



**Vaasan yliopisto**  
UNIVERSITY OF VAASA

Elina Vaarala

# **Strategic changes prior to an Initial Public Offering**

Multiple case study

School of Management  
Master's thesis in Economics and  
Business Administration  
Strategic Business Development

Vaasa 2023

---

**VAASAN YLIOPISTO****Johtamisen yksikkö**

<b>Tekijä:</b>	Elina Vaarala
<b>Tutkielman nimi:</b>	Strategic changes prior to an Initial Public Offering: Multiple case study
<b>Tutkinto:</b>	Kauppätieteiden maisteri
<b>Oppiaine:</b>	Strateginen liiketoiminnan kehittäminen
<b>Työn ohjaaja:</b>	Anni Rajala
<b>Valmistumisvuosi:</b>	2023 Sivumäärä: 115

---

**TIIVISTELMÄ:**

Tämä opinnäytetyö tutkii strategisia muutoksia ennen listautumista julkiseksi yhtiöksi. Tavoitteena on hakea ymmärrystä, mitä strategisia toimia yritykset käyttävät muuttaakseen strategioitaan ennen listautumista. Tutkimus toteutetaan tutkimalla kolmen tapausyrityksen strategisia toimia kuuden vuoden ajan jaksolla ennen yritysten listautumista Helsingin pörssin päälistalle vuonna 2021.

Opinnäytetyön teoreettinen pohja rakentuu strategisen muutoksen teorian ja listautumisen teorian ympärille, joiden pohjalta tutkimuksessa pyritään muodostamaan synteesi ja luomaan teoreettinen viitekehys, jota voidaan myöhemmin tutkimuksessa käyttää niin datan ymmärtämisessä kuin löydösten keräämisessä ja luokittelussa.

Tutkimuksessa käytetään useista lähteistä kerättyä toissijaista kirjoitettua dataa kuten tapausyritysten vuosikertomuksia, tilinpäätöksiä, tiedotteita sekä listautumisen yhteydessä julkaistuja listautumisesitteitä. Data analysoidaan kvalitatiivista sisältöanalyysimenetelmää hyödyntäen. Kaikki tapaukset analysoidaan ensiksi yksitellen muodostaen kaikista tapauksista aikajanat. Aikajanoihin nostetaan datasta tapausyritysten tekemät strategiset toimet aina vuodesta 2015 hetkeen, johon mennessä tapausyritykset jättivät listautumisen rekisteröinti ilmoitukset vuonna 2021. Tapauskohtaisten analyysien jälkeen tehdään tapausten välinen analyysi, jossa pyritään löytämään samankaltaisuuksia ja erilaisuuksia tapausyritysten strategisten toimien väliltä, joiden voidaan katsoa muuttaneen yrityksen pitkän ajan suuntaa.

Tutkimuksessa löydettiin, että yritykset muuttavat pitkän ajan suuntaansa useita strategisia toimia käyttäen ennen listautumista. Tapausyritysten matkat kohti listautumisia ovat uniikkeja mutta silti toimien väliltä pystyttiin löytämään yhtäläisyyksiä ja eroavaisuuksia. Ensinnäkin kaikki tapausyritykset tekivät kolmen erityyppisiä muutoksia: mukautuvia, rakentavia ja vallankumouksellisia muutoksia. Yhdenkään yrityksen ei havaittu tehneen evoluutio tyyppisiä muutoksia tarkasteluajanjakson aikana. Toiseksi kaikki yritykset muuttivat strategista suuntaansa vaihtamalla hallituksen ja ylimmän johdon jäseniä. Kaikki tapausyritykset palkkasivat hallitukseen jäsenen julkisen yhtiön taustalla sekä vaihtoivat talousjohtajan. Kolmanneksi kaikki yritykset tekivät investointeja toiminnanohjauksen tai tehokkuuden parantamiseen, muuttivat rahoitusrakennettaan sekä kehittivät raportointiaan ja ulosantiaan. Neljänneksi kaikki yritykset jatkoivat toimintansa kehittämistä jatkuvilla yritykselle ja toimialalle tyypillisillä tavoilla kuten laajentamalla myyntiverkostoaan tai lanseeraamalla uusia tuotelinjooja nousevien asiakastarpeiden mukaisesti. Yritysten väliltä löytyi myös eroavaisuuksia, joista erimerkkejä ovat yritysostot, toimitusjohtajan vaihdokset ja kansainvälistyminen. Määrällisesti suurin osa strategisista toimista tehtiin yrityksissä noin kaksi vuotta ennen listautumisia mutta viitteitä listautumiseen valmistelusta voidaan nähdä tapahtuneen jo hyvissä ajoin ennen tätä.

---

**AVAINSANAT:** yritysstrategiat, strategiatyö, muutosjohtaminen, listautuminen, pörssit

## Contents

1	Introduction	7
1.1	Research question and objectives	8
1.2	Structure of the thesis	10
2	Theoretical background	12
2.1	Strategic change	12
2.1.1	Strategic change process	26
2.2	Initial Public Offering	30
2.2.1	IPO process and timeframe	35
2.3	Synthesis - strategic changes prior to an IPO	40
3	Research Methodology	45
3.1	Research approach	45
3.2	Case selection	46
3.2.1	Description of case companies	47
3.3	Data collection	51
3.4	Data analysis	52
3.5	Research quality	53
4	Findings	56
4.1	Case analysis	56
4.1.1	Case 1 Kreate Group analysis	57
4.1.2	Case 2 Orthex analysis	68
4.1.3	Case 3 Puuilo analysis	78
4.2	Similarities and differences in the unique roadmaps toward IPO	89
5	Discussion	98
5.1	Theoretical implications	99
5.2	Managerial implications	100
5.3	Limitations and future research suggestions	101
	References	103
	Appendices	115

<b>Appendix 1.</b> Reconstruction type of strategic actions data matrix	115
<b>Appendix 2.</b> Revolution type of strategic actions data matrix	115

## Figures

<b>Figure 1.</b> The research scope of this thesis.	10
<b>Figure 2.</b> Strategies are often created 2-5 years ahead. (Webb, 2019)	13
<b>Figure 3.</b> Elements of strategic change. (Whittington et al. 2019, p. 465)	16
<b>Figure 4.</b> The change kaleidoscope framework by Balogun and Hailey (2008, p. 2)	20
<b>Figure 5.</b> Types of change by Balogun and Hailey (2008, p. 21)	23
<b>Figure 6.</b> Strategic change process based on Sujova and Rajnoha's (2012) process.	27
<b>Figure 7.</b> A private company becomes a public company by conducting an IPO. (Geddes, 2007, p. 1)	31
<b>Figure 8.</b> IPO process based on Espenisse's (2014, p. 78) and Geddes's (2007, p. 44) IPO process description.	39
<b>Figure 9.</b> The framework of this thesis.	44
<b>Figure 10.</b> Kreate turnover and turnover growth in 2016-2021. (Kreate prospectus, 2021; Kreate financial statement releases 2016-2020; Kreate annual report, 2021)	48
<b>Figure 11.</b> Kreate EBIT and EBIT margin in 2016-2021. (Kreate prospectus, 2021; Kreate financial statement releases 2016-2020; Kreate annual report, 2021)	48
<b>Figure 12.</b> Orthex turnover and turnover growth in 2016-2021. (Orthex prospectus, 2021; Orthex financial statement releases 2016-2020; Orthex annual report, 2021)	49
<b>Figure 13.</b> Orthex EBIT and EBIT margin in 2016-2021. (Orthex prospectus, 2021; Orthex financial statement releases 2016-2020; Orthex annual report, 2021)	49
<b>Figure 14.</b> Puuilo turnover and turnover growth in 2016-2021. (Puuilo prospectus, 2021; Puuilo financial statement releases 2016-2020; Puuilo annual report, 2021)	50
<b>Figure 15.</b> Puuilo EBIT and EBIT margin in 2016-2021. (Puuilo prospectus, 2021; Puuilo financial statement releases 2016-2020; Puuilo annual report, 2021)	50
<b>Figure 16.</b> Symbols used on timelines and the meanings of their colors and forms.	56
<b>Figure 17.</b> Kreate's roadmap toward the IPO by type of change.	65
<b>Figure 18.</b> Strategic change timeline for Kreate.	67
<b>Figure 19.</b> Orthex's roadmap toward the IPO by type of change.	75
<b>Figure 20.</b> Strategic change timeline for Orthex.	77
<b>Figure 21.</b> Puuilo's roadmap toward the IPO by type of change.	86

<b>Figure 22.</b> Strategic change timeline for Puuilo.	88
<b>Figure 23.</b> The case companies' roadmaps toward the IPO by type of change.	89
<b>Figure 24.</b> Reconstruction type of strategic actions by the case companies.	91
<b>Figure 25.</b> Revolution type of strategic actions by the case companies.	94
<b>Figure 26.</b> An illustration of how the created framework and data can be used to answer the research question of this study.	99

## **Abbreviations**

<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>IFRS</b>	International Financial Reporting Standard
<b>IPO</b>	Initial Public Offering
<b>LTD</b>	Limited Company
<b>M&amp;A</b>	Merger and acquisition
<b>PLC</b>	Public Limited Company
<b>SME</b>	Small and Medium-sized Enterprises
<b>TMT</b>	Top Management Team

## 1 Introduction

Initial Public Offerings come in waves (Ibbotson & Jaffe, 1975; Ritter, 1984). The phenomenon and its drivers are well-studied in financial literature (see e.g., Lucas & McDonald, 1990; Lowery & Schwert, 2002; Chemmanur & He, 2011). The subject resurfaced in 2021, which was an all-time record year in Finland when 20 companies went public and raised a total of nearly one billion euros in equity capital from IPOs. (Finnish Foundation for Share Promotion, 2022).

Going public can be considered one of the most important decisions a company can make during its lifecycle (Espinasse, 2014, p. 1). A special transformational change occurs when a company goes public. It brings with it changes to the company's size and structure as well as management systems. (Flamholtz & Randle 2008, p. 12) As a result, in-depth analysis and long-term strategic planning are needed before deciding to do an IPO (Sherman, 2005, p. 197; Taulli, 2012, p. 38). The combination of the recent IPO wave and the significance of the decision to go public sparked the interest to study this phenomenon.

Strategic changes (e.g., Helfat et al., 2007; Flamholtz & Randle, 2008; Whittington et al., 2019; Balogun & Hailey, 2008) and IPOs (e.g., Taulli, 2012; Geddes, 2007; Cirillo et al., 2018; Espenisse, 2014; Brau & Fawcett, 2006) have been widely studied as separate branches of literature. Further, research combining themes around the topics is also fairly rich. (e.g., Flamholtz & Randle, 2008, p. 12; Chahine & Zhang, 2020; Zimmerman, 2008; Lester et al., 2006) According to Gregoriou (2006, p. 29), one of the most studied categories of IPO research focuses on the reasons for going public. These drivers behind the decision to do an IPO have been widely studied by multiple scholars such as Geddes (2007, p. 5), Espinasse (2014, p. 1), and Taulli (2012, p. 28). This study aims to dive deeper into the topic from the perspective of strategic change and shed light on the steps that companies took prior to the transformative decisions to do an IPO. When going through the literature related to strategic change and IPOs, it was noted that this study's perspective is novel.

Thus, this thesis aims to contribute to the earlier literature that combines theories of strategic change and IPOs. The contribution is made by creating an original framework to study strategic actions prior to an IPO that can be used in future research as well. Furthermore, as similar studies have not been done in Finland or the Nordic countries, the findings contribute to the existing literature by bringing insights from the Finnish perspective. To create a relevant contribution, thorough research on strategic actions taken by three case companies prior to their IPOs in 2021 is conducted. Further to the theoretical contribution, this thesis can be useful for companies that are considering going public within the next five years.

Altogether, due to the high volume of IPOs in recent years and the scarcity of research on the topic of strategic change prior to IPOs, this study can be considered to be both topical and novel.

### **1.1 Research question and objectives**

As the aim of this study is to understand through which strategic actions companies change their strategies before going public, the following research question is selected for this study:

*How do companies change strategies prior to an IPO?*

To make sure that the study consistently answers the research question, two objectives are set:

*Objective 1: To create a synthesis of strategic change theory and IPO theory.*

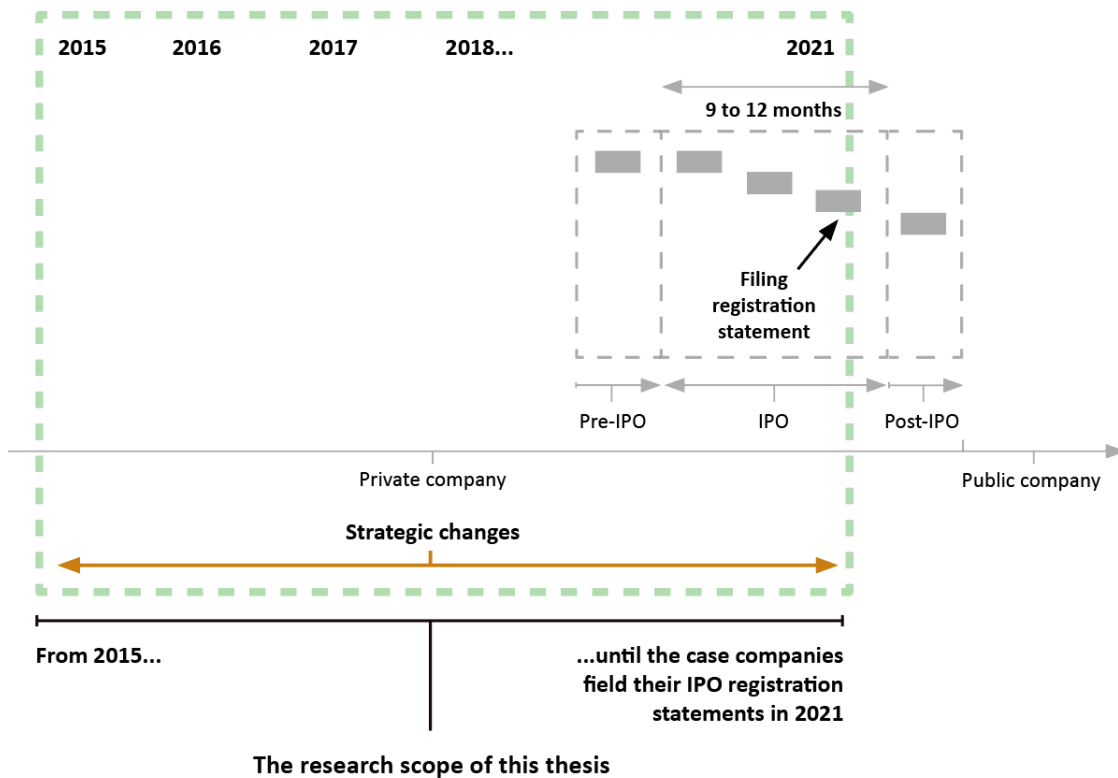
*Objective 2: To identify factors through which companies have changed their strategies prior to IPO.*



The first objective of this study is to bring together two separate theories: strategic change theory and IPO theory. Based on the theoretical background, the aim is to create a synthesis and a framework that enables a systematic way to study how companies change their strategies in a real-life setting.

The second objective of this study is to identify actions through which companies have changed their strategies prior to the IPO. The aim is to utilize the created framework to gain a better understanding of the phenomenon by studying three case companies that were listed on the Helsinki stock exchange in 2021. Once the strategic actions driving strategic change have been identified case by case, a cross-case analysis can be performed to find similarities and differences among the cases.

Figure 1 presents the scope of the research. Because strategies are created for longer periods (Webb, 2019), the scope of research needs to be at least two to five years before the IPO in order to be able to identify actions that have affected the companies' long-term directions ahead of the IPOs. As can be understood from the IPO theory and seen from the figure, IPOs also require sufficient preparation time. (Espenisse, 2014, p. 78; Geddes, 2007, p. 55) Thus, it was chosen to limit the research scope to the period from 2015 to the moment when the case companies filed their IPO registrations.



**Figure 1.** The research scope of this thesis.

## 1.2 Structure of the thesis

This thesis consists of five chapters, including the first introductory chapter that describes the motivation of the study, the research questions, and the research objectives.

The second chapter of the thesis aims to create a theoretical basis for the research. The chapter is divided into three parts, the first of which discusses the theory of strategic change and the second the theory of Initial Public Offerings. The third part of the chapter presents a synthesis of the theoretical background, which provides a framework for the empirical part.

The third chapter of the thesis focuses on the research methodology, including a description of the research approach, case selection, and data collection. Moreover, the chapter analyzes the data collected for the study and describes the reliability and validity of the study.

The fourth chapter of the thesis describes the research findings, including the individual case analyses of the three companies and a cross-case analysis of all companies. The cross-case analysis aims to find similarities and differences between the cases.

Finally, the fifth chapter summarizes how the findings contribute to answering the set research question and objectives. Further, the chapter aims to contribute to the existing literature with theoretical and managerial implications, also highlighting the limitations of the study and providing suggestions for future research.

## 2 Theoretical background

The second chapter aims to familiarize the literature related to the topic and create a basis for the study. The chapter consists of three parts. The first part discusses the theory of strategic change, including a brief overview of strategy theory.

The second part discusses the theory of Initial Public Offerings, including drivers, advantages, disadvantages, and requirements of IPOs. Furthermore, this part also provides a description of the IPO process and its timeframe.

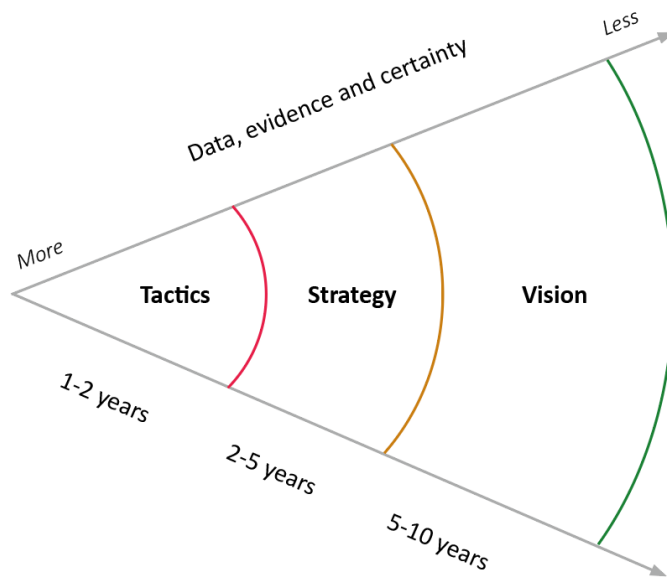
The third part of the chapter presents a synthesis of the theoretical background, which provides a framework for the empirical part.

### 2.1 Strategic change

Strategy has several different definitions that vary depending on who the scholar is, and from which discipline the strategy is viewed. Chandler's (1969, p. 13) definition of strategy emphasizes setting long-term goals, understanding the necessary actions, and allocating resources whereas Porter's (1996) definition emphasizes deliberate choices, differentiation, and competitive factors. Mintzberg's (1978) definition, on the other hand, defines strategy as "a pattern in a stream of decisions", meaning that decisions can either emerge when needed or be part of a logical and prepared plan. In this thesis, the definition of strategy is based on Whittington et al (2019, p. 5) definition: "Strategy is the long-term direction of an organization". The definition summarizes the most important message of several scholars' definitions accurately enough for the purpose of this study.

A company's vision can reach five to ten years in the future, while company strategies are often made two to five years ahead. Tactical decisions are made within the limits of the strategy. (Webb, 2019) See figure 2. Although an organization's strategy is often drawn up for a longer period, it should not be seen as static, but rather as dynamic, which should be changed and modified over time. (Hambrick & Fredrickson, 2001) Hambrick

and Fredrikson (2001) are supported by Dominguez CC et al (2015) according to which companies rarely have periods of complete strategic inactivity because their internal and external environment is constantly changing. However, Dominguez CC et al (2015) adds that companies need change and stability at the same time to survive in their environment. Whereas Venkatraman and Prescott (1990) highlight that, in certain situations, companies may actually benefit more from strategic stability than strategic change.



**Figure 2.** Strategies are often created 2-5 years ahead. (Webb, 2019)

Based on the definition of the term strategy used in this thesis, a strategic change could be defined as a change in the long-term direction of an organization. (Whittington et al (2019, p. 5) Flamholtz and Randle's (2008, p. 13) definition of strategic change can be considered similar because according to them strategic change refers to a change that involves a change or changes in an organization's direction or vision. Boyne and Meier (2009) approach strategic change from a process perspective. According to them, strategic change refers to a dynamic process that occurs as a response of organizational leaders to their assessment of the internal and external environment. Hambrick and Fredrickson (2001) also state that strategies are dynamic and should be changed and modified over time. Oehmichen et al (2016)'s definition includes active adaptation to

environmental changes, which can also be seen in line with Boyne and Meier's definition. However, Oehmichen et al (2016) definition also emphasizes differentiation from competitors, which was also mentioned in Porter's (1996) definition of strategy. In this thesis, the definition of strategic change is based on Boyne and Meier's (2009) definition, where strategic change is seen as a dynamic process in which the organization's management also plays a relatively large role as a change agent.

Despite the definition used in this thesis, it should be noted that two opposing views can be observed in the study of strategic change. According to Müller and Kunisch (2018), some studies assume that leaders have a significant influence on strategic changes, while other studies emphasize a greater role of the environment and a more limited role of leaders. For instance, Miles et al (1978) emphasize that leadership has a significant impact on organizations, while Hannan and Freeman (1977) and Haveman (1992), mainly emphasize the role of the environment in change situations. The third perspective in the study of strategic change is the combination of these two opposing perspectives, where both leadership and environment are seen to have weight in change efforts. (Müller & Kunisch, 2018)

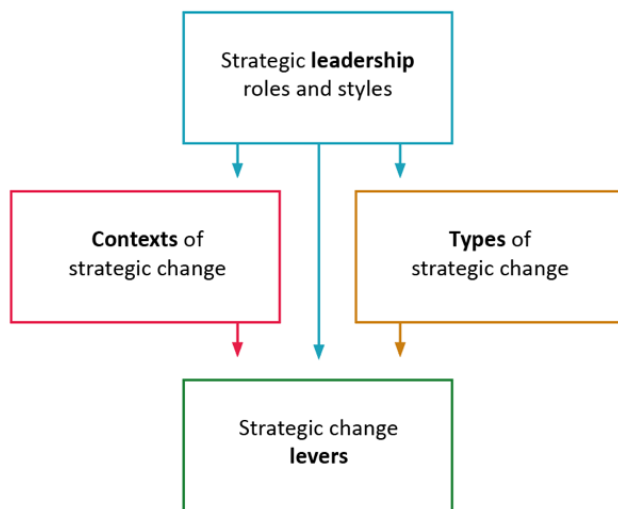
Pressure for strategic change can arise from inside or outside of the organization. (Flamholtz & Randle, 2008, p. 5; Whittington et al., 2019, p. 465) Unsuccessful or successful internal strategies can provide the impetus for change. For example, management may have to change their strategy when they notice poor performance or inefficiency within an organization (Kiesler & Sproull, 1982; Boeker, 1997). Furthermore, successful internal strategies can also give management the impetus to pursue new opportunities and change an organization's long-term direction. (Whittington et al., 2019, p. 49)

Alternatively, changes in the organization's external environment can also act as a driver for strategic change. (Whittington et al., 2019, p. 49) For example, an intensified competitive situation, a merger of two competitors, or a change in the purchasing behavior of customers can lead to a company having to change its strategy. As can be seen, the

competitiveness mentioned in Porter's (1996) strategy definition and Oechmichen et al (2016)'s strategic change definition is also highlighted in the pressures that drive organizations to make strategic changes. Balogun and Hailey (2008, p. 1) also refer to competitiveness when they state that organizations are under pressure to change their strategy to meet their customers' needs now and, in the future, to remain competitive.

Leaders have a key role in strategic changes. (Duhaime et al., 2012, p. 306) According to the views of Miles (1982, p. 14) and Boeker (1989), the task of company leaders is to evaluate the company's external and internal circumstances and modify its strategy accordingly, while finding a balance between the opportunities and risks of the environment and the capabilities and resources of the company. The key role can already be seen in the definitions of strategic change. For instance, Boyne and Meier (2009) state that strategic change is based on a leader's internal and external environment assessment. While Flamholtz and Randle (2008, p. 13) state that strategic change refers to a change or changes in the vision of the organization. Whereas the vision is most often defined by a company's leaders. (Kirkpatrick, 2016, p. 9)

Leadership is also emphasized in the elements of strategic change. As can be seen in figure 3, leaders' assessment affects three other elements of strategic change, such as the context of strategic change, the types of strategic change, and through both of these, the levers of strategic change. The four different elements of strategic change will be explored in more depth in the following paragraphs to better understand strategic change as a whole. (Whittington et al., 2019, p. 465)



**Figure 3.** Elements of strategic change. (Whittington et al. 2019, p. 465)

### **The first element of strategic change - Strategic leadership roles and styles**

Strategic change is often associated with a company's top management, more precisely a top management team "TMT" (see e.g., Boeker, 1997; Barron et al., 2011) and a chief executive officer "CEO" (see e.g., Herrmann & Nadkarni, 2014; Zhang et al., 2021) although it is also important to consider an even broader picture such as the role of owners and board of directors in strategic change.

Different scholars have different views on which extent company owners are present in strategic change and what role the board of directors plays in strategic change. For example, Goodstein and Boeker (1991) state that both owners and the board of directors are involved in a company's strategic planning and decision-making. Whereas Macus (2008) only emphasizes a company board's presence when defining the company's long-term direction. By contrast, Kroll et al (2007) see that the board of directors only has an advisory role to TMT members of a company.

Changes in a company's ownership structure or board of directors can have an impact on the company's strategy. In addition to resources, a new owner brings with it new



perspectives. A company can also gain new perspectives when the company's board members change. This can also be seen to have an effect on the company's long-term direction. (Goodstein & Boeker, 1991) Helfat et al (2007, p. 46) agree. According to them, changing board members can bring new expertise to the company quickly while changing the strategy itself can be seen as a more long-term task that cannot be changed as quickly. Goodstein and Boeker (1991) also add that if the board of the organization does not change often enough, new perspectives and opportunities may be ignored.

Reorganization can help start a strategic change process, as a result of which changes in board and TMT are common at times of strategy change. However, reorganization does not always require the appointment or dismissal of the board of directors or TMT members. The most important is to find a good balance between roles, knowledge, and experience. (Dominguez CC et al., 2015; Dominguez CC & Barroso-Castro, 2017) Goodstein and Boeker (1991) also emphasize the importance of roles and experience when talking about major change situations in which the role and power of the company's board can increase significantly. The new owners and board members can also help the current CEO implement strategic change through the new perspectives they bring with them to the company. (Goodstein & Boeker, 1991)

External factors such as negative media attention that a company receives can also trigger the company's top management to start working toward a strategic change. Also, the more board members there are from outside the company, the more likely it is that negative media attention will lead to a strategic change. In general, board members outside the company may be more sensitive to bringing stakeholders' opinions to the table. (Bednar et al., 2013)

The ownership structure can also affect the effectiveness of change strategies and the number of strategic changes made in a company. According to the views of Hill and Snell (1988) and Bethel and Liebeskind (1993), a centralized ownership structure is connected with more effective strategies and, accordingly, better company performance. Whereas

Brunninge et al (2007) research shows that small and medium-sized enterprises with a wider ownership structure make more strategic changes than SMEs with a smaller ownership structure. By expanding the size of TMT or by using directors from outside a company as members of the company's board, companies with a smaller and tighter ownership structure may also be able to make more strategic changes.

Similar to ownership and board of director changes, TMT member changes can be seen to have an impact on a company's strategic change. New TMT members, like the new owner and board members, bring new expertise to the company, which has the potential to influence a company's strategy. Boyne and Meier (2009) state that changing TMT members is a way through which strategic change can also take place in an organization. Goodstein and Boeker (1991) see likewise. They state that changes in TMT members often stimulate major changes. In particular, they state that a change in the CEO can lead to a company's strategy being modified or changed.

As can see from the above, views on the roles and responsibilities of strategic change can vary. The difference can be explained by organizational structure (Boeker, 1989). For instance, if a company's management, from the owners to the board members and TMT members, consists only of the founders of the company, they may want to strongly participate in strategy work but can at the same time be reluctant to make changes to the original strategy. The situation can be different if there is an outside majority-owning investor in the company who decides to change the original strategy of the company. (Useem, 1984; Boeker, 1989) Another explanatory factor could be the size of the organization. According to Balogun and Hailey (2008, p. 1), especially in larger organizations, the implementation of strategic change is not only in the hands of TMT, but also mid-managers have the responsibility to lead the change. Referring to the views of Whittington et al (2019, p. 466) mid-managers are at the local level to ensure that the strategy is understood, and changes are made according to the plan. Small organizations do not necessarily have mid-managers, but the managers themselves must be there to ensure that the strategy is understood and implemented.

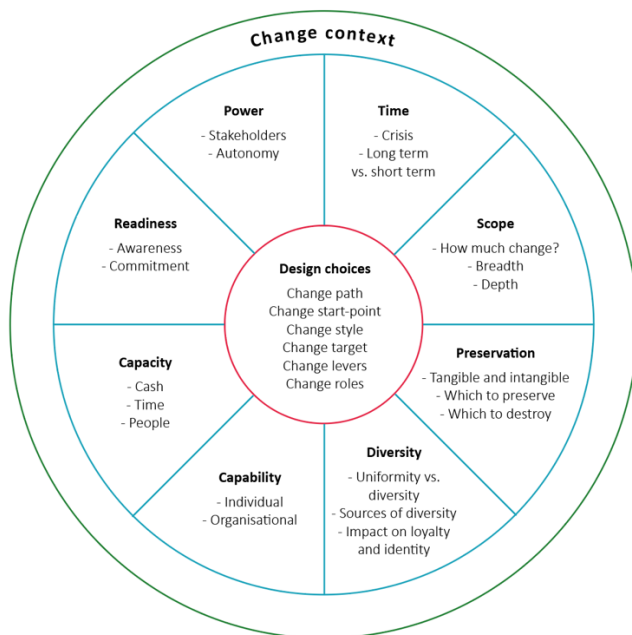
In addition to different strategic leadership roles, there are also different strategic leadership styles. Leadership styles are often divided into two categories, one being transformational leadership and the other transactional leadership. (Whittington et al., 2019, p. 467) Transformational leaders are often charismatic leaders who emphasize building, communicating, and modeling a vision for a company. Transformative leaders know how to motivate employees even amid uncertainty to strive for the created vision. (Kirimi & Minja, 2010, p. 37) Transactional leaders, on the other hand, more often emphasize concrete structural changes, financial incentives, and performance monitoring of the organization and individuals. (Whittington et al., 2019, p. 467) Oftentimes, leaders do not have exclusively one of these styles' characteristics but can have some elements from both of the leadership styles. Such a mix of styles is called situational leadership, where the leader tries to adapt his or her leadership style to the prevailing situation. (Schermerhorn, 1997)

The high weight of leadership in strategic change is also reflected in the styles of strategic change because strategic change most often has a top-down decision-making style. (Balogun & Hailey, 2008, p. 31) Top-down change refers to a change that originates from the change initiative of the company's top management. (Beer & Nohria, 2000) Top-down change can lead to resistance, but it can also be collaborative or participative. In turnaround situations, a top-down change may have to be made in a directive manner in order to achieve a quick and sharp reconstruction in the organization. (Balogun & Hailey, 2008, p. 31) The role of mid-managers is often emphasized in this type of change, they are the ones who are explaining the relevance of the change between the top management and the members of the organization. (Whittington et al., 2019, p. 466)

### **The second element of strategic change - Context of strategic change**

Balogun and Hailey (2008, p. 2) have created the change kaleidoscope framework which company leaders can use to create a successful change by deeply identifying the context

of change. The change kaleidoscope has eight features that can help leaders to understand for example the time needed for change, the readiness of a company, and the scope of the change. (Whittington et al., 2019, p. 469) A more detailed description of the change kaleidoscope's features is in figure 4 below.



**Figure 4.** The change kaleidoscope framework by Balogun and Hailey (2008, p. 2)

Another tool to approach change context is forcefield analysis, with which company leaders can get an idea of what kind of efforts are needed to achieve the change. With the help of the forcefield analysis, the supporters of the change, the opponents of the change, and those who have a neutral attitude toward the change are identified. After identification, a company's leaders can start to convert for example neutrals into supporters of change. The more forces are against the change, the more effort the company must make to create the change. (Whittington et al., 2019, p. 471; Baulcomb, 2003)

Both of the tools mentioned above are made for leaders to make it easier to understand the context of the change. The change kaleidoscope (Balogun & Hailey, 2008, p. 2) can help ensure that nothing essential is overlooked when planning a change, while the forcefield analysis (Baulcomb, 2003), on the other hand, maps resources and seeks an

understanding of how much effort is needed to achieve the change. The change kaleidoscope and the forcefield analysis can also be used simultaneously, but other more traditional strategy work tools such as PESTEL analysis, activity map, Porter's five forces framework, VRIO, and SWOT analysis can also be used alongside them to determine the direction of the new strategy and the starting point of the strategic change. (Stenfors, 2007)

According to Helfat and Martin (2014), leaders have different impacts on strategic change and firm performance, and the differences can be explained by the leaders' different social and human capitals as well as cognition. A leader's human capital including experience, training, and education can influence how she or he understands the context of change. (Helfat & Martin, 2014) For example, leaders with industry expertise can better understand the context of change. They know how to interpret information in the light of the industry's history and understand the strategic moves of competitors and know when to follow competitors and when to head strategically in another direction. (Oehmichen et al., 2017) Korin and Sundaramurthy (2009) agree. According to them, industry expertise helps managers better identify potential threats and opportunities because managers are more aware of industry trends and competitors' strategic moves.

### **The third element of strategic change – Types of strategic change**

There are different types of strategic change, and the types are classified variously according to numerous scholars. For instance, Flamholtz and Randle (2008, p. 11) state that changes can be classified according to their scale. Incremental changes refer to small and almost imperceptible changes that affect only a small part of a company's current operations. According to Kindler (1979), incremental changes can be seen as doing more of the same but better. According to Flamholtz and Randle (2008, p.11), an example of this type of change could be a change in the suppliers of one of the product's raw materials or offering new payment methods to customers. Incremental changes are often received

relatively well in organizations because they take less time and costs than broader changes that bring more instability. (Kindler, 1979)

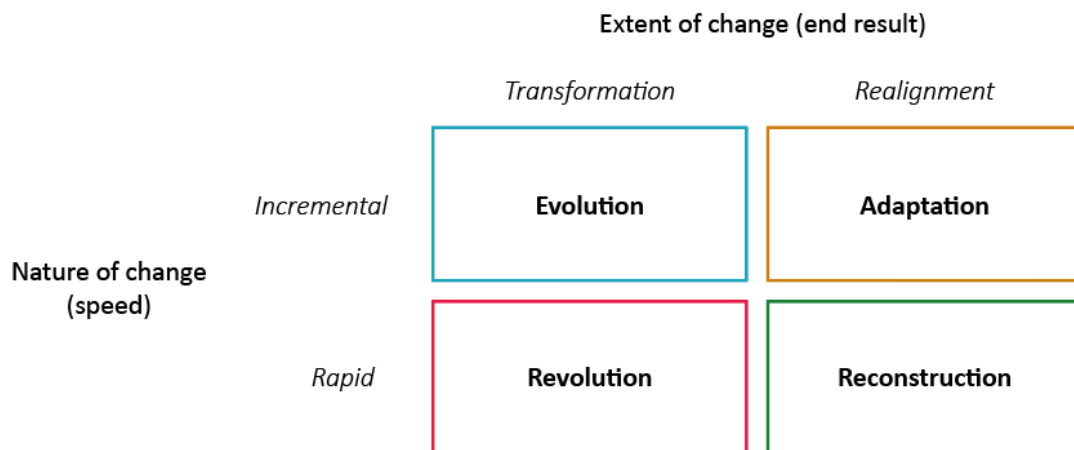
A major change refers to a large change that affects a big part of a company's current operations. An example of such a change could be the launch of a new product line or the introduction of a new invoicing system. (Flamholtz & Randle, 2008, p. 11; Balogun & Hailey, 2008, p. 22)

A transformational change is even broader in scope than a previously mentioned major change. In a transformational change, a significant change takes place in the company's operations, affecting the entire company. (Flamholtz & Randle, 2008, p. 12) According to Kindler (1979), transformational change takes more time and often requires more investment than the aforementioned types of change. Transformational change can also be riskier for the company. (Kindler, 1979). An example of transformational change could be an introduction of a new innovative and significantly changing way of producing products (Flamholtz & Randle, 2008, p. 12) or making significant changes in the management of the company. (Balogun & Hailey, 2008, p. 24)

A special type of transformational change occurs when a company decides to go from a private company to a public company. (Flamholtz & Randle, 2008, p. 12) Such transformation brings with it significant changes to the organization's size, management systems, and level of disclosure. Leaders need to adjust goals, face new investors, and manage new time horizons. (Fischer & Pollock, 2004) After the IPO, the managers also have to decide how to use the new financial resources collected from the IPO, whether to expand the current strategic initiatives or whether to start implementing completely new strategic initiatives. (Husick & Arrington, 1998; Fischer & Pollock, 2004)

According to Dominguez CC et al (2015), strategic change can vary not only in intensity but also in terms of duration. Balogun and Hailey (2008, p. 20) have also considered the speed of change in their types of change model, which includes a total of four different

change types: evolution, adaptation, revolution, and reconstruction. The types vary according to their desired end result "extent of change" and speed "nature of change". Evolution and adaptation are incremental in speed, meaning that change can take a long time. While revolution and reconstruction are rapid, meaning that change can happen quickly in a short period. The end result on the other hand in evolution and revolution is transformative, meaning that the change is fundamental and cannot be done within the current organizational or business model. While in adaptation and reconstruction are realigning meaning that the change does not include a fundamental change that could not be made within the current organizational model. See figure 5 for an illustration of the four types of change.



**Figure 5.** Types of change by Balogun and Hailey (2008, p. 21)

In adaptation, which is the most common form of change in organizations, strategic change happens gradually and slowly builds on what a company has been doing for many years. (Balogun & Hailey, 2008, p. 22; Whittington et. al., 2019, p. 475) For example, marginal changes in production methods or the launch of new products can be part of this type of strategic change.

In reconstruction, there is a rapid change that may involve, for example, changes in the organizational structure or changes in the financial structure. However, these quick and potentially significant changes do not fundamentally change the organization's business

model or culture. Reconstruction can also include a company acquisition, but it must be of a type that does not fundamentally change the company's business model. (Balogun & Hailey, 2008, p. 22; Whittington et al., 2019, p. 475)

In revolution, change is rapid and can include significant changes to the organization's strategy and culture. Revolutionary changes can be identified by the fact that they probably include the following deep changes: A new clear strategic direction, changes in the company's top management, and a deep cultural change. (Balogun & Hailey, 2008, p. 24)

In evolution, a gradual and clear change in strategy takes place. For instance, leaders strive to maintain a successful business model and culture while exploring new options in a constantly changing environment. (Balogun & Hailey, 2008, p. 24; Whittington et al., 2019, p. 477) Mintzberg and Wetley (1992) state that revolutionary change can take place over several years. However, in this study, this kind of slow but significant change occurring over several years is called evolutionary type change according to the model of Balogun and Hailey (2008, p. 21), see figure 5.

As mentioned above, a reconstruction type of change can include a company acquisition that does not fundamentally change the company's business model. However, acquisition can also be fundamental, with the help of which a company decides purposefully to change its long-term direction. Helfat et al (2007, p. 48), state that a strategic change made through mergers and acquisitions can be an effective way to change the company's long-term direction. In addition to mergers and acquisitions, Whittington et al. (2019, p. 334) also mention alliances as one of the key methods for implementing various strategic options such as internationalization and innovation. In addition to internationalization and innovation, the following can act as motivating factors for mergers, acquisitions, and alliances: Firstly, the company wants to expand product-wise, market-wise, or geographically. Secondly, to merge with a competitor to gain market power or get cost reductions. Lastly, to acquire resources and capabilities. (Walter & Barney, 1990; Ali-Yrkkö, 2002)



Just like mergers, acquisitions, and alliances, divestments can also be considered a strategic change for a company. For instance, if a company sells part of its business, it often wants to focus more deeply on the remaining business areas in the future. (Berry, 2010)

Dominguez CC et al (2015) state that organizations have two alternating period types through which they develop and change. The first of these is convergence, during which a company experiences incremental changes and stable periods of the same size. The changes are not fundamental, but rather small changes in the company's strategy or structure. The convergence type of change can be seen as reminiscent of Balogu and Hailey's (2008, p. 22) adaptation type of change, where the changes are not fundamental and build gradually on top of what the company has already been doing for several years. The second is reorientation, during which a company experiences rapid and discontinuous changes. The changes are fundamental to the company's strategy and structures. The reorientation type of change can be seen as reminiscent of Balogu and Hailey's (2008, p. 24) revolution type of change, where the change is often rapid and significant.

#### **The fourth element of strategic change - Strategic change levers**

The last element of strategic change is the levers of strategic change. Strategic changes often require several levers, which leaders must know how to choose for the change initiative according to the context and type of change. (Whittington et al., 2019, p. 478) However, many leaders end up using the same levers over and over again because they tend to see the change process always from the same perspective. For instance, some leaders always begin to replace key personnel, some to improve IT systems, and some to reorganize the organization. (Tichy, 1983)

To avoid using the same levers, managers can approach change through its context and type, for example by utilizing Kotter's eight-step model. The model presents the levers, as the name suggests, in eight steps. During the first two steps, a leader's job is to present compelling reasons for the change and convince employees of the necessity of

change while creating a sense of urgency for the change. The third, fourth, and fifth steps are related to the vision of the change. During the third step, a vision is created. During the fourth step, the vision is communicated, and during the fifth step, efforts are made to remove possible obstacles in front of the change, so that those who are already motivated for the change can continue to encourage people to achieve the common vision. The sixth step is related to succeeding in intermediate goals of change, which can help people to see even more strongly the possibility of succeeding in changes long-term goals. The seventh step is related to deepening the change through continuous milestones. The last step is related to the integration of the change. The achieved change must be kept as part of the company's culture. (Kotter, 2007; Adams-Robinson, 2021, p. 89)

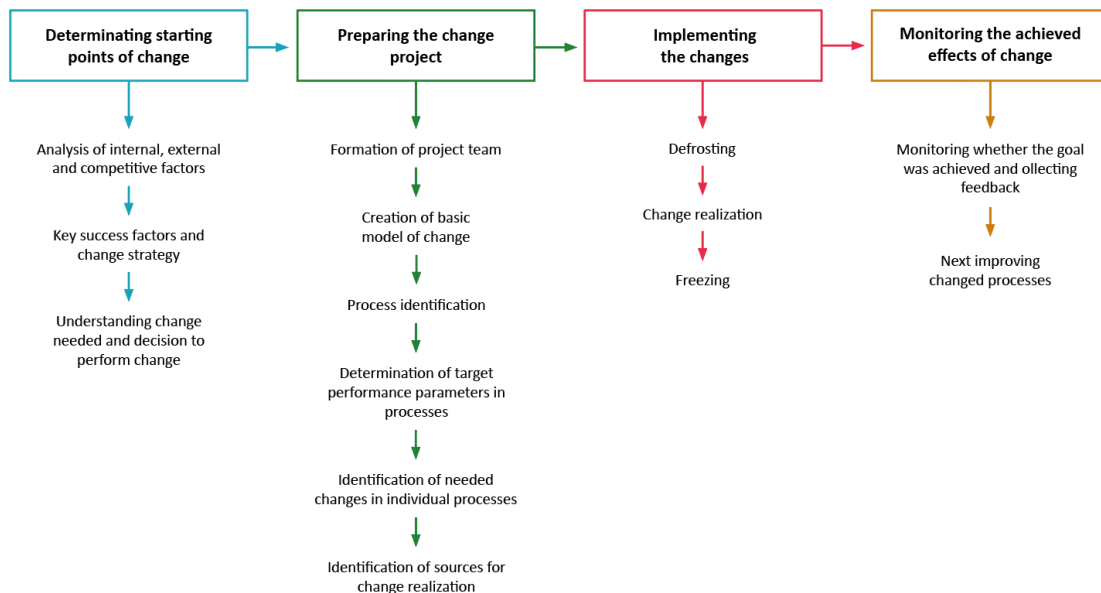
In addition to the levers, Kotter's (2007) model can be considered to also describe the change process by using change management principles. However, the model's eight steps do not have to be performed one at a time because some of the steps can be performed simultaneously. The same principles are used also in other scholars' strategic change processes. More on these in the following paragraphs.

### **2.1.1 Strategic change process**

Strategic change processes, which are sometimes also called strategic renewals (Floyd & Lade, 2000) are often described using process management or change management principles. For instance, Sujova and Rajnoha (2012) describe the strategic change process by following process management principles. Whereas Flamholtz and Randle's (2008, p. 20) management system model and Lewin's conceptual model of change describe the change process by using change management principles. (Flamholtz & Randle, 2008, p. 18)

A process-like approach can be seen in Sujova and Rajnoha's (2012) strategic change process which includes four main phases. Underneath each main phase, there are several sub-phases to advance the process, see figure 6. The purpose of the first phase is to

determine starting point for the change. This includes analyses, with the help of which the need for change can be better understood and based on which the decision to make the change can be made. The purpose of the second phase is to prepare for the change project. This includes sub-phases from forming a team to defining a budget. The purpose of the third phase is to implement the desired changes. The implementation includes three sub-phases: defrosting, change realization, and freezing. During defrosting, the implementation preparations such as arranging needed resources are made. This is followed by the actual implementation, during which the change process is also optimized. Finally, freezing, during which the changed processes are anchored as part of the organization's current culture and operations. The purpose of the last main phase is to monitor the achieved effects of the change, in which it is assessed whether the goal of the change process was achieved. The phase also includes collecting feedback, on the basis of which future change processes can be developed. A more detailed description of the different phases of the strategic change process by Sujova and Rajnoha (2012) can be found in figure 6 below.



**Figure 6.** Strategic change process based on Sujova and Rajnoha's (2012) process.

The management system model is another helpful tool for leaders to plan change processes. Like Sujova and Rajnoha's strategic change process, the management system model has four phases. The first phase includes identifying the need and obstacles to change. Differing from the Sujova and Rajnoha (2012) process, the first phase of Flamholtz and Randle's (2008, p. 20) model already includes the change plan and project preparation, such as defining action steps and assigning roles. This is already done because the second phase of the model is already the implementation phase of the change. (Flamholtz & Randle, 2008 p. 20) The third and fourth phases are built around letting go of old habits and completing the change project, as well as evaluating the achieved change. (Flamholtz & Randle, 2008 p. 21)

Lewin's conceptual model of change has three phases: unfreeze, mobilize, and refreeze. In the unfreezing phase, the leaders create a case that emphasizes the need and necessity for change. The case must be in a form that can be clearly communicated to the company's employees. In the mobilization phase, the leaders need to identify the resources needed for the change. The last phase, refreezing includes the implementation of the changes as part of the company's new normal. (Adams-Robinson, 2021, p. 89)

Although Lewin's theory has been one of the most dominant change management theories, it has received a lot of criticism in the last decades. One of the criticisms is based on its top-down approach (Burnes, 2004), which was also briefly discussed earlier in the strategic leadership styles part of this thesis. The emphasis on the role and responsibility of leadership can also be seen in other models of strategic change processes. For example, Kotter's eight-step model (Adams-Robinson, 2021, p. 89) can be considered to be based fully on the role of management, where the leader's main responsibility is to ensure employees' commitment to the change process.

It can be stated that all aforementioned models and processes emphasize in addition to leadership, the importance of anchoring changes as part of a company's new way to operate. Based on this, it is clear that if the anchoring is not successful and the company

returns to its old operational framework, the strategic change process can be considered a failure. (Sujova and Rajnoha, 2012; Adams-Robinson, 2021, p. 89; Flamholtz & Randle, 2008 p. 21)

Although most models and processes use the same type of phases and actions, differences can also be observed between models. Sujova and Rajnoha's (2012) strategic change process emphasizes initial mapping, while Flamholtz & Randle's (2008, p. 21) management system model does not give it as much weight. The tools mentioned in the strategic change context section such as the change kaleidoscope (Balogun & Hailey, 2008, p. 2) and the forcefield analysis (Baulcomb, 2003) can be used to determine the starting point and preparations needed for the change project regardless of whether the chosen process emphasizes it or not.

As can be seen from the elements of strategic change, strategic change is a very context-specific matter. Because of this, it is also important to understand the context in order to know how to choose the right levers for change and not just end up using the same levers all over again. (Tichy, 1983) This is also strongly related to the fact that a change process that was successfully applied to one company does not mean that it will work as it is for another company. (Balogun & Hailey, p. 7, 8) A company's management must know their company in and out to be able to create a change formula suitable for their needs. (Miles, 1982, p. 14; Boeker, 1989)

The duration of the strategic change process depends on the context of change and the type of change. For instance, in a smaller organization, the implementation of strategic change can take less time than in a larger organization because complexity has been found to increase the duration of a change effort. (Hannan & Freeman, 1984, pp. 160-162) The duration is also affected by the extent of the desired change. In an evolutionary type of strategic change, the change process can take several years while in a revolution type of change, significant change often happens rapidly. (Balogun & Hailey, 2008, p. 21)

Several challenges and risks can be associated with strategic change processes. One of the challenges is resistance which many change efforts face. (Kotter & Schlesinger, 2008) Resistance can occur at the individual, group, or corporate level. (Flamholtz & Randle, 2008, p. 8) The scope of the change can affect where the resistance comes from. For example, resistance to transformational change is often due to fear of failure and separation, while resistance to change that is not as heavy as transformational change is often due to changing norms, habits, and insecurity. (Kindler, 1979) Company leaders can try to deal with resistance in several different ways, such as by educating, communicating, participating, facilitating, and offering support. (Kotter & Schlesinger, 2008) Lines' (2004) research on the influence of participation in strategic change found that there is a strong negative relationship between employee participation and resistance, while there is a strong positive relationship between employee participation, goal achievement, and organizational commitment.

Furthermore, one risk of the strategic change process is that the chosen direction turns out to be wrong. For instance, the change was founded on wrong assumptions, resources turned out to be insufficient, new competitors unexpectedly appeared on the market, or new competitive products were launched. (Roberts et al., 2012) An example of an unexpected external factor that changed the environment of many companies in a significant way is covid-19, which started shaking the world significantly in 2020. (Cucinotta & Vanelli, 2020) Furthermore, a lack of financial resources can also create barriers to implementing strategic change. (Näyhä & Pesonen, 2014)

## **2.2 Initial Public Offering**

An Initial Public Offering (IPO) refers to a process where a privately owned company brings its shares to the stock exchange for public trading for the first time. (Taulli, 2012, p. 28; Geddes, 2007, p. 1; Cirillo et al., 2018) Shares brought to the public can be newly issued shares, holdings of existing owners, or a mixture of both. (Geddes, 2007, p. 7; Huyghebaert & Van Hulle, 2006)

The definition of an Initial Public Offering does not vary much among different scholars, but it is sometimes referred to by other names. In many official contexts such as in peer-reviewed articles and industry literature, Initial Public Offerings are also referred to as "going public". The terms Initial Public Offering and going public are often used side by side in the literature. (e.g., Cirillo et al., 2018; Nelson, 2003; Geddes, 2007; Inderes, 2023; Deloitte 2023) The more casual name "going public" may be due to the fact that in the Initial Public Offering process, in its simplicity, the company's ownership is changed from private to public. See figure 7. Term floatation has also been used to refer to Initial Public Offerings, especially in the UK. (Geddes, 2007, p. 1) In this thesis, the Initial Public Offering is referred to either by its abbreviation "IPO" or "going public".



**Figure 7.** A private company becomes a public company by conducting an IPO. (Geddes, 2007, p. 1)

Companies doing IPOs are not always cut from the same tree. According to Nelson (2003) and The Economic Times (2023), companies going public can be old, young, or even newly established companies. Geddes (2007, p. 45) agrees, according to him, a company's age is not the only indicator of whether a company is ready for an IPO. Rather, for a successful IPO, the company needs to convince investors of the rationale and stability of its business model and long-term value creation potential. Contrary to the above, Martens (2004) mentions that most companies conducting an IPO are relatively young entrepreneurial companies.

There are several drivers for companies to go public. (Espinasse, 2014, p. 1; Taulli, 2012, p. 28) Referring to the views of Geddes (2007, p. 5) and Espinasse (2014, p. 1), there are two main drivers for doing an IPO. First, raise additional equity capital, which companies can use to finance future investments, pay off current debts, fund research, develop products and services, or do mergers and acquisitions. Sherman (2005, p. 201) and the Finnish Foundation for Share Promotion (2022) agree with Geddes and Espinasse

whereas Brau and Fawcett (2006) only emphasize raising capital for acquisitions. The second main driver mentioned by Geddes (2007, p. 5) and Espinasse (2014, p. 1) is to raise funds for existing shareholders like founders or early-stage investors that may want to get liquidity for their holdings. Kohers et al (2003) and the Finnish Foundation for Share Promotion (2016) agree. With the liquidity created by the IPO, the founders and early-stage investors can, for example, get money for personal needs, capital to start new businesses or allocate capital towards other investment opportunities.

Taulli (2012, p. 38) partially agrees with Geddes (2007) and Espinasse (2014) on the main IPO drivers. According to him, raising capital for the company is one of the main drivers, but he mentions that the second main driver, unlike the others, is related to the credibility that the company achieves by becoming a public company. In addition to improving the credibility and business profile through the status of a public company, some companies seek publicity and recognition through an IPO (Hiden, 2002, p. 3; Pagano et al., 1998; Cumming, 2012).

Although many of the drivers mentioned above have something to do with raising capital, the driver can also be a strategic decision that helps the company develop and implement its strategy more comprehensively in the future. (Geddes, 2007, p. 8) For instance, Brau and Fawcett (2006) state as a result of their research that high technology companies often might see an IPO more as a strategic and reputational move than as a financial decision. In addition, peer effects must not be ignored when discussing drivers. Research by Aghamo and Thakor (2022) shows that the probability of an IPO increases significantly if a company sees its direct competitor doing an IPO. This might also be one of the explanatory factors for what was mentioned in the introduction about IPOs and the fact that they often come in waves (Ibbotson & Jaffe, 1975; Ritter, 1984).

The decision to take a company public requires in-depth analysis and long-term strategic planning, including weighing the advantages and disadvantages of the IPO. (Sherman, 2005, p. 197; Taulli, 2012, p. 38; Aghamolla & Thakor, 2022) As can be seen from IPO



drivers, going public can bring many advantages to a company. With the additional capital acquired through the IPO, a company is able to start making investments and thereby take the company to a new level. Valuing a public company is also easier than valuing a private company due to the required disclosure that gives investors more visibility of public companies' operations compared to private companies. Because of this, listed public companies are often more valuable than the corresponding private companies. (Geddes, 2007, p. 24) In addition to these, it may be easier and cheaper for a public company to obtain future financing later in its life cycle than for a private company. (Hiden, 2002, p. 3; Finnish Foundation for Share Promotion, 2016; Geddes, 2007, p. 25)

Another advantage of an IPO is related to transparency, which enables the company to create a better and more comprehensive image of its operations, which can bring credibility to the company. The publicity brought by an IPO can create awareness for the company and thereby increase the company's sales and facilitate the availability of good personnel. The press coverage of a public company is often greater than private companies, which may make them appear stronger and safer to potential employees. (Sherman, 2005, p. 202; Geddes, 2007, p. 25) Public companies are also able to offer incentives such as stock options to their management and employees. (Sherman, 2005, p. 202; Geddes, 2007, p. 24) With the help of incentives, a company can better commit its employees to the company. (Saleem, 2011)

IPO forces the company's management to formulate a proper strategy for the company if this has not been done before. Another thing that the company's management has to focus on is improving the management and financial structure. A clear and proper strategy as well as proper management and financial structures are crucial for the company's future success. (Geddes, 2007, p. 25)

Many of the disadvantages of going public are related to the costs, which are often very significant. (Sherman, 2005, p. 203) The costs can be either monetary or related to the time spent. (Geddes, 2007, p. 26) The monetary costs often include the expenses

incurred during the IPO process, but most often there are expenses also before and after the IPO process. According to Sherman (2005, p. 204), the costs during the IPO include consulting fees, legal fees, accounting fees, and marketing costs. In addition to these, registrations, certificates, and the preparation of various documents such as a prospectus bring huge costs to the company. (Finnish Foundation for Share Promotion, 2016; Sherman, 2005, p. 205) Before the IPO process, costs arise from IPO preparations, such as changes made to the organization's structure or the systems it uses. (Finnish Foundation for Share Promotion, 2016; Sherman, 2005, p. 206) The post-IPO costs are also important to consider. A public company has running costs after the IPO, which bring a large permanent expense to the company. For example, there are ongoing costs for quarterly reporting and managing investor relations. (Ibbotson & Ritter, 1995)

Open reporting and communication can also be seen as a disadvantage of an IPO. Reporting and open communication require staff, take time, and might require new operating methods and tools. Furthermore, transparency might mean losing the company's privacy. (Sherman, 2005, p. 203; Taulli, 2012, p. 33) To exemplify, after the IPO, the company's competitors can get useful information about the company, such as full visibility of the company's cost base and hints about the company's business strategies. (Taulli, 2012, p. 33; Pagano et al., 1998)

As mentioned at the beginning of the disadvantages, costs can also arise in the form of time spent. (Geddes, 2007, p. 26) The IPO process takes time and energy from top management. (Ibbotson & Ritter, 1995) However, during the process, the management should also be able to focus on executing the company's strategy, and not just focus on the IPO process. (Taulli, 2012, p. 31) This is also strongly related to the short-term focus, which can also be seen as one of the disadvantages of an IPO. Quarterly reporting can lead to short-sightedness, as a result of which not enough time is given to advance the company's long-term goals. (Taulli, 2012, p. 31; Geddes, 2007, p. 28)

Loss of ownership control can also be seen as one disadvantage. As evidence, Brau and Fawcett (2006) state as a result of their study that one of the main reasons for staying private is to retain decision-making and ownership control. After going public, the company can no longer control who buys the company's shares. The risk is that the company also attracts unwanted shareholders, such as competitors deciding to buy the company's shares. (Espinasse, 2014 p. 4) There is also a risk that the IPO process is not successful, and still, the company needs to carry the costs. (Latham & Braun, 2010) However, often with good strategic planning, in-depth analysis, weighing advantages and disadvantages, and understanding the IPO process and its requirements, the company can reduce the risk of failure. (Sherman, 2005, p. 197)

Companies must meet certain requirements to do an IPO. Requirements depend on which stock exchange the company is about to get listed on. (Sherman, 2014, p. 5; Geddes, 2007, p. 49) For instance, the main list of the Helsinki Stock Exchange, Nasdaq Helsinki, has different requirements than the Nasdaq First North Growth Market Finland intended for small and medium-sized growth companies. (Finnish Foundation for Share Promotion, 2022) The conditions for listing are defined in the Finnish Securities Market Act and more detailed information is described in the decision of the Finnish Ministry of Finance regarding the admission of securities to the stock exchange list. (Hiden, 2002, p. 10) Referring to the views of Sherman (2014, p. 208) and the Finnish Foundation for Share Promotion (2022), requirements should be filled in well before jumping into the process to avoid unexpected costs and confusion.

### **2.2.1 IPO process and timeframe**

A company can save time and money if they start the IPO planning process early. (Sherman, 2005, p. 227) The company's strategy may need to be reformulated to reflect the future state of the company. Certain processes may require development or changes before the start of the IPO process can even be considered. (Sherman, 2005, p. 227; Financial Supervisory Authority, 2020)

According to Sherman (2005, p. 208), Taulli (2012, p. 40), and Geddes (2007, p. 55) the actual IPO process takes between six to twelve months whereas Espenisse (2014, p. 77) mentions that companies only need six to nine months from the beginning of the process to the first day of trading. However, Geddes (2007, p. 55) emphasizes that each deal is different. The three-month difference can be explained by several factors, such as the fact that companies that have operated like public companies are able to complete the IPO process in a faster time frame because they may already have the necessary practices in place. (Sherman, 2005, p. 208; Inderes 2023) Necessary practices mean an experienced senior management team (Tepper & Donner, 1996) and good management support systems in use, such as financial, legal, and IT systems. In addition, the company already reports quarterly, and a large number of its board members are independent and have experience working in public companies. (Taulli, 2012, p. 40) If a company does not have independent directors on its board the underwriter often requires the company to hire those prior to an IPO. (Tepper & Donner, 1996; Finnish Foundation for Share Promotion, 2016)

The company's IPO timeframe can also be affected by its management's awareness of the capital markets, the IPO process, and its requirements. The smoothness of the process is also affected by the skill and experience of the underwriter, who, in addition to the company, is responsible for conducting the IPO. The schedule can also be slowed down by acquisitions and mergers made by the company in the past. (Espenisse, 2014, p. 77)

Although the steps of the IPO process are the same for all companies (Taulli, 2012, p. 40), different scholars have divided the process into entities of different sizes. Espenisse (2014, p. 78) has divided the IPO process into three parts, Geddes (2007, p. 44) into five parts, and Taulli (2012, p. 40) into nine parts. The process of this thesis is based on a combination of the Espenisse (2014, p. 78) three-part process and the Geddes (2007, p. 44) five-part process. The combination of processes is used because Espenisse

emphasizes the actual IPO process clearly and shortly, but Geddes also takes into account the extensive preparatory work before the IPO, which is an essential part of this thesis study.

Espenisse's (2014, p. 78) three-part IPO process consists of the following: Preparation work and due diligence, prospectus reviewing, and marketing. Similar parts can also be seen in the Geddes (2007, p. 55) IPO process. In addition to these three parts, Geddes has a corporate issue (p. 47) as a part before the start of Espenisses' IPO process and an aftermarket (p. 58) part at the end of the process. This thesis does not focus on the aftermarket phase because it focuses on the post-IPO period and is thus outside the research scope of this thesis. See figure 1.

Geddes' (2007, pp. 44, 47 & 54) corporate issue part can also be described as the pre-work part because it includes not only the organizational and structural issue-related matters but also appointing advisers. For some companies, the corporate issue phase of the process may start even a year or more before the actual IPO. (Geddes, 2007, p. 47) Some companies may need more time with certain steps. For instance, if the company has not operated as a public company, it must start to prepare its management support systems, start to report quarterly, and hold meetings regularly. (Sherman, 2005, p. 208; Inderes 2023) Some companies, especially smaller or more unknown ones, may need more time for marketing to get the attention of investors. (Finnish Foundation for Share Promotion, 2016, p. 37)

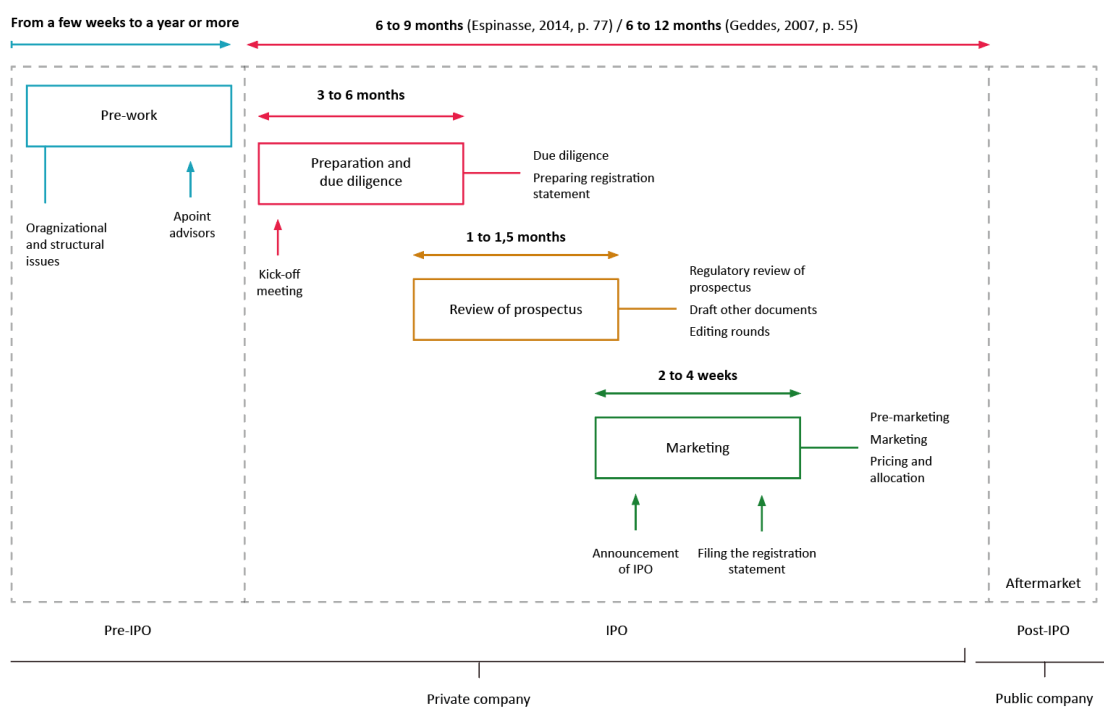
Many companies require a lot of so-called house cleaning before they can even consider going public. (Geddes, 2007, p. 47) House cleaning in this context refers to going through and organizing company documents before they become public documents. (Sherman, 2005, p. 208) Companies need to set aside enough time for cleaning, and the cleaning process can be good to start already in the pre-work phase. In addition, if the company needs experienced managers and a certain kind of know-how, it is recommendable to start this process also well before the actual IPO process begins. (Espenisse, 2014, p. 209)

Tepper and Donner (1996) stated that preparation is key to a successful IPO, so sufficient time must be set aside for it. The preparation and due diligence included in the official IPO process can take approximately three to six months. (Espinasse, 2014, p. 77) The Cambridge dictionary (2023) defines due diligence as follows: "The detailed examination of a company and its financial records, done before becoming involved in a business arrangement with it, such as buying it or selling its shares to investors". According to Finnish Foundation for Share Promotion (2016, p. 22), due diligence includes in addition to a financial audit, a corporate governance system and a legal due diligence audit. Some companies may only start house cleaning within the official IPO process but it is important to note that if the company does not allocate enough time for the preparation and due diligence phase, it can bring up unwanted costs, show strategic weaknesses, or reveal unexpected problems. The best way to prepare for due diligence is to conduct a legal audit and implement a formal management structure if the company does not yet have it. The formal structure includes formal board meetings, meeting minutes, and periodic reporting. (Espinasse, 2014, p. 210)

Part of the due diligence process is the preparation of the registration statement, which consists of drafting the prospectus and supporting documents. (Taulli, 2012, p. 42). In short, a prospectus is a document that contains all the important information an investor needs to make an investment decision. Preparing the prospectus is a mandatory part of a company's IPO process. (Finnish Foundation for Share Promotion, 2016, p. 23; Espinasse, 2014, p. 102; Geddes, 2007, p. 110) A more detailed description of the prospectus is in section 3.3.

Lastly, the marketing phase of the IPO process takes around two to four weeks. (Espinasse 2014, p. 78) Geddes (2007, p. 57) divides the marketing process into three phases: pre-marketing, marketing, and pricing and allocation. The pre-marketing includes investment case development, market and management preparation, and publication of initial research. (Geddes, 2007, p. 57) A company's intention to go public is

often announced in the pre-marketing phase. (Finnish Foundation for Share Promotion, 2016, p. 28) The marketing phase consists of defining the price range, filing the registration statement including the prospectus, sales briefing, organizing roadshows and one-on-ones as well as sales follow-up and book building. (Finnish Foundation for Share Promotion, 2016, p. 27) The pricing and allocation as its name imply include price-setting and allocation. (Geddes, 2007, p. 56) This latest stage of marketing is not included in the scope of the thesis, so a more detailed description is not needed.



**Figure 8.** IPO process based on Espenisse's (2014, p. 78) and Geddes's (2007, p. 44) IPO process description.

In the pre-marketing phase, the IPO is announced only to a small circle of investors and information about a company's IPO should not be leaked to the public until the company has filed a registration statement during the marketing phase. Despite all the IPO preparations that a company does, the company's management must try to keep the IPO confidential throughout the process. (Espinasse, 2014, p. 86) Because of this, the IPO project is often given a secret project name at the kick-off meeting. As can see in figure 8, the official IPO process starts with a kick-off meeting where all parties involved are

introduced to each other. (Espinasse, 2014, p. 86) Before the first meeting, the company has already started making preparations like appointing advisors for the project. In addition to the company's board members and senior managers, a lead underwriter is appointed. The lead underwriter is often a merchant or an investment bank. Furthermore, several other advisors such as lawyers, accountants, and possible consultants, auditors, and marketing agencies participate in the process. (Taulli, 2012, p. 35; Espinasse, 2014, p. 63; Sherman, 2005, p. 208; Geddes, 2007, p. 31)

### **2.3 Synthesis - strategic changes prior to an IPO**

This section aims to synthesize the theories of strategic change and IPO into one simplified theoretical framework that can be used to study how companies change strategies prior to an IPO. In the following paragraphs, the building blocks chosen for the theoretical framework are described and justified. The theoretical framework as a whole is presented at the end of this synthesis. The framework will be used later in this study to help interpret the data collected for the study and to make observations about how the three case companies have changed their strategies prior to their IPOs.

As stated already in the introduction, the change from private to public is one of the biggest changes a company can make during its lifecycle. (Flamholtz & Randle, 2008, p. 6; Espinasse, 2014, p. 1) The decision to take a company public requires in-depth analysis and long-term strategic planning (Sherman, 2005, p. 197; Taulli, 2012, p. 38). Thus, Flamholtz and Randle (2008, p. 12) consider IPO to be a special transformational change, which is the most significant form of change a company can make on a scale of changes.

Once a company's owners have made the decision to do an IPO, they want to make sure that the IPO process is done so that it fairly values the company. To make the IPO successful, the company must have a good investment case (Espinasse, 2014, p. 7), which includes a well-formed strategy and a clear vision of how the company aims to evolve over the coming years. Therefore, the company's management must formulate the strategy to reflect the future state of the company (Sherman, 2005, p. 227) well ahead of the



beginning of the actual IPO process. (Geddes, 2007, p. 55) Sherman (2005, p. 227) states that a company can save a lot of time and money if they start the IPO planning process early. Tepper and Donner (1996) agree and emphasize how preparation and sufficient time given to it is the key to a successful IPO.

Based on the review of the theory of strategic change, it can be stated that strategic changes can happen in various ways, in different timeframes, and to different extents. (Flamholtz & Randle, 2008, p. 11, 12; Balogun & Hailey, 2008, p. 21; Whittington et al., 2019, p. 475) Further, strategic changes can be classified based on the type of change. (Dominguez CC et al., 2015; Flamholtz & Randle 2008, p. 11, 12; Balogun & Hailey, 2008, p. 21) As this study aims to understand the phenomenon of strategic change prior to an IPO, it is important to identify strategic actions that the case companies have done before their IPOs. To make the study clear and structured, the strategic actions are classified according to the types of strategic change model by Balogun and Hailey (2008, p. 21) as shown in figure 9. Strategic actions selected for the framework are based on the information obtained from the separate review of strategic change and IPO theories.

Based on the separate reviews of strategic change and IPO theories, it can be stated that both theories emphasize the importance of the company's management. The importance of leadership in strategic change can already be seen in the definition of the term strategic change (e.g., Boyne & Meier, 2009; Flamholtz & Randle, 2008, p. 13), but also in the elements of strategic change, where leadership is considered to influence the context of strategic change, the types of strategic change, and, through these, the levers of strategic change. (Whittington et al., 2019, p. 465) See figure 3.

Furthermore, the strategic change theory emphasizes how a new owner, a new board member, or a new TMT member can bring with them new perspectives that can have an impact on the company's long-term direction. (Goodstein & Boeker, 1991; Dominguez CC et al., 2015; Helfat et al., 2007, p. 46) According to Helfat et al (2007, p 46), bringing new people into a company can be a faster way to create strategic change.

Reorganization can help start a strategic change process, as a result of which changes in the company's management are common at times of strategy change. (Dominguez CC et al., 2015)

The IPO theory also emphasizes the importance of management. To demonstrate, the decision to do an IPO comes from the owners of the company. (Espinasse, 2014, p. 1; Taulli, 2012, p. 28) As mentioned earlier, the owners want the IPO to be successful, which is why they prepare their company for the IPO in the best possible way. In order to maximize the probability of a successful IPO, the owners appoint the best possible board of directors for the company, who then chooses the most suitable top management team to lead the company through the IPO. (Nour, 2009, pp. 12, 83)

Based on the IPO theory review, it can be stated that the composition of the company's board and TMT should have a certain form as the IPO approaches. According to Taulli (2012, p. 212), it would be good for board members to have a public company background. Moreover, the company's CEO should have credibility in the industry and the know-how to lead the company's operations efficiently. Further, Espenisse et al (2014, p. 209) state that if the company needs experienced leaders and a certain kind of know-how, it is recommended to start this process well before the IPO begins.

Due to the great emphasis on leadership in both theories, changes in the main owner, board members, or top management team members prior to an IPO can be considered as actions that affect the strategy of the company and therefore are used as building blocks in the framework of this thesis. According to Balogun and Hailey's type of change model (2008, p. 21), these changes are often considered a revolutionary type of changes and are therefore placed in the framework below it.

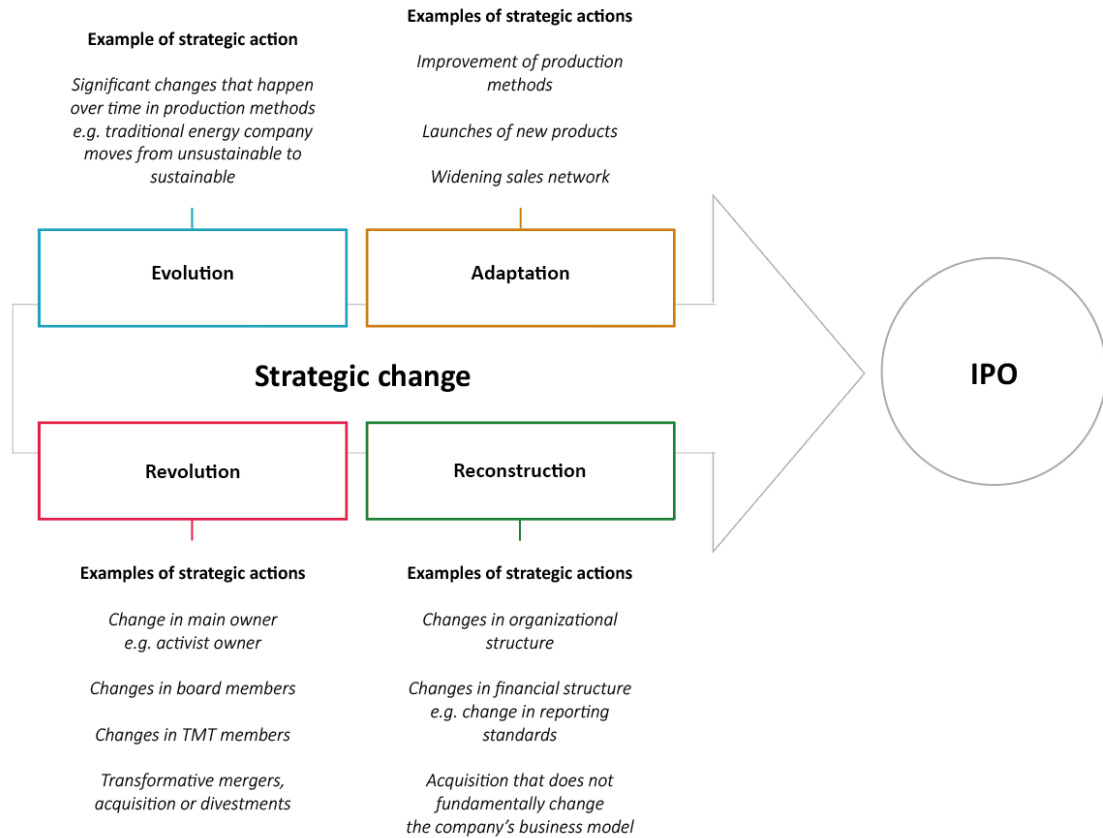
Other strategic actions that fit under the revolution type of change are transformative acquisitions, mergers, and divestments. As mentioned in the theory of strategic change, mergers and acquisitions can be used to create strategic change in a company. (Helfat et

al., 2007, p. 48; Balogun & Hailey, 2008, p. 22; Whittington et al., 2019, p. 475) From an IPO point of view, mergers and acquisitions can serve as a way to show investors the company's ability to grow (Nour, 2009, p. 96), which in turn can make the company look like a better investment opportunity during the IPO process. In addition to mergers and acquisitions, divestments can also be a way to make a strategic change in a company. Divestments are often done to show a sharpened strategic focus on a specific business in the future. (Berry, 2010) As mentioned in the theory of strategic change, mergers, acquisitions, and divestments are not always revolutionary. (Balogun & Hailey, 2008, p. 22; Whittington et al., 2019, p. 475) If the merger, acquisition, or divestment is small in size, it can be classified as a reconstructive type of strategic change (Balogun & Hailey, 2008, p. 21). According to Whittington et al (2019, p. 475), reconstruction type of change actions can also include changes in the organizational structure or changes in the financial structure.

According to Whittington et al (2019, p. 475), adaptation is the most common form of change in an organization. Thus, it can be assumed that adaptative strategic actions occur continuously before the IPO as the company aims to build a strong track record to show to potential investors in the IPO process. Adaptive strategic actions could include launches of new products, widening of the sales network, and improvement of production methodologies (Balogun & Hailey, 2008, p. 22). Because adaptative change happens over a long period and slowly builds on what a company has been doing for many years (Balogun & Hailey, 2008, p. 22; Whittington et al., 2019, p. 475), adaptive strategic actions can be hard to identify.

Similarly, to the adaptative type of change, the evolution type of change happens over a long period. (Balogun & Hailey, 2008, p. 24; Whittington et al., 2019, p. 477) However, as evolution includes a fundamental change in strategic direction (Balogun & Hailey, 2008, p. 24; Whittington et al., 2019, p. 477), it is unlikely that companies that are building a track record for a successful IPO would go through an evolutionary type of change. Despite this, evolution-type change with its strategic action example is included as one

of the building blocks of the framework. Despite the assumption based on the IPO theory, this type of strategic change could also be able to use as a way to make a strategic change before an IPO.



**Figure 9.** The framework of this thesis.

### 3 Research Methodology

The third chapter describes the research approach, case selection, and data collection. The case selection also includes short descriptions of the selected case companies. Moreover, the chapter analyzes the data collected for the study and describes the reliability and validity of the study.

#### 3.1 Research approach

The study of this thesis is carried out by means of qualitative research, which enables the use of a wide range of approaches and methods. (Saldaña, 2011, p. 3) The study collects and analyzes non-numerical data, which is usual for qualitative research. (Saunders et al., 2007, p. 145) Secondary documentary data in written form from three case companies are used as the thesis data. A more detailed description of the data, data collection, and analysis later in this chapter.

Qualitative research can be done either through the deductive, inductive, or abductive approach. (Saldaña, 2011, p. 93) A combination of approaches can also be used in qualitative research. (Saunders et al., 2007, p. 140) A deductive approach was chosen as the research approach of this thesis. The deductive approach refers to an approach where theory creates the basis for the research. (Saldana, 2011, p. 93) According to Robson (2002) and Saunders et al (2007, p. 117), deductive research progresses through the next steps:

1. Create a theoretical framework based on theory or theories
2. Explore the data selected for the study in light of the created framework
3. Examine the findings of the study
4. Make adjustments to the theory based on the findings, if necessary

Qualitative research has several genres, of which the case study is one. (Saldaña, 2011, p. 4) A case study can rely on one or more cases. (Saunders et al., 2007, p. 140) According

to Maylor and Blackmon (2005, p. 246), a single case study dives deeply into a selected case, whereas a multiple case study is more interested in the breadth of the phenomenon in cases rather than the depth. A multiple case study was chosen as the method of this study because it aims to identify which features are unique to one case and which are common across all three selected cases. (Maylor & Blackmon, 2005, p. 246) Moreover, a case study answers “how” and “why” questions and focuses on a current phenomenon in a real-life context where a researcher has little control over the events studied. (Simons, 2009, p. 39; Yin, 1994, p. 1)

The above-mentioned typical features of the case study indicate that the genre has been chosen correctly because the research question of the study begins with "how" and aims to use case companies to answer: *How do companies change their strategy prior to an IPO?* In addition, as already mentioned in the introduction, the phenomenon can be considered very current in the context of real life. Furthermore, the researcher has only little control over the events studied in this thesis because the research examines events and processes that have already occurred.

### **3.2 Case selection**

According to Maylor and Blackmon (2005, p. 249), there are two ways to select cases. First, choose extreme cases or cases that vary widely in one or more aspects. Second, choose cases that are similar to each other.

In this study, there are only a few aspects that unite the selected cases. First, all the case companies are from Finland. Second, all the case companies were listed on the Nasdaq Helsinki marketplace. Finally, all the case companies filed an IPO registration statement in 2021. Otherwise, the companies do not have that much in common. The companies operate in different industries. Two of the companies operate mainly in Finland, while one of them has more operations also outside Finland. Two companies have a longer history, while one of the companies was founded in the last ten years. After the next

paragraph, brief descriptions of the case companies are presented. The case companies are given in the order in which they filed their IPO registration statements in 2021.

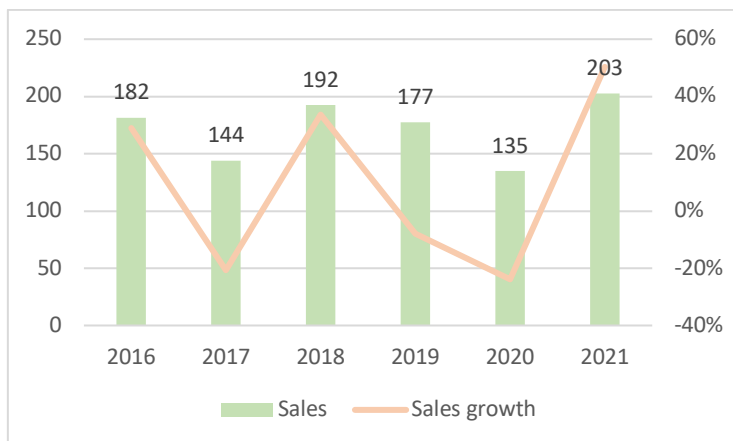
The case companies were selected from the Finnish Foundation for Share Promotion (2023) website, which maintains a list of companies that have gone public in Finland in recent years. The availability of secondary data influenced the selection of case companies. It was necessary to check in advance which companies have information that can be used to answer the research question of this thesis.

### **3.2.1 Description of case companies**

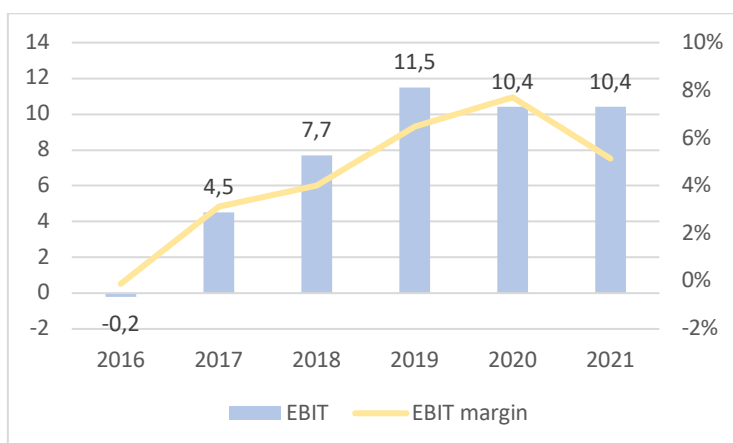
#### **Case 1: Kreate Group**

Kreate Group is an infrastructure construction company from Finland that was founded in 2015 when three infrastructure construction companies combined their forces. The merged companies have together more than 190 years of experience in the industry. Today, the company serves its customers together with an associated company throughout Finland. Kreate's customers are mainly public sector customers from Finland. The company offers services for construction projects involving roads, bridges, and railways. In addition, the company's service category also includes projects concerning rock construction, concrete construction, special foundation construction, and circular economy. Kreate employs approximately 380 construction professionals. (Kreate prospectus, 2021)

Kreate was listed on the Nasdaq Helsinki marketplace in 2021. The company submitted its IPO registration statement on February 5, 2021. (Kreate prospectus, 2021) Kreate's turnover and turnover growth from 2016 to 2021 in figure 10, and EBIT and EBIT margin from 2016 to 2021 in figure 11.



**Figure 10.** Kreate turnover and turnover growth in 2016-2021. (Kreate prospectus, 2021; Kreate financial statement releases 2016-2020; Kreate annual report, 2021)



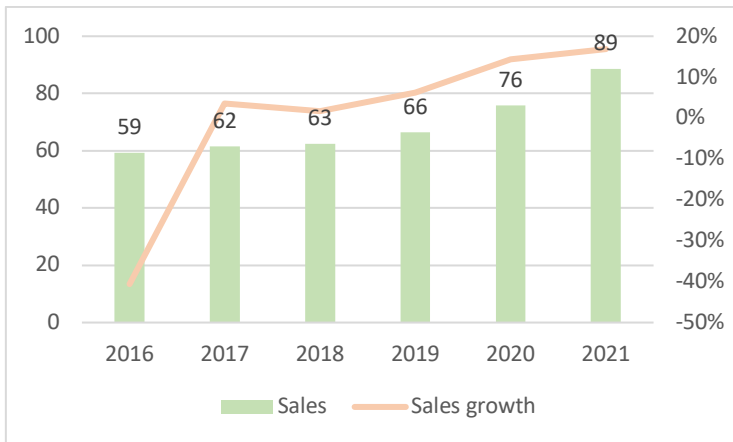
**Figure 11.** Kreate EBIT and EBIT margin in 2016–2021. (Kreate prospectus, 2021; Kreate financial statement releases 2016-2020; Kreate annual report, 2021)

## Case 2: Orthex

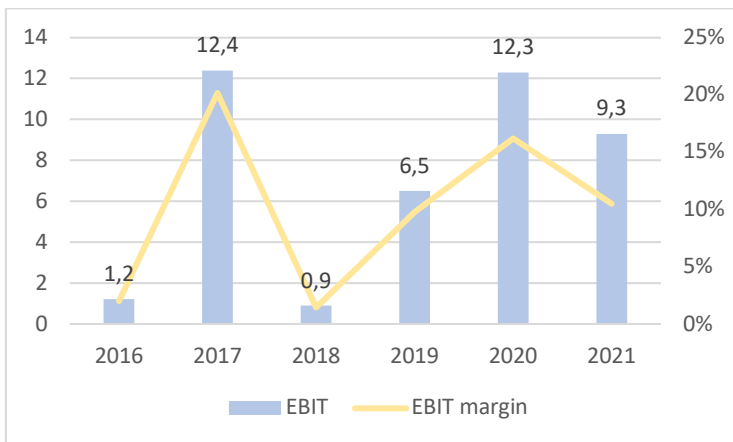
Orthex is a household goods company from Finland that was founded in 1956. However, due to the acquisitions made in 2010 and 2011, today the company's history goes all the way to the year 1914. The company designs, manufactures, and sells household goods for home storage, kitchen, home and yard, and plant care, of which the largest product group is home storage. The Nordic countries are Orthex's main market, although the company has sales in more than 40 countries in total, including Germany, France, and the United Kingdom. Orthex employs approximately 285 employees. (Orthex prospectus, 2021)



Orthex was listed on the Nasdaq Helsinki marketplace in 2021. The company submitted its IPO registration statement on March 12, 2021. (Orthex prospectus, 2021) Orthex's turnover and turnover growth from 2016 to 2021 in figure 12, and EBIT and EBIT margin from 2016 to 2021 in figure 13.



**Figure 12.** Orthex turnover and turnover growth in 2016-2021. (Orthex prospectus, 2021; Orthex financial statement releases 2016-2020; Orthex annual report, 2021)



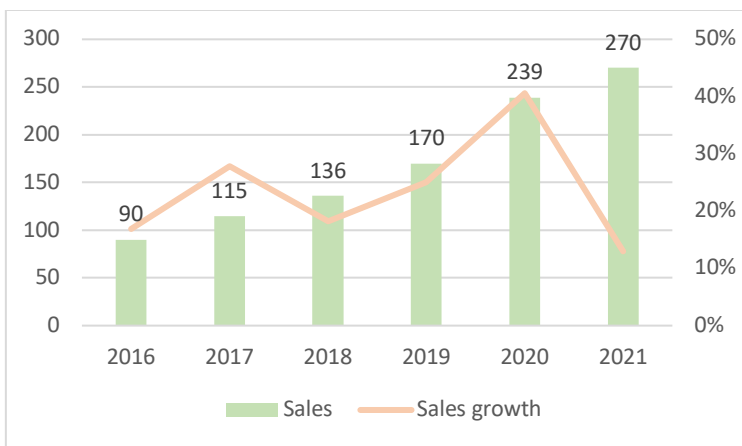
**Figure 13.** Orthex EBIT and EBIT margin in 2016-2021. (Orthex prospectus, 2021; Orthex financial statement releases 2016-2020; Orthex annual report, 2021)

### Case 3: Puuilo

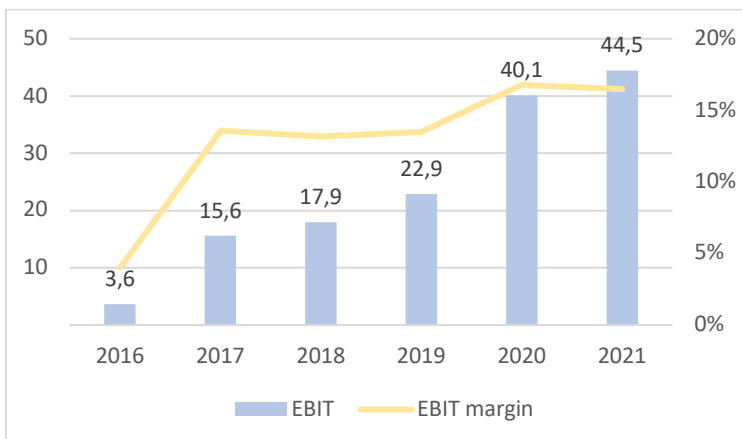
Puuilo is a department store chain from Finland that was founded in 1982. The company was originally a small lumber workshop whose sales were made with the power of six buses. At the beginning of the 2000s, the buses were abandoned, and stores started to be built. In 2006, Puuilo had four stores and in 2019 there were already 27 stores. Today,

the company operates in the discount retail market and has almost 40 stores and a web-shop in Finland. Puuilo's product range includes tools, construction supplies, car supplies, garden supplies, pet supplies, leisure supplies, household goods, and food. (Puuilo, 2023) Puuilo employs approximately 622 employees. (Puuilo prospectus, 2021)

Puuilo was listed on the Nasdaq Helsinki marketplace in 2021. The company submitted its IPO registration statement on June 10, 2021. (Puuilo prospectus, 2021) Puuilo's turnover and turnover growth from 2016 to 2021 in figure 14, and EBIT and EBIT margin from 2016 to 2021 in figure 15.



**Figure 14.** Puuilo turnover and turnover growth in 2016-2021. (Puuilo prospectus, 2021; Puuilo financial statement releases 2016-2020; Puuilo annual report, 2021)



**Figure 15.** Puuilo EBIT and EBIT margin in 2016-2021. (Puuilo prospectus, 2021; Puuilo financial statement releases 2016-2020; Puuilo annual report, 2021)

### 3.3 Data collection

Secondary data refers to data that has already been collected for other purposes. Secondary data often includes both raw data and published summaries. (Saunders et al., 2007, p. 246) In this study, written documentary secondary data is used. Written reports contain case companies' organizational documents such as financial reports, annual reports, half-year reports, interim reports, and financial statement releases.

According to Saunders et al (2007, p. 253), locating and finding relevant secondary data may require detective skills. Collecting secondary data for the study took time because it had to be collected from several different locations and its suitability for the study had to be ensured. Some organizational documents such as financial statement releases were collected for a small fee from the website of the Virre data service owned by the Finnish Patent and Registration Office and some of the documents such as annual reports were found on the websites of the case companies free of charge. The collected organizational documents are from the period before the case companies filed their IPO registration statements, i.e., from the years 2015-2020. However, despite a careful search, not all the desired materials for all case companies were found. This may be due to the fact that the documents do not exist. Although all companies have financial statement releases, not all companies necessarily have separate annual reports. Private companies are not required to report similarly to public companies. Another reason could be that some of the case companies may have purposefully removed the old documents from their website after the IPO.

The aforementioned organizational documents are complemented by bulletins published on the websites of the case companies in 2015-2020. According to Oxford Learner's Dictionary (2023), a bulletin refers to an official statement about something important. In this context, bulletins published by the case companies are important announcements or potential turning points in the case companies' direction, which is why it is important to include bulletins as part of the data of this study.

In addition to the above, this study also includes prospectuses as a third source of documentary secondary data. The prospectus is a document prepared during the IPO process, which investors should use when making a decision to buy a company's shares. Preparing the prospectus is a mandatory part of a company's IPO process. (Espinasse, 2014, p. 102; Geddes, 2007, p. 110) Prospectuses are often very extensive, either physical or pdf. documents that follow a certain predefined format. (Taulli, 2012, p. 55) The Finnish Ministry of Finance's decision on the prospectus lists exactly what must be mentioned in prospectuses. (Hiden, 2002, p. 12) The prospectuses should accurately describe a company's business, including the company's strategy. The prospectuses also contain a description of the company's history, IPO drivers, financial situation, risk factors, and composition of the management team. By law, the prospectuses must mention all relevant information about a company, no matter if the information is good, bad, or even ugly for the company. (Taulli, 2012, p. 55)

The prospectuses of the case companies were collected from the website of the Finnish Financial Supervisory Authority (2021), where the prospectuses can be freely read and downloaded free of charge. The prospectuses are from the year 2021, more precisely, from the day when the case companies filed their final IPO registration statements.

### **3.4 Data analysis**

The data analysis of this thesis is done by using qualitative content analysis because it can be used to analyze text, visual and audio data. (Sachdeva, 2009, p. 165) Data analysis uses a data-oriented and inductive research strategy, meaning that the research codes and categories of this study are formed based on data analysis. (Maylor & Blackmon, 2005 p. 252) Organizing secondary written data into codes and categories enables systematic study and analysis of data, which in turn also helps to find themes and patterns in the data. (Saunders et al., 2007, p. 479)

First, within-case analysis is performed, during which the focus is on analyzing individual cases without allowing findings of other cases to influence the analysis. (Maylor &

Blackmon, 2005, p. 252) After this, a cross-case analysis is performed, where the purpose is to search for patterns of events or patterns of processes between the cases through the simultaneous analysis of all cases. (Maylor & Blackmon, 2005, p. 252) The cross-case analysis also helps identify whether the findings are part of a possible general phenomenon or are the findings only part of a single occurrence. (Eisenhardt & Graebner, 2007)

In all cases, the data is processed in a specific order. The review of the data starts from 2015 and progresses year by year until 2021 when the companies submitted their IPO registration statements. Individual timelines are created for all case companies, in which strategic actions taken by the case companies are presented. Moreover, based on the strategic actions, a simplified roadmap is created to describe the company's journey toward the IPO. Finally, the finished timelines and roadmaps are compared to each other to find patterns. To facilitate this, common data matrices and illustrative figures are created.

### **3.5 Research quality**

Research quality can be evaluated through reliability and validity. (Saunders et al., 2007, p. 149) Reliability refers to a process in which data collection and techniques used in its analysis lead to consistent findings. (Saunders et al., 2007, p. 149) According to Easterby-Smith et al. (2002, p. 53) and Saunders et al. (2007, p. 149) reliability of the process can be assessed using the next three questions:

1. Do the findings remain the same in different situations?
2. Do the findings remain the same regardless of the observer?
3. Are the findings obtained from the raw data transparent?

Firstly, the researcher of this thesis was the only one who examined the data used in the study to avoid observer error. Secondly, the data were analyzed according to the qualitative content analysis method guidelines. The data of all case companies were categorized and coded using the same technique to ensure the similarity of the findings

regardless of the situation and the observer. Lastly, plenty of references were used in the findings in order to keep the core messages as original as possible and to make the findings transparent.

The study uses secondary data, which is why the use and collection of secondary data must also be justified and evaluated carefully. According to Saunders et al (2007, p. 263, 265), one way to evaluate secondary data is to evaluate the source and the collection method of the data. Organizational documents such as annual reports are originally made for a specific purpose. For example, the purpose of an annual report may be to inform employees and other stakeholders about the company's operations. The original purpose of the documents can also affect how the information is presented in the reports. In various documents, issues can be presented as a summary, which often makes it impossible to check the entire context of the issue being presented.

It is also important to note that a company often makes its own reports and bulletins, which is why the data presented in the reports and bulletins on the company's website are likely to be somewhat biased. Moreover, the author of the reports often stays unknown, which also affects reliability. There may also be errors in the reports or bulletins, or alternatively, the presented issues have been chosen so that they only show the positive aspects of the presented issues.

Prospectuses can be considered less biased than previously mentioned organizational documents. This is because parties outside a company are involved in preparing prospectuses. The parties participating in an IPO process are described in section 2.2.1. The task of external parties such as underwriters, lawyers, and accountants is to ensure that the issues stated in prospectuses are correct. However, it is important to note that this does not mean that the prospectuses cannot have some minor factual errors.

The validity on the other hand is "concerned with whether the findings are really what they appear to be". (Saunders et al., 2007, p. 149) The truthfulness of the findings can









be assessed for example by evaluating the study's reliability and the findings' generalizability. The biases and possible errors mentioned earlier in the reliability part of the chapter can reduce the validity of the study. Furthermore, the findings of this thesis study cannot be considered generalizable because the sample size was quite small, and the phenomenon was studied only in a specific setting. However, the study can provide additional information for companies considering an IPO or it can serve as an idea base for other studies related to strategic change and IPO.

## 4 Findings

The fourth chapter describes the research findings. Firstly, the findings are presented case by case as their own entities. Secondly, the findings are analyzed with cross-case analysis, where the aim is to point out patterns of events between the case companies through simultaneous analysis. At the same time, the possible similarities and differences between the cases are connected to the existing literature. Lastly, the findings are discussed as a whole, and final results are drawn.

### 4.1 Case analysis

Symbols and colors were developed based on the thesis framework for the analysis and the case companies' timelines of this findings section. See figure 16 for the explanation of the coding and categorization used to describe the different strategic actions of the case companies that took place prior to their IPOs.

Symbol on timeline	Strategic action	Type of change
	Change in owner or transformative merger	<i>Revolution</i>
	Change in board member	<i>Revolution</i>
	Change in TMT member	<i>Revolution</i>
	Change in financial structure, etc.	<i>Reconstruction</i>
	Change in organizational structure, major investments, etc.	<i>Reconstruction</i>
	Acquisition or divestment that does not fundamentally change the company's business model	<i>Reconstruction</i>
	Widening salesnetwork, improvement of production methods, etc.	<i>Adaptation</i>
	Responding to changes in the environment or customer behavior, e.g. investing in marketing	<i>Adaptation</i>

**Figure 16.** Symbols used on timelines and the meanings of their colors and forms.



#### **4.1.1 Case 1 Kreate Group analysis**

The strategic actions taken by Kreate that were found from the data are gathered together in figure 18 and classified according to figure 16. The strategic actions are described in more detail using the frameworks' change types in the following paragraphs. The actions are presented in chronological order, starting from 2015. In the end, a summary and a roadmap are presented with which Kreate, based on the data, has gone toward the IPO.

##### **The year 2015: A period of revolutionary changes**

At the end of March 2015 Fin-Seula Ltd and Insinööritoimisto Seppo Rantala Ltd merged with Kesälahden Maansiirto Ltd. The day after the merger, the company was named Kreate Ltd. (Kreate financial statement 1.1.-31.12.2015) Less than a month after the merger, the company's board decided to dismiss the company's current CEO. (Kreate financial statement 1.1.-31.12.2015) The dismissal is mentioned in the company's 2015 financial statement as follows:

On 27.4.2015, the company's board of directors decided to end the CEO's position.

In addition to the dismissal of the CEO, the company got two new board members. (Kreate prospectus, 2021) These changes, which can be classified as revolutionary changes according to Figure 16, can be assumed to be related to the merger of the three companies.

In addition to the revolutionary changes, the company decided to issue shares to the company's key personnel. (Kreate financial statement, 2015) The share issue changed the company's ownership structure in a minor manner, which is why it can be classified as a reconstruction change according to Figure 16. In 2015, another reconstruction type of change took place when Kreate decided to exit the Russian business by selling

Laatokan Maansiirto Ltd. (Kreate financial statement 1.1.-31.12.2015) This change can be seen to have changed the company's organizational structure quickly, but not significantly because the divestment was not a large part of the total business and only became part of Kreate in connection with the mergers. For these reasons, this strategic action can be seen based on Figure 16 as a reconstruction-type change.

### **The year 2016: Mainly reconstruction changes**

In 2016, Kreate continued integrating the operating methods of the merged companies. (Kreate financial statement 1.1.-31.12.2016) In addition to this, the company made a new share issue for the company's key personnel which purpose was justified in Kreate's 2016 financial statement as follows:

The purpose of issuing the shares is to strengthen the company's capital structure, expand the company's owner base, and encourage and commit key personnel of the company and its group companies to the group's business operations.

In addition to these previously mentioned reconstruction types of changes, the company took measures related to project selection and forecasting. (Kreate financial statement 1.1.-31.12.2016) This can be seen as a natural continuation of the integration, but also as a continuation of the project selection and forecasting which has already happened in the companies before they merged. For this reason, this is seen as an adaptive change.

Although the main focus was to some extent on the reconstruction changes, one revolutionary change took place during the year when one new person joined the company's TMT. (Kreate prospectus, 2021)

### **The year 2017: Revolutionary and reconstruction changes**

In 2017, Kreate made two acquisitions when it bought Railtek Ltd Insa and Railtek Ltd Rata. The purpose of the acquisition was to acquire competent resources, company- and employee-specific references, and to strengthen Kreate's business portfolio, especially with regard to the railway construction business. (Kreate prospectus, 2021) The acquisitions can be seen to have strengthened Kreate's current business, which is why these strategic actions are classified as reconstruction-type changes.

In the same year, Kreate's joint venture, of which Kreate owns 50%, also made an acquisition. In the 2017 financial statement, the acquisition that again strengthened the company's bored pile business is mentioned as follows:

During the financial year, KFS Finland Oy acquired 100% of Sotkamo Porapaalu Ltd's share capital. Sotkamo's Porapaalu Ltd has been consolidated into the financial statement from 3.7.2017.

The same year the company make a decision to change its financial reporting structure by starting to use IFRS in its accounting. (Kreate prospectus, 2021) The financial reporting structure change can be seen as a rapid change, which, however, builds on top of what the company has already been doing for years and is for that reason classified as a reconstruction-type of change.

In 2017, the company again issued new shares, which were this time given not only to the group's key personnel but also to the strategic owners of the company. (Kreate financial statement, 2017) This reconstruction change can be seen to be related to the changes that took place in the same year in the company's TMT, which are described below.

Revolution-type of changes occurred when significant changes in the company's TMT were made. In addition to the new CEO and CFO, two other new members joined the company's TMT. (Kreate prospectus, 2021) In the same year as a significant

reorganization of the TMT took place, the company made an update to its strategy for the years 2018-2020. The renewed strategy aimed to sharpen the company's direction toward demanding infrastructure construction projects. (Kreate board of directors' report and financial statement 1.1.-31.12.2018)

### **The year 2018: A period of three different types of changes**

The revolutionary changes of 2017 continued when three new members joined the company's TMT (Kreate prospectus, 2021) in 2018, adding up to a total of seven TMT changes during 2017-2018. It can be assumed that by 2017, the merger and integration that started in 2015 had reached a state where the company was no longer dependent on the previous TMT members' know-how. Thus, the board decided to bring in new perspectives in the form of new TMT members.

One year after the company started to use IFRS accounting and got a new CFO, the company reported using the IFRS standards for the first time. (Kreate prospectus, 2021). In addition to this reconstruction type of change, the company made other changes to its financial structure by renewing its financial agreement and taking out a new bank loan. (Kreate board of directors' report and financial statement 1.1.-31.12.2018)

In the same year, there were two more reconstruction types of changes. First, the company made another acquisition when it bought Varkaus Louhintä Ltd to strengthen its rock construction business. The acquisition is mentioned in Kreate's prospectus (2021) as follows:

Through a transaction completed on 3 April 2018, Kreate acquired the business of Varkauden Louhintä Oy, which specialized in rock engineering. As a result of the transaction, 15 experts in rock engineering were transferred to Kreate. In connection with the transaction, Kreate also acquired special machinery used in rock excavation.

Second, Kreate merged Railtek Ltd Insa and Railtek Ltd Rata to form Kreate Rata Ltd. In the bulletin (2018) published on the company's website, the merger is justified as follows:

The aim of the merger is to clarify the structure of the Kreate Group and to strengthen Kreate's reputation as a competitive and solution-oriented expert in track construction.

A merger was also seen in the company's joint venture when Sotkamon Porapaalu Ltd merged into KFS Finlandia on October 31, 2018. (Kreate prospectus, 2021)

During the year, Kreate also made adaptive changes such as investments in BIM expertise, a new HR portal, and the development of project management in accordance with the strategy updated in 2017. (Kreate board of directors' report and financial statement 1.1.-31.12.2018) For instance, the BIM expertise and the wish for its wider use are mentioned in the company's 2018 financial review as follows:

The development of Building Information Model (BIM) based operating method in infrastructure construction is one of the key goals of Kreate's research and development activities. During 2018, a development strategy was created, which aims to increase knowledge of building information modeling and the wider use of it in the company.

Altogether, the years 2017-2018 were an eventful period for Kreate with considerable TMT changes followed by multiple reconstruction and adaptive changes. It can be concluded that the TMT reshuffle accelerated the rate of change in the company in 2017-2018.

**The year 2019: A period of adaptive and reconstruction type of changes**

In 2019, the company continued to make adaptive changes by continuing to invest in digitization (Kreate board of directors' report and financial statement 1.1.-31.12.2019) as well as started renewing its ERP system. (Kreate prospectus, 2021) In addition, the company set out to brighten its brand by becoming active on social media channels and renewing its website. (Kreate board of directors' report and financial statement 1.1.-31.12.2019) About two years prior to the IPO, the company also changed the name of the group's parent company. The change of the name was mentioned in the bulletin published on the company's website (2020) as follows:

The unification of Kreate Group continued in May, when the name of the parent company KE Holding Oy was changed to Kreate Group Oy. In the same context, Timo Vikström, CEO of Kreate Oy, took over as CEO of Kreate Group Oy, taking on even stronger responsibility for the group's various functions. The change is part of Kreate Group's unification process and supports the clarification of both operations and reporting.

In 2019, the company decided to buy a warehouse area in Tuusula, which it had previously rented (Kreate board of directors' report and financial statement 1.1.-31.12.2019 ; Kreate prospectus 2021) which can be seen as a reconstruction type of change.

In addition to adaptive and reconstruction changes, there was one revolution-type change as the company's board got a new chairman. (Kreate prospectus, 2021) It should also be mentioned that the company updated again its strategy for the years 2020-2024. (Kreate board of directors' report and financial statement 1.1.-31.12.2019; Kreate financial review 2018) In the new updated strategy, which is briefly mentioned in the 2019 board's activity report and financial statement, the following areas are emphasized:

The goal is to specialize in more and more demanding infrastructure projects, to expand the place in the industry's value chain in new

forms of procurement, and to partner more and more widely with both customers and other service providers.

In the brief description of the strategy, there is no noticeable difference from the previous year. However, the company's TMT may have wanted to review the strategy as they were new to the company's management.

### **The year 2020: A period of three different types of changes**

In 2020, the management team got a new member, and the board was strengthened by a person with a background in managing a public company. (Kreate prospectus, 2021) At this stage, it can be assumed that the company already knew about its IPO intentions, which is why the company clearly wanted to increase its know-how about managing a public company by appointing a person with a public company background to the board.

In addition to the aforementioned revolution-type changes, the company made reconstruction-type changes when it agreed with its bank to restructure its financing. Kreate took out a loan of 34.25 million euros and paid back the capital loans granted to it and the interest accrued on the loans, a total of 17.8 million euros. (Kreate prospectus, 2021) In addition, in 2020, Kreate made a significant equipment investment in its track business when it bought a machine costing 1.1 million euros. (Kreate prospectus, 2021).

The adaptive changes of 2020 were related to the investments made in its tender calculation, equipment management, and personnel development. As in previous years, personnel were trained in digitalization and BIM expertise. (Kreate prospectus, 2021; Kreate financial statement 2020).

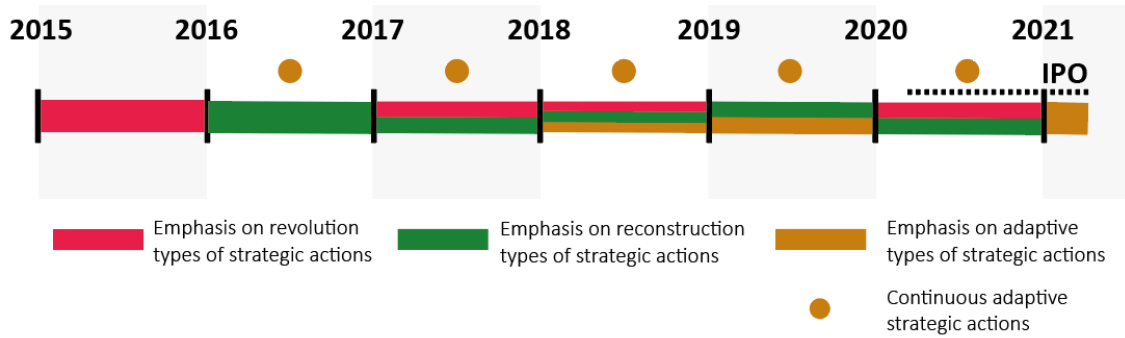
### **Conclusion of case Kreate and roadmap to IPO**

To conclude, Kreate has taken several strategic actions during the six years prior to its IPO, as shown in figure 18. Overall, strategic actions have enabled the company's growth and financial results, which has accelerated the company's journey toward the IPO. In addition to continuous adaptive changes, such as the development of project management and increasing digitization in its growing number of projects (Kreate prospectus, 2021), the company has also made reconstruction-type changes such as bolt-on acquisitions which have contributed to the company's growth and thus led it towards the IPO. Information system updates and reporting reforms have helped the management systems to keep up with the company's growth and enabled high-quality reporting which is essential for the IPO process.

The company has also made revolutionary changes by changing the board and TMT members. For instance, Kreate changed both CEO and CFO within five years prior to the IPO. In addition, just before the IPO, Kreate hired a board member with a public company background. The significant reorganization in the company's TMT in 2017-2018 must be emphasized. From 2015 until 2021, the company made a total of ten TMT changes of which seven were made in 2017-2018. The changes may have been related to the aftermath of the merger in 2015, or they may have been made with the IPO in mind. For instance, according to Espenisse (2014, p. 209), if the company needs experienced managers and a certain kind of know-how before the IPO, it is worth starting the hiring process well before the actual IPO process begins. It is also interesting to note that after 2018 there is only one change in TMT prior to the IPO. One reason for the strong retention of TMT members could be that Kreate issued shares to key personnel in 2017.

The journey toward IPO can also be depicted using a simplified roadmap. See figure 17. The color of a certain year of the roadmap represents the type of change that has been emphasized in that year's strategic actions.





**Figure 17.** Kreate's roadmap toward the IPO by type of change.

From the above roadmap, it can be seen that the year 2015, 2017, 2018, and 2020 have been periods of revolutionary change for Kreate. However, only the year 2015 was a clear period of revolutionary changes. The year 2016 was mostly full of reconstruction changes and it can be assumed that the company may have tried to recover from the 2015 transformational merger by investing in integration to find common ground. Also in other years, reconstruction-type changes were made in connection with revolutionary changes or immediately after them.

The bolt-on acquisitions that drove the company's growth forward are buried under the significant TMT reorganization of years 2017-2018, due to which they do not appear as a clear green period in the roadmap. However, these bolt-on acquisitions can be considered to have taken place so that the company still had time to integrate the acquisitions into its operations. According to Espenisse et al (2014, p. 77), acquisitions that take place too close to the IPO can slow down and make the IPO process more difficult. Kreate did not experience any clear adaptive periods either. However, adaptive changes can be considered to have occurred steadily year after year, starting in 2016.

As a final result, it can be stated that Kreate's journey toward the IPO happened mainly through rapid changes, such as revolution and reconstruction type of changes. Based on the data, it can be stated that the transformative merger had a significant impact on the company's long-term direction, bringing with it several board and TMT member changes. Due to the continuous adaptive type of changes as well as numerous reconstruction

types of changes, it can also be stated that the journey towards the IPO was also made by building on what the company has already been doing for years.

Based on the data, no observations of evolution type of changes were made. Despite the several revolutionary type of strategic actions, it can be still said that the company wanted to build on what it has already done for years rather than fundamentally change its current culture or way of operating.

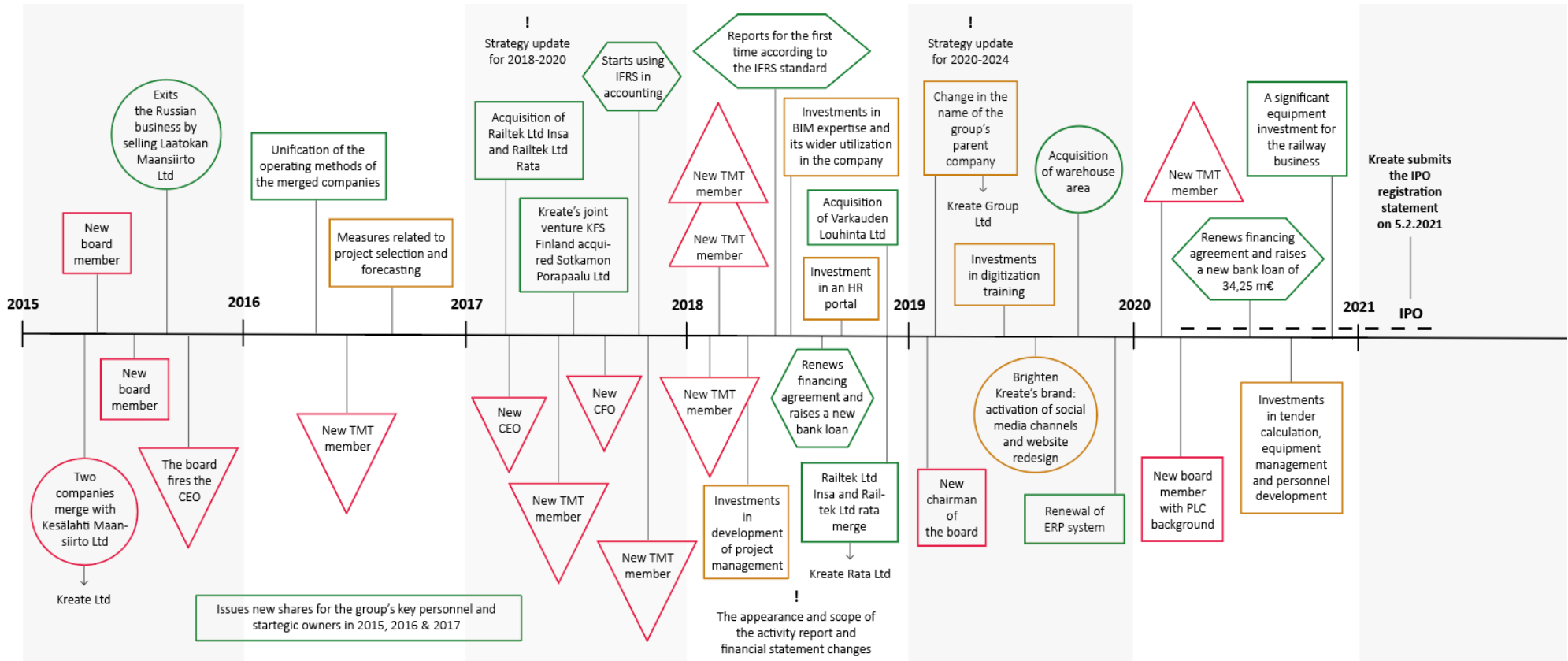


Figure 18. Strategic change timeline for Kreate.

#### **4.1.2 Case 2 Orthex analysis**

The strategic actions taken by Orthex that were found from the data are gathered together in figure 20 and classified according to Figure 16. The strategic actions are described in more detail using the frameworks' change types in the following paragraphs. The actions are presented in chronological order, starting from 2015. In the end, a summary and a roadmap are presented with which Orthex, based on the data, has gone towards the IPO.

##### **The year 2015: A period of revolutionary changes**

In 2015 Orthex got a new main owner when the Finnish private equity company Sponsor Capital Ltd bought a majority stake in the company. In the same year, a new person joined the company's management team (Orthex prospectus, 2021). In addition to these revolutionary changes, the company's ownership base was also expanded with a share issue, which can be classified as a minor change in ownership structure and thus a reconstruction-type change according to Figure 16. The share issue was justified in Orthex's 2015 financial statement as follows:

The basis for the share issue was to strengthen equity and connect a key person to a share-based incentive program.

Based on this, it can be assumed that the share issue was made specifically for the new TMT member since the financial statement refers to one key person.

##### **The year 2016: Reconstruction period**

A year after the new main owner joined the company, Orthex expanded outside Nordic countries (Orthex prospectus, 2021) and established sales functions in Germany and the United Kingdom. (Orthex financial statement 1.1.-31.12.2016) The expansion outside the

company's main market can be seen to have changed the company's organizational structure, which is why the new sales function establishments are classified as a reconstruction-type change according to Figure 16. The establishment of new sales functions was justified in Orthex's 2021 prospectus as follows:

Although overall prioritization of sales efforts and customer development actions is performed centrally, local sales organizations take care of customer relations and merchandising activities, which enables Orthex to better serve its customers in targeted countries. The local sales organizations are in practice responsible for commercial activities with retailers.

As a continuation of the reconstruction changes, the company decided to sell the real estate company Fair Fjorton KB located in Tingsryd and sign a lease agreement with its new owner for the factory in Sweden. (Orthex financial statement 1.1.-31.12.2016) It can be seen that the company wanted to give up ownership of the property and release the capital from it for other purposes. Because of this, it can also be seen as a reconstruction type of change.

In the same year, Orthex also started to strengthen its market position in the Nordic countries by developing new products. (Orthex prospectus, 2021) This can be seen as an adaptive change with the help of which the needs of the customers were taken into account to also secure the company's future in its main market.

In 2016, the company's board got a new chairman. (Orthex prospectus, 2021) This revolution-type change may be related to the 2015 change of ownership as the new main owner wants to bring its own representative to the board.

### **The year 2017: Revolutionary and reconstruction changes**

In 2017, the company decided to continue its expansion outside the Nordic countries and established a sales function in France. (Orthex financial statement 1.1.-31.12.2017) It can be assumed that the previous sales function establishments had been done successfully because Orthex set out to establish this new sales function in France only a year after the previous ones. In addition to this reconstruction-type change which can be considered to have changed the structure of the organization, the company decided to hire a new CFO. (Orthex prospectus, 2021) Hiring a new CFO is classified under the type of revolutionary change due to the rapid and possible significant change that it might bring into the company's strategy.

In the background, the company continued to develop new products, which can be seen as continuous adaptive changes. (Orthex prospectus, 2021)

### **The year 2018: A period of adaptive changes**

Adaptive changes continued on a wider scale in 2018 when the company started to introduce new products to the market. Prevailing trends and customer needs were taken into account in the new products. These new mainly bio-based products are also mentioned in Orthex's 2021 prospectus as follows:

For example, in 2018, Orthex launched a series of products made from a new bio-based composite that was developed together with Stora Enso Oyj ("Stora Enso"). The material combines sugar-cane-based plastic and wood fiber to create products with the same functional properties as conventional plastics while reducing the carbon footprint by almost 60 percent. Going forward, Orthex views these kinds of sustainable product initiatives as the key source of growth within the Kitchen product category.

The continuous introduction of new products also helped the company implement a new pricing strategy, which is also mentioned in the company's prospectus (2021) as follows:

By launching new products, Orthex strives to increase the overall profitability and value of the product category as new products allow for an active pricing strategy. For the year ended December 31, 2020, 87.0 percent of Orthex's invoiced sales were from products sold under its own brands, which provides Orthex with a better control over the branding and pricing of its products. Orthex believes that strong brands motivate consumers to choose its products, and retailers to include them in their selections. This allows Orthex to price its products based on consumer demand rather than production costs (which often is the case for private label production), and to differentiate its product assortment from competitors. During the periods under review, Orthex has generally been able to maintain or increase product pricing despite decreasing raw materials costs.

Another strategic action belonging to the group of adaptive changes in 2018 was when the company became a BSCI member to demonstrate that it evaluates its suppliers accurately. (Orthex prospectus, 2021)

Although 2018 can be considered to have been mainly a period of adaptive changes, the company started to invest in efficiency development at its Swedish factory, which also continued during 2019. (Orthex prospectus, 2021)

### **The year 2019: A period of reconstruction changes**

In 2019, the company continued to make significant investments in production facilities in Sweden. In addition to this, reconstruction-type changes were also made at the factory in Finland. In Sweden, investments were made to improve production efficiency and

inventory management, and in Finland to enhance production automation. (Orthex prospectus, 2021)

More reconstruction-type changes were made when the company changed its financial reporting structure by starting to use IFRS in its accounting. (Orthex financial statement 2019)

Although the main focus of 2019 can be seen to have been on reconstruction-type changes, the company also continued to make revolutionary and adaptive changes. There was a change in the company's TMT when one new person joined the group. (Orthex prospectus, 2021) Moreover, in 2019 the company continued their adaptive changes by establishing strategic partnerships with Fortum, Kesko, and Lassila & Tikanoja and introducing new bio-based products to the market in cooperation with the partners. (Orthex prospectus, 2021)

### **The year 2020: A period of three different types of changes**

In 2020, there were changes in the financial reporting structure that can be considered as reconstruction changes. Orthex reported for the first time in accordance with the IFRS standard. In addition to this, the company renewed its financing agreement and took out a new bank loan of 37 million euros. (Orthex financial statement 2019 and 2020) Orthex also issued further new shares to the company's key personnel to create long-term incentives for the TMT members. (Orthex prospectus, 2021; Orthex board of directors' report and financial statement 1.1.-31.12.2020)

The company also established an outsourced warehouse in Germany for its growing European operations. (Orthex board of directors' report and financial statement 1.1.-31.12.2020; Orthex prospectus, 2021) This can be considered to have changed the distribution of products and, accordingly, the organizational structure, which can be considered a reconstruction-type change.



In 2020 one new member joined the company's TMT. Further, within one year prior to the IPO, the company recruited two new members of the board, of which one has a publicly listed company background. (Orthex prospectus, 2021)

The adaptive changes of 2020 were related to investments in factories and in the company's IT and reporting systems as well as to an effort to increase visibility in the new markets opened in 2016-2017. Maintenance investments were made in both factories to increase capacity and ensure efficient production (Orthex board of directors' report and financial statement 1.1.-31.12.2020) In the same year, improvements were also made to the company's IT and reporting systems. (Orthex prospectus, 2021) In addition to these actions, the company decided to open a website for Amazon's online store in order to speed up sales and visibility in Europe as a continuation of the new markets opened in 2016 and 2017. (Orthex prospectus, 2021)

### **The year 2021: Another revolution and adaptive type of change**

In 2021, just before the IPO was announced, the company recruited one more new board member (Orthex prospectus, 2021) as well switched its factories to use 100% fossil-free hydro-powered electricity. (Orthex annual report 2021) Orthex has emphasized environmental responsibility in its operations since the 1990s, so it can be assumed that the previous years' factory investments were at least part of the preparation for the use of a new type of electricity, which is why it is considered to be an adaptive change for Orthex. (Orthex prospectus, 2021) The new board member can be considered a revolutionary type of change.

### **Conclusion for case Orthex and roadmap to IPO**

To conclude, Orthex has made several strategic actions during the six years prior to its IPO, as shown in figure 20. Overall, it can be seen that the strategic actions taken by

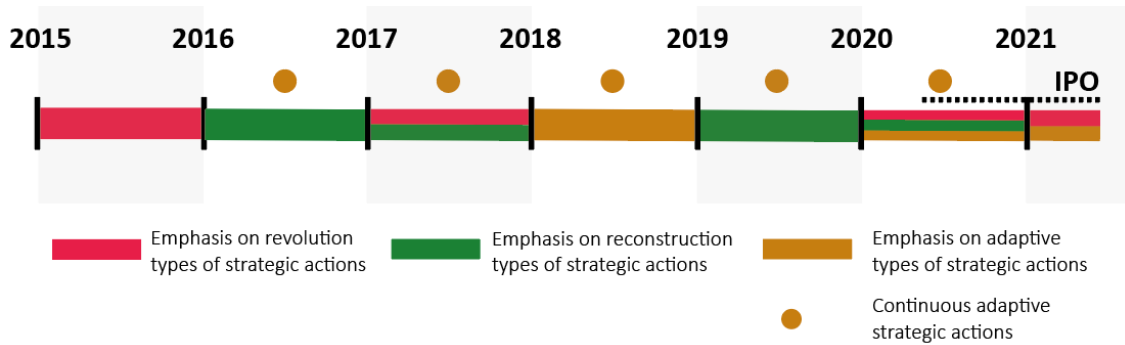
Orthex have enabled the company's healthy growth and financial performance, which in turn has enabled the company's journey toward the IPO. In addition to continuous adaptive changes like introducing new sustainable products to the market to cater to the changing customer behavior and ensuring efficient use of factories, the company has made reconstruction type of changes such as entering new markets that have enabled growth and made possible for example to increase capacity in existing factories.

The company has also made revolutionary changes by changing the board and TMT members. Over the years, Orthex made five changes in the board of directors, two of which were close to the change of ownership in 2015 and three within a year before the IPO. Only three TMT changes occurred during the observation period. The company got a new CFO within four years before the IPO and the CEO remained the same throughout the period. The relatively low rate of turnover in the company's management may be explained by the fact that the company made efforts to commit the management to the company with the help of share-based incentives.

The changes in the board right before the IPO could be explained by the fact that the company felt that it needs new know-how at the board level on how to manage a public company. One member from a public company background joined the company's board just before the IPO. Keeping the TMT stable before the IPO could have also been a way to communicate that the company's strategy execution is solid and the operations will remain the same despite the upcoming transformational change.

When observing the company's timeline, one can see that the number of strategic actions increased in the last few years prior to the IPO. This may be the case because the company might have already been in the IPO process and thus started to prepare the company for the IPO with the help of many simultaneous strategic actions.

The journey toward IPO can also be depicted using a simplified roadmap. See figure 19. The color of a certain year of the roadmap represents the type of change that has been emphasized in that year's strategic actions.



**Figure 19.** Orthex's roadmap toward the IPO by type of change.

From the above roadmap, it can be seen that the year 2015, 2017, 2020, and the time before the IPO in 2021 have been periods of revolutionary change for Orthex. However, only the year 2015 was a clear period of revolutionary changes, while in other years, in addition to revolutionary changes, reconstruction, and adaptive changes were also made. During 2016, the company may have tried to recover from the revolutionary ownership change by building on what the company has been doing for years. The same pattern can be observed after the 2017 CFO change when the company again experienced a clear build-on phase after the revolutionary change.

The company's journey toward the IPO has also included other clear periods where the emphasis has been on only one type of change. The years 2016 and 2019 can be seen to have mainly been reconstruction periods. The 2019 reconstruction changes can be seen to be related to the start of the IPO process because then the company adopted IFRS accounting and began to prepare the company's production facilities so that the factories can be stated to be ready to serve with a larger capacity in the future.

Adaptive changes can be seen to have taken place in the company every year since 2015, but the company experienced a special adaptive period in 2018 right after expanding

outside the Nordic countries. It can be assumed that, in addition to shifting the focus to other markets, the company might have wanted to keep a strong hold on its main market and, therefore, also pay close attention to the needs of customers in the main market by bringing new bio-based products to the market with its strategic partners. Investments in new products continued in the following years, as can be seen from the roadmap.

As a final result, it can be stated that Orthex's journey toward the IPO happened mainly through changes that have built on what the company has done for several years, such as adaptive and reconstruction type of changes. Since 2016, the company took multiple reconstructive strategic actions as it expanded outside of the Nordics and invested in its production facilities to enhance efficiency. The reconstruction type of changes has both increased the size of the addressable market and improved production capacity, which can be seen as enablers of a successful IPO.

Based on the data, no observations of evolution type of changes were made. As stated in the previous paragraph, the company has rather wanted to build on what it has already done for years than radically change its long-term direction.

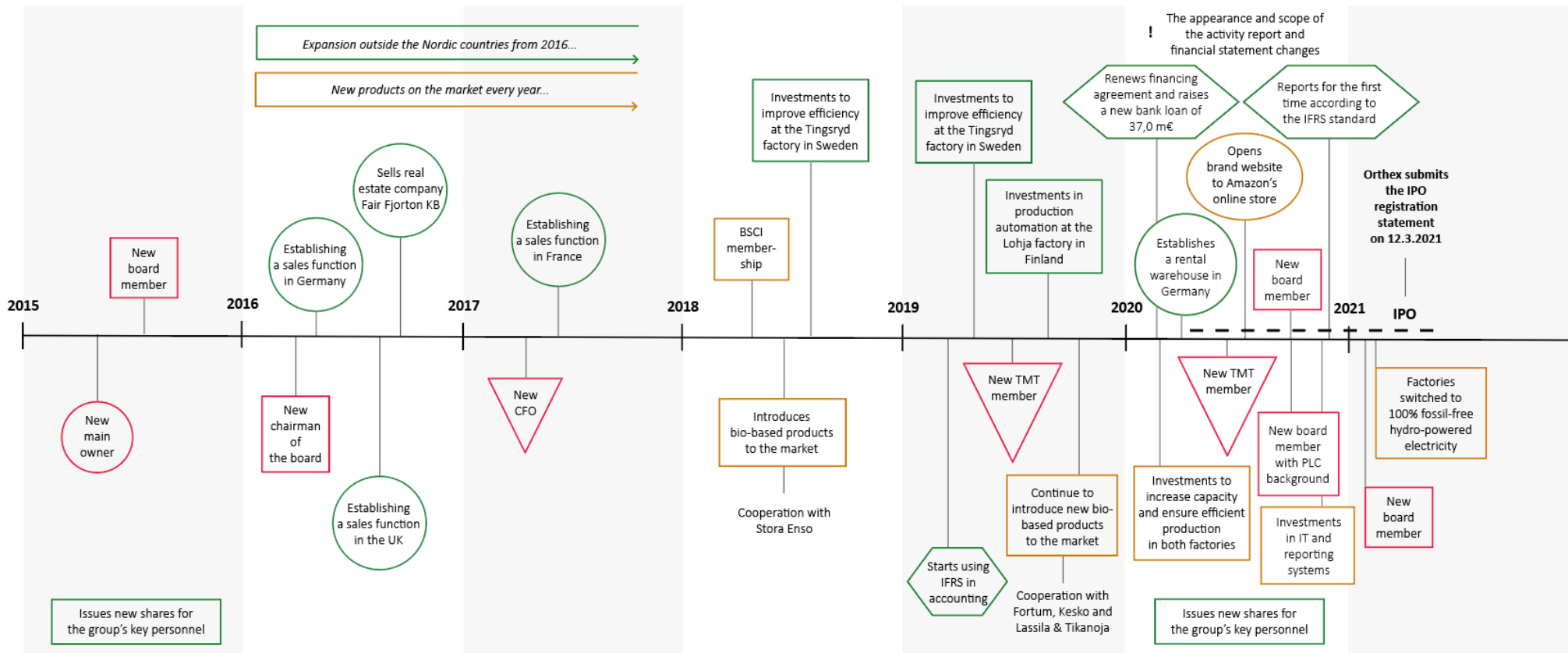


Figure 20. Strategic change timeline for Orthex.

### 4.1.3 Case 3 Puuilo analysis

The strategic actions taken by Puuilo that were found from the data are gathered together in figure 22 and classified according to Figure 16. The strategic actions are described in more detail using the frameworks' change types in the following paragraphs. The actions are presented in chronological order, starting from 2015. In the end, a summary and a roadmap are presented with which Puuilo, based on the data, has gone towards the IPO.

#### **The year 2015: A period of revolutionary changes**

In 2015 Puuilo got a new main owner when the private equity company Sentica Partners, which owned a majority of Puuilo since 2011, sold its holdings to Adelis Equity Partners Fund I. (Puuilo prospectus, 2021) The then-CEO commented on the new main owner joining the company as follows in a bulletin published in 2015:

We see cooperation with Adelis as a natural step because Adelis offers us a strong sparring partner and business leadership skills that will contribute to our ability to continue implementing our growth strategy.

Puuilo got two sparring partners after the change of ownership when two new people with Adelis work background joined the company's board. (Puuilo prospectus, 2021) Due to Adelis background, the new board members can be considered as the owner's representatives and can be seen to have brought the owner's perspective and wishes to the company's board and thereby also to the long-term direction of Puuilo.

In addition to the revolutionary changes mentioned above, the company continued to make adaptive changes in the background, which were also referred to by the then-CEO of Puuilo in the 2015 bulletin published on Puuilo's website. For Puuilo, continuing to

implement the growth strategy meant for example increasing the number of its stores. In 2015, Puuilo's goal was to double the store network from 14 stores to 30 stores. (Puuilo, 2015)

### **The year 2016: Revolutionary changes continue**

For the most part, the year 2016 can also be considered a period of revolutionary changes for Puuilo. In 2016, the company's board got new perspectives when a new person joined the board. In the same year, the company also got a new chairman of the board. (Puuilo prospectus, 2021; Puuilo, 2016a) In addition to the two changes in the company's board, a new CFO was recruited. (Puuilo prospectus, 2021) The then-CEO of Puuilo said that the new CFO will...

support Puuilo's growth and especially strengthen financial management and reporting, but also move the company's growth strategy forward. (Puuilo, 2016b)

The appointments of a new CFO, a new board member, and a new chairman of the board can be seen as revolutionary changes taking place in the aftermath of the new owner.

During 2016, the company made investments in IT systems, but these investments can be considered as an adaptive change and a response to the gradual realization of the company's growth strategy in recent years. (Puuilo financial statement 1.2.2016-31.1.2017) In 2016, the company opened two more stores, increasing the number of stores to 16. (Puuilo prospectus, 2021)

In the same year, the company decided to close one store (Puuilo financial statement 1.2.2016-31.1.2017). The matter was mentioned very briefly in the company's 2016 financial statement, due to which the real reason behind the decision is unknown. The closing of the store could have been due to the unprofitable operation of the store or a

bad lease agreement, which can be considered to have been important issues for Puuilo already in 2015. (Puuilo prospectus, 2021) From this point of view, the closing of the store can be considered to have happened quickly and built on what the company has already been doing for several years, which is why it can be classified as a reconstruction-type change. Puuilo's goal is to make its new stores profitable, measured by operating profit, in the month after the opening. (Puuilo prospectus, 2021)

### **The year 2017: New CEO and several adaptive changes**

The year 2017 was mostly full of adaptive changes, except for the recruitment of the new CEO and the introduction of IFRS accounting.

The adaptive changes of previous years continued when the store network was increased from 16 stores to 19 stores. (Puuilo prospectus, 2021) Investments in the previous year's IT system were also continued for 2017. (Puuilo financial statement 1.2.2017-31.1.2018) The new strategic action classified as an adaptive change was a significant investment in the company's marketing to improve its recognition and capture market share as its competitor went into corporate restructuring. (Puuilo financial statement 1.2.2017-31.1.2018)

In 2017, the very next year after the CFO recruitment, the company started using IFRS in its accounting (Puuilo IFRS financial statements 31.1.2021, 31.1.2020, and 31.1.2019), the use of which is required from a company listed on the Helsinki Stock Exchange. (Financial Supervisory Authority, 2020) IFRS changes companies' financial structure, due to which it is classified as a reconstruction-type change.

The revolution-type changes of 2015 and 2016 continued in 2017 when a new CEO was recruited to the company and the current CEO moved to lead the company from the board. (Puuilo financial statement 1.2.2017-31.1.2018) In the bulletin published on



Puulo's website (Puulo, 2017a), the background of the CEO change is explained as follows:

Juha Saarela will start his position on 1.8.2017. Puulo's current CEO and company founder Markku Tuomaala continues as an active member of the company's board and a significant owner.

The bulletin also contains a comment by Markku Tuomaala, which goes as follows:

As the strong growth continues, Puulo needs a new kind of vision and experience in the house, and Juha is the right man to bring it to us. I feel that after more than 30 years as CEO of Puulo, it's time to make room for younger talents and focus on running the company from the board in the future. (Puulo, 2017a)

### **The year 2018: Significant reconstruction type of change takes place**

In 2018, the company started making significant IT system reforms. The reforms included changes that affected the entire company from cashier to payroll clerk, such as a new online shopping platform, a new internal communication system, a new purchase invoice processing system, a new cash register system, and a new HR system. (Puulo prospectus, 2021) Due to the rapid integration of the reform, but as it builds on what the company has done for years, the IT system reform can be considered part of the reconstruction-type change.

In the background of this significant IT system reform, Puulo's adaptive changes continued as the store network grew from 19 stores to 23 stores. Furthermore, the company decided to start sponsorship cooperation for the first time with the Finnish biathlon club (Puulo, 2017b), which they continued the very next year (Puulo, 2018) and expanded to other clubs again in 2020 (Puulo, 2020d). The decision can be seen as a continuation

of increasing the company's recognition through marketing, which in turn helped the company to implement its growth strategy.

### **The year 2019: Reconstruction changes continue**

Most of Puuilo's 2019 strategic actions can be classified under the reconstruction type of change. In 2019, the company made changes to its group structure. This is also stated in Puuilo's IFRS financial statements (31.1.2021, 31.1.2020, and 31.1.2019) as follow:

Puuilo's group structure changed in the 2019 financial year, when Puuilo Oyj (formerly Puuilo Invest 1 Oy) became a subsidiary of the Swedish Puuilo Invest Holding AB.

In the same year, the company reported for the first time according to IFRS (Puuilo IFRS financial statements 31.1.2021, 31.1.2020, and 31.1.2019) and took out an additional bank loan of 18.5 million euros. (Puuilo IFRS financial statements 31.1.2021, 31.1.2020, and 31.1.2019) The above strategic actions can be seen as changes to the organizational structure or financial structure, due to which they can be classified as reconstruction-type changes.

At the same time, the company continued to implement its growth strategy, increasing the store network from 23 stores to 27 stores. (Puuilo prospectus, 2021) In addition to this, a new person joined the company's TMT (Puuilo, 2019) which in turn can be classified as a revolution-type change.

### **The year 2020: A new period of revolutionary changes**

A significant reorganization took place in the company's TMT when Puuilo refueled the company with new perspectives in 2020. (Puuilo, 2020a, 2020b & 2020c) A total of four new people joined the company's TMT replacing almost the entire old TMT just a year

prior to the IPO. (Puulo prospectus, 2021) The company's CEO justified the reform of the TMT as follows:

With Puulo's rapid growth, the importance of personnel and information management skills has become more important. The well-being of the employees, the functionality of the company's internal HR processes, and an information management strategy that is in line with the company's strategy play a significant role in terms of the success of our company. It's great that we got Lissu and Juha along. (Puulo, 2020b)

Puulo's long-standing growth and success are based on a strong purchasing and selection strategy. Goods of interest to customers and affordable prices are at the center of our operations and our customer promise. With his background, Markku brings us strong experience and know-how. (Puulo, 2020c)

This 2020 reorganization is also mentioned in Puulo's prospectus (2021):

The Company renewed its management team in 2020 by redefining the roles and carrying out critical recruitments on areas with strategic importance.

TMT reorganization can be classified as a revolution type of change. In the prospectus (2021), it is even said that the company has made strategic recruitments with a long-term vision in mind. In 2020, the company also got a new investor. The company's main owner, Adelis, brought in investor to further support Puulo's growth while still continuing as the company's majority owner. (Puulo, 2020d) This can also be categorized into the revolution type of change together with the TMT changes.

In 2020, the company also started preparing for the introduction of a new ERP system. The ERP system can be considered particularly important for Puuilo because one of its strategic cornerstones is related to an affordable cost base, which in turn is based on an efficient supply chain. (Puuilo prospectus, 2021) In addition to this reconstruction change, Puuilo made arrangements for its financial structure by renewing its financial agreement and taking out another loan of 100 million euros while paying off its previous loans. (Puuilo IFRS financial statements 31.1.2021, 31.1.2020, and 31.1.2019)

Adaptive changes also continued in 2020 when the company increased its store network from 27 stores to 30 stores (Puuilo prospectus, 2021), reaching its 2015 goal. (Puuilo, 2015)

### **The year 2021: One last revolutionary change**

Just before the IPO registration statement was submitted, Puuilo decided to hire a new board member with a public company background. (Puuilo prospectus, 2021; Puuilo half-year review 1.2.-30.4.2021) This action can be classified under the revolution change type along with other board member changes. Puuilo can be considered to have wanted to raise the board's knowledge of what it is like to lead a public company or just to follow the general guidance of theorists (Taulli, 2012, p. 40) and underwriters that guide that it would be good to have a person or persons with a public company background in a company when it goes public.

### **Conclusions of case Puuilo and roadmap to IPO**

To conclude, Puuilo has taken several strategic actions during the six years prior to its IPO, as shown in figure 22. Overall, it can be seen that the strategic actions taken by Puuilo have enabled the company's healthy growth and financial performance, which in turn has enabled the company's journey toward the IPO. In addition to continuous adaptive changes like answering customer needs and expanding the store network, the

company has made reconstruction type of changes such as major IT system reforms that have enabled growth and made possible for example the introduction of IFRS accounting. Adaptive changes are marked as a yellow ball on the roadmap per year.

The company has also made revolutionary changes by changing the board and TMT members. For instance, Puuilo changed both CFO and CEO within five years prior to the IPO. In addition, just before the IPO, the company hired a board member with a public company background. The significant changes in TMT members in 2020 must be emphasized. From 2015 until 2021, Puuilo made a total of seven TMT changes, five of which were made two years prior to the IPO. With the change of the board and TMT members, the company may have been able to further accelerate its growth by adding new expertise to the company, but also communicate that the company's goal is to further grow in the future. The 2020 reorganization can also be considered to have been the company's way of communicating a new upcoming change, where the new managers have acted as the face of the beginning of a new era.

Among the many changes, one significant action that can be assumed to have influenced the company's six-year journey toward the IPO is the change of ownership in 2015. Based on the research data, it can be assumed that the new owner who joined the company in 2015, might have given momentum to Puuilo's growth strategy and been influential in setting a higher goal for growing the store network toward the IPO. For instance, in 2015 Puuilo had a total of 14 stores (Puuilo prospectus, 2021) and the company's goal at that time was to double the number of its stores. The company's then-CEO mentioned the matter in a bulletin published on Puuilo's website (2015):

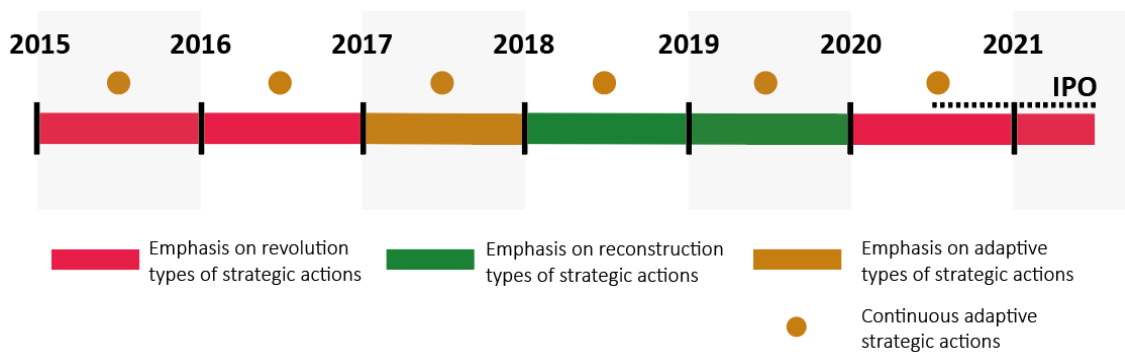
We have grown strongly in recent years and developed from a local operator to an operator that covers most of Finland. ... Our goal in the coming years is to double the number of our stores.

Before the IPO in 2021, Puuilo had already reached the 2015 goal, with a total of 32 stores. (Puuilo prospectus, 2021) Despite this, in the prospectus published at the time of the IPO, it states that the company still aims to double the number of its stores:

In the medium term, Puuilo's target is to double the number of its stores and grow its network to approximately 60 stores. (Puuilo prospectus, 2021)

Although the company's growth strategy can be seen to have doubled along the way toward the IPO, the small intermediate goals of success may have been important for the company's personnel as well as for the company's IPO. Because of the constantly raised goal the company accumulated a track record of success by achieving its goals, which can look particularly good in the eyes of investors during the IPO process.

The journey toward IPO can also be depicted using a simplified roadmap. See figure 21. The color of a certain year of the roadmap represents the type of change that has been emphasized in that year's strategic actions.



**Figure 21.** Puuilo's roadmap toward the IPO by type of change.

From the above roadmap, it can be seen that the years 2015-2016, the year 2020, and the time before the IPO in 2021 have been periods of revolutionary change for Puuilo. In 2017, after the change of CEO, Puuilo mainly experienced a bit over two years of adaptive and reconstruction changes. During this time, it can be assumed that the new CEO

got to know the company's operations with sufficient precision and was able to review the company's long-term direction together with the company's board and TMT before the strong period of revolution type of changes happened again in the company in 2020.

Adaptive changes can be seen to have taken place in the company every year since 2015, but the company experienced a special adaptive period in 2017 right after the change of CEO. In general, the company's adaptive changes have remained fairly steady in the background from year to year, despite the fact that the company's big competitor experienced difficulties in 2017, and the pandemic began to shake the world in 2020. The company has grown its store network by 3-4 new stores per year, despite all the changes in its environment. (Puuilo prospectus, 2021)

As a final result, it can be stated that Puuilo's journey toward the IPO happened mainly through rapid changes, such as revolution and reconstruction type of changes. Based on the data, it can be assumed that the change of ownership had a significant impact on the company's long-term direction, bringing with it several board and TMT member changes. Due to the continuous adaptive changes made in the background, it can also be stated that the journey towards the IPO was also made by building on what the company has already been doing for years, such as expanding its store network, constantly striving to meet the changing needs of customers and proactively developing the organizational structure so that it can keep up with the company's rapid growth.

Based on the data, no observations of evolution type of changes were made. As stated in the previous paragraph, the company has rather wanted to build on what it has already done for years than radically change its long-term direction. This can be seen from the fact that the company has made a lot of adaptive and reconstruction type of changes prior to the IPO.

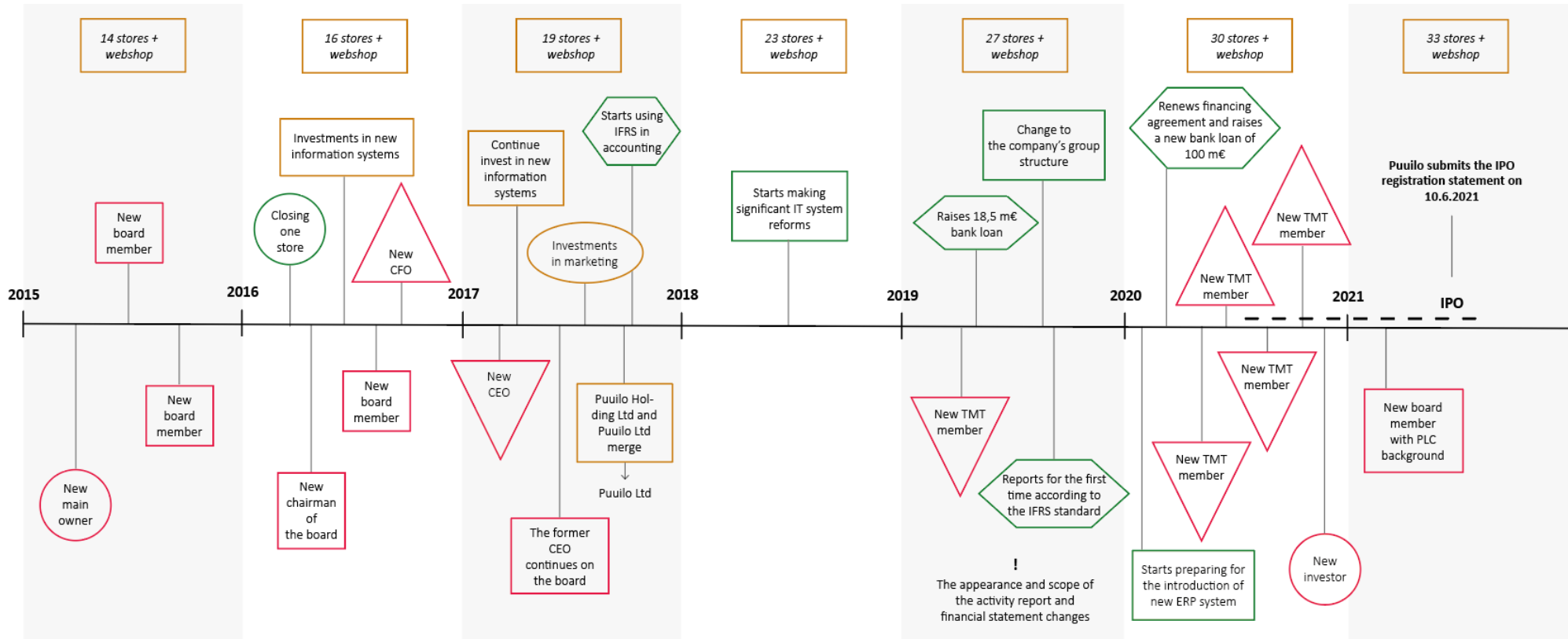


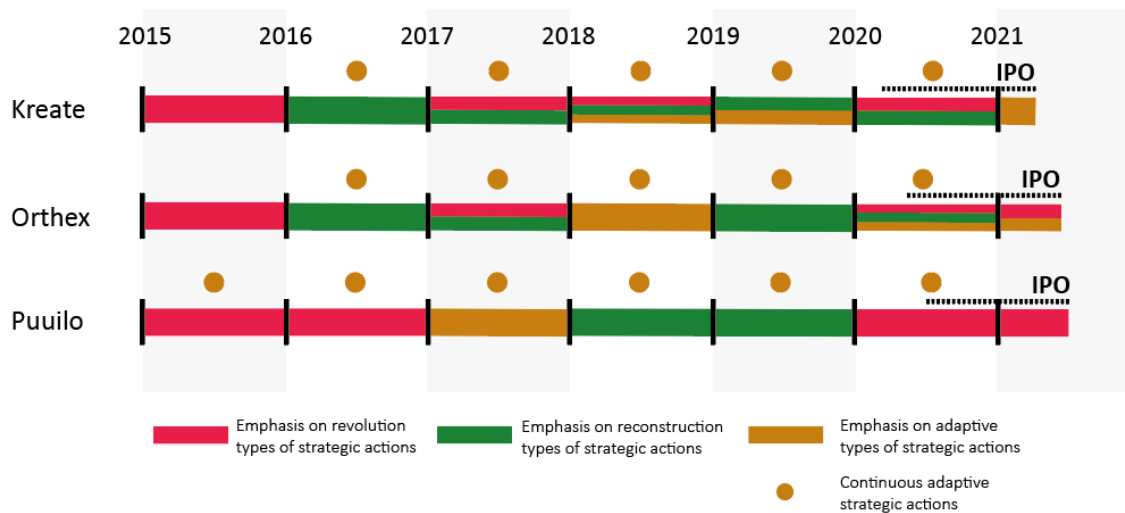
Figure 22. Strategic change timeline for Puuilo.



## 4.2 Similarities and differences in the unique roadmaps toward IPO

In this section, the findings are analyzed using a cross-case analysis where the aim is to point out patterns of events between the case companies through simultaneous analysis. Illustrative figures are utilized to present the observations of similarities and differences more clearly between the cases.

Figure 23 depicts the simplified roadmaps of all case companies toward their IPOs. Case-specific roadmaps and their analyzes can be read in section 4.1. Next, the roadmaps are examined as a whole, after which the prevailing types of change in the roadmaps are reviewed one by one in order to find similarities and differences between the case companies. Lastly, final conclusions are made.



**Figure 23.** The case companies' roadmaps toward the IPO by type of change.

Based on figure 23, it can be said that all case companies have made three different types of strategic actions. Furthermore, it can be stated that the companies have progressed toward the IPO through unique roadmaps. It is also known that all the case companies, despite different roadmaps, were able to get listed on the main list of the Helsinki Stock Exchange. (Finnish Foundation for Share Promotion, 2023) In the following paragraphs, the similarities and differences between the case companies are explored in more detail.

### **Adaptive type of strategic actions**

Strategic actions that belong to the adaptive type of change took place in all case companies. As stated in the theory of strategic change, adaptive changes are the most common changes that occur in companies (Whittington et al., 2019, p. 475), due to which it was partly expected to find adaptive types of strategic actions in all cases. Further, a company that strives towards an IPO in upcoming years can be assumed to strive to build its growth mainly on top of what the company has been doing for years in order to build a healthy track record for strategy execution. Due to this long-term build-on characteristic, adaptive strategic actions can be difficult to spot or calculate because they can be seen as a part of a company's natural growth and reaction to internal and external changes.

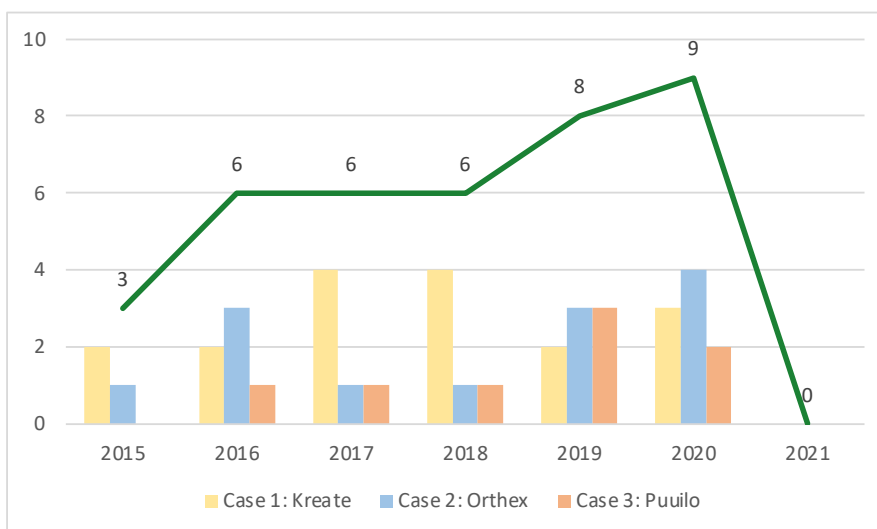
Adaptive strategic actions are unique for each company, especially when companies operate in different industries. To illustrate, increasing marketing when a competitor experiences difficulties and growing the store network to reach a wider customer base can be considered adaptive strategic actions for Puuilo. For Orthex, launching new bio-based product lines to cater to changing customer behavior and opening new online store locations can be considered as their adaptive strategic actions. For Kreate, increasing BIM expertise to answer to the increasing digitalization of the infrastructure construction industry can be considered as their adaptive strategic actions.

The starting state of a company influences how companies in the same industry respond to prevailing trends. Like Kreate, another company in the same industry could also strive to utilize BIM expertise to an increasing extent in their operations as digitalization grows in the industry. However, for some companies responding to an industry trend such as the growth of digitization can mean greater actions and changes, while for some companies, no actions would be necessarily needed because companies have utilized digitization and BIM modeling in their operations since companies were founded.

In figure 23 it can be seen that only Orthex and Puuilo had clear adaptive periods. These periods are in the middle of or in direct connection with revolutionary changes. Along with rapid and significant changes, companies may have wanted to emphasize permanence by only taking strategic actions that build on what the company has already been doing for years. According to Venkatram and Prescott (1990), companies can sometimes benefit more from stability than constant changes.

### Reconstruction type of strategic actions

Strategic actions that fall under the reconstruction type of change mainly took place in the case companies between 2016 and 2020. A small increase can be observed in the years 2019 and 2020 as companies approach their IPOs. This increase can be seen in figure 24. The increase can be assumed to be due to the fact that the case companies may have started their IPO preparations. However, it should be noted that Kreate increases the number of reconstruction changes for the year 2017-2018 through bolt-on acquisitions that the company made in these years. The case companies did not make reconstruction-type strategic actions in 2021. This may be due to the fact that the company was already strongly focused on completing the IPO process at this stage. The data matrix of figure 24 is in the appendices of this thesis.



**Figure 24.** Reconstruction type of strategic actions by the case companies.

All case companies enhanced their operational efficiency through investments in IT systems, production facilities, or equipment. Also, all companies aligned their financial reporting structure with IFRS at least one year prior to the IPO. Further, all companies changed their financial structure just a year before the IPO by renegotiating their financial agreements and bank loans. Finally, in all cases, there was a clear improvement in disclosure. For instance, the appearance and scope of activity reports and financial statements changed towards that of publicly listed companies at least one year prior to the IPO. To highlight this, the years when the case companies' disclosure changed are marked on the timelines of all case companies in section 4.1.

While there were many similarities between the reconstruction type of strategic actions, various differences can also be observed from the data. For instance, Orthex did not make any special ERP investments in addition to improving the efficiency of production facilities while Kreate and Puuilo started to renew and develop their ERP systems about a year prior to their IPOs. Moreover, Kreate and Orthex try to commit the company's key personnel to the company and its goals through the issue of shares, while the same was not observed for Puuilo. Also, a major difference was that Kreate did multiple bolt-on acquisitions while Puuilo and Orthex focused on organic growth. Finally, Orthex was the only company that sought growth also through internationalization.

The differences between the case companies can be explained through several factors. First, the differences can be explained by the companies' different industries. For example, it can be assumed that acquisitions are a more common way to implement growth strategies in the construction industry than in the retail or manufacturing industries. This may be caused by a lack of skilled workers in the construction industry (see e.g., Häkinen, 2021; Rakennusteollisuus RT ry, 2021, Akomah et al., 2020), which creates a bottleneck for growth. Second, differences can also be explained by the different management practices of the companies. For example, Kreate emphasizes entrepreneurship in its operations (Kreate prospectus, 2021), while this is not visible to the same extent in

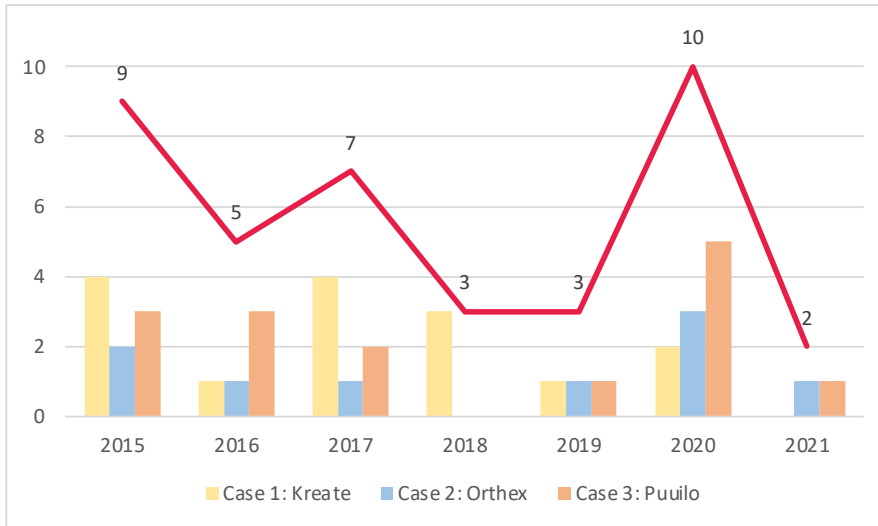
Puulo's retail store operations or Orthex's manufacturing operations. Third, differences can also be explained by the different natural growth paths of the case companies. As a designer, manufacturer, and seller of household goods, Orthex may have found it more natural for them to expand operations abroad compared to Puulo and Kreate, whose businesses are tied to brick-and-mortar stores or skilled labor. In addition, Orthex can be considered to have already been a leading player in its main market in the Nordics (Orthex prospectus, 2021), which is not the case for Puulo and Kreate in their respective industries, so expansion to new markets could be seen as being a natural way of growth for Orthex.

According to the data, Kreate did the largest amount of reconstruction type of strategic actions followed by Orthex. Kreate's higher number of reconstruction-type strategic changes can be explained by its acquisitions, while Orthex's expansion outside the Nordics increased the number of Orthex's reconstruction-type strategic actions. If one would exclude the acquisitions of Kreate and the internationalization of Orthex, the companies would have done relatively similar amounts of reconstruction-type strategic actions during the observation period. More detailed amounts can be seen in appendix 1.

As can be seen from figure 24, the case companies have also done reconstruction-type actions in different cycles. For instance, Kreate's reconstruction strategic actions happened mainly in 2017 and 2018 while Orthex and Puulo did most of their reconstruction type of strategic actions during the years 2019 and 2020. Orthex and Puulo can be seen to have started most of their reconstruction type of actions two years prior to their IPOs, which is why it can be assumed that companies have started their IPO pre-work phases during this period. Based on the data, Kreate can also be assumed to have started its pre-work phase in 2018, because in the same year, the company adopted the IFRS standard and improved its disclosure. Kreate's earlier preparation for the IPO compared to Orthex and Puulo may be explained through the acquisitions the company made in the same years. According to Espenisse (2014, p. 209), it is good to make possible acquisitions early enough so that these do not slow down and complicate the actual IPO process.

### Revolution type of strategic actions

Strategic actions that fall under the revolution type of change mainly took place in case companies in 2015, 2017, and 2020. See figure 25. The data matrix of the figure is in the appendices of this thesis.



**Figure 25.** Revolution type of strategic actions by the case companies.

All case companies experienced changes in ownership, board, and TMT members prior to the IPOs. More specifically, all three case companies experienced transformative changes in ownership structure in 2015. For instance, Kreate was founded as a result of the transformative merger of three companies, while Orthex and Puuilo got new main owners in 2015. After the transformative changes in ownership, all case companies also experienced changes at the board and TMT levels. For all companies, the changes that took place within three years from 2015 can be considered to be related to the change in the ownerships of the case companies. In addition, all case companies changed CFOs on average about 4 years prior to the IPOs. According to the IPO theory, CFOs have a significant role in the IPO process. (Espinasse, 2014, p. 22) To illustrate the importance of the CFO, all case companies adopted the IFRS standard in the same year or one year after the CFO was appointed. Finally, all case companies hired a new board member with a public company background less than a year before the IPO. According to the IPO

theory, it is good to have a member with a public company background in the board of directors before the company goes public. (Taulli, 2012, p. 40)

What separates Orthex from the other case companies is that Orthex's CEO remained the same throughout the observation period. Further, compared to Kreate and Puuilo, Orthex experienced fewer TMT and board member changes. For example, it can be noted from the timelines of Kreate and Puuilo that there are clear moments when the company's TMT is restructured. For Kreate, this happened in 2017 and 2018, while for Puuilo, this happened only a year prior to the IPO in 2020. In the case of Kreate, it could be that a new TMT was put in place to help prepare the company for IPO (Espenisse, 2014, p. 209), while in the case of Puuilo, a new TMT could have been hired to implement and communicate the special type of transformative change that happens when the company goes public.

The differences between the companies can be explained not only by the aforementioned factors but also by the differences in the case companies' organizational structures. For instance, Orthex's board and TMT initially had fewer members than Kreate's and Puuilo's board and TMT. (Orthex prospectus, 2021, Kreate prospectus, 2021 & Puuilo prospectus, 2021) Thus, in the case of Orthex, making changes could have had a greater impact on the direction of the company compared to a company with more board and TMT members. Although it is important to note that leaders always have a different influence on the strategic direction due to their different social and human capital and cognition (Helfat & Martin, 2014).

The differences may also be related to the success of the case companies. For example, it can be assumed that due to Orthex's continuous steady growth, see figure 12, the company's owners and board have been satisfied with the work of the TMT members, and therefore fewer changes were needed. The difference can also be explained by the incentives received by the management. For example, after the share issue with Kreate's key personnel in 2017, fewer changes were seen at Kreate's TMT level. Orthex used the

same practices as Kreate, while no signs of share issues for key personnel were seen in Puuilo's data.

### **Evolution type of strategic actions**

No observations of evolution-type of strategic actions could be identified from the data. According to the views of Balogun and Hailey (2008, p. 24) and Whittington et al (2019, p. 477), evolutionary changes take place over a long period of time and change the company's business model fundamentally. As a track record of sound strategy execution is essential for a successful IPO, it was expected that no signs of evolutionary strategic changes could be found during the six years prior to the IPO.

### **Cross-analysis conclusion**

As highlighted before, all case companies' roadmaps toward IPO were unique. Nevertheless, there were similarities and differences between the strategic actions taken by the case companies that are worth highlighting.

First, all the case companies took three different types of strategic actions: adaptive, reconstructive, and revolutionary. None of the case companies were found to have made evolution-type of changes during the observation period. Second, all companies changed their long-term direction by changing board and TMT members. Moreover, all case companies added a new board member with a public company background within one year prior to the IPO. Further, all case companies changed their CFO within one year before changing the financial reporting structure to IFRS. Third, all case companies made investments to improve operational management or efficiency, changed their financial structure, and developed their reporting and disclosure. Fourth, all companies continued to develop their operations in ways that are typical for their company or industry such as expanding sales network or launching new product lines in accordance with emerging customer needs.



The main differences between the case companies relate to acquisitions, internationalization, and CEO change. Only two companies changed their CEO before the IPO, while one did not. Further, only one of the case companies pursued international growth. Finally, only one of the case companies grew through acquisitions.

Finally, the majority of strategic actions were carried out about two years prior to the IPOs. However, indications of preparation for the IPO can be seen to have been made even before this.

## 5 Discussion

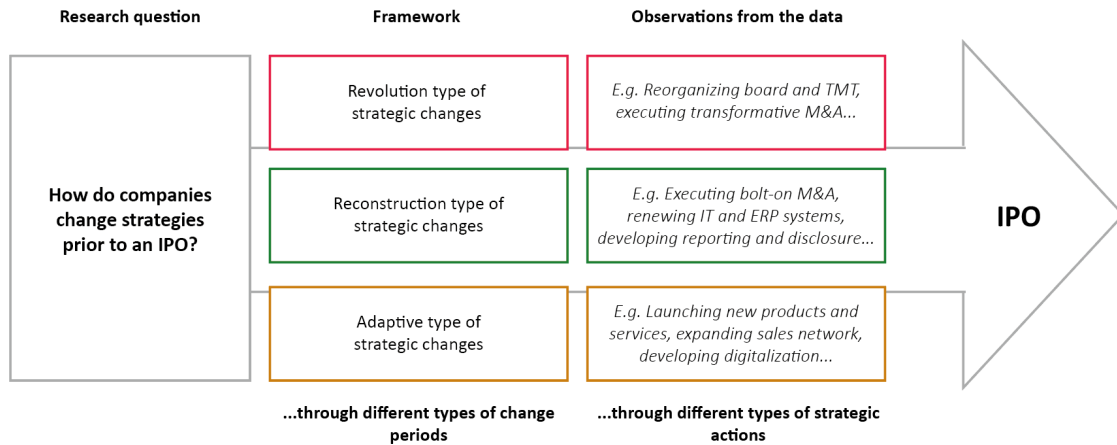
The fifth chapter begins by summarizing how the findings contribute to answering the set research question and objectives. The chapter also aims to summarize the contribution to the existing literature with theoretical and managerial implications, also highlighting the limitations of the study and providing suggestions for future research.

The initial research question *How do companies change strategies prior to an IPO* was examined through two objectives.

The first objective of this study was to create a synthesis of strategic change theory and IPO theory. Based on the synthesis of the two theories, a simplified framework was created to enable a systematic way of studying the case companies in order to gain a deeper understanding of the phenomenon – *how companies change strategies prior to an IPO*. When observing the vast data set through the framework, it was possible to identify strategic actions taken by the case companies, which likely had an impact on the companies' long-term direction before their IPOs. Further, the framework enabled the classification of the identified strategic actions into larger categories, which can also be used to answer the research question of this study.

The second objective of this study was to identify factors through which companies have changed their strategies prior to the IPO. In the created theoretical framework, these factors were named strategic actions and were classified into categories according to their types. Balogun and Hailey's (2008, p. 21) types of change were utilized in the types of strategic change of this thesis framework. According to the observations that could be found from the data of the three case companies, it can be concluded that companies take various strategic actions to modify their long-term direction prior to IPOs. At a higher level, it can be stated that the case companies change their strategies mainly through three types of strategic actions during the six years prior to their IPOs. All companies performed adaptive, reconstructive, and revolutionary types of changes while no

evolutionary changes were identified. Figure 26 illustrates how the research question can be answered by using the framework and observing the data.



**Figure 26.** An illustration of how the created framework and data can be used to answer the research question of this study.

Despite the fact that no evolution type of strategic actions was not found in the data of the three case companies, it does not mean that it should be omitted from the framework. Evolution-type of strategic actions could be more common if the research period would be longer, such as more than ten years (see e.g., Langley & Kakabadse, 2006).

## 5.1 Theoretical implications

Previous research on strategic change and IPOs is fairly rich (e.g., Flamholtz & Randle, 2008, p. 12; Chahine & Zhang, 2020; Zimmerman, 2008; Lester et al., 2006), while research on this study's perspective is novel. This study aims to reduce this research gap by studying through which strategic actions companies change their strategies before going public. A more detailed description of the contribution to earlier literature is provided in section 1.

The framework used in this study utilizes Balogun and Hailey's (2008, p. 21) type of change model but is further developed to fit the purpose of researching strategic

changes prior to an IPO. The created framework can be used also in the future as a systematic way of studying strategic change that has happened or happens over time.

From a theoretical perspective, this study supports the views of Sherman (2005, p. 197), Taulli (2012, p. 38), and Tepper and Donner (1996) that companies need to take several preparatory strategic actions well before the actual IPO takes place. These preparatory actions were found in the form of reporting structure and IT system change in every company, supporting Geddes's (2007, p. 25) view.

According to Dominguez CC et al (2015), Goodstein and Boeker (1991), and Boyne and Meier (2009), managerial change is a way to initiate strategic change. In this research all case companies can be seen to change their strategy through the board and TMT changes. The study can be seen as supporting the view of Martines (2004), according to which TMT changes are common before going public. Further, Helfat et al (2007, p. 48) and Balogun and Hailey (2008, p. 22) state that M&A can be a way to create strategic change in a company, and this was also found in the data.

Interestingly, all case companies experienced a transformative ownership change in 2015, six years prior to the IPOs. This may be a coincidence in the sample, but because of its occurrence, it must be pointed out. Ownership changes seem to have initiated a series of various strategic changes in each case company before their IPOs. This can be seen as supporting Goodstein's and Boeker's (1991) view that the change in ownership has significant effects on strategic change.

## **5.2 Managerial implications**

The findings of this study could be useful for the strategic decision-makers of companies who are planning to do an IPO in the mid-term. As mentioned in the introduction, IPOs occur in waves. (Ibbotson & Jaffe, 1975; Ritter, 1984) This study highlights that companies need to take several preparatory strategic actions before the IPO. Thus, to be able

to catch the next IPO wave, companies should start making preparations up to several years before the actual IPO process is kicked off.

As the case companies in this study are from the retail, manufacturing, and construction industries, the findings could be especially useful for strategic decision-makers operating in these industries. For decision-makers in retail, this study highlights the importance of continuous expansion of the sales network, the ability to quickly cater to changing customer needs, and the importance of well-functioning IT systems from sourcing goods to final contact with the end customer. For decision-makers in construction, this study stresses the importance of adapting to trends changing the industry such as digitalization, ensuring the essential know-how, and retention of personnel. For decision-makers in manufacturing, the study highlights the importance of investing in the efficiency of factories, taking environmental issues into consideration, and ability to find new customer groups. The list of the above-mentioned examples is not exhaustive but could be useful for decision-makers in each industry.

On top of the industry-specific implications, a few common strategic actions taken by all case companies were found in the cross-analysis of this study. All case companies changed their board and TMT members as well as added a board member with a public company background to the board within one year before the IPO. Further, all companies did investments to improve operational control, efficiency, and disclosure. These changes were often made already few years prior to the IPOs. Moreover, all case companies changed their financial structure within one year before the IPOs. Importantly, on top of the above-mentioned changes, all case companies continued to improve their everyday operations to build a healthy track record.

### **5.3 Limitations and future research suggestions**

Like all studies, this study also has limitations. One limitation is related to the sample size of the study. Since only three case companies are included in this study, the findings of the study cannot be considered generalizable. If this study had a more comprehensive

number of case companies or if someone else did a similar study on other case companies, the findings could be broader and therefore also more generalizable to understand the phenomenon being studied in this research. Based on this, one suggestion for future research would be to conduct a similar study on other companies in order to make sure the results obtained from this study are valid and more generalizable.

Another limitation is related to the data used in the study. As secondary data is used, it is understandable that all strategic actions taken by the case companies cannot be identified. For example, to identify possible smaller strategic changes, detailed internal information about the case companies is needed. Related to this, one possible future research path would be to include primary data in the study. For example, management interviews could be used to get a more detailed description of how the company changed its strategy prior to an IPO. In the interview, the company's management could also be asked for more detailed information about when their company made the decision to go public. However, interviews also have their own limitations in this context. As stated earlier, there may be changes in the management of the company prior to and post an IPO. Based on this, it could be difficult to reach the right people that were involved in the company's strategic changes prior to an IPO.

As the scope of this study is limited to a period of six years prior to the IPO, the research has limited ability to see evolutionary strategic changes that may occur during longer time periods. Thus, conducting a case study with a longer time horizon prior to the IPO could be interesting.

## References

- Adams-Robinson, B. J. (2021). *Informal Leadership, Strategy and Organizational Change*. Routledge.
- Aghamolla, C., & Thakor, R. T. (2022). IPO peer effects. *Journal of financial economics*, 144(1), 206-226. <https://doi.org/10.1016/j.jfineco.2021.05.055>
- Akomah, B. B., Ahinaquah, L. K., & Mustapha, Z. (2020). Skilled Labour Shortage in the Building Construction Industry Within the Central Region. *Baltic journal of real estate economics and construction management*, 8(1), 83-92. <https://doi.org/10.2478/bjreecm-2020-0006>
- Ali-Yrkkö, J. (2002). *Mergers and acquisitions: Reason and results*, ETLA Discussion Papers, No. 792, The Research Institute of the Finnish Economy (ETLA), Helsinki. <https://www.econstor.eu/bitstream/10419/63797/1/344861414.pdf>
- Balogun, J., Hope Hailey, V., Johnson, G., & Scholes, K. (2008). *Exploring strategic change* (3rd ed.). Pearson Education.
- Barker III, V. L., Patterson Jr, P. W., & Mueller, G. C. (2001). Organizational Causes and Strategic Consequences of the Extent of Top Management Team Replacement During Turnaround Attempts. *Journal of management studies*, 38(2), 235-270. <https://doi.org/10.1111/1467-6486.00235>
- Barron, J. M., Chulkov, D. V., & Waddell, G. R. (2011). Top management team turnover, CEO succession type, and strategic change. *Journal of business research*, 64(8), 904-910. <https://doi.org/10.1016/j.jbusres.2010.09.004>
- Baulcomb, J. S. (2003). Management of change through force field analysis. *Journal of nursing management*, 11(4), 275-280. <https://doi.org/10.1046/j.1365-2834.2003.00401.x>
- Beer, M., & Nohria, N. (2000). Cracking the code of change. *Harvard business review*, 78(3), 133-141, 216.
- Berry, H. (2010). Why Do Firms Divest? *Organization science* (Providence, R.I.), 21(2), 380-396. <https://doi.org/10.1287/orsc.1090.0444>

- Bethel, J. E., & Liebeskind, J. (1993). The effects of ownership structure on corporate restructuring. *Strategic management journal*, 14(S1), 15-31. <https://doi.org/10.1002/smj.4250140904>
- Boeker, W. (1989). Strategic change – The effects of founding and history. *Academy of Management journal*, 32(3), 489-515. <https://doi.org/10.2307/256432>
- Boeker, W. (1997). Strategic change: The influence of managerial characteristics and organizational growth. *Academy of Management journal*, 40(1), 152-170. <https://doi.org/10.2307/257024>
- Brau, J. C., & Fawcett, S. E. (2006). Initial Public Offerings: An Analysis of Theory and Practice. *The Journal of finance (New York)*, 61(1), 399-436. <https://doi.org/10.1111/j.1540-6261.2006.00840.x>
- Brunninge, O., Nordqvist, M., & Wiklund, J. (2007). Corporate Governance and Strategic Change in SMEs: The Effects of Ownership, Board Composition and Top Management Teams. *Small business economics*, 29(3), 295-308. <https://doi.org/10.1007/s11187-006-9021-2>
- Burnes, B. (2004). Kurt Lewin and the Planned Approach to Change: A Re-appraisal. *Journal of management studies*, 41(6), 977-1002. <https://doi.org/10.1111/j.1467-6486.2004.00463.x>
- Cambridge Dictionary. (2023) Retrieved 2023-02-17 from <https://dictionary.cambridge.org/dictionary/english/due-diligence>
- Chahine, S., & Zhang, Y. (2020). Change gears before speeding up: The roles of Chief Executive Officer human capital and venture capitalist monitoring in Chief Executive Officer change before initial public offering. *Strategic management journal*, 41(9), 1653-1681. <https://doi.org/10.1002/smj.3197>
- Chandler, A. D. (1969). *Strategy and Structure: Chapters in the History of the American Industrial Enterprise*.
- Chemmanur, T. J., & He, J. (2011). IPO waves, product market competition, and the going public decision: Theory and evidence. *Journal of financial economics*, 101(2), 382-412. <https://doi.org/10.1016/j.jfineco.2011.03.009>



- Cirillo, A., Mussolino, D., Saggese, S., & Sarto, F. (2018). Looking at the IPO from the “top floor”: A literature review. *Journal of management and governance*, 22(3), 661-688. <https://doi.org/10.1007/s10997-017-9397-1>
- Collis, D. J. and Rukstad, M. G. (2008) Can You Say What Your Strategy Is? *Harvard Business Review*.
- Cucinotta, D., & Vanelli, M. (2020). WHO Declares COVID-19 a Pandemic. *Acta bio-medica : Atenei Parmensis*, 91(1), 157–160. <https://doi.org/10.23750/abm.v91i1.9397>
- Cumming, D. (2012). *The Oxford handbook of entrepreneurial finance*. Oxford University Press.
- Dominguez CC, M. & Barroso-Castro, C. (2017). Managerial change and strategic change: The temporal sequence. *Journal of management & organization*, 23(1), 46-73. <https://doi.org/10.1017/jmo.2016.49>
- Dominguez CC, M., Galan-Gonzalez, J. L. & Barroso, C. (2015). Patterns of strategic change. *Journal of organizational change management*, 28(3), 411-431. <https://doi.org/10.1108/JOCM-05-2014-0097>
- Duhaime, I. M., Stimpert, L., & Chesley, J. A. (2012). *Strategic thinking: Today's business imperative*. Routledge.
- Eisenhardt, K. M., & Graebner, M. E. (2007). Theory Building from Cases: Opportunities and Challenges. *Academy of Management journal*, 50(1), 25-32. <https://doi.org/10.5465/AMJ.2007.24160888>
- Espinasse, P. (2014). *IPO: A Global Guide. Expanded Second Edition*. Hong Kong University Press.
- Financial Supervisory Authority. (2020). *Listautuminen*. Retrieved from <https://www.finanssivalvonta.fi/paaomamarkkinat/liikkeeseenlaskijat-ja-sijoittajat/listautuminen/>
- Financial Supervisory Authority. (2021). *Arvopaperien tarjoaminen ja esitteet*. Retrieved from <https://www.finanssivalvonta.fi/paaomamarkkinat/liikkeeseenlaskijat-ja-sijoittajat/arvopaperien-tarjoaminen-ja-esitteet/>

- Finnish Foundation for Share Promotion. (2016). *Pörssilistautujan käsikirja*. Retrieved 2023-01-09 from [https://www.porssisaatio.fi/wp-content/uploads/2016/05/porssilistautujan\\_kasikirja\\_2016\\_final\\_web.pdf](https://www.porssisaatio.fi/wp-content/uploads/2016/05/porssilistautujan_kasikirja_2016_final_web.pdf)
- Finnish Foundation for Share Promotion. (2022). *Listautujan käsikirja*. Retrieved 2023-01-09 from <https://www.porssisaatio.fi/wp-content/uploads/2022/09/listautujan-kasikirja-2022.pdf>
- Finnish Foundation for Share Promotion. (2023). *Listautumiset Pohjoismaissa viime vuosina*. Retrieved from <https://www.porssisaatio.fi/blog/statistics/listautumiset-pohjoismaissa-viimevuosina/>
- Fischer, H., & Pollock, T. (2004). Effects of social capital and power on surviving transformational change: The case of initial public offerings. *Academy of Management journal*, 47(4), 463-481. <https://doi.org/10.2307/20159597>
- Flamholtz, E., & Randle, Y. (2008). *Leading strategic change: Bridging theory and practice*. Cambridge University Press.
- Floyd, S. W., & Lane, P. J. (2000). Strategizing throughout the Organization: Managing Role Conflict in Strategic Renewal. *The Academy of Management review*, 25(1), 154-177. <https://doi.org/10.2307/259268>
- Geddes, H. R. (2005). *IPOs and Equity Offerings*. Butterworth-Heinemann.
- Goodstein, J., & Boeker, W. (1991). Turbulence at the Top: A New Perspective on Governance Structure Changes and Strategic Change. *Academy of Management journal*, 34(2), 306-330. <https://doi.org/10.2307/256444>
- Gregoriou, G. N. (2006). *Initial Public Offering*. Elsevier Inc.
- Häkkinen, H. (2021). *Suomen rakennusala kärsii huutavasta työvoimapulasta, ja sen takia remontiimestä voi joutua odottamaan kuukausia*. Retrieved 2023-05-11 from <https://www.hs.fi/talous/art-2000008150150.html>
- Hambrick, D. C. and Fredrickson, J. W. (2001). Are you sure you have a strategy? *Academy of Management Executive*. 15 (4).
- Hannan, M. T., & Freeman, J. (1977). The Population Ecology of Organizations. *American Journal of Sociology*, 82(5), 929-964. <http://www.jstor.org/stable/2777807>

- Hannan, M. T., & Freeman, J. 1984. Structural inertia and organizational change. *American Sociological Review*, 49: 149-164.
- Haveman, H. A. (1992). Between a Rock and a Hard Place: Organizational Change and Performance Under Conditions of Fundamental Environmental Transformation. *Administrative science quarterly*, 37(1), 48-75. <https://doi.org/10.2307/2393533>
- Helfat, C. E., & Martin, J. A. (2015). Dynamic Managerial Capabilities: Review and Assessment of Managerial Impact on Strategic Change. *Journal of Management*, 41(5), 1281-1312. <https://doi.org/10.1177/0149206314561301>
- Helfat, C. E., Finkelstein, S., Mitchell, W., Peteraf, M. A., Singh, H., Teece, D. J., & Winter, S. G. (2007). *Dynamic capabilities: Understanding strategic change in organizations*. Blackwell Pub.
- Herrmann, P., & Nadkarni, S. (2014). Managing strategic change: The duality of CEO personality. *Strategic management journal*, 35(9), 1318-1342. <https://doi.org/10.1002/smj.2156>
- Hiden, P. (2002). *Listautuminen ja vahingonkorvausvastuu*. Lakimiesliiton Kustannus.
- Hill, C. W. L., & Snell, S. A. (1988). External control, corporate strategy, and firm performance in research-intensive industries. *Strategic management journal*, 9(6), 577-590. <https://doi.org/10.1002/smj.4250090605>
- Husick, G. C., & Arrington, J. M. 1998. *The initial public offering: A practical guide for executives*. New York: Bowne & Co.
- Huyghebaert, N., & Van Hulle, C. (2006). Structuring the IPO: Empirical evidence on the portions of primary and secondary shares. *Journal of corporate finance* (Amsterdam, Netherlands), 12(2), 296-320. <https://doi.org/10.1016/j.jcorpfin.2005.01.001>
- Ibbotson, R. G. & Ritter, J. R. (1995) Initial Public Offerings. *Handbooks in OR & MS*, 9, 993-1016.
- Ibbotson, R. G., & Jaffe, J. F. (1975). "Hot Issue" Markets. *The Journal of finance* (New York), 30(4), 1027. <https://doi.org/10.2307/2326721>
- Inderes. (2022). *Listautujan tietopaketti*. Retrieved 2023-02-14 from <https://group.inde-res.fi/fi/palvelut/listautujalle>

- Kiesler, S., & Sproull, L. (1982). Managerial Response to Changing Environments: Perspectives on Problem Sensing from Social Cognition. *Administrative science quarterly*, 27(4), 548-570. <https://doi.org/10.2307/2392530>
- Kindler, H. S. (1979). Two Planning Strategies: Incremental Change and Transformational Change. *Group & Organizational Studies*, 4(4), 476-484. <https://doi.org/10.1177/10596011790040040>
- Kirimi, B. A., & Minja, D. (2010). Transformational Corporate Leadership. Integrity Publishers Inc.
- Kirkpatrick, S. A. (2016). Build a Better Vision Statement. Lexington Books.
- Kohers, N., Francis, B., & Brau, J. C. (2003). The Choice of IPO versus Takeover: Empirical Evidence. *The Journal of Business*, 76(4), 583-612.
- Kotter, J. P. (2007). Leading Change. *Harvard Business Review*, 96-103.
- Kotter, J. P., & Schlesinger, L. A. (2008). Choosing Strategies for Change. *Harvard business review*, 86(7-8), 130-162.
- Kreate prospectus. (2021). Retrieved 2023-01-14 from <https://www.finanssivalvonta.fi/rekisterit/esiterekisteri/>
- Kreate. (2015). Kreate financial statement 1.1.-31.12.2015. Purchased from the Virre data service owned by the Finnish Patent and Registration Office <https://virre.prh.fi/novus/home?execution=e1s4#search-result>
- Kreate. (2016). Kreate financial statement 1.1.-31.12.2016. Purchased from the Virre data service owned by the Finnish Patent and Registration Office <https://virre.prh.fi/novus/home?execution=e1s4#search-result>
- Kreate. (2017). Kreate financial statement 1.1.-31.12.2017. Purchased from the Virre data service owned by the Finnish Patent and Registration Office <https://virre.prh.fi/novus/home?execution=e1s4#search-result>
- Kreate. (2018a). Kreate board of directors' report and financial statement 1.1.-31.12.2018. Retrieved 2023-01-14 from <https://www.finanssivalvonta.fi/rekisterit/esiterekisteri/>
- Kreate. (2018b). Kreate financial review 2018. Retrieved 2023-01-14 from [https://kreate.fi/wp-content/uploads/2019/08/Kreate\\_TaloudellinenKatsaus2018 .pdf](https://kreate.fi/wp-content/uploads/2019/08/Kreate_TaloudellinenKatsaus2018.pdf)

- Kreate. (2018c). *Kreaten osaamien vahvistuu ja yritys rakenne selkeytyy tehtyjen fuusioiden myötä*. Retrieved 2023-04-27 <https://kreate.fi/kreaten-osaaminen-vahvistuu-ja-yritys-rakenne-selkeytyy-tehtyjen-fuusioiden-myota/>
- Kreate. (2019). Kreate financial statement 1.1.-31.12.2017. Purchased from the Virre data service owned by the Finnish Patent and Registration Office <https://virre.prh.fi/novus/home?execution=e1s4#search-result>
- Kreate. (2020). *Emoyhtiö Ke Holding Oy on jatkossa Kreate Group Oy*. Retrieved 2023-04-27 <https://kreate.fi/kreaten-osaaminen-vahvistuu-ja-yritys-rakenne-selkeytyy-tehtyjen-fuusioiden-myota/>
- Kroll, M., Walters, B. A., & Le, S. A. (2007). The Impact of Board Composition and Top Management Team Ownership Structure on Post-IPO Performance in Young Entrepreneurial Firms. *Academy of Management journal*, 50(5), 1198-1216. <https://doi.org/10.2307/20159920>
- Langley, A., Kakabadse, N. K., & Swales, S. (2007). Evolutionary patterns of strategic change prior to liquidation: The case of Bioglan plc. *Management decision*, 45(4), 657-683. <https://doi.org/10.1108/00251740710745971>
- Latham, S., & Braun, M. R. (2010). To IPO or Not To IPO: Risks, Uncertainty and the Decision to Go Public. *British journal of management*, 21(3), 666-683. <https://doi.org/10.1111/j.1467-8551.2010.00707.x>
- Lester, R. H., Certo, S. T., Dalton, C. M., Dalton, D. R., & Cannella, A. A. (2006). Initial Public Offering Investor Valuations: An Examination of Top Management Team Prestige and Environmental Uncertainty. *Journal of small business management*, 44(1), 1-26. <https://doi.org/10.1111/j.1540-627X.2006.00151.x>
- Lines, R. (2004). Influence of participation in strategic change: Resistance, organizational commitment and change goal achievement. *Journal of change management*, 4(3), 193-215. <https://doi.org/10.1080/1469701042000221696>
- Lowry, M., & Schwert, G. W. (2002). IPO Market Cycles: Bubbles or Sequential Learning? *The Journal of finance* (New York), 57(3), 1171-1200. <https://doi.org/10.1111/1540-6261.00458>

- Lucas, D., & McDonald, R. (1990). Equity issues and stock-price dynamics. *The Journal of finance* (New York), 45(4), 1019-1043. <https://doi.org/10.2307/2328713>
- Macus, M. (2008). Board Capability; An Interactions Perspective on Boards of Directors and Firm Performance. *International studies of management & organization*, 38(3), 98-116. <https://doi.org/10.2753/IMO0020-8825380304>
- Martens, M. L. (2004). IPO effects: Corporate restructuring when a firm goes public. *Journal of public affairs*, 4(2), 155-169. <https://doi.org/10.1002/pa.178>
- Maylor, H., & Blackmon, K. (2005). *Researching business and management*. Palgrave Macmillan.
- Miles, R. E. (1982) *Coffin nails and corporate strategies*. Englewood Cliffs, N.J: Prentice-Hall.
- Miles, R., Snow, C., Meyer, A., & Coleman Jr, H. (1978). Organizational strategy, structure, and process. *The Academy of Management review*, 3(3), 546-562. <https://doi.org/10.5465/AMR.1978.4305755>
- Mintzberg, H. (1978). Patterns in strategy formation. *Management Science*. 24 (9).
- Mintzberg, H., & Westley, F. (1992). Cycles of organizational change. *Strategic management journal*, 13(S2), 39-59. <https://doi.org/10.1002/smj.4250130905>
- Näyhä, A., & Pesonen, H. (2014). Strategic change in the forest industry towards the biorefining business. *Technological forecasting & social change*, 81(1), 259-271. <https://doi.org/10.1016/j.techfore.2013.04.014>
- Nelson, T. (2003). The persistence of founder influence: Management, ownership, and performance effects at initial public offering. *Strategic management journal*, 24(8), 707-724. <https://doi.org/10.1002/smj.328>
- Nour, D. (2009). *Entrepreneur's Guide to Raising Capital*. Greenwood.
- Orthex prospectus. (2021). Retrieved 2023-01-14 from <https://www.finanssivalvonta.fi/rekisterit/esiterekisteri/>
- Oxford Learners Dictionary. Bulletin. Retrieved 2023-03-30 from <https://www.oxfordlearnersdictionaries.com/definition/english/bulletin>

- Pagano, M., Panetta, F., & Zingales, A. L. (1998). Why Do Companies Go Public? An Empirical Analysis. *The Journal of finance* (New York), 53(1), 27-64.  
<https://doi.org/10.1111/0022-1082.25448>
- Patentti- ja rekisterihallitus. Virre-tietopalvelu. <https://virre.prh.fi/novus/home?execution=e1s1>
- Puulo prospectus. (2021). Retrieved 2023-01-14 from <https://www.finanssivalvonta.fi/rekisterit/esiterekisteri/>
- Puulo. (2015). *Adelis ostaa suomalaisen tavarataloketju Puuilon yhdessä toimivan johdon kanssa*. Retrieved 2023-04-19 from <https://www.puulo.fi/30-11-2015-adelis-ostaa-suomalaisen-tavarataloketju-puuilon-yhdessa-toimivan-johdon-kanssa>
- Puulo. (2016a). *Vahvasti kasvava Puulo vahvistaa tiimiään: hallituksen puheenjohtajaksi Timo Mänty*. Retrieved 2023-04-19 from <https://www.puulo.fi/3-2-2016-vahvasti-kasvava-puulo-vahvistaa-tiimiaan-hallituksen-puheenjohtajaksi-timo-manty>
- Puulo. (2016b). *Vahvasti kasvava Puulo vahvistaa tiimiään: Ville Ranta nimitetty talousjohtajaksi*. Retrieved 2023-04-19 from <https://www.puulo.fi/25-8-2016-vahvasti-kasvava-puulo-vahvistaa-tiimiaan-ville-ranta-nimitetty-talousjohtajaksi>
- Puulo. (2017). Puulo financial statement 1.2.2016-31.1.2017. Purchased from the Virre data service owned by the Finnish Patent and Registration Office  
<https://virre.prh.fi/novus/home?execution=e1s4#search-result>
- Puulo. (2017a). *Juha Saarela nimitetty Puuilon toimitusjohtajaksi*. Retrieved 2023-04-19 from <https://www.puulo.fi/28-4-2017-juha-saarela-nimetty-puuilon-toimitusjohtajaksi>
- Puulo. (2017b). *Puulo ampumaliiton pääyhteistyökumppaniksi*. Retrieved 2023-04-19 from <https://www.puulo.fi/17-10-2017-puulo-ampumahiihtoliiton-paayhteistyokumppaniksi>
- Puulo. (2018). Puulo financial statement 1.2.2017-31.1.2018. Purchased from the Virre data service owned by the Finnish Patent and Registration Office  
<https://virre.prh.fi/novus/home?execution=e1s4#search-result>

- Puilo. (2018). *Puilon ja ampumahiihtoliiton pääyhteistyökumppanuus jatkuu*. Retrieved 2023-04-19 from <https://www.puilo.fi/31-10-2018-puilon-ja-ampu-mahiihtoliiton-paayhteistyokumppanuus-jatkuu>
- Puilo. (2019). *Tom Lång on nimitetty ketjupäälliköksi*. Retrieved 2023-04-19 <https://www.puilo.fi/4-6-2019-tom-lang-on-nimetty-ketjupaallikoksi>
- Puilo. (2020a). *Perttu Partanen nimitetty Puilon markkinointijohtajaksi*. Retrieved 2023-04-19 <https://www.puilo.fi/24-6-2020-perttu-partanen-nimitetty-puilon-markkinointijohtajaksi>
- Puilo. (2020b). *Uusia nimityksiä Puilon johtoon – Sirkkaliisa Kulmala nimitetty henkilöstöjohtajaksi ja Juha Parviainen tietohallintojohtajaksi*. Retrieved 2023-04-19 <https://www.puilo.fi/8-9-2020-uusia-nimityksia-puilon-johtoon-sirkkaliisa-kulmala-nimitetty-henkilostojohdajaksi-ja-juha>
- Puilo. (2020c). *Markku Lampela nimitetty Puilon osto- ja logistiikkajohtajaksi*. Retrieved 2023-04-19 <https://www.puilo.fi/22-12-2020-markku-lampela-nimetty-puilon-osto-ja-logistiikkajohtajaksi>
- Puilo. (2020d). *Capital Partners mukaan tukemaan Puilon kasvua*. Retrieved 2023-04-19 <https://www.puilo.fi/13-1-2020-lgt-capital-partners-mukaan-tukemaan-puilon-kasvua>
- Puilo. (2020d). *Pesäpalloliitto ja Puilo yhteistyöhön*. Retrieved 2023-04-19 <https://www.puilo.fi/16-4-2020-pesapalloliitto-ja-puilo-yhteistyohon>
- Puilo. (2021a). Puilo IFRS financial statement 31.1.2021, 31.1.2020, and 31.1.2019. Retrieved 2023-01-14 from <https://www.finanssivalvonta.fi/rekisterit/esiter-ekisteri/>
- Puilo. (2021b). Puilo half-year review 1.2.-30.4.2021. Retrieved 2023-01-14 from <https://www.finanssivalvonta.fi/rekisterit/esiterekisteri/>
- Rakennusteollisuus RT ry. (2021) *Rakennusala kärsii kroonisesta osajapulasta*. Retrieved 2023-05-11 <https://www.rakennuslehti.fi/2021/09/tyovoimapul-kiusaa-suurta-osaa-rakennusalan-yrityksista-uhkaa-jopa-alan-kasvua/>
- Ritter, J. R. (1984). The "Hot Issue" Market of 1980. *The Journal of business* (Chicago, Ill.), 57(2), 215-240. <https://doi.org/10.1086/296260>



- Roberts, A., Wallace, W., & McClure, N. (2003). Strategic risk management.
- Saleem, S. (2011). The impact of financial incentives on employees commitment. *European Journal of Business and Management*, 3(4), 258-266.
- Schermerhorn, J. R., Jr. (1997). Situational leadership: Conversations with Paul Hersey. *Mid-American journal of business*, 12(2), 5.
- Sherman, A. J. (2005). *Raising Capital: Get the Money You Need to Grow Your Business*. AMACOM Books.
- Stenfors, S. (2007). *Strategy tools and strategy toys : management tools in strategy work*. Retrieved 2023-05-12 from <https://aaltodoc.aalto.fi/bitstream/handle/123456789/11503/a297.pdf?sequence=1&isAllowed=y>
- Sujova, A., & Rajnoha, R. (2012). The Management Model of Strategic Change based on Process Principles. *Procedia, social and behavioral sciences*, 62, 1286-1291. <https://doi.org/10.1016/j.sbspro.2012.09.220>
- Taulli, T. (2012). *High-Profit IPO Strategies: Finding Breakout IPOs for Investors and Traders*, 3rd Edition. Bloomberg Press.
- Tepper, S. G., & Donner, I. H. (1996). IPOs, part I: Preparation is the key. *Computer (Long Beach, Calif.)*, 29(5), 108-109. <https://doi.org/10.1109/2.494094>
- The Economic Times. What is 'IPO'. Retrieved 2023-02-10 from <https://economictimes.indiatimes.com/definition/ipo>
- Tichy, N. (1983). The essential of strategic change management. *The Journal of business strategy*, 3(4), 55-67. <https://doi.org/10.1108/eb038990>
- Walter, G. A., & Barney, J. B. (1990). Research notes and communications management objectives in mergers and acquisitions. *Strategic management journal*, 11(1), 79-86. <https://doi.org/10.1002/smj.4250110107>
- Webb, A. (2019) How to Do Strategic Planning Like a Futurist. *Harvard Business Review*. Retrieved from <https://hbr.org/2019/07/how-to-do-strategic-planning-like-a-futurist>
- Whittington, R., Regnér, P., Angwin, D., Johnson, G. & Scholes, K. (2019). *Exploring Strategy : text and cases (Twelfth)*. Pearson International Content. Retrieved 2023-01-13 from <https://bookshelf.vitalsource.com/books/9781292282503>

Yin, R. K. (2009). *Case study research: Design and methods* (4th ed.). Sage.

Zhang, Y., Ayoko, O. B., & Liang, Q. (2021). The joint influence of CEO succession types and CEO-TMT faultline on firm's strategic change. *Journal of business research*, 126, 137-152. <https://doi.org/10.1016/j.jbusres.2020.12.055>

Zimmerman, M. A. (2008). The Influence of Top Management Team Heterogeneity on the Capital Raised through an Initial Public Offering. *Entrepreneurship theory and practice*, 32(3), 391-414. <https://doi.org/10.1111/j.1540-6520.2008.00233.x>

## Appendices

### Appendix 1. Reconstruction type of strategic actions data matrix

	2015	2016	2017	2018	2019	2020	2021	Total
Case 1: Kreate	2	2	4	4	2	3	0	17
Case 2: Orthex	1	3	1	1	3	4	0	13
Case 3: Puuilo	0	1	1	1	3	2	0	8
Total	3	6	6	6	8	9	0	

### Appendix 2. Revolution type of strategic actions data matrix

	2015	2016	2017	2018	2019	2020	2021	Total
Case 1: Kreate	4	1	4	3	1	2	0	15
Case 2: Orthex	2	1	1	0	1	3	1	9
Case 3: Puuilo	3	3	2	0	1	5	1	15
Total	9	5	7	3	3	10	2	