Track: Small Business and Small & Medium Enterprises

1. Strategy as Practice in SMEs – the Focus of Practices and Praxis

The main objective of the paper is to improve the understanding of strategic practices and praxis and how they interact in the SME context. First, we briefly define the strategic practices (tools, norms, traditions, procedures to guide thinking) and the praxis (activities involved in strategy-making) of SMEs. Then we proceed to discuss the focus of and link between practices and praxis in the SME context. We conclude the extended abstract by discussing the preliminary results of our empirical analysis based on the interviews of 145 CEOs of Finnish SMEs.

The previous research on the strategy processes of SMEs have focused mainly on strategic planning (Hutzschenreuter, and Kleindienst 2006: 680–692). Generally, studies have concluded that strategic planning in the SME context is positively correlated with firm performance or profitability (Baker, Addams, and Davis 1993; Berry 1998; Brouthers, Andriessen, and Nicolaes 1998; Peel, and Bridge 1998). Brouthers et al. (1998) offered a more refined interpretation based on a finding that managers in SMEs tend to be rational in information gathering, but more intuitive in decision making.

One specialty in SMEs' strategy work can be analyzed with the concept of strategic space (Jones, Macpherson, Thorpe, and Ghecham 2007; Jones, Macpherson, and Thorpe 2010: 660–663). The strategic space conceptualizes the way in which owner-managers create strategic space by utilizing the time, resources, motivation and the capabilities necessary to review existing practices leading to learning, transformation and enhanced organizational performance (Jones et al. 2007: 281; Jones et al. 2010: 660–663). Based on the earlier studies of strategy processes and the concept of strategic space, it is clear that SMEs cannot utilize the methods or tools of strategic management in the same way larger corporations do. For example, the usage rate of

formal strategic tools (for example the Balanced Scorecard or Five Forces of Competition) is very low (Meers, and Robertson 2007; Stonehouse, and Pemberton 2002; Wiesner, and Millett 2012). However, this does not mean SMEs are not doing any strategy work; they often apply versatile strategic practices, especially informal ones, and ongoing strategy praxis. For example, SMEs lacking internal resources may facilitate strategizing by utilizing customers, suppliers, and other external actors (Jones, and Macpherson 2006). The nature of the strategic management undertaken in SMEs is different and often more difficult to analyze than in the cases of larger organizations. Hence, we believe there is a need for further information about the role, nature, and focus of the strategy practices and praxis, and their relationship in the SME context.

2. Theoretical Background – Strategy as Practice Research

Strategy as practice research aims to understand pursuing strategy as a real experience, and is concerned with the detailed aspects of strategizing. For example how strategists think, talk, reflect, act, interact, emote, embellish and politicize in different situations (Jarzabkowski 2005: 3). Its main roots are in social sciences and strategy process research (Regnér 2008: 570; Vaara, and Whittington 2012: 285–286.). Strategy as a practice research stream examines strategy on three levels; practitioners (people involved in strategy); practices (tools, norms, traditions, concepts, shared routines, procedures to guide thinking) and praxis (activities involved in strategy-making) (Jarzabkowski 2005; Jarzabkowski, Balogun, and Seidl 2007; Johnson, Langley, Melin, and Whittington 2007; Whittington 2006).

2.1. Strategy Practices – Tools and Procedures Guiding Thinking

Strategy practices are defined as toolkits or frameworks, which are the basis of many strategy textbooks (Jarzabkowski 2004). Practices cover the social, symbolic and material tools

through which strategy work is done (Jarzabkowski 2005; Jarzabkowski et al. 2007; Johnson et al. 2007; Whittington 2006). The activities performed by practitioners constitute a praxis that draws on one or more specific practices (Belmondo, and Roussel 2014; Whittington, 2002; Paroutis, and Pettigrew 2007). The previous research on usage of formal strategy tools has shown that they are not used by most companies; the main exception being SWOT analysis (for example Gunn, and Williams 2007; Frost 2003; Clark 1997; Stenfors 2007; Stonehouse, and Pemberton 2002; Erbaşi, and Ünüvar 2012; Ionescu 2012).

2.2. Strategy Praxis – Activities to Accomplish the Strategy

Praxis is the activity of strategy-making: it is *what goes on* in strategy-making (Vaara, and Whittington 2012). The praxis happens at a micro-level in daily activities. In contrast to practices, activities (praxis) can be spontaneous, unplanned, and non-repeatable. Those practices companies have incorporated into their strategy-making may not necessarily cause activities to make things happen; and vice versa. When the practitioners strategize (praxis) they draw upon the set of established practices available in their social context (Whittington 2002; 2006). Furthermore, they might occasionally utilize activities (praxis) to amend the practices for the next episodes of praxis.

The current research is particularly interested in the connection between practices and praxis. The two are recursively linked (Belmondo, and Roussel 2014; Whittington 2006), but the question in this study is; how do they align, and how strong is the recursive link between them. In other words, when an organization has a bundle of practices, the study inquires which practices form the basis of the praxis. The final issue is whether it is possible to recognize a bias between the practices and praxis. More broadly, the interest can be defined as follows: when the

company has certain objectives in its strategy, are the practices aligned with the strategic objectives, and further, are the practices aligned with praxis to reach the strategic objectives.

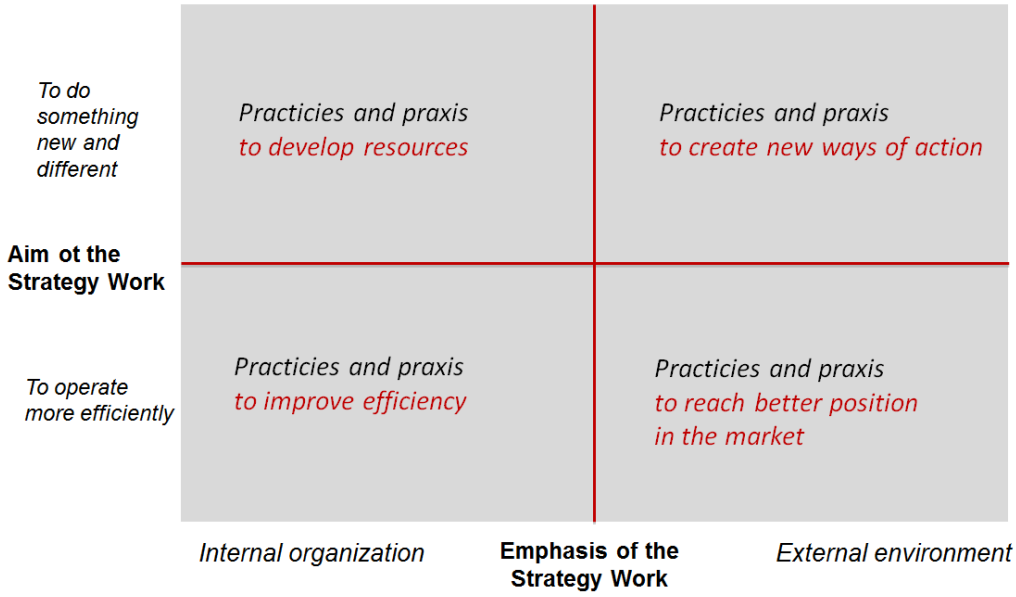
3. Method

This study is based on interviews with 145 CEOs of Finnish SMEs from several different industries. All the interviews were recorded and transcribed. The size of the companies varied between 10–250 employees and all had turnovers below 50 million euros. The interviews were conducted in Finnish using a structured interview form (Appendix 1).

4. Discussion and Findings – The Focus of Strategy Practices and Praxis of SMEs

The strategy practices and praxis were analyzed and mapped against an illustrative framework on the nature of the strategy work (Figure 1; Juuti, and Luoma 2009; Vuorinen 2013).

Figure 1. The analysis framework for strategy practices and praxis (adapted from Juuti, and Luoma 2009).



The framework draws a general picture of strategy work by evaluating the emphasis of the strategy work and the main aim of the strategy work (Figure 1). The target of the analysis is to define where the practices and praxis of the companies are situated on the framework and then to analyze whether there is a difference between them.

The *strategy practices* of the companies analyzed were reasonably balanced in the data. The practices covered all areas of the framework to a certain degree. The use of the established strategy tools ranged from very low to non-existent, but the companies had established traditions and procedures relating to strategic thinking, which made it possible to accomplish a versatile strategy praxis. The strategizing was mainly done by management, not by employees, customers or other important stakeholders. Most of the interviewed managers were still involved in the operative routines of the SME, and therefore they reported possessing good hands-on customer knowledge, and hence were channeling customer knowledge based on their own perceptions.

The *strategy praxis* seems to be very much emphasized in the lower left corner of the framework (efficiency). In general, the preliminary results indicate that there is a difference between the practices and the actual praxis of the companies. Compared to the *what there is* side (practices), the *what goes on* side (praxis) seemed to be biased toward efficiency and quantitative, often short-term, financial targets. In most cases, the participants did not identify strategy praxis as strategizing; they saw the process as just ordinary work.

There appears to be a difference between the ultimate strategic goals and the features of strategy work. The measures and targets of efficiency (processes, quality, and production costs) were emphasized in the praxis, though the strategic objectives of the companies were more versatile taking into account different customer needs, opportunities of turbulent environmental, learning and innovativeness.

References:

Baker, William H., H. Lon Addams, and Brian Davis (1993). 'Business Planning in Successful Small Firms,' *Long Range Planning*, 26 (6), 82-88.

Belmondo, Cécile, and Caroline Sargis Roussel (2014). 'Strategising Routines as the Missing Link Between Strategy Practices and Praxis,' paper presented at the annual conference XXIII Conférence Internationale de Management Stratégique, Rennes, 26-28 May.

Berry, Maureen (1998). 'Strategic Planning in Small High Tech Companies,' *Long Range Planning*, 31 (3), 455-466.

Brouthers, Keith D., Floris Andriessen, and Igor Nicolaes (1998). 'Driving Blind: Strategic Decision-making in Small Companies,' *Long Range Planning*, 31 (1), 130-138.

Clark, D. N. (1997). 'Strategic Management Tools Usage: A Comparative Study,' *Strategic Change*, 6 (7), 417-427.

Erbaşi, A., and Ş. Ünüvar (2012). 'The Levels of Using Strategic Management Tools and Satisfaction with Them: A Case of Five-Star Hotels in Turkey,' *International Journal of Business and Management*, 7 (20), 71-80.

Frost, Frederick A. (2003). 'The Use of Strategic Tools by Small and Medium-Sized Enterprises: An Australasian Study,' *Strategic Change*, 12 (1), 49-62.

Gunn, R., and W. Williams (2007). 'Strategic Tools: An empirical Investigation into Strategy in Practice in the UK,' *Strategic Change*, 16 (5), 201-216.

Hutzschenreuter, Thomas, and Ingo Kleindieust (2006). 'Strategy-Process Research: What Have We Learned and What Is Still to Be Explored,' *Journal of Management*, 32 (5), 673-720.

Ionescu, Florin T. (2012). ‘The Use of Product Portfolio Tools and Techniques by SMEs from Romania During the Strategic Planning Process,’ *International Journal of Arts & Sciences*, 5 (1), 85-104.

Jarzabkowski, P. (2004). ‘Strategy as Practice: Recursiveness, Adaptation and Practices-in-Use,’ *Organization Studies*, 24 (3), 489-520.

Jarzabkowski, P. (2005). *Strategy as Practice: An Activity Based Approach*. London, UK: Sage.

Jarzabkowski, P., J. Balogun, and D. Seidl (2007). ‘Strategizing: the Challenges of a Practice Perspective,’ *Human Relations*, 60 (1), 5-27.

Johnson, G., A. Langley, L. Melin, and R. Whittington (2007). *Strategy as Practice: Research Directions and Resources*. Cambridge, UK: Cambridge University Press.

Jones, O., A. Macpherson, R. Thorpe, and A. Ghecham (2007). 'The Evolution of Business Knowledge in SMEs: Conceptualizing Strategic Space,' *Strategic Change*, 16 (6), 281-294.

Jones, O., and A. Macpherson (2006). 'Inter-Organizational Learning and Strategic Renewal in SMEs: Extending the 4I Framework,' *Long Range Planning*, 39 (2), 155-175.

Jones, Oswald, Allan Macpherson, and Richard Thorpe (2010). ‘Learning in Owner-Managed Small Firms: Mediating Artefacts and Strategic Space,’ *Entrepreneurship & Regional Development: An International Journal*, 22 (7-8), 649-673.

Juuti, P., and M. Luoma (2009). *Strateginen johtaminen. Miten vastata kompleksisen ja postmodernin ajan haasteisiin?* Otava.

Meers, Karen A, and Colin Robertson (2007). ‘Strategic Planning Practices in Profitable Small Firms in the United States,’ *The Business Review*, 7 (1), 302-307.

Paroutis, S., and a. Pettigrew (2007). ‘Strategizing in the Multi-business Firm: Strategy Teams at Multiple Levels over Time,’ *Human Relations*, 60 (1), 99-135.

Peel, Michael J., and John Bridge (1998). 'How Planning and Capital Budgeting Improve SME Performance,' *Long Range Planning*, 31 (6), 848-856.

Regnér, P. (2008). 'Strategy-as-Practice and Dynamic Capabilities: Steps Towards a More Dynamic View of Strategy,' *Human Relations*, 61 (4), 565-588.

Stenfors, Sari (2007). *’Strategy tools and strategy toys: management tools in strategy work,’* Ph.D. dissertation. Helsinki School of Economics A-297.

Stonehouse, George, and Jonathan Pemberton (2002). ‘Strategic Planning in SMEs – Some Empirical Findings,’ *Management Decision*, 40 (9), 853-861.

Vaara, E., and R. Whittington (2012). ‘Strategy-as-Practice: Taking Social Practices Seriously,’ *The Academy of Management Annals*, 6 (1), 285-336.

Vuorinen, Tero (2013). *Strategiakirja – 20 työkalua*. Helsinki: Talentum.

Whittington, R. (2002). ‘Practice Perspectives on Strategy: Unifying and Developing a Field,’ Working paper: abridged version published in the *Academy of Management Best Paper Proceedings*, 2002.

Whittington, R. (2006). ‘Completing the Practice Turn in Strategy Research,’ *Organization Studies*, 27 (5), 613-634.

Wiesner, R., and B. Millett (2012). 'Strategic Approaches in Australian SMEs: Deliberate or Emergent,' *Journal of Management and Organisation*, 18 (1), 98-122.

APPENDIX 1.

Interview questions (translated from Finnish to English, the interviews were conducted in Finnish)

Part A) What is strategy, what kind of strategizing is conducted in the company

- What in your opinion does strategy mean?
- From what is strategy created?
- What does strategy work involve in your company?
- What is the most essential element of strategizing?
- With whom do you talk about strategy or in general about the matters affecting the future of the company?
- What kinds of routines do you have for strategy work? When and how do you do strategy work? (On a yearly basis? Continuously? Once you have time?)
- Are there physical outputs produced from the strategy work? If yes, what kinds of? (Report, length? PowerPoint?)
- How are these physical artefacts used?
- To whom and how is strategy communicated?
- What is the role of personnel in the planning and implementation of strategy? Who among the personnel participate in planning, general discussions, and implementation?
- Do your customers or suppliers participate in strategy work in one way or another?
- Do you utilize outside help in strategy work? If yes, in which role? (Consultants? Personal support networks or entrepreneurs? Universities? Ely Centres (The Centres for Economic Development, Transport and the Environment)? Other organizations?)
- Has how strategy work is conducted changed in some way over the years? How?

- Do you use strategy methods/tools in the strategy work of your company? (Competitor analysis, market analysis, Balanced Scorecard, quality management, SWOT, etc.). *For the interviewer: explain what you mean by tools if needed.*

Part B) The concretization of strategizing. What do you do to develop different issues?

For the interviewer: Express that in Section B we are especially interested in the company's development activities which can be seen as strategic in nature, or in other words affecting the future.

- What all do you do to improve the future efficiency and quality of operations? Could you give some examples?
- Are you using certain tools or methods regarding these matters? *To interviewer: if needed, explain what you mean by tools.*

- Do you analyze the general business environment, from such perspectives as the economic situation or your industry? Could you give an example of how?
- How do you follow the changes in technologies and practices/methods of your industry? Could you give an example?
- How do you follow the operations of your competitors? Could you give an example?
- Do you utilize certain tools or methods in relation to these matters? *To interviewer: By this we mean the tools/methods related to environmental, industry or competitor analyses.*

- How are you developing the know-how of your personnel? Could you give an example?
- How are you reshaping your product or service offerings? Could you give an example?

- Are you using certain tools or methods specifically to address these matters?
- Have you tried to implement new courses of action/modus operandi that are completely new to your industry? Could you give an example of how you did so?
- Are you searching for future trends? Could you give an example?
- Are you using certain tools or methods specifically to address these matters?

Part C) What is the nature of your strategy work?

- How would you evaluate the role of "formal strategy work" (meetings, reports, and plans) and "informal strategy work" (random discussions, casual reasoning, and coincidences) in your company?
- Could you describe the forms of informal strategy work in your company?
- To what extent is each of the two being done? Could you evaluate the relation of formal work to informal work?
- Which of the two is more beneficial? Why?
- How would you evaluate the decision making in your company; are the important decisions made in a formal planned way or do they follow on from intuition? Could you give more detail on the typical decision making process.
- How do you assess the risks to your business? How are they controlled?
- How do you know what your customers would like to have?
- Do you often do things differently to your competitors? If yes, how have you come to adopt different ways of doing things? What kind of advantage have you gained from the different approach?

Part D) What should be done differently in terms of strategizing? What kind of strategizing would be best in your firm?

- What kind of strategizing should be pursued in your opinion?
- What is the most difficult aspect of strategizing at the moment?
- What is your own evaluation of the current state and the development opportunities of your strategy work? What should be improved?
- What kind of activities and routines should be included in strategy work?
- Have we forgotten something that you see as valuable or relevant that would be related to the themes we have discussed? Or would you like to relate anything else, or to send a message to our other researchers?