

Strategy in High-Growth SMEs

- a qualitative study of six companies

by

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This study examines strategy in Danish SMEs in manufacturing industries. The study involves six companies from whom characteristics on strategy are presented and analyzed on the basis of a theoretical discussion of existing literature on SME strategies. All six companies have shown sustainable high growth and strong innovative abilities, and in spite of their distinct differences some common characteristics can be found. The companies have all shown a reflexive capacity for strategizing. Furthermore, they have a very clear understanding of both external and internal factors, which they manage to balance for a successful strategy. In this regard, most of the companies have made small revolutions in their niches - i.e. they have all taken charge of the development within their own niches – nationally and some even globally. As such the top management has a clear sense of direction when it comes to the future development.

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Introduction

As a driving force behind change and as an overall plan on how to achieve the goals and ambitions of a company, strategy plays a central role in the development of any company – small or large. However, focus has traditionally been on large companies when discussing strategy. Nevertheless, SMEs are not strangers to strategy. They may take different approaches, but the ambition of managing the company towards its goals by avoiding threats and exploiting opportunities is the same.

The study explores six high-growth SMEs in order to answer the question: How can strategies successfully be developed and executed in SMEs? It should be seen more as a stimulating contribution to the strategic efforts among SMEs than an attempt to convey what is right or wrong when it comes to the practice of strategy. Lately, SME strategies have received increased consideration because of a need for more innovation among Danish SMEs (Hovmand, 2002). Hovmand calls for more focus on innovative strategies both at a micro as well as a macro level. The argument is based on a study by the World Economic Forum, which shows that Denmark is the country in the world with the largest unexploited potential for innovation. Poulfelt (2002) propounds the need for success stories in order to both stimulate the application of strategy and strategic management as well as place strategy on the agenda in companies in general.

The purpose of this paper is to portrait and discuss how strategy and strategic management are being performed in Danish SMEs and what some of the key characteristics of the six companies are. Other researchers have searched for personality characteristics among successful owner-managers (Moran, 1998), evolution and life cycles of growth companies (Greiner, 1972; Hill, Nancarrow & Wright, 2002; Eggers, Leahy & Churchill, 1994), or critical success factors for small (Gadenne, 1998) and large companies (Peters, Waterman, 1982; Hamel 1997). Some have searched for frameworks in strategy design in general (Mills, Platts & Gregory, 1995) or specifically in manufacturing SMEs (Barnes, 2002). Yet others have searched for marketing paradigms (McLarty, 1998), as well as establishment, development, and sustainability of growth companies (Christensen, 2001; O’Gorman, 2001; Hitt et al., 2001). This study draws on all of the above, but since the empirical findings are based on high-growth firms and successful owner-managers, it is most closely associated with studies of critical success factors.

The first part of the paper will be a theoretical outline of the field of strategy with a focus on SMEs as well as growth strategies. This will involve a discussion of the construction and development of strategy as well as how strategy in SMEs is executed. The second part will be a presentation and discussion of the empirical results from this study as well as the more general conclusions.

Methodology

The empirical material in this paper is based on six case studies of SMEs. They are all regional or national prizewinners from The Confederation of Danish Industries' annual Initiative Prize. Hence, they have achieved exceptional growth rates and shown strong innovative abilities.

In-depth interviews were conducted with all six SMEs. In order to ensure reliability, the owner-managers as well as other managers and employees from operations were interviewed. However, emphasis was put on the owner-manager due to an assumption that he or she would have the best strategic perspective on the company. The qualitative approach, which is applied for this study, involves few respondents and a relatively small body of data. However, the interviewer has the opportunity to capture tacit, in-depth knowledge, emotions, different perspectives and interpretations, as well as twist the interview in the most relevant direction. The qualitative approach, based on the actor's approach to methodology, holds a conception that reality is a social construction consisting of different levels of meaning (Arbnor, Bjerke, 1997). Thus understanding is developed during interaction between the interviewer and other actors.

With respect to the principles of case studies, one of the problems is the contingency of exaggeration. When participating in a case study management might feel tempted to inflate positive issues and deflate negative ones. In this regard, it can also be difficult to always get full information on all aspects of the business. Finally, it is necessary to collect information from a number of sources in order to construct a case. Collecting the right information can be difficult enough, but assessing the different pieces can be even harder.

SMEs are a very heterogeneous group. Consequently this paper will not attempt to address all kinds of SMEs. Therefore, a focus has been put on manufacturing firms so service firms are not included in the study. Furthermore, the case studies include only firms that have achieved high growth over a long period of time. However, in order to represent a few different angles within the SME spectrum, both low and high tech firms have been examined. Furthermore, the group of respondents counts firms with 30 to almost 300 employees.

Strategy in an SME context

The strategic trends and approaches over the past 20 years have had a great influence on large multinationals and the consciousness of how to stay on the forefront on thought leadership and implementation. With SMEs it is relatively obvious to make the assumption that they are more indirectly affected by such trends in research. This is based on another assumption that SMEs take an ad hoc approach to strategy and less of a structured well-planned approach. But are these assumptions correct? What is strategy about in SMEs? What is the relevance of strategy in its current form in SMEs and are there existing studies that characterize successful strategies and management in SMEs?

Barnes (2002) argues that a top-down outlook generally dominates traditional manufacturing strategy literature. However, Barnes (2002) found that this approach is “inadequate as a depiction of manufacturing strategy formation in SMEs in practice”. It was found that such strategy formation in manufacturing SMEs is a much more complex process than perhaps first assumed. It involves a combination of determined and emergent actions and decisions, influenced by organizational culture, politics and powerful individuals. In fact Barnes (2002) found that the emergent actions and decisions always play a part in manufacturing strategy formation. This means that strategy does contain an emergent and ad hoc based element in SMEs in manufacturing. Their strategy formation can be more determined and deliberate if more emphasis is put on business planning and identification of explicit objectives.

O’Gorman (2001) argues that there is a range of stress within the strategic efforts to create growth in SMEs. This arises due to conflicting explanations of growth. “Previous research has shown that SME growth may be the consequence of the strategic choices of entrepreneurs or the structural characteristics of the external environment” (O’Gorman, 2001). O’Gorman (2001) found that the first key managerial choice is “where to compete”, but this is followed by other key choices concerning “how to compete” and it is in the combination of these that sustained growth is found.

In fact, McLarty (1998) and Bennett & Smith (2002) found that SMEs are not successful because of a fruitful business environment or other such external factors. Rather, internal factors and the ability to master these factors in a competitive setting are what enable SMEs to grow and become successful. McLarty (1998) found that particularly marketing planning, the correct marketing mix, the firm's strategic approach and, especially, value chain management led to financial success. Furthermore, Bennett & Smith (2002) confirm “as (successful) SME businesses grow, they develop their strategy to seek specialization and differentiation of their products and services and diversification of their customer base.” I.e. they grow from internal strengths, they develop their niche and they position themselves to create unique value to customers and at the same time create entry barriers for other players through own specialized competencies. This explanation emphasizes the strategic element of an SME in relation to growth. Hitt et al. (2001) also argue that to create the most value SMEs need to act strategically. The ability to find and seize new opportunities “calls for an integration of entrepreneurial and strategic thinking” (Hitt, et al., 2001). Such integration, which Hitt et al. (2001) call “strategic entrepreneurship”, should occur in several organizational domains and include external networks and alliances, resources and organizational learning, as well as innovation and internationalization.

In respect to this last point, Bennett & Smith (2002) suggest that SMEs increasingly achieve competitive advantage “from developing trading relationships with other regions or countries beyond their own locality” - i.e. a strategy involving active networking and internationalization can contribute to competitive advantage.

As for the lifecycle of SMEs, Larry Greiner (1972) established a lifecycle model for growth companies. The idea behind Greiner's model is that a growing company will go through phases of "creativity", "direction", "delegation", "coordination", and "collaboration" and each phase will presumably end up in a crisis as well as be preceded by a crisis: "leadership crisis", "autonomy crisis", "control crisis", and "red tape crisis" accordingly (Greiner, 1972). These crises all occur due to too much of a good thing, e.g. delegation that is preceded by an autonomy crisis where employees will demand more autonomy at work. Consequently, responsibility is delegated, but eventually the company and its management will experience a need for more control, which can lead to a control crisis.

Hill et al. (2002) have also put focus on the crises that growth companies encounter. They found that as "a small business reaches a given size where the costs of its internal administration and selling activities make it less viable, the SME is forced to look for new ways of growing through additional financial help, broadening its customer base and developing greater skills at corporate presentation". To elaborate, Gadenne (1998) found that discovering cheaper sources of financing is strongly related to ROI in SMEs. There are three main reasons for that. First of all, small enterprises that start out under-capitalized are at greater risk and have less basis for growth. Secondly, SMEs based on external funding have an expensive debt to carry around and they are likely to face problems creating enough cash flow and profits to finance growth. Thirdly, if firms spend too much time searching for cheaper financing, they may well miss out on important business opportunities (Gadenne, 1998).

The research by Hill et al. (2002) also points to other crises in the growth of a company:

"In the initial pre-crisis 1 period, the owner-manager/manageress engages energetically in sales. Sales effort is high and, as the entrepreneur, he or she is able to demonstrate greater flexibility in running the business. As the enterprise grows from a small business base it faces crisis; from crisis point 2 onwards (usually initially detectable in falling or stagnating sales) the research points to a loss of focus on sales. To get the company back on the upward sales curve, therefore, requires more staff for a renewed sales focus and effort. As the business grows another crisis point looms amidst the higher costs of managing a business that has grown larger with greater financial investment and higher numbers of staff."

As discussed by Greiner (1972) and Hill et al., (2002), both before and after a crisis, the SME will experience different cycles. Desirably, the movement through the growth cycle should be a learning experience for the company, which learns to move to a higher level each time. Particularly important transitions occur on issues of strategy and organization as well as management and leadership. And the field of marketing evolves from the need to specialize as the SME grows and the entrepreneur learns to zoom in on management skills.

Different companies in different contexts handle these cycles and crises in different ways. However, Eggers et al. (1994) found certain characteristics of high-growth companies as opposed to low-growth companies. In high-growth companies the top management/leadership skills are 1. communication, 2. ability to motivate others, 3. vision, 4. financial management skills, 5. planning and setting goals. On the other hand, in low-growth companies the most important skills are identified as 1. financial management, 2. building relations, 3. self-motivation, 4. time management, 5. ethics and organizational culture (Eggers et al. 1994). The leadership skills that are most emphasized in low-growth companies are all very important skills, but for a firm that seeks growth, drivers such as a vision, effective communication, and the ability to motivate others are more powerful and collective than time management or self-motivation.

On a more personal level, Moran (1998) studied the personal traits of owner-managers. Moran (1998) found that owner-managers of high-growth companies first of all have a strong leadership potential. I.e. they like to be in control of things, and they like to set the direction for others to follow. Moran (1998) also found that they thrive on challenges and in that respect they are good at making fast decisions and they are resolute. Secondly, it was found that they learn by doing through a combination of experimentation and practical application of existing tools. Thirdly, they are not system oriented, and they do not like to get too involved with implementation issues. They much prefer delegating those responsibilities and instead initiating new strategic developments themselves. In general, they prefer taking a strategic outlook and not getting involved in the nitty-gritty. Fourthly, they enjoy change and variation. This means they are not afraid of taking an external focus.

Empirical Findings

The most convincing common features on strategy among the six case studies were:

- The focused strategies
- Strong business systems and highly effective value chains including strong relations and networks
- Primarily organic growth through self-financing
- High level of export and internationalization
- Focus on organizational development and recruitment
- Action-based decision-making
- The variety in the behavior of board of directors

Focus!

All six companies in the study were very conscious about their positioning in the market. They were all close to their customers, whom they regarded as partners in most cases. Sometimes they would even work with customers beyond the design phase and far into the production phase. Furthermore, they were all aware of the importance of a convincing profile and *raison d'être*. Most of them held a unique position in the market or offered a unique value to the customer. Such unique positioning or value would stem from superior distribution, technology, quality, fast delivery, as well as product range, sourcing, and marketing in some instances.

Accordingly, most of the companies in the study followed focus strategies within which they “(offer) unparalleled quality, service, and reliability. (And they) succeed in differentiating (from others)” (Peters, Waterman, 1982). A few companies had less specific market segmentation and followed more general differentiation strategies. Hence, none of the companies attempted to take cost leadership within their industries.

In order to create a sharp profile and avoid spreading into businesses where they would have no core competencies, the SMEs in this study were very focused on their business areas. They did not wish to expand beyond their fields of competencies. Rather they focused on developing existing competencies and growing from core business areas. This focus also meant that they were good at turning offers down even if it was from large customers. In certain industries dominated by large customers, the ability to do so had saved suppliers from being starved and exploited. Furthermore, the companies were very ambitious, but at the same time conscious about not becoming over-ambitious. Finally, they had refused to self-compromise and they had refused to sacrifice long-term growth and flexibility for short-term profits (Zook, 2001).

Despite the focus, this had not stopped them from seizing opportunities in the market. When firms become too focused they risk saturating themselves of opportunities for business development, but that had not occurred in the six companies in this study (McKinsey & Co, 2002).

Business systems, value chains and networks

A characteristic in all six companies were a concern for infrastructure. They had put a lot of effort into effective supply and distribution systems. However, especially for the firms with low-tech products, strong business systems with close integration and effective cooperation throughout the value chain had been a way to create competitive advantage. In this regard, there were clear examples that strong relations between sub-suppliers, producers, and customers contributed to enhanced innovation. Strong relations are based on loyalty and trust and they support a transfer of technology and knowledge. Such relations can particularly contribute to a more effective value chain. And this was an area, which the SMEs were very conscious about. E.g. they paid close attention to own as well as suppliers' ability to deliver. Moreover, strong relations can have another advantage. They can further the innovative process. In this case the relations with both sub-suppliers and customers are developed and cultivated through active networking among partners with common ambitions and a willingness to open up. As one company realized that "Denmark and Europe are not the navel of the world", they formed a global network with suppliers and customers to set new standards for safety and quality.

On the other hand, strong relations can mean less flexibility since partners will often become intertwined in each other's development. Hence, there are inherent assumptions that the cooperation will not be broken off. This means that in order to not let down existing suppliers, a producer may well refrain from searching for the optimal or cheapest supplier for every single trade of goods. Nevertheless, strong relations can bring about another kind of flexibility when partners trust each other enough to share "secrets" that will allow for them to explore new ground together. Furthermore, they may well result in lower search and transactions costs in the long term.

Organic growth and self-financing

The companies were generally based on sound conservative economical thinking. They wanted to generate profit before spending. Without money in the bank there would not be any new investments. This business philosophy assured that firms would always have the required liquidity before growing. On the other hand, it might have consequences for the speed with which they could grow, but so be it. "I like to sleep well at night", one owner-manager mentioned. The insistence on self-financing also meant less dependency on external partners who might well have more focus on the short term (Gadenne, 1998).

In relation to self-financing and the business philosophy behind it, the SMEs in this study were always alert when it came to the cost side. This slightly conservative approach is only natural since "the company is his (the owner-manager's) life's work and a part of his (the owner-manager's) private identity" (Brinch et. al 2000). The owner-managers were very protective of their "child", as one owner-manager put it. This is quite understandable, especially considering that these SMEs did not have large industrial conglomerates to back them up financially. However, it can also hamper the development of the business. Nonetheless, this was not a problem in the companies, since the drive and eager for trading among the owner-managers would push the companies forward. Some companies would prefer a high-speed development with high risks. They wanted to create and dominate their own niche. Others preferred "the quiet life" and taking as few risks as possible.

The balance between organic growth or growth through M&A in the SMEs pointed towards organic growth as a clear foundation for the companies. Furthermore, there was a very careful and well thought through approach to the area of M&A. Some of them, however, did work with strategic planning of acquisitions, but they took different approaches and they had different degrees of success. One owner-

manager had almost suppressed his last takeover attempt: “Oh yes, I forgot to mention our failed acquisition attempt, last year. I guess I sub-consciously suppressed (it). I also had difficulty dealing with it this winter, even “hiding” in my office for nearly three months, with my management team just waiting for me to re-emerge and take leadership of the strategic challenges we face over the next five years.” On the other hand, one company had basically evolved from a string of acquisitions, which merged into one company. The response of the owner-manager to this approach was “We just did it”. They started out with one company and when a new profitable offer or idea to produce something else arose they would found/acquire a new company.

International profile

The six companies were very internationalized. Most of them had followed the traditional pattern (Uppsala model) by going to nearby countries and hence similar cultures first. Nevertheless, some had applied more of a shotgun approach and were soon present on a global scale. Some had gone abroad in order to follow their customers and expand their customer portfolio; some had done it to achieve lower production costs; yet others had done it to tap into competencies. Some of the companies in the study even had intense networking activities with international partners. Thus, in spite of their relatively small size, they generally wanted to be leaders in the development of their niches, and they were not afraid to go abroad in order to strengthen their position. This gave them the advantage that they had more strings to pull in the attempt to raise the entry barriers for their niche. Especially for industries with high start up costs and high fixed costs there was a high minimum efficient scale, which made it difficult for new players to enter. Furthermore, it was made even more difficult when existing players were able to build strategic partnerships with large international corporations, successfully manage sourcing from cheaper producing countries, tap into competencies abroad, or offer the customers international support (Jenster og Jarillo, 1994).

When selling abroad, half of the companies preferred standardizing their products and only making moderate adaptations in some instances. The other three firms would carry out a high degree of customer adaptation according to the standards and cultural customer preferences of the market they pursued. This would all depend on the cultural specificity of the product. As for the marketing efforts, all six companies would make sure to adapt their marketing and promotion to the market they would operate in. One company marketed itself in more than forty countries and in more than a dozen languages. They put a lot of effort into marketing and the owner-manager remarked “I soon found out that if I wanted to make money it should not say ‘engineer’ on my business card”. Furthermore, all but one company made an effort to brand themselves both nationally and internationally. One company chose to sell unbranded products.

Organizational development and recruitment

All six companies were aware of letting the organization catch up with the growth that had taken place in the company. “When you grow this fast, the organization will always fall behind”, one owner-manager said. But it was about more than merely catching up; it was also about getting the organization ready for a new period of growth. One issue that was a high priority was recruitment. These companies had all hired a relatively large number of people in a short period of time. I.e. it was important for them to keep a sharp eye on the process of hiring the right people. Apart from the proper competencies, it was particularly important that new employees had the values and attitude that would suit the company. If they failed on that aspect, it would be difficult to maintain high growth and productivity since the

collective work morale and dedication would be in danger. One owner-manager even conducted what he called "conversations to affect the attitude of employees".

Another aspect of organizational development was delegation. In relation to Burton and Obel (1998): "As the information processing demand increases, more individuals have to be involved in decision making, and decentralization increases", several owner-managers expressed how they (previously) had trouble delegating. It was difficult to let go when they felt they could do it all much faster and much better themselves. Nonetheless, the owner-managers in the six companies had managed this hurdle quite well both according to themselves and their staff. In this regard, autonomy with responsibility had become a central piece of the management style in the companies - in particular when the management style was also based on sound reasoning instead of formalized rules and policies. Autonomy and hence a need for self-management among employees had also become necessary in companies where management was constantly away looking for new business.

In general, the owner-manager had typically taken a more overall view of the company and moved away from daily operational matters. One owner-manager expressed it as him becoming "the gardener who meticulously walks around and nurtures his flowers (i.e. employees)". Accordingly, the role of the owner-manager had changed to one in which they would work a lot with organizational development. For instance, several of the owner-managers worked on creating the proper structures and communication channels for optimal decision-making processes and involvement of employees. The SMEs in the study had generally tried to stick to simple structures in order to improve productivity and avoid red tape - "simple form, lean staff, low bureaucracy" (Peters, Waterman, 1982). Nevertheless, most of the companies were working on the implementation of more formalized structures and roles because "as an organization grows, more and more internal heat will be developed and relatively less output", one owner-manager said. Finally, there had been great consideration to creating energetic management teams with managers that worked well together and were able to implant a drive and build an attitude where "we (people) want to grow, and we (people) want to make money".

Action-based decision-making

Another aspect that characterized the companies in the study was their resoluteness. This was related to their focus on certain carefully delimited business areas. But it surfaced in many other aspects of the SMEs. For instance, they did not allow for any free riding or carelessness among employees. Employees with such tendencies "will not stay for more than five minutes in this company" one owner-manager said. Similarly, attitudes that were counter-productive or subversive would not be tolerated. A lot was expected from the employees insofar as dedication and work morale. For that, they were also rewarded. In all the companies the employees had good working conditions. And even though the job contents might not always have been particularly interesting it seemed that there was made an effort to promote the individual wishes of the employees. The owner-managers generally emphasized the importance of a high level of job satisfaction among the employees. This meant offering good conditions, but at the same time it also meant looking out for people that did not fit in – for the sake of the well being of the entire "family".

Another business element on which the owner-managers would not hesitate was costs. They would always assess if any given business activity was profitable or not. If it were neither profitable nor important to the long-term strategy of the firm, it would be cut off immediately. Some companies had very effective reporting systems in order to keep track of operations at all times.

The constitution of the board

Several of the companies in this study were facing the issue of professionalizing the board. Some of them preferred not to have external board members because they enjoyed the autonomy and the "no-hassle" of the current situation where they could decide everything themselves. Others embraced "outsiders" due a feeling that they could contribute with their professional experience, industry knowledge, network etc. The first group of companies would argue that their independence, informality, and possibility to make fast ad hoc decision were overriding strengths, which they wanted to keep intact. The second group would argue that the knowledge and network contacts as well as the possibility of sparring with outside board members and using them as a think tank was highly valuable to the further development of the company. Recently, a study showed how less than half of the Danish SMEs have a professional board to challenge daily management (Hundevadt, 2002). This is part of a growing discussion on corporate governance in the Danish business community. A number of recommendations were put forward by the Nørby-committee in order to address this particular issue (Boelsgaard, Nørby Johansen, 2002). Although the recommendations were primarily directed towards large companies on the stock exchange, they could also very well apply for SMEs. Whether informal, ad hoc boards controlled by owner-managers is always a disadvantage can be discussed, but at some point a growing company will reach a size, degree of complexity and need for maneuverability that will favor the appointment of professional outside capacities to bring new perspective and competencies to the organization.

Ownership

In one company, the transition had already begun with a change in the leadership of the company. The most important reason for selling for the former owner and CEO was that he found a buyer who respected his work with the company and made him part of the transition period. In that way, the former owner received a new role as chairman of the board and midwife in the takeover process. He wanted someone he could trust not to "perform misdeeds" with his "child", and he did not want to be handed three bottles of wine, a pad on the back and a "so long" from one day to the other. As part of the takeover, the former and new owner-managers formed a new board thereby seizing the moment for change. In another company they had "just recently discovered that we will not live forever", so they had also started considering bringing in new investors to carry on with the development of the company. A third company considered an introduction on the Danish stock exchange. And in a fourth company there were plans to let the son of the owner-manager take over the company within a few years. In this fourth company the current owner had also taken the company over from his father who was the original founder. Thus it is evident that there were different plans for the companies in the study. However, it was common for them that they had all reflected on their future in this regard.

Conclusion

Aggressive SMEs tend to go through a number of life cycles in a relatively short period of time. This means that they go through different processes of learning and developing. The SMEs take many different approaches in handling their cycles and crises, yet certain characteristics can be pointed out. Driving skills such as communication, ability to motivate others, and ability to create a common vision are the most powerful for growth creation. Leaders with these skills can unite a company and create a common direction. Furthermore, it was also shown how there is some degree of ad hoc and emergent action in strategic processes within SMEs. However it is a complex process involving many elements and usually one or more strong personalities. Moreover, the range of stress between external factors and internal strategizing was discussed. Firms that master strategizing to fully exploit their potential as well as influence their own external environment and “revolutionize” their niche or industry (Hamel, 1997) become most successful. Companies that are able to rethink strategy and create brand new value are winners. In this sense, strategizing is a competence and not a concept (Hamel, 1997).

The range of stress is bridged since strategizing and a strong focus on internal core competencies is coupled with a confident external outlook and a high degree of internationalization and networking. The companies studied have all made small revolutions in their niches. Some have discovered new ways of innovating from platforms instead of pumping resources into the innovation and production of single products. Some have also developed superior competencies and technology, while others have strengthened their business systems by actively working with sub-suppliers and customers. Yet others have used cooperation within their network to set standards where no standards have been set or existing standards are regarded as too limited. I.e. they have all taken charge of the development within their own niches – nationally and some even globally.

Furthermore, the empirical findings confirmed the characteristics of successful management skills. Management in the SMEs in this study put a lot of effort in communication with their employees. Depending on size and context they took different approaches right from committees to “management by walking around”, but the ambition was the same. They choose to delegate to motivate by giving autonomy with responsibility. Some people may not be able to cope with such a style, so the companies put great emphasis on recruiting people with the “right” attitude. People that would thrive and feel challenged in their environment. And as a recent study by Dalhoff, Vincentz & Boddum (2002) shows, challenges and responsibility are the two factors that motivate employees the most - more than high salaries. Finally, they all had strong niche focus and they were very resolute and goal oriented. This created a common sense of direction for the employees. They knew where they were going and when turnover ambitions or innovation ambitions were met, they would celebrate.

This leads to an overall conclusion. Firstly, the companies all possessed a clear awareness on strategy and the ability to reflect on strategy and their company. This includes a sharp profiling and well-defined business areas. Secondly, they were all very engaged in business aspects external to their company - i.e. building strong business systems, performing intense marketing, going global to fight any competitor, or networking closely with partners. And finally, they had the will to succeed and their attitudes and values often drove them forward. With respect to their differences, they took different approaches to board constitution and the question of bringing in outside professionals. Furthermore, they had different plans for the future ownership of their companies and with respect to their own M&A activity they also had divergent approaches. One company had basically evolved through M&A, whereas one other firm never had an engaged in M&A in its 50-year history. Moreover, these companies saw differently on the issue of outsourcing. Some companies chose to insource as much as possible to avoid

the risk outsourcing core competencies, but also because they produced sophisticated, high-tech products for which it was difficult to find appropriate sub-suppliers.

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