospectors. Years 2013-2015.

<table>
<thead>
<tr>
<th>Year</th>
<th>WORSEND CONSIDERABLY</th>
<th>WORSEND SLIGHTLY</th>
<th>STAY THE SAME</th>
<th>IMPROVE SLIGHTLY</th>
<th>IMPROVE CONSIDERABLY</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1.000</td>
<td>0.906</td>
<td>0.928</td>
<td>0.948</td>
<td>1.000</td>
</tr>
<tr>
<td>2014</td>
<td>0.945</td>
<td>0.936</td>
<td>0.930</td>
<td>0.944</td>
<td>0.954</td>
</tr>
<tr>
<td>2013</td>
<td>0.788</td>
<td>0.924</td>
<td>0.934</td>
<td>0.921</td>
<td>0.936</td>
</tr>
</tbody>
</table>

Table 64. How do you expect your financial situation to change in the following year? Analyzers. Years 2013-2015.

<table>
<thead>
<tr>
<th>Year</th>
<th>WORSEND CONSIDERABLY</th>
<th>WORSEND SLIGHTLY</th>
<th>STAY THE SAME</th>
<th>IMPROVE SLIGHTLY</th>
<th>IMPROVE CONSIDERABLY</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>0.715</td>
<td>0.826</td>
<td>0.925</td>
<td>0.916</td>
<td>0.783</td>
</tr>
<tr>
<td>2014</td>
<td>0.809</td>
<td>0.846</td>
<td>0.937</td>
<td>0.863</td>
<td>0.903</td>
</tr>
<tr>
<td>2013</td>
<td>0.876</td>
<td>0.919</td>
<td>0.929</td>
<td>0.935</td>
<td>0.805</td>
</tr>
</tbody>
</table>

Table 65. How do you expect your financial situation to change in the following year? Defenders. Years 2013-2015.

<table>
<thead>
<tr>
<th>Year</th>
<th>WORSEND CONSIDERABLY</th>
<th>WORSEND SLIGHTLY</th>
<th>STAY THE SAME</th>
<th>IMPROVE SLIGHTLY</th>
<th>IMPROVE CONSIDERABLY</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1.000</td>
<td>0.961</td>
<td>0.915</td>
<td>0.925</td>
<td>1.000</td>
</tr>
<tr>
<td>2014</td>
<td>0.950</td>
<td>0.941</td>
<td>0.912</td>
<td>0.901</td>
<td>0.944</td>
</tr>
<tr>
<td>2013</td>
<td>0.913</td>
<td>0.919</td>
<td>0.916</td>
<td>0.897</td>
<td>0.968</td>
</tr>
</tbody>
</table>
6.7 Competitiveness

The competitiveness of Finnish SMEs has in accordance with the financial performance on average declined in the years 2013-2015. More respondents choose the answer fair and fewer claimed that their competitiveness is good in 2015. The group that states that their competitiveness is excellent has however increased slightly, from 2% in 2013 to 5% in 2015.

The change in competitiveness in the last few years is in agreement with the trend for current competitiveness; which is a slight overall deterioration. The growing group of companies that claims their current competitiveness is excellent in 2015 can also be traced back to the increasing percentage of companies in 2015 claiming that their competitiveness has improved considerably.

About half of respondents expect their own competitiveness to stay the same during the following year while around 30 percent expect it to improve slightly in all three years. The remaining percentage expect it in general to worsen slightly. The odd respondent expects their competitiveness to either worsen or improve considerably. See Table 66.
Table 66. How do you perceive your own competitiveness? / How has your competitiveness changed in the last five years? / How do you expect your competitiveness to change in the following year? All enterprises. Years 2013-2015.

<table>
<thead>
<tr>
<th>Competitiveness Level</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent</td>
<td>5%</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>Good</td>
<td>23%</td>
<td>33%</td>
<td>35%</td>
</tr>
<tr>
<td>Satisfactory</td>
<td>45%</td>
<td>44%</td>
<td></td>
</tr>
<tr>
<td>Fair</td>
<td>16%</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td>Weak</td>
<td>4%</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Improved Considerably</td>
<td>8%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>Improved Slightly</td>
<td>18%</td>
<td>20%</td>
<td>26%</td>
</tr>
<tr>
<td>Stayed the Same</td>
<td>20%</td>
<td>34%</td>
<td>33%</td>
</tr>
<tr>
<td>Worsened Slightly</td>
<td>22%</td>
<td>28%</td>
<td>28%</td>
</tr>
<tr>
<td>Worsened Considerably</td>
<td>9%</td>
<td>12%</td>
<td>6%</td>
</tr>
<tr>
<td>Improve Considerably</td>
<td>2%</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>Improve Slightly</td>
<td>33%</td>
<td>34%</td>
<td></td>
</tr>
<tr>
<td>Stay the Same</td>
<td>33%</td>
<td>33%</td>
<td></td>
</tr>
<tr>
<td>Worsen Slightly</td>
<td>12%</td>
<td>13%</td>
<td>19%</td>
</tr>
<tr>
<td>Worsen Considerably</td>
<td>1%</td>
<td>1%</td>
<td>2%</td>
</tr>
</tbody>
</table>
Cost-focused firms are in general less inclined to perceive their competitiveness as good than quality-focused enterprises are. The respondents evaluate their companies’ competitiveness as slightly weaker in 2015 than in the two preceding years, irrespective of the critical success factor. See Table 67. The trend in development of competitiveness is gradually declining for quality-focused firms during the time-period 2013-2015. Cost-focused firms are however still struggling the most. The trend in development for competitiveness is considerably more positive for time-, flexibility- and cost-focused firms than for quality-focused firms in 2015. See Table 68.

Cost and time-focused enterprises are in 2015 (in relation to answers in previous years) more inclined to expect an improvement in their competitiveness in the following year. Flexibility-focused firms are in 2015 the most prone to expect their competitiveness to deteriorate. See Table 69.

Table 67. How do you perceive your own competitiveness? Arithmetic means according to Table 51. Years 2013-2015.
Table 68. How has your own competitiveness changed in the last five years? Arithmetic means according to values in Table 53. Critical success factors. Years 2013-2015.

Table 69. How do you expect your competitiveness to change in the following year? Arithmetic means according to values in Table 55. Years 2014-2015.

Prospectors are clearly the most competitive strategy type among Finnish SMEs and their advantage has increased during the time-period 2013-2015. The competitiveness of analyzers has declined somewhat from 2013-2015 and the analyzer-organizations seem to have divided into two groups were one group is performing well and the other is struggling. The competitiveness of defenders seems to have stabilized in the midrange; fewer respondents perceived their
competitiveness as good or fair in 2015 and more chose the answer satisfactory. See Tables 70-72.

Respondents from prospector- and defender-organizations in general evaluated their development, in competitiveness over the last five years, more negatively in 2015 than they did in 2014. Analyzer-organizations seem on the other hand have divided into two groups in 2015 where one group states that their financial performance has weakened considerably while the other group’s financial performance has improved. Although the trend for the development of competitiveness is somewhat declining for prospectors in 2015 they still have the most advantageous development throughout the time-period 2013-2015. Defender-organizations have the least advantageous development in all three years. See Tables 73-75.

Analyzer-organizations expect a smaller improvement in their competitiveness in 2015 than they did in 2014 and 2013. Defender-organizations are on the other hand more inclined to expect their competitiveness to improve in 2015 than they were in the preceding two years. Prospectors’ answers are similar in all three years. See Tables 76-78.


<table>
<thead>
<tr>
<th>Year</th>
<th>WEAK</th>
<th>FAIR</th>
<th>SATISFACTORY</th>
<th>GOOD</th>
<th>EXCELLENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>0.887</td>
<td>0.874</td>
<td>0.925</td>
<td>0.892</td>
<td>0.800</td>
</tr>
<tr>
<td>2014</td>
<td>0.878</td>
<td>0.867</td>
<td>0.926</td>
<td>0.851</td>
<td>0.860</td>
</tr>
<tr>
<td>2015</td>
<td>0.890</td>
<td>0.954</td>
<td>0.860</td>
<td>0.907</td>
<td>0.773</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Year</th>
<th>WEAK</th>
<th>FAIR</th>
<th>SATISFACTORY</th>
<th>GOOD</th>
<th>EXCELLENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>0.936</td>
<td>0.942</td>
<td>0.908</td>
<td>0.921</td>
<td>0.936</td>
</tr>
<tr>
<td>2014</td>
<td>0.951</td>
<td>0.934</td>
<td>0.911</td>
<td>0.907</td>
<td>0.936</td>
</tr>
<tr>
<td>2015</td>
<td>0.944</td>
<td>0.929</td>
<td>0.931</td>
<td>0.896</td>
<td>0.926</td>
</tr>
</tbody>
</table>

Table 73. How has your competitiveness changed in the last five years? Prospectors. Years 2013-2015.

<table>
<thead>
<tr>
<th>Year</th>
<th>WORSENED CONSIDERABLY</th>
<th>WORSENED SLIGHTLY</th>
<th>STAYED THE SAME</th>
<th>IMPROVED SLIGHTLY</th>
<th>IMPROVED CONSIDERABLY</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>0.917</td>
<td>0.925</td>
<td>0.934</td>
<td>0.927</td>
<td>0.958</td>
</tr>
<tr>
<td>2014</td>
<td>0.931</td>
<td>0.928</td>
<td>0.937</td>
<td>0.946</td>
<td>0.956</td>
</tr>
<tr>
<td>2015</td>
<td>0.933</td>
<td>0.928</td>
<td>0.943</td>
<td>0.895</td>
<td>0.944</td>
</tr>
</tbody>
</table>
Table 74. How has your competitiveness changed in the last five years? Analyzers. Years 2013-2015.

Table 75. How has your competitiveness changed in the last five years? Defenders. Years 2013-2015.

Table 76. How do you expect your competitiveness to change in the following year? Prospectors. Years 2013-2015.
Table 77. How do you expect your competitiveness to change in the following year? Analyzers. Years 2013-2015.

Table 78. How do you expect your competitiveness to change in the following year? Defenders. Years 2013-2015

6.8 Business environment

None of the respondents evaluated the current business environment of Finnish SMEs as excellent in 2015 and just thirteen out of 170 respondents chose the answer good. The respondents are overall more inclined to evaluate the current
business environment as poor or very poor and less inclined to evaluate it as good in 2015 than they were in the two preceding years. See Table 79.

The same trend as for past change in financial performance and competitiveness can be seen from the answers to the question: - How do you perceive the business environment of Finnish SMEs has changed in the last five years? That is the respondents perceive the change slightly more negative in 2015 than in previous years. The most common answer were that the business environment had worsened slightly in all three years. See Table 80.

Respondents from Finnish SMEs have had very similar expectations for the future development of the business environment during the time-period 2013-2015. Most respondents believed that the business environment would either continue to worsen slightly or stay the same. A fair amount of around 20 percent expected the business environment to improve slightly. Very few expected any drastic improvement or deterioration of the environment in the following year. See Table 81.

Table 79. How do you perceive the business environment of Finnish SMEs? All respondents, years 2013 - 2015.
Table 80. How has the business environment for Finnish SMEs changed in the last five years? All respondents. Years 2013 - 2015.

<table>
<thead>
<tr>
<th>Year</th>
<th>Worsened Considerably</th>
<th>Worsened Slightly</th>
<th>Stayed the Same</th>
<th>Improved Slightly</th>
<th>Improved Considerably</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>26%</td>
<td>51%</td>
<td>18%</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>26%</td>
<td>46%</td>
<td>22%</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>19%</td>
<td>48%</td>
<td>26%</td>
<td>7%</td>
<td></td>
</tr>
</tbody>
</table>

Table 81. How do you expect the business environment of Finnish SMEs to change in the following years? All respondents. Years 2013-2015.

<table>
<thead>
<tr>
<th>Year</th>
<th>Worsened Considerably</th>
<th>Worsened Slightly</th>
<th>Stay the Same</th>
<th>Improved Slightly</th>
<th>Improved Considerably</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1%</td>
<td>26%</td>
<td>21%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>2014</td>
<td>5%</td>
<td>26%</td>
<td>22%</td>
<td>20%</td>
<td>1%</td>
</tr>
<tr>
<td>2013</td>
<td>5%</td>
<td>30%</td>
<td>45%</td>
<td>46%</td>
<td>46%</td>
</tr>
</tbody>
</table>

Respondents from cost-focused enterprises give very similar evaluations of the business environment in all three years. Enterprises with any other focus perceive the business environment slightly more negatively in 2015 than in the preceding two years. Time- and flexibility focused firms have the most positive outlook on the business environment. The familiar gap in evaluations between cost- and quality-focused firms (where quality-focused firms belong to the more positive group) has almost closed in 2015. See Table 82. There are no noticeable differences in regards to critical success factors for the development of the business environment; answers are in all four groups gathered around the worsened slightly-category. See Table 83.
Cost-focused firms keep their least positive outlook on the future state of the business environment unchanged throughout the time period 2013-2015. Quality-focused firms give somewhat more moderate answers in 2015 than in the preceding years and flexibility focused firms have a more negative outlook. Time and cost-focused firms have consistent distributions throughout the time-period. See Table 84. No considerable differences or trends in regards to expectations are discernable for the different strategy-types.

**Table 82.** How do you perceive the business environment of Finnish SMEs? Arithmetic means according to values in Table 51. Critical success factors. Years 2013-2015.

<table>
<thead>
<tr>
<th></th>
<th>COST</th>
<th>QUALITY</th>
<th>TIME/Delivery</th>
<th>FLEXIBILITY</th>
<th>ALL ENTERPRISES</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>2.16</td>
<td>2.23</td>
<td>2.44</td>
<td>2.35</td>
<td>2.25</td>
</tr>
<tr>
<td>2014</td>
<td>2.23</td>
<td>2.60</td>
<td>2.68</td>
<td>2.59</td>
<td>2.51</td>
</tr>
<tr>
<td>2013</td>
<td>2.17</td>
<td>2.61</td>
<td>2.76</td>
<td>2.57</td>
<td>2.51</td>
</tr>
</tbody>
</table>

**Table 83.** How has the business environment for Finnish SMEs changed in the last five years? Arithmetic means according to values in Table 53. Critical success factors. Years 2013-2015.

<table>
<thead>
<tr>
<th></th>
<th>COST</th>
<th>QUALITY</th>
<th>TIME/Delivery</th>
<th>FLEXIBILITY</th>
<th>ALL ENTERPRISES</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1.97</td>
<td>1.97</td>
<td>2.22</td>
<td>2.00</td>
<td>2.00</td>
</tr>
<tr>
<td>2014</td>
<td>1.82</td>
<td>2.20</td>
<td>2.32</td>
<td>2.09</td>
<td>2.09</td>
</tr>
<tr>
<td>2013</td>
<td>1.91</td>
<td>2.26</td>
<td>2.24</td>
<td>2.27</td>
<td>2.20</td>
</tr>
</tbody>
</table>
Table 84. How do you expect the business environment of Finnish SMEs to change in the following years? Arithmetic means according to values in Table 55. Critical success factors. Years 2013-2015.

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>COST</td>
<td>2.49</td>
<td>2.67</td>
<td>2.48</td>
</tr>
<tr>
<td>QUALITY</td>
<td>2.89</td>
<td>2.95</td>
<td>3.00</td>
</tr>
<tr>
<td>TIME/DELIVERY</td>
<td>2.98</td>
<td>3.00</td>
<td>3.00</td>
</tr>
<tr>
<td>FLEXIBILITY</td>
<td>2.89</td>
<td>2.87</td>
<td>2.79</td>
</tr>
<tr>
<td>ALL ENTERPRISES</td>
<td>2.81</td>
<td>2.88</td>
<td>2.79</td>
</tr>
</tbody>
</table>

6.9 Summary

Cost is a more emphasized factor in 2015. This is probably at the expense of focus on quality which seems to have lost some of its dominance since 2014. Lesser emphasize on time after 2013 could also be a factor. The increasing amount of cost-focused firms in 2015 have significantly lower expectations on turnover-growth than in previous years. At the same time, they are exporting an increasing portion of sales and expecting improvements in their competitiveness in the following year. These mixed results indicate that the cost-focused firms are a heterogeneous group.

While prospectors made up the majority of companies that exported the most in 2013, this is no longer true in 2015. Both defender- and analyzer-organizations seem to have increased their exports in the last two years while prospector organizations export less than before.
Time-focused firms’ over-average performance has persisted throughout the time-period 2013-2015, as has cost-focused enterprises’ inferior position. The same can be said for the prospectors’ superior position. Quality remains the most common focus throughout the time-period and these firms place in the middle performance-wise alongside flexibility-focused firms. Analyzer-organizations place likewise in the middle between defenders and prospectors throughout the time-period. The amount of analyzer-organizations decreased dramatically from 2014 to 2015 while defender-organizations have increased somewhat.
7. RESULTS AND CONCLUSIONS

The general impression of Finnish SMEs based on the results from the analysis of the general questions in the large enterprise study is one of cautious hopefulness. The respondents perceive that the business environment, their competiveness as well as their financial situation have been and in 2015 is still slowly deteriorating. They remain however hopeful regarding the future development throughout the researched time-period.

Cost is, as previously discussed, the basis for the defender strategy. The greater emphasize on cost among Finnish SMEs in 2015 compared to the two preceding years translates to a greater amount of defender-organizations. The increasing amount of defenders in 2015 is although barely visible past the turnover range of 0-2 million euros; an indication of the defender strategy not being a suitable strategy for highly prosperous firms.

Intensifying the focus on cost is a natural response to financial strains. The idea that the state of the business environment is the cause of the increasing amount of defenders is supported by the respondents’ increasingly negative perception of the business environment from 2013 to 2015, as well as the dominance of the defender-strategy among construction companies in 2015.

The performance of flexibility-focused enterprises is in general somewhere in the middle, below quality-focused firms but above cost-focused enterprises. Likewise, analyzer organizations performance-wise place between defender and prospector-organizations. Time-focused firms’ over-average performance has persisted throughout the time-period 2013-2015, as has cost-focused enterprises’ inferior position.
Defenders seem to still be struggling in 2015 as they were in 2013; they have the most negative out-look on their own financial situation and prospects as well as their own competitiveness and the external business environment out of the strategy types. This makes the defender the least beneficial strategy type throughout the researched time-period. It is however not clear if the defenders inferior position is caused by the strategic orientation or if the strategic orientation was chosen due to the companies’ weaker financial position.

Prospector is the most common strategy type since 2014 and also the most beneficial strategy-type throughout the time-period. This can be seen from prospector-organizations’ persistently more positive evaluation of their financial situation as well as their own competitiveness. All the strategy types seem to have a slightly declining trend for performance over the years 2013-2015; this can be seen from their declining financial performance and competitiveness. The smallest decline is visible for defenders in 2015.
8. DISCUSSION

This chapter will discuss the validity of the results. There has been critique against carrying out research on a national level when there might exist greater regional differences than national ones (Fellman et al. 2008: 569). Differences may for example be greater between business systems in the northern and southern parts of a nation or between business systems in rural areas and bigger cities than between nations as a whole (Fellman et al. 2008: 569). This critique is supported by the fact that successful industries often are located in the same region or city (Fellman et al. 2008: 569, Porter 1990:154).

The companies that took part in the study referred to by Karami (2007:133-134) were classified into the following five groups according to their degree of planning: non-planning, financial planning, formal financial planning, informal strategic planning and formal strategic planning. The groupings correlated with the number of people employed; non-planning companies have up to 10 employees, financial planning companies have less than 100 employees, formal financial planning and informal strategic planning companies employ between 100 and 200 people and formal strategic planning companies have between 200 and 250 employees (Karami 2007:134).

This sheds some doubt on the reliability of answers from respondents in companies with a low employee count. Since only approximately 4 percent of the enterprises that took part in the study this thesis build on has an employee count that surpass 100 persons, there is a very small part of the sample that according to the above mentioned classification are considered to have any kind of strategic planning. Enterprises that classify as non-planning also make up a considerable part of the sample (86 out of 171). Non-existing strategic planning (or planning
whatsoever) in researched companies could pose a serious problem, seeing as the purpose of this thesis was to research the strategic focus in Finnish SMEs. There is also the issue of if gathering responses from companies of varying size might skew the results when taking into consideration that smaller companies tend to plan less than larger enterprises. The use of the strategy typology by Miles and Snow in research of SMEs is however encouraged in several sources of literature (O’Regan & Ghobadian 2004:84).

The weakened state of analyzers is present for just shareholders and entrepreneurs. The respondents, whether CEOs, chairmen of the board, shareholders or entrepreneur are however expected to know the strategy of their company so this does not undermine the results. The continuously strong presence of prospectors might be affected by the intensifying domestic competition due to decline in international demand. Intensifying competition speeds up the rate of innovation in firms (Porter 1990: 119), which is a central characteristic of prospectors. The weakened state of analyzers could potentially be explained by an increasing polarization of SMEs into prospectors and defenders that makes the analyzer-type categorization inappropriate. This conclusion was drawn by O’Regan and Ghobadian (2004: 93) in reference to the results from their research on SMEs in England.

Enterprises that focus on flexibility export the most by a great margin in 2015. This is completely in line with the thoughts of Rundh (2010: 331) who claims that flexibility is central to success in foreign markets. The increasing expectations of Finnish SMEs on their future revenue growths are however not line with the forecast by the Finnish Treasury, which predict a very modest growth of 0,3 percent in the following year (Valtiovarainministeriö 24a/2015:3).
Potentially multi-focused enterprises were not included in this study for the simple reason that the results gathered were inconclusive. The results were not in accordance with the chosen sample (of the 102 companies that chose just one critical success factor), nor did the results follow any distinct patterns of their own, at least none discernable and interpretable to the writer.

This thesis did also not consider all the research questions covered by Vainio’s thesis (2014). Instead it treated a smaller sample of questions in greater depth. The analysis of further questions related to the financial situation and performance of a company (that is questions nos. 8-12 and 14-17 in APPENDIX 1) and their relation to the strategic orientation of Finnish SMEs could potentially add to the understanding of the researched topic.
LIST OF REFERENCES


European Commission. *What is an SME?*


<URL: https://notendur.hi.is/gylfason/nordics_in_global_crisis.pdf> [Cited: 8.8.2015]


Statistics times. *List of European countries by GDP per capita.*


APPENDIX 1

Large enterprise study 2015

(Freely translated from Finnish questionnaire.)

1. What is your position in the company?
   • Entrepreneur
   • Shareholder
   • Chairman of the board
   • Something else, what?

2. Your company’s turnover-range in millions of euros:
   • 0-1
   • 1-2
   • 2-10
   • 10-20
   • 20-100
   • 100-

3. Your company’s employee count:
   • 1-4
   • 5-9
   • 10-19
   • 20-49
   • 50-99
   • 100-

4. What amount of your sales is export (%)?
   • 0
   • 1-9
   • 10-19
   • 20-29
   • 30-39
   • 40-49
   • 50-59
   • 60-69
   • 70-79
   • 80-89
   • 90-100
5. Do you invoice products or services in parts (for example invoicing of projects)?
   - Yes
   - No

6. How is your company’s financial situation today?
   - Weak
   - Fair
   - Satisfactory
   - Good
   - Excellent

7. How has your company’s financial situation changed in the last few years?
   - Weakened considerably
   - Weakened slightly
   - Stayed the same
   - Improved slightly
   - Improved considerably

8. Do you find that information about different financial alternatives is easily and comprehensibly available?
   - Yes
   - No

9. Do you have future investment plans or wishes?
   - Yes
   - No

10. Do you make a budget in writing?
    - Yes
    - No

11. Do you make a cash-flow budget?
    - Yes
    - No

12. How often do you follow up on cash-flow?
    - Daily
    - Once a week
    - Once a month
    - Once every third month
    - Once a year
    - More seldom than every year

13. How would you handle a 30-day cash-flow stop?
    - Poorly
    - Fairly
    - Satisfactory
14. Does your sales fluctuate monthly?
   • Stays the same
   • Fluctuates a little
   • Fluctuates considerably

15. How are you able to utilize positive cash-flow?
   • Not in any way
   • Through receiving discounts on purchases, for example by buying bigger batches.
   • Through savings on interests of delays on the company’s own invoices.
   • Through investing
   • Through additional sales from increased emphasize on sales and marketing.
   • By paying salary to oneself.
   • Something else, what?

16. Have your customers’ payment delays changes in the last 6 months?
   • Increased considerably
   • Increased slightly
   • Stayed the same
   • Decreased slightly
   • Decreased considerably

17. Would you be able to receive discounts on purchases if you could pay your invoices faster / with cash?
   • Yes
   • No

18. How do you perceive the business environment of Finnish SMEs?
   • Weak
   • Fair
   • Satisfactory
   • Good
   • Excellent

19. How has the business environment of SMEs changed in the last five years?
   • Weakened considerably
   • Weakened slightly
   • Stayed the same
   • Improved slightly
   • Improved considerably

20. How do you perceive your own competiveness?
21. How has your competitiveness changed in the last five years?
   - Weakened considerably
   - Weakened slightly
   - Stayed the same
   - Improved slightly
   - Improved considerably

22. What is the critical success factor in your field / what is the source of competitiveness?
   - Cost
   - Quality
   - Delivery
   - Flexibility

23. How much turnover-growth do you expect in the following year?
   - 0%
   - 1-9%
   - 10-19%
   - 20-29%
   - 30-39%
   - 40-49%
   - 50-59%
   - 60-69%
   - 70-79%
   - 80-89%
   - 90-100%

24. How do you expect your financial situation to change in the following year?
   - Weaken considerably
   - Weaken slightly
   - Stay the same
   - Improve slightly
   - Improve considerably

25. How do you expect the business environment to change in the following year?
   - Weaken considerably
   - Weaken slightly
   - Stay the same
   - Improve slightly
• Improve considerably

26. How do you expect your competitiveness to change in the following year?
   • Weaken considerably
   • Weaken slightly
   • Stay the same
   • Improve slightly
   • Improve considerably