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**Strategy Work in a Finnish industrial SME company
– A case study**

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ABSTRACT:

Balanced scorecards and strategy maps by Kaplan & Norton are strategic management tools for organizations to develop their resources to be more efficient. Balanced scorecards are used to measure the success of factors that wanted to measure to see improvements and a strategy map is a visual chart that explains the causation between four different perspectives which are in the center of the balanced scorecard tool. The idea is to fulfill the objectives for the greater vision to be achievable.

This thesis's main objective is to describe the first strategy process of the selected case company. During the process, a model of a strategy map and balanced scorecard was created.

The study was conducted as a case study and the research strategy used was an ethnographic action study. Material for the study was generated during the strategy process in eight different strategy sessions, led by external consultants in spring 2019, and written down to a *Howspace* platform for later to be used in this study.

The results of this study may be used for further development of the strategy process for the case company.

KEYWORDS: Strategy work, Strategy maps, Balanced Scorecard

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1 INTRODUCTION

This thesis describes the process of generating the first written strategy for the case company and the tools that were used for it. The process is analyzed from the starting point of November 2019 to the point when the strategy can be seen to be fully in use. The thesis focuses more on the process of generating a strategy with strategic tools by comparing it to the theoretical literature. Comparison between good practices in strategic formation are reflected in theory and eventually benefits for the company of strategy work are given at the end of this thesis. Benefits of strategy work are gained by interviewing the people involved in the process.

1.1 Motivation for the study

The case company has been in the business since the 80's. Its core business was somewhat unclear for the first twenty years but shifted to its current direction in 2004 through acquisition. At that time the main business concept was formulated and work towards achieving goals on that business model begun. The company had steadily grown over the years, some may say relatively fast, but it was still lacking somewhat a professional way of going forward. The entrepreneur himself had made a significant effort on delivering the company to the point from where this case study begins, but realized that to go forward and to grow, a new plan had to be made and the process started with him stepping down from the operational management to be a chairman of the board.

The base idea of this study origins back to 2019 when the thesis writer started as a managing director in the case company. Although the author had worked for the company several years before November 2019, he could not affect general development issues within the company. Throughout the authors studies, the idea, and the concept for the case study had become much clearer, coming to its final form in fall 2022.

The case company xxxx Oy is a part of xxxx Oy group. Acquisition of the group was completed during the strategy process. The case company engineers and manufactures different kind of products for different OEM's, to a variety of industrial segments. The company is based in Finland and at the time of writing this thesis, it employs roughly 65 professionals. Its products are high-quality and low-annual volume, fundamental items in a work machine and the products are delivered to customers in many forms, from painted steel structures to a plug-and-play solutions. The company delivers products mostly to domestic markets, roughly 80% of its turnover. The remaining share comes from sales to Scandinavian and Western European markets. Lately, the company has acquired customers from South and North America as well.

The case part of this study origins back to 2019 when the first written strategy for the company was written, at the same time than the author started as a managing director of the company. Before 2019 company had a business model created, but people were lacking direction to where the company was indented to go and how it is going to be achieved. The company had no written strategy, management was done mainly by the entrepreneur himself only and people were not participated in proper manners to decision making, leaving them not so satisfied with the workplace. Verifying the lack of motivation among personnel, was done by organizing the first-ever questionnaire directed to personnel.

A company had gotten bigger and employed now close to 80 workers. In 2019 it had become obvious, that the past ways of working, might have led to a situation where growth was no longer possible, or at least it could have led to greater problems.

Case parts rely on author notes held during the process, to a platform, that was used to write down the notes, while creating the strategy. All data is from the years between 2019 to 2022 and interviews of the employees who have been witnessing the strategy formatting process and putting strategy into action. By the time of writing this thesis, the strategy has been formulated, and two iteration rounds have been done to it.

This study aims to study the relationship between theories of strategy process and strategy tools and how things were made in practice as well as how it has affected on to the company's performance. However, results cannot be taken as a standard what will happen in every company, as every community is unique, but the results gives more likely an overview of the observations what has happened within the case company after strategy implementation. The main motivation to write this thesis topic as a case study from the case company, is to learn what was done right, what could have done better, and what should be done next. I hope that this thesis will motivate some other business leaders or entrepreneurs to put a strategy into paper for the first time and see where it leads.

1.2 Thesis structure

This thesis consists of five chapters. After the introduction in the second chapter, the thesis concentrates to the literature of strategy processes and strategy work. Strategy as a concept is discussed and defined as well as briefly explained the type of strategies that may exist in organizations. Through literature review, it is presented the strategy process management to give an overview what are the fundamental key issues on a successful strategy. Lastly, strategy work as a concept is discussed and strategy tools are presented which could be used in a variety of situations, that organizations may be, at the time the strategy work begins.

The third chapter is the methodology, where it is discussed how the data has been collected, how it has been analyzed, and which methods and strategies have been used to create this thesis. The fourth chapter is an empirical chapter, where the comparison between theories and actual implementation and utilization is discussed as well as the results of the interviews are presented. The final chapter focuses on findings of the case

study and discusses briefly the benefits and gains what the case company has achieved during and after the strategy implementation.

1.3 Main research objective

A massive role in most of the economies is represented by small or medium sized companies. They are responsible in creation majority of jobs, accounts majority of businesses globally and account's a massive role in economic development, globally. Roughly 90% of companies worldwide belongs to the group of SME's (The World Bank, 2022).

The main objective for this thesis is to describe the completed first strategy process of case company and very briefly of the experience of its implementation to practice and experience among employees. Comparison between literature and process of case company will be done and the effects on the implementation are briefly observed through interview of a person affected by the implemented strategy.

A study conducted on 2019 and directed to Finnish SME's found out that 67% of Finnish SME's does not have a written strategy (Finnish Entrepreneur association, 2019). Why is this? I have encountered myself to this dilemma. To my own experience, the word strategy is often misunderstood, among SME companies, or they might not have a clear written strategy, which would give them and their workers a clear pathway, how to accomplish their ambitions or stakeholders' ambitions. I had become very interested on strategy through my studies and my past experiences had taught me, that quite often strategy is misunderstood and thus it might be an excuse to not have a written strategy. Perhaps this is because lack of knowledge, too hectic business environments or some other reason why written strategy does not play any role in such majority of SME companies in Finland. The aim of this case study is to encourage other SME's to have a written strategy and use strategic tools for them to go forward to ensure operational excellence in ever changing business environment.

2 Literature Review

The literature review begins by defining what strategy on a general level and what requirements it must have to be successful. Briefly also the type of strategies is described before moving into strategy formation and to the strategy process management. Finally, describing what phases are included to the strategy work. Lastly, the tool which was the tool used in case company's strategy formation process, is presented and discussed.

2.1 Strategy

Often strategy is described in terms of what is the desire of the organization leaders, what are their plans (Mintzberg & Waters, 1985). But why strategy is needed? Mintzberg (1987.), gives multiple reason for why organizations should have strategies. First, it sets a direction for the organization and it enables them to sail through different environments of what it may encounter. Secondly Mintzberg (1987) claims, that without a strategy, organization is just a bunch of individuals doing something but not collectively acting correctly, in terms of what company is trying to pursuit towards to.

In the core of competitive strategy is, that it is meant to be a way to set the organizations to be different from its rivals. Having a set of different activities through which the organization can deliver value to its customers. To beat competitors in competition, companies must create a difference to which it can withstand, through which it can deliver value (Porter, 1996).

For a strategy to be successful it should have, according to Grant (2005), goals clearly in mind and possess capabilities and suitable resources. Businesses should be aware of their competitors, the environment they are operating to where also customers and suppliers should be counted in.

Focus on operational leading and strategical leading differs a lot. Operational leading focuses on current days and upcoming weeks but strategic management are actions, that

enables companies to success in long term. It is a goal directed way of leading and working. The purpose is not to survive only for the weeks to come but in the core of strategy management is the idea, that company should have direction where to go, even if the world changes around the organization (Vuorinen, 2017. p. 15). Porter (1996), in his article, claims that there is a problem among enterprises in where they cannot distinguish the difference between operation effectiveness and strategy.

Vuorinen (2017, p. 27) describes that the aims for strategy can be divided into two rough options. Either the interest is to do something more efficiently or do it better. In this option the company is aiming to satisfy the needs of their customers within the existing business areas or by finding new profitable and executable market areas. The aim is to optimize its own actions according to current market and competitor situation, technology evolvment or according to its own abilities. Another aim for strategy is that the company is aiming to create something new and different. With this the company is not aiming to optimize its own actions according to the surrounding world but tries to do things differently that everybody else. Porter (1996) states that simplest description for competitive strategy is being different, by selecting ways through which it can deliver to its customer value.

At the time when the strategy work began, at the case company, there were no doubts about which category the case company should follow. It was only trying to satisfy the needs of its customers by following its original business model. As Teece (2010) describes the business model in his article, it is purely at simplest the architecture of the business itself.

Since the organization had been active for over 30 years at the time it started the strategy work there was no need nor desire to find any new markets. Selecting ways to enhance the organization to be ready for the next step where the scope of deliveries to its customers could be broadened was the main objective for the strategy work.

Although there are numerous ways to define what strategy there is not a single definition to it. Kamensky (2014, p.18-19) defines strategy with three different explanations. Firstly, it is a conscious choice of direction to achieve the company's main objectives. Secondly, it may be the way to for controlling its surroundings and thirdly it assists companies by controlling its external and internal factors and the interplay between activities in a way that the set goals are achieved.

2.2 Type of strategies

Porter (1980, p.34) presents three generic-level strategies that are merged to be better than competitors. These three generic levels are leading the costs, to differ from its rivals and focus. The first one, cost leadership, is dependent on strong sales, ever-increasing pursuit to lowering costs of operations, tight control over costs both direct and overheads, focus on large customers, and so on. It also requires the organization to have a strong possess of markets and ways to purchase material in a favorable manner. Differentiation strategy means that the offering of the organization is considered to be unique in the markets. This strategy often requires an organization to put effort on the engineering of the product or using high-quality materials in their products. Finally, the focus strategy means on generic level that organizations are focused on certain types of buyers or to a certain segment of industry. In the core of this generic strategy is the fundamental idea that the organization can serve its customers with greater effectiveness than its competitors, which leads to customers who neglect higher cost of the product in return of superior quality for example.

2.3 Strategy formation

Mintzberg & Waters (1985) states that strategies formation can be divided into two categories (to where in real life they never fall) which are deliberate and emergent

strategies. Differences on these are that deliberate strategy would have to fulfill three conditions. The intentions of organizations should be extremely precise, which should be communicated at a very concrete level. All actions within the organization should be accepted by the leaders and thirdly all intentions should be realized precisely as intended without having any affect from the environment. The second option for strategy is to emerge. Although for strategy to purely emerge, it would mean, that there would be actions without having any intentions to do so.



Figure 1 - Type of strategies (Mintzberg & Waters, 1985).

Mintzberg & Waters (1985) argued in their study that there are 8 different types of strategies which are present in organizations and either emerge or deliberate. They've categorized and named these strategies in a way which describes the essence of the strategies which can exist in organizations. Following chapter shall present a short introduction to mentioned definitions.

2.3.1 Planned strategy

In this strategy leaders are formulating their ideas and intentions as precise as possible for the organization later to execute. This requires very accurate plans, budgeting, scheduling, and other activities that might interfere the realization of this strategy (Mintzberg & Waters 1985).

2.3.2 Entrepreneurial strategy

Name of this strategy comes from its nature. The organization is controlled by an entrepreneur who communicates or not his or her vision and intentions to the organization. These types of strategies are mainly present in firms in a very early stage of their life and in smaller organizations in where everything can be controlled by an individual (Mintzberg & Waters 1985).

2.3.3 Ideological

In the heart of this strategy lies the shared vision which is shared by the member of the organization to a level in where all the actions of individual are strived by their beliefs in rightness of the vision. The ideological strategy can only transform to pursuit different goals if all of the members of organization collectively agree to it (Mintzberg & Waters 1985).

2.3.4 Umbrella strategy

In an organization, where leaders cannot influence on all the activities within the organization, it may create an umbrella strategy. Similarities to entrepreneurial strategy occurs in a way that vision is often centralized. Difference comes that those who have the vision are not the ones performing it into action. Centralized leadership creates boundaries of the strategy but allows people in the organizations to seek ways to achieve the target thus it allows strategies to emerge (Mintzberg & Waters 1985).

2.3.5 Process strategy

There are many similarities between process strategy and umbrella strategy. In this, like in umbrella strategy the vision is created by centralized leadership but instead giving boundaries and frames for the strategy, organizations with this strategy form chooses to control those assets that can influence on strategy making process. For example, organization can be created in a way that central leaders chooses people who can have an effect on strategy generation (Mintzberg & Waters 1985).

2.3.6 Unconnected strategy

Straightforward is a typical description for this strategy to distinguish it from others. It is very seldom leaded and actors within organizations can do as they seem feasible for themselves, not having to take other parts of organizations into notice while executing their own (Mintzberg & Waters 1985).

2.3.7 Consensus strategy

Without a need for central leadership or control in this strategy the elements and actors within the organization begins to get closer to each other thus resembling one and another, eventually becoming the way of thinking in the organizations. Learning from other actors and adjusting the learned matters it grows out to find ways of going forward suitable for the organization in question (Mintzberg & Waters, 1985).

2.3.8 Imposed strategy

The imposed strategy is something that is forced to organizations from externally. These external forces may control the organizations by a group or individual who possess great amount of influence through which it can control organization (Mintzberg & Waters, 1985).

2.4 Strategy process management

Past 50 years, there has been a lot of development phases, in the field of strategy work, when observing strategy from the point of management. Main phases have been long term planning, strategical planning, strategical leading and strategical thinking. The long-term planning is reality in many organizations today, planning and execution are loose from each other, and the future is planned in terms of whatever fits to current trends. Focus on many occasions within organizations is that the content of the strategy is well thought and seen as an important matter rather than the process of strategy formation itself, although the process effects crucially to the quality, productivity, execution, and renewal of the strategy. The process requires high priority in planning phase and the process is needed to develop according to situation in hand. Who are taking part in the process and when, what techniques are used, and so on. The strategy work should be simultaneously creative and discipline (Kamensky, 2014. p. 14-15 & 65-66).

Kamensky (2014, p.31), lists 10 most vital management features which must be fulfilled for companies to success in strategic management. These are common strategy and business language, so that people understand what is meant with the strategy. According to Karlöfs (2004, p.127), if people do not understand what is meant by company's vision it can just be meaningless words, to the organization. Kamensky (2014, p.32), also comes to this same conclusion and suggest that common business language should be established and explained to people within the organization.

Capability and willingness to renew itself and to understand the surroundings and communicate it to the organization is also vital for strategy management. Management also needs to adapt the way of the teamwork and ability to focus on what matters. Organizations should have persistence and enough capability of business knowhow. Organization should have industry knowhow and its connection to surrounding environment and to have a total view of management along with good network knowhow and communication skills (Kamensky, 2014, p.31-52).

One vital add on to Kamensky (2014, p.31) list offers Mantere & Vaara (2008), by claiming that participating organization members on strategy formulation process would decrease the level of dissatisfaction, and it would lead to better strategies and eventually implementation of strategy to operations could go with less difficulties. Although scholars are not in full consensus about the members who should be involved, they agree mostly that people should be involved.

Vuorinen (2017, p. 39) claims that the strategy process can be described in multiple ways and a description of the strategy process would help organizations to go through the essential's things related to strategy work. He states that there is no need to find the best formality for the process in the beginning, but it can be adjusted for the best purposes that fits for the organization.

2.5 Phases of strategy work

Abstract thinking, maneuvering between past and present, visioning future and concrete action plans are fundamental issues related to strategy work. It is vital to observe the world from the perspective of the organization and vice versa. Basis of strategy work is the business idea of a company or purpose of existence of an organization. Based on this idea, a logical process is generated including above mentioned fundamental elements. Purpose of the process is to generate coherent view to develop action of an organization to desired direction Karlöf, 2004, p.33).

On his book Karlöf (1996, p. 11) the author divides the strategy formation process into seven different phases. Consisting of getting familiar to the principles of the work and initiation of the work, acquiring information, and defining the strategy. Mentioned were phases of formation and after comes the implementation of strategy, measuring the performance of it and continuing leading of the strategy. Later however, Karlöf (2004, p.35) has shrunk one of the phases away and describes that strategy work has six different phases which are split into two different sections, in where the first section aims to

provide answers to the question what we are going to do, and the second section is meant to find the best practices to reach the objective stated in section one. By following these steps, the process provides a balanced strategy work for the organization. The process is very linear assuming that one phase follows the last one. The phases are, as drawn in figure 2, below.



Figure 2 - Six phases of strategy work (Karlöf, 2004, p.35).

Vuorinen (2017, p.41-44) however provides different approach to strategy process, which has only three phases. These phases are analyzing of strategic position, strategic choices, and strategy execution. In this model all the phases are connected constantly and is suitable for organizations that are already in action. With this it is possible to see the process as a continues action within the organization thus making the strategy work to be farther away from the traditional thinking (Kehusmaa, 2010, p.26-28) states that strategy work is a separate project. Kaplan & Norton (2004, p.54) have come to the conclusion that strategy is only a one part of a process where the vision and mission is transformed into daily activities of personnel.

2.6 Strategy tools

To help managers to plan, identify and to do strategic planning, a wide set of certain tools and techniques related to tools have been invented to aid in this matter. These are meant to help transform available data into a format which is needed to make decisions (Kalkan et all. 2013).

Stenfors (2007) claims that the name of strategy tools is used in literature as a generic name for a way that is used to execute strategy work. She also argues that strategy tools can make a difference and it is vital to understand which strategy tools organizations should choose to work with. It is not always clear to firms which strategy tools should be used in which situation. Every strategy tool has its advantages which are suitable for certain situation but not for every situation.

Vuorinen (2017, p.33) divides the most widely used strategy tools into four categories, each category representing different options for organizations depending on their desire of what is planned to do with the strategy. These categories are named, group 1 tools for generating new, group 2 tools to be more efficient, group 3 tools to develop the organizational resources and finally group 4, tools to position the organization to surrounding environment.

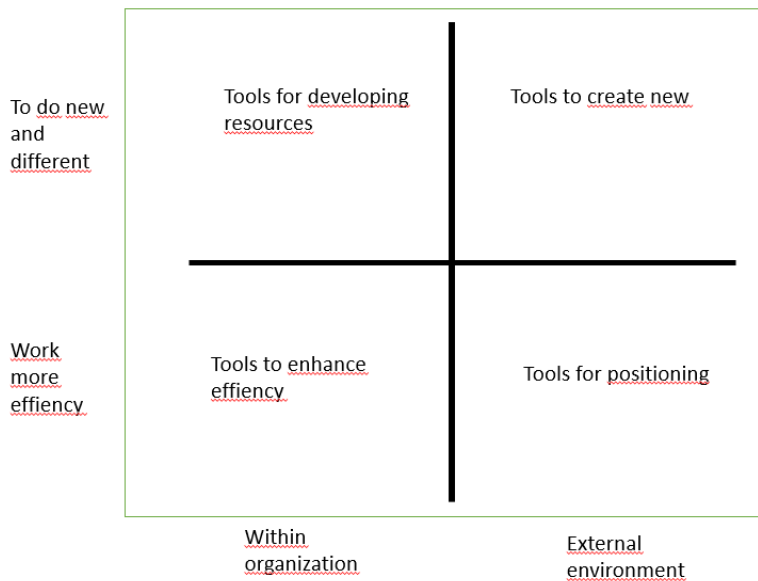


Figure 3 - Strategy management tool categorization, adapted from Vuorinen (2017 p.33).

Group one is a tool which by name is purposed to be used to generate something new. Very familiar tool for this is called the blue ocean strategy. With blue ocean the authors Kim & Mauborgne (2015, p. 11-18) means that companies should develop strategies which derives them from their rivals making the competition between companies negligible. Their idea is that the main theme of the strategy should not be thinking about the competition as it only leads to compete each and other companies alive nor that the fundamentals of certain industry could not be changed. The authors encourage companies to move away from the red ocean, which is a term for describing the state of companies who compete against themselves and sail away from that and create strategies using blue ocean method.

Group two consists of tools that are aiming organizations to be more efficient in their way of working and adjusting their operations to customers' needs. Examples of tools belonging to this group are SWOT analysis and Balanced Score Card. Abbreviation SWOT comes from four words. First S is strengths, the second letter W is for weaknesses, third letter O is for opportunities, and finally the letter T is for threats, which the organization identifies that may have an impact on to company's success in the future (Namugenyi et. al. 2019). The latter, Balanced Score Card or BSC is developed by Rober Kaplan and David Norton in 1992, that originally collects multiple measures for the management use to visualize the business in total, as it groups four different perspectives and links them together. These perspectives are "customer, financial, internal and innovation and learning perspective" (Kaplan, S. & Norton, P, 1992).

Group three tools concentrate on developing resources of an organization. As an example, tool for this is the VRIO-model, developed by Barney, J.B in 1991, which is a tool for organizations to analyze their resources through different aspects such are value, rarity, imitability, and organization to see whether the resources possessed by the firm can create a sustainable competitive advantage (Jurevicius, O. 2022).

Finally, group four represents tools which focuses on positioning the organization to the markets. Well known tool for positioning is Porter's five forces which was developed by Michael Porter in 1979. Idea behind this tool is to analyze the company's position in the markets through five different forces that effect on organizations, according to Porter (2008). These five forces are basically categorized into three. Competition, threats, and power. Threats and power divides into two, threats of new arrival to the market and threats of substitute product or services. Power divides into bargaining power of suppliers and customers. By analyzing the competition in the selected business area and mentioned threats and powers companies can structure their strategies. Difference to SWOT analyze is that five forces does not analyze too deeply the internal potentiality but more of the surrounding environment (Investopedia team, 2023).

Selecting a proper strategy tool for organization, the objective for the strategy work should be established first. By this the organization can position itself on to the map of mentioned four categories. If the objective for the organization is to create something new it should probably select some other tool than those which helps it to act more efficient. If the organization wishes to improve its effectiveness it should not select a tool with what it can position itself in the market. However, Jarzabkowski & Kaplan (2015) claims that selection of a tool might be based on the familiarity of the tools within the organization and not its applicability for the task or even on the usability of the tool as well as its simplicity to use it.

A study conducted Juuti et al. (2009, p.95) found out that on average there are 6-8 strategy tools in use at a Finnish SME companies, who are employing more than 50 people. That was an average, but study showed that there would also be zero tools or up to 20 tools in use. Juuti et al. (2009, p.95) states that it is a very bizarre way of leading the organizations. The focus is so much put to daily tasks that no one isn't putting any effort to effect on future or leaders are simply not capable of utilizing tools into action.

According to the same study Juuti et. al (2009, p.95) the most popular tools are still the ones that are the oldest. Study showed SWOT analysis still marks the title of most popular strategy tool used within organizations. Juuti et al. (2009, p.45) claims that Finnish organizations are very conservative of utilizing new strategy tools if any tools are utilized.

2.7 Balanced scorecard as a strategy management tool

One key element for strategy, is to describe the ways organizations are going to deliver value to its owners and customers. Approaching and describing this is however subject to one's position in the organization and his or her own ambitions within the organization. Managing directors may underline different elements than for example production leaders or sales directors. There are handful of leaders who has the overall knowledge of the organization in total to which they could use. Leaders and managers without having a total knowledge of the organization and its strategy are most likely unable to communicate it (Kaplan & Norton 2004, p.27-28). This can lead failing to execute one of the vital elements in strategy management as discussed in chapter 2.3.

Balanced scorecard, first introduced in 1992, can be seen as a strategic management tool to give a possibility to see beyond traditional operational and management measures, which are often built to measure financial targets only. These can provide only short-term results thus neglecting those long-term strategic objectives which are essential for companies to flourish (Kaplan & Norton, 1996). Kaplan & Norton (1992) states, that even used in best possible way, balanced scorecard cannot guarantee the success of company. However, it can be used also in SME's to set measurable objectives which can be communicated to the organization helping strategy to be executed.

2.7.1 Communication

Kaplan & Norton (2000) argues that implementation of the strategy is to be done through communicating processes for the organization. A study conducted by Oliveira et al. (2021) suggested that balanced scorecard can be a great tool for managers to communicate company's vision, mission, and strategy to the organization. According to Kaplan & Norton (2004, p.29) it is because balanced scorecard model offers a way of how to describe the strategy that is going to deliver value. For an average person working in a position without influence on strategic formulation, it may be sometimes hard to see how an individual work effects on anything in bigger picture. Balanced scorecard can visualize this, as it shows the strategical objectives and the linkages between them, by providing information how each improvement done to processes, can affect on profitability or customer satisfaction (Kaplan & Norton, 2000)

This is done through four elements which are connected but can act independently as well. First one is a process to communicate company's vision as a measured objectives to describe ways to succeed. Secondly managers can communicate the strategy in every organizational level in the same way, linking the strategy to daily activities. Thirdly, mainly for larger enterprises, balanced scorecard can be used to plan the business by setting priorities and allocating needed resources to activities that are subject and essential to achieving long-term success. The fourth element provides ability to have feedback what works and what doesn't and to learn (Kaplan & Norton, 1996).

2.8 Balanced scorecard model

The balanced scorecard model offers a model through which the strategy, aiming to add value, can be described. It links crucial business elements into one chart or model which visualizes the strategy and offers a way to measure it (Kaplan & Norton, 2004, p. 29).

Balanced scorecard provides answers to four basic perspectives in business. These perspectives are customer and internal perspectives the other ones are innovation and learning and financial perspective. Customer perspective gives an accurate answers and measures for the company of how it is seen by its customers. The internal perspective gives measures of what is needed to do to meet the demands of customers and satisfy them. Innovation and learning perspective answers to question what we should do to our products or services to be able to maintain ourselves in the markets and available and finally financial perspective for measuring how the company is doing (Kaplan & Norton, 1992).

Later, Kaplan & Norton (2004, p.29) have described these elements in way where the financial view expresses eventually the success of the organization by showing the ways how sustainable growth is created for the shareholders. Customer perspective is a central theme in their model when the organization wants to enhance their economic performance. They argue that the essential part of strategy formation, is to create value proposition to customer. This proposition is communicated to the customers of the organization through internal processes. Good results of these processes indicate enhancements for customer and financial related results. Lastly, the innovation and learning perspective describes how people, technology and the general atmosphere of the organization can collaborate to support strategy. Improved results in this perspective can predict enhancement to internal processes hence effecting also to customer and financial perspective in positive way (Kaplan & Norton, 2004, p.29).



Figure 4 - Simplified strategy map - adapted from Kaplan & Norton (2004, p.30).

Each organization structures its own strategy map based on its own strategic goals. And based on that some 20-30 measures are created to measure success of the strategy (Kaplan & Norton, 2004, p.76).

In figure 5 it is highlighted in yellow to where and at which stage strategy maps and balanced scorecards are placed in value creation as suggested by Kaplan & Norton (2004, p.55)

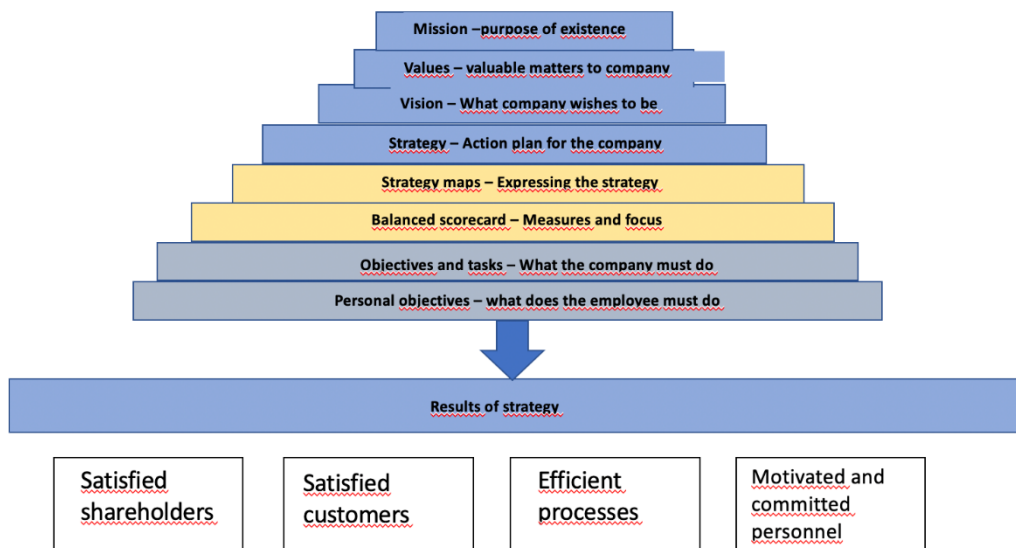


Figure 5 -Strategy maps and balanced scorecard in value creation process (Kaplan & Norton, 2004. p. 55).

2.9 Strategy maps describing the causation

On top of balanced scorecard Kaplan & Norton have developed a model to describe the causation between the perspectives, described in chapter 2.8, to which balanced scorecard model is founded on. In this top-down method strategy perspectives, executives of companies should first state their mission and the values to which are fundamental to their organizations, and according to which they wish to establish to the organization. According to Kaplan & Norton (2000) defining the mission and values must come before establishing or drafting the strategical vision for the company, which should describe the desired future of the organization.

On chapter 2.7.1 communication of balanced scorecard was discussed. According to Lueg (2015) strategy maps can be seen as an essential link between the measures and implementation of the strategy throughout the whole organization in where the strategic goals are vital elements for strategy to be successful. Proven fact for the strategy

maps is that it is more suitable for communication than balanced scorecard individually and it can reveal lack of strategy implementation and its execution thus aiding the management to review the objectives on the way to reach strategic goals. Lueg (2015) also states, what multiple research's has proven, that identifying those that matter is easier for employee if organizations have used strategy maps to describe the strategy. Once done correctly it illustrates through multiple measures the one strategy which company has generated (Kaplan & Norton, 2004). Strategy may be better be accepted among personnel and it can also raise employee satisfaction in terms of rightness among employees and managers as something what is understood is easier to accept into practice. However, in where the strategy map supports the balanced scorecards it can only do that if managers and/or executives are familiar of it, used to work with it and able to perform causation between the perspectives and are as well capable to avoid generic model generation for organization use (Lueg, 2015).

There are many beneficial sides of strategy maps for the use of organization. Not only it creates thoughts around the business logic and through which the organization can create value to its customers, but it also defines the processes and ways of working to create value. It helps, through visualization, the organization in creation of describing and defining the measuring system for organization and on top of these it collects strategical logic of the organization into visualized format (Einola & Kohtamäki, 2014).

It is most definitely a challenging but rewarding task for the organization executives to define the strategy map. It forces the organization to focus and think about the vital issues of to whom and with what it can deliver value to its customers (Kaplan & Norton, 2004). A study conducted by Lucianetti (2010) founded that there is a clear benefit among organization who have developed a strategy map to go along with their balanced scorecards. The study concluded that strategy maps showing the causal relationships between key performance indicators in a way which is easy to adopt, may improve the organizational performance as it develops the right issues within the organization.

2.10 Challenges of balanced scorecard

Despite the great popularity of BSC and the widespread of the tool, throughout various of industries and the usage from enterprises to SME's there are still some challenges around it. Awadallah et. all (2015) stated in their study that multiple organizations have encountered a tremendous obstacle of implementation of BSC or that companies have not achieved the desired outcome with it. Furthermore, Molleman (2007) has developed a table including nine common possible obstacles that organizations may encounter while trying to implement balanced scorecard into action. A study of Casey et. all. (2004) adds some to that list also notifying the problems of balanced scorecard. According to them BSC model leaves too much room for interpretation that who is accountable of which claiming that since objectives and goals in BSC are strategic, people within the organizations may feel that it is somebody else that should be accountable. They also criticize the number of things that should be measured.

Despite its problems, it may have during creation or implementation phase, a study by Ratnaningrum et. all (2020) have found it to be beneficial for the organizations after all. Their study proved that 31 per cent of the studied companies experienced a high level of success after implementation of balanced scorecard and only 13 per cent had experienced failed results.

2.11 Synthesis

This section presents the method that can be used for further strategy work for the case company or alternatively another SME company. This method is used in empirical part of this thesis, later to be filled completely informing the reader what aspects were discussed during the strategy formation process for the case company.

The process of strategy work for the case company is researched through strategy formation process perspective, to gain knowledge what factors aided the case company to

establish the strategy and how it relates to the theoretical part what was discussed in the literature review.

The literature review studied what kind of a strategies exists, how they format in organizations, what are the key elements for a successful strategy work, what phases the strategy work includes and finally the literature review presented a strategy tool which is useful for organizations to enhance their operational excellence.

Answering to our main objective of this thesis the strategy process is described by fulfilling step by step the model presented in figure 5.

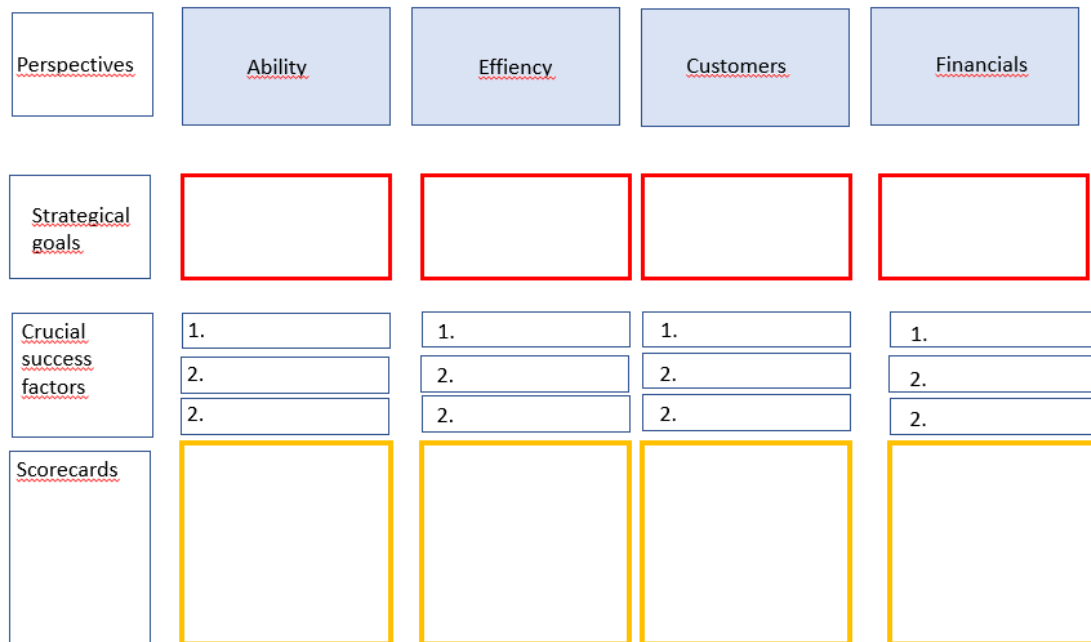


Figure 6. Model to describe key elements for case company strategy. Adapted from Soneon Business 360™ model.

3 Methodology

According to Metsämuuronen (2008. p. 9) methodology is a common approach to study a selected subject. It is useful once it serves the purpose of the practical study. This chapter introduces the selected methodology for this thesis, presents the research strategy and the method. This chapter also explains the selection of case and the process of it. On top of mentioned, this chapter presents how data was collected and how it was analyzed. Validity and creditability of this type of research is discussed in the final chapter.

3.1 Research method

There are two ways of gathering data to research and those are called qualitative and quantitative methods. These methods are distinguished from each other in a way that where quantitative methods concentrate to collect results in a numerical and formal way, the qualitative method relies on collection of data as a non-standard way. The qualitative data is based on meanings which are expressed in derivations from numbers, qualitative method data is expressed to researcher through spoken or written words (Saunders et. all. 2009. p. 482).

Qualitative research is suitable for studies where the study concentrates on detailed structures instead of general diversity. It is also suitable for studies where there is a need to study natural phenomena, when it is impossible to arrange an exam or when it is impossible to control all the variables or where one wishes to gain information cause-effect relationships, which cannot be explored through exams (Metsämuuronen 2008. p. 14). As this thesis concentrates on a single case study for one company, the research method is carried out with qualitative methods with a research strategy discussed in the next chapter.

3.2 Research strategy

Purpose of this thesis is to describe the process of strategy formulation within the case company. For qualitative research, there are multiple research strategies, which can be used. Most common ones are, case study, phenomenology, ethnographic, phenomenography, grounded theory, action research and discursion analysis (Metsämuuronen, 2008. p.16).

This thesis combines two of these strategies mentioned. The ethnographic and the action research. Selection is based on Tacchi et. all. (2003, p.2) basic introduction of ethnographic action research, typically consisting of two phases, planning phase and action phase. Ethnographic action research tries to find answers to what are to be done and how. How we are doing it and how we could do it better (Tacchi et. all. 2003, p.5).

Ethnographic research is, through participant observation, trying to explain and understand the community or group of people to be able to describe it (Metsämuuronen 2008, p. 20). Research can be approached through ethnography without using some specific method (Tacchi et. all. 2003. p.12). Action research is a strategy aiming to solve real life problems, enhance social encounters and trying to understand them better. Action research is a combination of situational, collaborative, participatory and self-evaluating research method which aims to develop practices already in use. This method does not require many participants but can also be studied by an individual. However, quite often a group of people participates in the research, as it is often related to transformation process of an organization (Metsämuuronen 2008, p. 29). Tacchi et. all. (2003, p.12) argues that action research is all about taking the strategy and integrating it into your development project.

3.3 Case selection

By case in this thesis is meant the process of formation a strategy to the selected case company. Case selection has been done purely out of thesis writers' own interests and pure desire to observe the process of creation, through theoretical lens, to be able to enhance the process and implementation of strategy for next years to come. Case was selected by thesis writer without any requests from third parties.

The case company did not have a challenge with knowing it positions in the market and who are its customers and through what activities it delivers value to its customers. The challenge was in bigger picture, that it had no clear goal of how to achieve this. Case company had positioned itself to the markets, for being a company who delivers value to smaller OEM's to whom the service level of the case company's, was suitable for. The major challenge was the coherency among the workers and conscious actions based on the communicated strategy.

Process to select this topic for the thesis had drifted in the mind of thesis writer throughout the studies in the University of Vaasa. Beginning of studies dates to the same autumn when author begun his career as a managing director of case company. A clear signal, which eventually gave the final kick to start studying the strategy process, was the questionnaire held to people in the autumn of 2019. It indicated that there was no clear goal and people didn't quite know what was expected from them. The desire to study, what was done incorrectly and what was done correctly, grew in the mind of thesis writer and thus the case was selected.

3.4 Data collection

Primary data for this thesis was collected by participating actively into the process of strategy formation. Strategy sessions were held 8 times. Present in these sessions were

three employees of the case company, and two consultants. This way of collected data is called participant observation where the researcher him- or herself is or is trying actively to participate to the activities and can be seen as a part of the group or organization. Not only, this aids in observing what is happening, but it also allows the researcher to share his or her own experiences (Saunders et. all. 2009. p.288-289 & 295). Collection of primary observed data can be done by keeping a diary. In this sense the diary of data can be found in an electronical form which was used to complete the strategy formation process. Secondary data are statements from the observer of things that happened during the process which involves renditions (Saunders et. all. 2009. p.296).

To be able to draw a clear statement how the process got started and what were used as a baseline, also internal documents and other internal data was used, to help building a strategic framework. With internal documents here is meant questionnaires directed to the personnel's or other documents that have aided the strategy work.

As for the secondary data the experiences of how people have seen the strategy work and its possible benefits to their own work have been gathered through personal interviews. Saunder et. all (2009. p.297), argues that data collection and data analysis may well be done simultaneously during the research. However, in the next chapter we explain the data analysis process.

Table 1- Strategic session with dates and key focus subject.

Strategy sessions	Date	Focus
1.	17.2.2020	Defining our mission
2.	2.3.2020	Defining our vision and values
3.	24.2.2020	Discussions about the perspectives
4.	1.4.2020	Strategical goals
5.	13.04.2020	Strategical goals
6.	11.5.2020	Crucial success factors
7.	22.5.2020	Crucial success factors
8.	1.6.2020	Scorecard and measures

3.5 Data Analysis

Collected data was analyzed in two phases. First phase included categorizing the data to a platform, provided by the consultants. Each session consisted of category, namely for that particular subject in question. Each member had to change to write down their own thoughts of each subject. During the process it was initiated several statements and discussed what should be done in order to reach our strategical goals. Data analyze method was an adaption from Nag et. all (2007).

3.6 Validity and reliability

When it comes to reliability of this research, it can be justified by answering to question of would the result be the same if done in another time and place or even by another researcher and how transparency the data is. Validity of the research then again is concerned about the accuracy of the data and is the research answering to questions what it was supposed to answer. As for participant observation method for data collection the validity of it is very ecological as it studies social phenomena in real life. However, it has all the same threats to validity as in other methods. Reliability of the research has four threats which may cause lack of reliability. Data may include errors from participants, it may have bias from the participants or observer can make either errors or bias. The most crucial error in participant observation that the research can make is an observe mistake. This is where the observation behavior of the observer changes, once consciously observing the matter. (Saunders et. all. 2009. p. 156-157).

Reliability of this study restricts only for the case company. It cannot be held as a general guideline how things should be done, neither it is not reliable method to use in another organization due to the individual nature of each strategy process, within different organizations and different stages of each organization not to mention the strategy goals. This research gives only assumptions what may happen and what might be the benefits

of strategy work in SME companies. The data itself is valid and the validation for that has been verified among the participants.

4 Findings

Purpose of this section is to describe the process of how the strategy was formatted in the case company. Step by step, the model presented in chapter 2.9, is filled. Observations are presented in the same time manner than presented in table 1. First it is described the discussion around company's vision and mission and values. Secondly, individually, it is presented the observations of each perspective, through three different elements, strategical aims, crucial success factors and scorecards, finally leading to a complete model which is used to visualize the main objectives. These are the goal that needs to be fulfilled for the strategy to be successful. The layout is an adapted version of balanced scorecard, created by the consultants who participated to the process. Partly because participants saw it as a useful and clear tool and partly because participants had no experience of any other tool in practice.

After launching the idea of preparing and writing a strategy for the case company a consultant company was hired to challenge and guide people involved to the process. Main purpose for that was to have an external view on the strategy work and secondly trying to avoid possible mistakes which may occur as people did not possess the same experience than the consultants. During the strategy session an observation diary were held to where it was written down the keywords and the results of discussion throughout the process. The language used was for practical issues only in Finnish and are translated for the sake of clarity to English in this thesis. People involved along the consultants presented the key personnel at that time of the case company. Altogether, five people, including the consultants, were involved. Due to sensitive nature of this thesis some of the results have been hidden.

4.1 Mission

The discussion about the mission started with a sudden surprise of participants different view of the company's mission. This was the first step for understanding that the mission had never been thoroughly communicated to the company's personnel. The consultants began to challenge the participants to think about it through questions they asked. The questions started with the main question why does the company exists, what is the purpose of our action and what does the company do?

“Our aim is to produce products according to the demands of our customers, simultaneously developing them and the processes forward in a pro-active manner”.
(Participant 1)

This view was indeed the main purpose of the company, although it did not give an answer to who were the customers thus not restricting any possible OEM machine builders for not to be its customer.

“The company exists to manufacture and to engineer products for OEM customers whose annual need for those varies between few items to few hundreds annually”.
(Participant 2)

View given by the participant 2 already restricts a bit to whom the company is producing and what. This already tells that the company is not interested on customers whose annual volumes are high thus giving the mindset to serve right type of customers and adapt the organization for that purpose.

“To manufacture safe and comfortable products to ones that needs them. Making profit and to be efficient”. (Participant 3)

Third participant with his view also gives good point to the mission discussion. It states that the company wants to do its products in a way that the customer can rely on them to be safe for the end user as well as the long hours usually spent in it are done in comfortable environment.

Secondly, the consultants wanted the participants to think, that what are the benefits or our actions to our stakeholders and customers. The main question was, why the customers should buy from the case company.

“Our aim is to create as much added value to our customer as possible, to ensure that our customer can focus to their core business and to develop that further”.
(participant 1)

“Products are made with cost efficiency and tailored to customers’ demands with great quality”. (participant 2)

“To develop and do better solutions”. (participant 3)

These statements led to finding keywords to describe the mission statements. Selected keywords were, developing competitiveness, quality products, OEM-customers (machine and equipment manufactures), small series production and to add value with the actions.

By the end of first strategy session on 17.2.2020 participant, with the aid of the consultants and after trying different sentences, based on the keywords, found a sentence to which first of all made sense and seemed to be in a form which could be communicated to the company.

“We produce, with small series production principal, products for machine and equipment manufacturers purposes, constantly developing our way of working and expertise. By the added value brought by us, the customer can focus to their core business, leveraging resources to develop themselves further”. (Mission statement 17.2.2020)

4.2 Vision & values

Second strategy work session what was accomplished related to case company’s vision and values, giving the focus more to vision. In this section we shall not discuss about the values. The vision itself was determined to reach up to five years from the formation date. The consultants requested the participants to define the vision in a way that it would answer to three questions.

“In what actions were are involved? What are our main market areas and what size of a company we are in terms of turnover, profit margin and production volume”?

Through the discussion in the session 2, it was formatted three different alternatives for the vision. These three alternatives came from two of the participants as one of the participants was absent from the session. Consultant also kept a diary of the discussions later to be used as keywords for defining the vision which would answer to the question to which consultants requested that the vision should answer.

“Our constant effort on quality, productivity and efficiency ensures that we are capable to produce xx times the number of products than currently is possible, with wider scope”. (First draft of the vision from the participant 1)

“We manufacture products from single pieces up to hundred pieces in series in a year. Engineering strengthens to be an own business. Willingness to have also

own product to manufacturing. Would it be possible to add manufacturing of frames”? (Draft from participant 2)

As can be seen these first drafts, they don't answer to the question in total but only partly. Therefore, consultants suggested participants to continue drafting with the questions in mind.

Participant 1 wrote to the platform single words, where the amount of wanted turnover was presented, the amount of produced units and the profit of a company in numbers were given. Those shall not be disclosed here due to sensitiveness of matter and business secrets. The same notes included the market area in where the company wishes to operate as well as the defining the ideal customer profile. The vision came to its final form after the session, as participants wanted to think about it through.

“Our constant efforts on quality, productivity and efficiency ensures us to be able to produce xx times the products than currently is possible, and with a wider scope of supply than today. By the year 2024 our aim is to produce xx number of products”. (Final version of the vision)

The vision does not answer to the requested question in total but only partly. Participants wanted to keep the vision short enough and not to include everything into it.

4.3 Perspectives

The perspectives through which the strategy in the case company was generated, were adaptations of the balanced scorecard discussed in chapter 2.8. However, these perspectives were not the same, but suggestions what consultants suggested should be used. Reason for this was, that these perspectives also linked to the questionnaire directed to personnel, which then could be used to measure the effectiveness of strategy implementation through three-year period. First it is started with the perspective of ability then move on to the efficiency and after that to the customer perspective and finally to the

financial perspective. Each perspective is constructed in a way that to reach strategical goals, the crucial success factors must be completed and completing them it is vital that the scorecard issues are done and the process of them is measured. The model in figure 5 is completed in practice from bottom to top but can only be filled during the strategy work from top to bottom hence we describe the process from top to bottom.

4.3.1 Ability

The session was held, due to corona virus outbreak, as a zoom meetings, giving a challenge for the participants who had not used to virtual conference meetings. First defining the strategical goal was crucial in order to move forward and to get a clear vision what is required to be done in order to accomplish it. First, we will discuss about the strategical goal and the move on to the crucial success factors and finally into scorecards.

4.3.1.1 Strategical goals

Consultants led the discussion among the participants. The leading question was trying to identify what kind of an organization the case company would be in the ideal situation where the vision is achieved.

“Well functioning teams with the ability to evolve and develop the work as a team”. (Participant 1)

Participant 1 thought, that by formatting teams, who would have the courage and ability to develop the work as a team, one part of the vision could be fulfilled.

“Acting with high motivation and professional manner will effect crucially to the effectiveness of operations and hence to customer experience”. (Participant 2)

Second quote is from participant 2, who went further and already made some assumption, not necessarily answering to main question, but defining what would affect from his point of view, to fulfilling the vision.

“Organization will act efficiently as a team in all of its actions”. (Participant 3)

Above quote already gives a hint and repeats the idea of teamwork, which was not common in the case company. Participant 3 saw that teamwork is an essential part to fulfill the vision.

“Developing leadership skills”. (Participant 2)

Second opinion from participant 2 was, that leadership skills would need to be developed. His thoughts based on the fact that leaders of the company had not taken learning session of leadership but were only taught along the way to act as a work leader, not necessarily having the tools to lead with modern leadership manners.

“People shall grow once gets responsibility”. (Participant 1)

The last quote while discussing about the strategical goals of ability, participant 1 wanted to point out that, modern workers are not those who seek professions where one does only what is instructed, but they seek for environment where they can influence on the tasks and develop processes further.

During the session, based on the quotes and obviously free talk, the participants were asked to formulate a single sentence which would include the above ideas, so that it would define the strategical goal. The sentence was supposed to describe the base idea of what the case company would be like if the vision would be achieved.

“The whole organization shall act efficiently as teams in every action, with good motivation and constantly developing everybody’s professional ability, communication skills and cooperation ability”. (Strategical goal, ability)

4.3.1.2 Crucial success factors

It was agreed that there should be three crucial success factors to support the formation of the strategical goals. These three were supposed to be equal. Again, the consultants encouraged participants to throw ideas freely, which were written down. All the presented quotes then eventually formatted three different success factors which should be accomplished in order to accomplish the strategical goal.

“Teams should have clear objectives to towards which they shall develop their actions”. (Participant 2)

“Managers act in-line and towards objectives that support the actions. We shall go toward the same direction and if needed turn the ship to another direction together. (Participant 1)

Participants 1 & 2 provided thought, that objectives should be established. This supported the idea stated earlier, where personnel did not have clear understanding of why they are working in this organization and towards which direction. Clearly in thought of participants 1 & 2 the teamwork was in central. Thoughts around teamwork and incentives formatted the first crucial success factor for the organization.

“Teams are managed in-line and with goal-directed mindset towards set objectives”.

The second crucial success factor started to format around the topic which focused on internal communication. This was seen as a major improvement point in the questionnaire for the personnel's and was seen as a crucial element in modern organization. Consultants wanted to challenge the participants around this topic and to come up with at least one point that would improve the situation.

"Sufficient amount of information to all personnel". (Participant 3)

"The internal communication should be as active as possible which allows people to know what is happening in the company and turn of the tides of the world". (Participant 1)

The communication was not seen to be only as a one-way action, but participants agreed mutually, that it should be two ways so that the voice of the personnel would be heard as well.

"Personnel should have a chance to participate in developing the work". (Participant 1)

"Taking the ideas into notice and analyzing them. Good, doable ideas implemented to action". (Participant 3)

"Personnel have the feeling that they can effect on matters". (Participant 2)

Communication was seen as a factor to drive the organization towards its strategic goal and thus the following was selected as a second crucial factor in ability perspective.

"The internal interaction is active and open in where everyone has the sufficient amount of information available".

Third crucial factor was seen to be a competitive incentive systems so that high skilled workers would be available to work for the company. The idea for this came again from the questionnaire directed to personnel.

“There should be clear, transparent incentive system. This will affect on motivation. How it could be utilized to support in optimal way the total”? (Participant 2)

All the other participants agreed to this. There were no quotes that would differ from the quote above so such are not presented. However, a supportive incentive system was seen as a third crucial success factor for the organization in terms of ability and was written to the matrix of organizations balanced scorecard.

“Incentive systems are clear and transparent.”

4.3.1.3 Scorecards for ability

For organization to reach the crucial success factories in Soneon 360tm model, the scorecard formatted the base of actions which should be implemented to everyday work for leaders guidance to understand what are the tasks that are needed to complete to be able to reach those crucial success factors. In terms of ability the participants selected six different scorecards to be monitored. Consultants requested the participants to come up with six statements and actions crucial to be done, for the statements to come alive.

Table 2 - Scorecard for ability

KEY OBJECTIVE	MEASURE
1. PERSONAL LEADERSHIP EVALUATIONS	Personnel questionnaires and development discussions
1. REACHING THE OBJECTIVES	Measuring the objectives
2. "TOP TEAM CONSISTIN FROM TOP PLAYERS"	Feedback from personnels
2.REGULAR MEETINGS	Meetings held regularly and decision are written down
2. AVAILABILITY TO UP TO DATE INFORMATION	All work related information accessible to individual
3.INCENTIVES SUPPORTING TEAMWORK	Reachin the team objectives (maintaining quality)

Once the scorecard measures were selected participants had overcome the ability perspective of their strategy work.

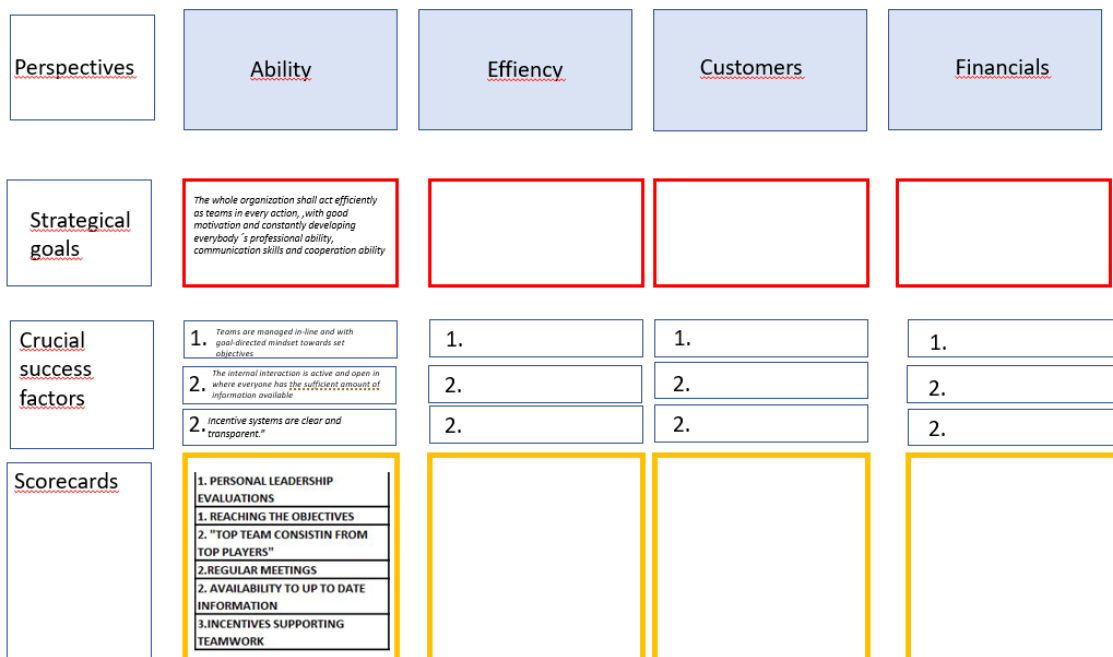


Figure 7. Model with ability perspective added.

4.3.2 Efficiency

Second session of the perspectives was held also as the first one was, via virtual meeting tool, as would also the remaining session coming up. The reason obviously was the outbreak of the coronavirus pandemic. Although the virtual meeting gave a little lack of concentration among the participants, this session followed the same pathway as did the session of defining ability. First, it was needed to define the strategic goal and going forward the participants came up with success factors and the scorecards. This session was by far the session where all the participants had more to say than in any other session.

4.3.2.1 Strategic goals

At the very beginning of defining the strategic goals the participants were required to define efficiency to themselves first. Most of the participants agreed, that efficiency in case company meant production speed.

“Production speed is xx number of products per day, decreasing the lead time”.
(Participant 2)

“Lead time goals per product is hard to define”. (Participant 3)

Participant 2 stated that organization was perhaps a bit too production orientated and should think other elements as well, which would influence on the lead time of the products.

“We are now quite production orientated. Should we consider other elements as well”? (Participant 2)

This statement somehow opened the dam and participants started to discuss more deeply of what matters to the production lead time. What should be taken into account

and which elements organization should develop, along the development of production processes.

“Goals for sales? Goals for engineering? Is it required to develop these sectors as well and see how those could affect on the efficiency of production lead times”? (Participant 1)

“Definition for a standard time per product is required. It should be monitored and followed”. (Participant 2)

Participants realized that it does influence on to the production lead time if engineered products are hard to produce or the models and drawings are inaccurate, leading to a situation, where work leaders must run around the factory asking certain questions, which could be visualized to drawings. Participants also realized, that for the engineers to be able to engineer products to a desired level, they would have to have more detailed information from the sales and the requirements from the customer. All of that was not actually a problem, that someone did not know that, but the documentation and communication was. There were not accurately described nor saved for engineering use or they did not had access what was agreed with the customers and thus engineers were unable to have up-to-date information. Participants felt that there was a need to take a leap from workshop to a factory.

“From workshop to a factory, in where there is a systematic way of working. Clear work instructions and common way of working”. (Consultant description of participants thoughts)

This statement led people to discuss and got them thrilled about it. The phrase “From workshop to factory” especially was the one that was seen as a descriptive sentence to describe the way of work to where it should be leading to be more efficiency. Participants agreed that everybody has a somewhat vision of what a factory looks like and how things

work there. Through these statements and discussion participants selected the strategic goal for efficiency to be;

“From workshop to factory which is systematic and concordant way of working. The production speed is x number of products per day, and we work according to standardized lead times”

4.3.2.2 Crucial success factors

Again, as per earlier agreement, there was a need to determinate three different crucial success factors, which once fulfilled would lead to selected and desired strategical goal for efficiency. Discussion around the success factors was brainstorming and throwing ideas and not all of them were written down but only those who all the participants agreed to be something worth of consideration.

Discussion started with the brainstorming of current way of working. Participants felt that currently organization was doing quite a lot of things by themselves hence having too much material flow to handle with the resources on hand.

“We must select the best method for way of working. Whenever needed sub-contractors should be utilized”. (Participant 3)

“What is worth doing on our own and what should be outsourced”. (Participant 2)

Participants identified, that controlling the material flow with different manner depending which type of a material is in question, would also be the key for focusing better on to the core business of organization.

“Products should have clear controlling method (mass produced, individual and prototypes). From order to production, buffer stock and Kanban”. (Participant 2)

Brainstorming led to a situation, where participants understood that not only it would be efficient to work with previously mentioned way not doing everything in house, but to have a coherent way to produce those that shall be produced in house

“Doing things concordantly”. (Participant 1)

“Machines and equipment suitable to produce our products”. (Participant 2)

Eventually, this raised a question that how the current ERP system handles the work and are we using the system in best way to gain the needed aid from the system for doing things concordantly.

“Specifying production planning and information in ERP system”. (Participant 2)

Throwing these ideas or development points at brainstorming the first crucial success factor led to conclusion that there was a need to enhance the processes and to describe the processes. Developing the way of working in-line within the whole organization and not to do everything in house, but to focus on things which the organization was good at and outsource everything else. The first crucial success factor thus formatted to a sentence;

“Developing the processes and way of working as well as decisions for make or buy analysis”.

Second crucial success factor formatted during the same brainstorming as participants were throwing ideas how to reach the strategical goal. Ideas which would make the

organization more efficient started to swirl around the engineering and manufacturing collaboration.

“All the products to be manufactured with same principle”. (Participant 2)

“Standardizing manufacturing methods and tools”. (Participant 1)

“Engineering has significant meaning to efficient manufacturing. Meetings with engineers and production to be held often enough.” (Participant 3)

“New products to be engineered to be manufactured in our production”. (Participant 2)

It is true that manufacturing is dependent on engineers and engineers are dependent on manufacturing, in terms of how things can be engineered so that they can be manufactured efficiently and vice versa. The available tooling which are used to manufacture products should guide engineers on their design process.

Participants thought that there was a lack of understanding between these two departments and thus there might have been products that created a great level of work among blue collars due to engineering. Engineers were not aware of the required level to which the production required drawings to be made nor they were aware of all the tools or best practices how to make products. Participants soon figured out that only way to get the organization more efficient is to enhance the collaboration between these two departments and the second crucial success factor for efficiency became to be;

“Deep collaboration between engineering and manufacturing to standardize best practices of production methods”.

The third crucial factor was seen to be quite the same as in one of the ability crucial factors. And this was the incentives to do the job faster once individual had the possibility to organize the work by him/herself. There was no further discussion around the topic, but only a need to make a decision that incentive systems are a crucial success factor for efficient production. Thus, only the words “Incentive systems” was selected for third factor.

4.3.2.3 Scorecards for efficiency

The same request, as in ability, was from consultants for participants to come up with six points that could be measured to achieve the crucial success factors, and eventually the strategic goal for reaching the vision of the organization. This task finalized the efficiency perspective.

Table 3 - Scorecard for efficiency

KEY OBJECTIVE	MEASURE
1. MAKE OR BUY DECISIONS	Business case analysis per outsourced item
2. ENGINEERING DECISIONS	Material demands according to standards
3. MANUFACTURABILITY (ENGINEER)	DesingForManufacturing itetarion rounds
4. MANUFACTURABILITY (ENGINEER)	Developing the engineering standardizing
5. MANUFACTURABILITY (ENGINEER)	Pre-sales concepting together with engineering
6. MANUFACTURABILITY (PRODUCTION)	Best possible factory with small part quantaties per product

After finalizing the efficiency perspective participants had the possibility to write the strategic goal, crucial success factors and scorecards into the model that they were filling.

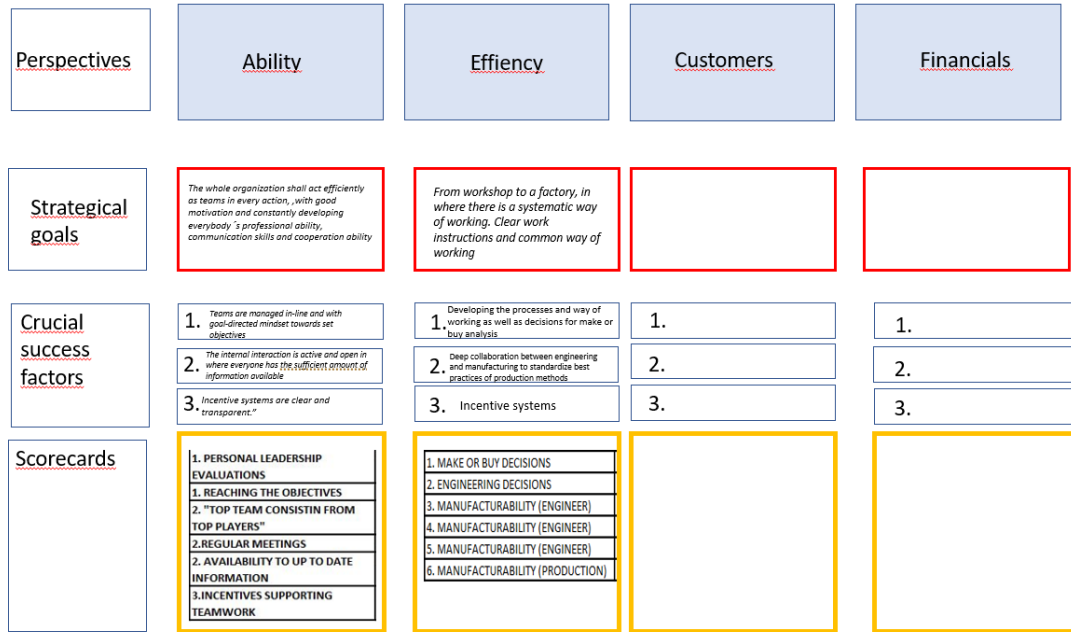


Figure 8. Model with ability and efficiency added.

4.3.3 Customer

Perspective for the customer, was the third perspective that participants got to think about. Once more held as a virtual meeting that lasted for a day. At this point the virtual meetings were becoming more convenient way of working and ease the work in that sense. As in previous two perspectives also this perspective began by defining the strategic goal and moving downwards to crucial success factors and then to the scorecards. This perspective did not rise that many brainstorming than previous perspectives and that might have been due to the background of two of the participants.

4.3.3.1 Strategic goal

Brainstorming began by consultants asking the participants whether they saw that the customer profile was sufficient for long term success? By this question they obviously wanted the participants to start talking about the risks related to customer profiles. At the time of session organization had several customers but only few of them represented

significant share of yearly revenue hence creating somewhat a risk to the organization. Participants were familiar with the issue and began to talk about it.

“Reaching for prospects on top of current customers. This is vital from the risk management side”. (Consultant statement during the discussion)

Participants agreed that they should invest on sales to be able to reach those unidentified customers. The number of potential customers were known, and decision was made that at least four of major possible customers should be contacted.

“Four customers who could bring volume. How and when this can happen”? (Consultant statement during the discussion)

For the participants this was an easy selection to be made. Everybody agreed that organization should widen its customer pool and rather than stand on two feet, the organization could stand on four pillars, hence reducing the business risk if it would loose one customer.

“Widening the customer pool into “four feet”. Strategic customer relationships created and strengthened”. (Strategic goal of customer perspective)

4.3.3.2 Success factors

The decision for strategic goal was made quite fast by the participants and consultants asked them to start brainstorming about the success factors how to reach this goal. At first, the discussion came back to the strategic goal in same sense, that first crucial success factor in fact would be to reach out for bigger customers. One participant however was a bit concern, that the organization should gain more knowledge before it would be able to intake more customers, especially big ones.

“Widening the knowledge to be able to offer”. (Participant 3)

However, participants agreed to write the first crucial success factor to a form of;

“Reaching and contacting four new potential customers”.

The second crucial factor, what the participants saw, was the current customer segment. Participants all agreed that current customer profile was highly linked to two main industries and was also seen as a risk as both focused on raw materials, which according to the consultants were quite sensitive markets.

“Gaining customers from different industries”. (Participant 3)

“Customer from different business segments”. (Participant 2)

Brainstorming and discussion soon also revealed that majority of production load concentrated on fall times leaving the springtime more open to do more production for different customers.

“Winter season and springtime traditionally has been low season for us”. (Participant 3)

These discussions led to a conclusion that organization should gain customers from industrial segments in where the peak season would be the springtime. This was written down, so that second crucial success factor came to be;

“Gaining customers from different industries and from different business segments”.

The third crucial success factor concentrated on existing customers. Participants discussed about the current scope of supply for existing customers and would there be more what the company could do, on their customers behalf.

“We should recognize the things that are jobs-to-be-done for our customers”.
(Participant 1)

By this the participant meant, that customers of the case company, was not doing the products for their customers as a plug-and-play solution but only partly ready. Participant started to discuss that organization should actively try to recognize those work tasks what organization could do for their customers and hence gain more revenue through that.

“We should be more active on offering the components required for the products and not only manufacture as we are doing currently. For example, items related to steering or to some other thing, what our customer would like to purchase from single source but is currently forced to purchase from multiple sources”. (Participant 1)

After this statement the participants started to discuss that actually, for some customers, the organization was already producing products to a high level of scope of supply, but it had been waiting for the customers to ask whether case company could widen the scope. Active offering for wider scope of supply had not been on the agenda.

“Raising the knowhow and capabilities to our customers”. (Participants 3)

Due to these statements the participants selected for the third and final crucial factor for this perspective to be;

“Recognizing the needs of our customers and actively offer more added value and wider scopes of deliveries”.

4.3.3.3 Scorecards for customer

The same request as in ability and efficiency was, from consultants to participants, to come up with six points which could be measured to achieve the crucial success factors and eventually the strategic goal for reaching the vision of the organization. However, participants only came up with four points and upon mutual agreement it was agreed that it would be enough.

Table 4 - Scorecard for customer

KEY OBJECTIVE	MEASURE
Making company known in the markets	Traffic on webpages and the amount of inquiries.
Finding the "spring segment"	Brainstorming for new ideas
Deepening the existing customer relationships	Frequent meetings with key customers
Widening the scope of supply of products	Development of average price and profit margin

Above, in the table 4 mentioned objectives were selected for scorecards and measures to measure development of those objectives was formatted during the session of customer perspective. After the third perspective session the model for case company strategy was one perspective away from being completed.

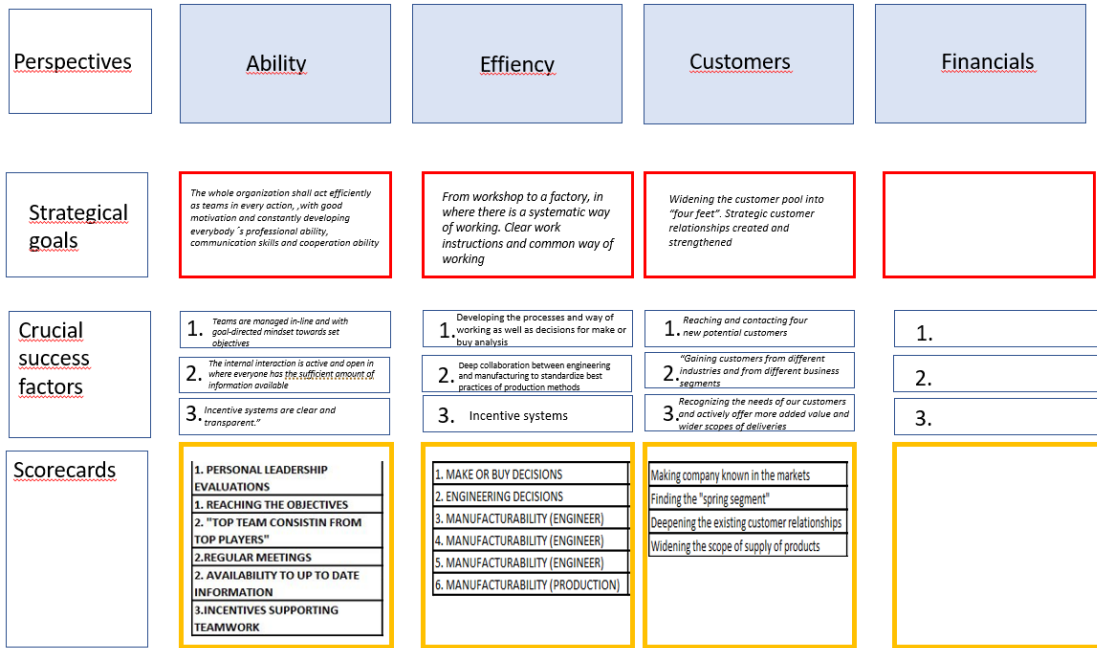


Figure 9. Model with ability, efficiency and customer perspective added.

4.3.4 Financials

The final perspective, again held as a virtual meeting online, focused on financial side of the organization. As in previous three perspectives also this perspective began by defining the strategic goal and moving downwards to crucial success factors and then to the scorecards. If the customer perspective did not rise that much of a brainstorming, this perspective did it even less. Again, the reason might have been that only one of the participants felt this perspective close to his area of interest and other two might have felt to have only little to give. This can also be seen from the discussions held. Different to previous perspectives, with this perspective the consultants asked the participants to write down their thoughts to the platform, prior to the meeting.

4.3.4.1 Strategic goal

Defining the strategic goal was a one man show from participant 1. Discussions were held with the consultants and only participant 1 gave the answers. Consultants

requested to define three different financial aspects to be written down as a strategic goal. Requests were defining goal for turnover, percentual number for EBITDA and maximum amount of current liabilities for balance sheet. These numbers and goals formatted the strategic goal. Exact figures are left away due to business secrets.

“Our goal is to have a turnover of xx million euros by the end of 2024. With EBITDA of xx% and maximum amount of current liabilities to be xx M€”.

4.3.4.2 Crucial success factors

As in the previous crucial success factor also here it was necessary to come up with three different factors that, once implemented to daily practices, would lead the organization closer to the desired outcome and vision. These were the factors that were asked to write down prior to the meeting to have a base for the discussion. The discussions were not very straightforward, but all the crucial success factors were discussed simultaneously thus there is no clear line in discussion.

“Just on time production and minimizing inventory”. (Participant 3)

Participant 3 focused on the side of how to reduce bonded capital by reducing the amount of inventory to free space for better production flow. This led to deeper thought from participant 2 that;

“Production space should be used more efficiently, and the rotation speed of inventory should be on a higher level and the patch size in at reasonable level”.
(Participant 2)

“We focus on special attention to efficiency. We decrease the lead times and develop them, through which we can increase the production volume with less staff”.
(Participant 1)

We do more, efficiently, when current personnel ratio to volume compared future volume compared number of staff can be decreased". (Participant 1)

Statements from participants 1 & 2 can be seen as a need to develop the total efficiency of production lead time with less staff, which was seen a way to increase the EBITDA level. Another aspect for rising the EBITDA level was given by participant 1,

"We rise the EBITDA level by keeping the overhead costs strictly under control. We shall not over invest on machines and equipment's. Variable costs meaning the number of workers and capacity is carefully adjusted according to demands from customers. We aim to utilize every square meter from factory floor into efficient use when we can avoid the need to acquire more production space. We add only overhead costs if we can justify the meaning to ourselves". (Participant 1)

The participants agreed, that discussed issues were indeed important factor to reach the desired EBITDA level, and based on the discussions factors 1 & 2 was formatted,

"Total efficiency of action shall be developed (enhancing the lead times)". (Participant 2)

"We will manufacture products based on orders or as per agreed buffer stock". (Participant 1)

Discussion what might be the third crucial success factor were agreed to be something related to actual enhancing factor for EBITDA. There had been already discussion about this based on the prior notes before meeting, which then led to deeper thought around the topic.

"Determined development of production lines toward more efficiency and standardization will lower quality costs". (Participant 3)

“Purchasing components to actual need and not to reserve, adjusted to yearly volume estimation of it and reasonable patch sizes”. (Participant 1)

Participant 1 also rose back the statement about controlling the variables and overheads systematically, which would enhance the EBITDA level. This was seen as a part of the actions stated above and agreed to be the third crucial success factor of financials.

“Systematic control over variable and overhead costs”. (Participant 1)

4.3.4.3 Scorecards for financials

The same request as in ability, efficiency and customer perspectives was from consultants for participants to come up with six points which could be measured to achieve the crucial success factors. However, participants only came up with four points as they did in customer perspective and participants felt comfortable to leave it to that amount.

Table 5 - Scorecard for financial

KEY OBJECTIVE	MEASURE
1. DEVELOPING COST EFFICIENCY	Ratio between variable costs and turnover
2. DEVELOPING THE LEAD TIME	Lead time per product
3. LEAN PRINCIPLES TO EVERY AREA	Implementation level
4. EBITDA LEVEL IN DESIRED LEVEL	EBTIDA %

Once the scorecard were stated the model for the strategy could be completed to its final form. Due to business secret and sensitiveness of these matter, strategic goal in financial perspective is partly hidden.

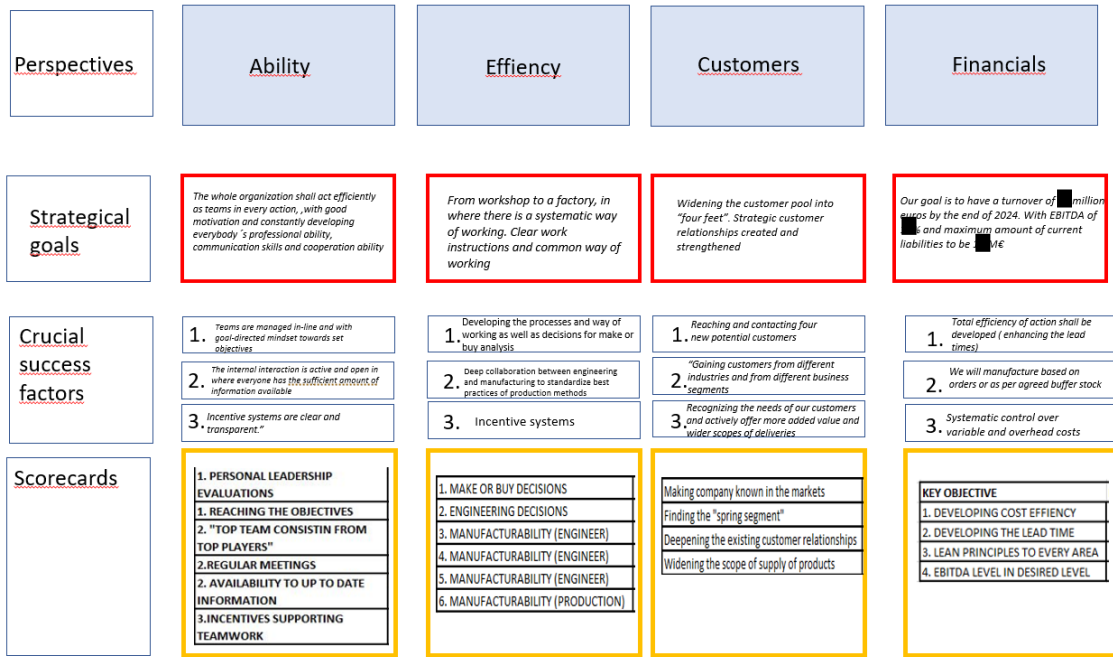


Figure 10. Completed strategy model for the case company.

4.4 Analyze of strategy work at case company

In this chapter it is discussed how the strategy process of case company refers to literature presented in chapter 2. Purpose is to find similarities or deviations from theory and practice.

Prior to strategy work the company possessed an entrepreneurial strategy. There were clear signs of it, although it cannot clearly be described to be such, based on the description of the entrepreneurial strategy at chapter 2.3.2. However, signs of it were present as people were not aware clearly of where the company was aiming to. Based on the questionnaire directed to personnel a change to that was needed for the company, to take another step, in its growth path. Therefore, the strategy work in case company begun in 2020.

4.4.1 Strategy work phases

The phases of the strategy work were described in section 2.5. Comparing the strategy work at case company to those described phases it can be stated that performed phases are closer to Vuorinen (2017, p.46) description of it than Karlöfs (2004, p.35) description. As stated Vuorinen (2017, p. 46) have given three phases to it in where Karlöfs (2004, p.35) model has six. All the phases in case company strategy work were connected to each and other. Work was not clearly a separate project, but people were doing it along their daily tasks.

The three phases of Vuorinen (2017, p.46) description of strategy work were strategical positioning, strategical choices, and execution. During the case company's strategy work, only two of these were completed as execution was implemented afterwards to daily business. In that sense the strategy work of case company followed the description of it but can be seen as a description of what were stated about the strategy work in chapter 2.5 by Kaplan & Norton (2004).

4.4.2 Usage of strategy tools

The case company did not have a challenge with knowing its positions and who are their customers and through what activities it delivered value to its customers. The challenge was in bigger picture that it had no clear goal of how to achieve this. Case company had positioned itself to market for being a company delivering value to smaller OEM's to whom case company's service level was suitable for. The major challenge was the coherency among the workers and conscious actions based on communicated strategy. Surely it cannot be argued that the company hadn't perform before written strategy, it had, at least when it comes to profitability, but other aspects were missing.

Therefore, the selection of strategy tool was rather straightforward, and an adaption of balanced scorecards was selected. However, it can be argued, that there might have

been some alternatives for that tool but the lack of experience on strategy work, among participants, led to selection of BSC. Stronger element for the selection however might also have been the suggestion from consultant company who act as a facilitator in the strategy work process and to whose questionnaire their adaption from BSC was based on. Would there have been some other selection of case company is left unknown. Perhaps the BSC matrix was the most suitable alternative from the four categories presented in figure three, as there was a need to focus on efficient way of working, within organization. Figure three demonstrates that tool from the left side of the four square is developed to do this.

The adapted tool by consultants could be seen belonging to both categories rather than just to one category. As the model created to the case company by the consultants, not only aimed to enhance the operations through strategical objectives but also use the model to develop personnel in terms of work satisfactory. However, the model is closer to balanced scorecard than for example VRIO model, but it is an adaption of it.

4.4.3 Differences to BSC

Created model acts with the principles of balanced scorecard where the strategical objectives are linked together. The model created however does not provide exactly same measures than described in chapter 2.8 what answer BSC gives. The internal perspective, in case company model, focused on efficiency and ability what to measure and what is needed to do, but not directly seen from the point of view of its customers as it should, according to Kaplan & Norton (1992). The model, however, comes rather close with the figure 4 thinking. In that model the ability and efficiency answers to the question what should be developed within the organization to reach the vision. Model does not answer directly to the question of processes but again this is described mainly in both, efficiency, and ability perspectives. Kaplan & Norton (2004) in their model of simplified strategy map, figure 3, sees that the customer perspective should answer to question how accomplishing the vision shows to our customers. In the case company model, there were

no focus on that, but it was thought to be a perspective, where company should describe its either ideal customer, or to give guidance how to reach out to the customer. The ideal customer was described already at the time of mission statement was generated. Financial perspective is successfully answering to the question in figure 4 on how the success of the company provides value for the owners. There are clear numbers as strategical goal, which especially in terms of EBITDA adds value to the company stakeholders in the long run.

Despite the model not answering directly to base questions of BSC it provided a good way of communicating the action plan clearly to the organization. One of employees, who were not part of the strategy formation process, have described the strategy and the way it has been implemented to the organization (him being later one of those who has implemented strategy into reality).

“The chart or model what we currently have in our organization has given me and of course all of us a clear objectives and purpose to everyday tasks in our work. Although some of the actions have not been implemented or some of actions have come after the creation of strategy, or so have I learned, it has not had a negative effect on motivation. I prefer to have a purpose in my work, and this has helped me a lot”. (Employee of the case company)

In chapter 2.7.1 we've stated that implementation of strategy is only done by communication of processes to the organization. Although the model created may not include process descriptions in detail, it has given an action plan and a written vision, mission, and ways of working to the organization, which has been seen as a good thing among the people of the organization.

4.4.4 Experiences of people involved to strategy formation

As discussed in chapter 2.9, the creation of strategy maps and BSC is definitely a challenging task for the management. Not to mention what comes if the management team

has never done this type of work previously. Each participant was lacking experience to do even strategy work and none of them had never done similar tasks. In theoretical level few members were familiar with the strategy work but no one did not have clear understanding of the total process. Without professional consultants supporting and guiding the work forward, the task would have been impossible for the participants to execute. Not to mention, that operative tasks would have taken the all the time as stated one participant.

“There was absolutely no idea where to start and we just went with the flow. Consultants leaded the process and our job were only to think and give answers to their questions. This helped us a lot and gave a better strategy overall what we could have come up with ourselves. Also, the model has helped us to implement the strategy into action”. (Participant 2)

5 Discussion and Conclusion

The purpose of this thesis was to *describe the completed first strategy process of case company and very briefly the process of its implementation to practice*. It was the very first time for the case company to start somewhat of a formal strategy process and putting the strategy into paper. The strategy work was carried out by the assistance of consulting company, which proved to be very helpful in the making. This was mainly due to the lack of experience of each manager or executive who participated into the process. As only few organizations in SME's have written strategies according to studies, there was a slight hope that this thesis could encourage other SME's to write their strategy into paper.

Thesis begun by describing what is strategy and what kind of strategies are presented in organizations. This gave a better understanding of where the case company was at the time when the strategy work began. As described in chapter 2.2 of the different types of strategies, one of them matched almost perfectly to the case company, prior to the strategy work of the case company. Surely there was a strategy in the organization it was just in a form of an entrepreneurial strategy. A strong leader, who could, and in some cases did control everything, had influenced to the organization for over a decade.

Thesis moved forward and strategy process management and strategy process were discussed to understand what the vital elements of strategical management are in terms of being able to get people to understand the strategy and should people be involved in strategy formation processes. During the strategy phases chapter, a six-step process of strategy work was presented. It was also discussed about another view by Vuorinen (2017, p.46) of a three-step process. Eventually two of the phases were completed in the case company.

Moving forward with the thesis, strategy tools were discussed in the light of what type of a strategy tool should be used, once it is known to the organization what it wishes to

accomplish. It was discussed through different tools and what would fit to which situation. A four-square field of different strategy tools to various situation was presented in figure 3. The four-square field was an adaption from Vuorinen (2017, p.33) model. Finally, it was discussed about the balanced scorecard model which was the base of the strategy work in the case company. First, it was discussed through a lens of a management tool and the benefits it may bring to the organizations in terms of communication, before explaining what balanced score card is.

In the empirical section, the strategy formation process was explained through different sessions, which were held during the process of formatting first written strategy for the case company. In the synthesis an adapted model of balanced scorecard was presented. The same model was used in case company and in this thesis, it was filled as a step-by-step filling method, to follow the actual pathway of strategy formation in the case company. In the end of section 4 this model was presented, fully filled.

By the end of section 4, it was discussed about the similarities and the deviations from theoretical strategy processes. Discussion was about the ways of working compared to literature and as well it was discussed how the generated model deviates from the original idea of balanced scorecard.

It was found out that theoretical strategy process would have needed to include more phases than case company used in their own strategy process. There were literature recommendations for 3-6 phases. The case company had more straightforward strategy work. completing only 2 phases, thus deviating significantly from the literature models.

It was also discovered that the organization did not choose the strategy tool, but it was included in the entire package that the consultancy company recommended. The tool was either a continuation of the questionnaire or a prerequisite for utilizing the tool. This limited the alternatives for the organization of strategy tools, but as the participants were lacking expertise with strategy work, it was most likely the best option at the time.

Lastly the comparison between theoretical balanced scorecard and the generated model based on it were discussed. It was stated that, despite it diverged from the original idea of the balanced scorecard concept, it provided answers to questions balanced scorecard should be answering to, only from slightly different perspectives.

Several research on strategy work in organizations have been published in the literature. This thesis has described one strategy formation process, through Soneon 360tm model. It is the first thesis that describes the usage of that tool or way of working in Finnish SME companies.

5.1 Theoretical contribution

Mintzberg & Waters (1987) has given a reason that every company should have a strategy since it gives a purpose for the organization. The aim of this study was to encourage other SME's to start their own strategy work since high figure of 67% of Finnish SME's does not have a written strategy. In this thesis a process has been described, that has led to first ever written strategy, for the case company. There can be found studies which examines strategy processes, even in SME's, but this is the first one to describe it from the process view of using Soneon 360tm model in Finnish SME. The model utilizes balanced scorecards and strategy maps by Kaplan & Norton but observes the perspectives of balanced scorecard from a slightly different angle.

5.2 Managerial implications

Thesis offers an insight view of the strategy process of the case company and provides a model generated, as a result of that process. It reveals some unique discussions during the process thus providing detailed information about the case company and the strategy process of it. The study highlights what was the stage of the case company in the beginning and lifts the curtain to what it wishes to become. It also points out what the participants were lacking to master the strategy process.

The study combined existing literature on best practices in strategy processes as well as material on how the process was carried out, providing a useful set of development points for things to consider when the process is restarted for future strategy processes.

5.3 Limitations

This case study examined the process of the case company's strategy process. Case company was on a phase of shifting its course away from entrepreneurial strategy and seek to write down its first strategy on paper to be prepared for the next growth leap. The strategy process refers only to the case company and the process was adjusted for the case company, based on the questionnaire directed to employees prior to the strategy work. Therefore, any findings in this thesis cannot be directly transferred to any other organization.

5.4 Future research

This thesis did not include the implementation phase of strategy into action. Although a very brief observation of benefits from one of the organization employees was given in the end of section 4, the actual implementation of strategy was left away. The future research for the company and this study could research and analyze that phase to complete the strategy work of the organization. The analyze could include the launch of the strategy to the organization. It may also include how the strategy was communicated to the organization and study, through interviews, broadly of its benefits for the case company. By doing this the benefits of written strategy for other SME's would become visible, for others better to understand, would it make sense or not to invest time and money to this kind of a strategy work.

Moreover, it could be studied how strategy work has occurred in daily lives of organization members using strategy as practice lens. How the people within the organization have been involved in strategy making or have they and has the strategy aided organization in creation of a better workplace for the employees.

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