

# **SMEs strategic visioning in business networks**

## **ABSTRACT**

SMEs must adapt to changes in their business environment. However they are often challenged by too few resources and the executives primarily focus on daily operations. SME executives need efficient methods and processes to ensure their strategy work results in compelling and viable visions. The study reports from 4 SMEs and shows how internal managers and external stakeholders can collaborate as creative sparring partners and co-create validated mutually attractive visions. The vision process revealed that the SME managers together with stakeholders could negotiate, interpret and re-framed their visioning. Forecasting is thereby not only about visioning a new future vision; it is an emergent and abductive process which also contains back-casting to reformulate how to achieve the strategy in the future.

## **INTRODUCTION**

Due to Baraldi et al. (2007) the overall contribution of IMP to the strategy literature is relatively slim. The literature lacks an understanding of how the firm manage to create visions for their future strategies (March 1991; Li et al. 2008; Liedtka & Ogilvie 2011; Laari-salmela et al. 2015). Firms are thinking and acting strategically, and an idea of the envisioned future direction guides strategising activities (Wilson & Jarzabkowski 2004; Baraldi et al. 2007). Visioning is described as activities related to the creation of a vision, hence predicting network evolution and creating alternative images of future business network scenarios (Möller & Halinen 1999; Tikkanen & Halinen 2003). Laari-salmela et al. (2015) points out questions such as “where should we be (in the future)?, what is going on (now)?” guide visioning activities and based on these questions the firm (must work backwards) to find out “what should we do, and how should we do it?”. The concept of the future is always negotiated, interpreted and re-framed into a new meaning for navigation (Storvang & Clarke 2014).

Strategising from an interaction and network perspective is fundamental for a firm in their visioning for the future. However, little research exists focusing on how firm’s work with identifying and creating future visions and possibilities (Abrahamsen et al. 2018). We focus on SMEs that are in a transformation due to the change in ownership of the firm. For SMEs, it is often challenging to strategise as they need to expand their business network and often make even great leaps against increased transformation in rapidly changing business and technology network contexts (La Rocca, Ford & Snehota 2013). *SMEs need to adapt to changes in their business environment, however* this can be particularly difficult for SMEs since they often have a strong focus on the present and near future to maintain their daily operation. Thus, SMEs lack to exploit new business opportunities (Snehota 2011). SME executives need efficient methods and processes to

ensure their strategy work results in compelling and viable visions. The following research question guides the research: *How SMEs can develop a strategic vision for the firm by collaborating with external stakeholders?*

The research reports from 4 SMEs that was part of the research project “ReThink the Future”. The study shows how internal executives and external stakeholders can collaborate as creative sparring partners and co-create validated mutually attractive visions.

## **THEORETICAL FRAMING**

The field of strategic management (Ansoff 1965) has evolved from a view on strategising as a rational, linear, planning and strategic positioning process (Porter 1980) based on the firm’s uniqueness to a more organic, dynamic and emerging learning process as patterns of decisions in the visioning and creating of a firm’s strategy (Mintzberg 1972; Mintzberg 1978; Mintzberg & Waters 1985). Strategy is viewed as a social practice happening within the firm’s day-to-day business activities and less as the formulation of a long-term firm plan (Whittington 1996). However, no business can stand on its own, (Håkansson & Snehota 1989, 1995), and firm’s need to gain access to other firm’s’ resources through interaction and network activities by engaging with each other and sharing insights to create new ideas. In their the renowned article “No business is an island: The network concept of business strategy” (1989), Håkansson and Snehota point to the conceptual frame of reference necessary to view strategy in a network context. Firms operate in a context with a limited number of identifiable organisational actors, who exert considerable influence on each other as they each engage in pursuing their own goals by acting purposefully (Wilkinson & Young 2002; Baraldi et al. 2007).

The network approach does not argue that firms cannot act in a planned and deliberate manner as they seek to reach their strategic objectives (Baraldi et al. 2007), it does stress that firm’s’ ability to achieve these objectives will depend on the strategic actions of other actors and how the firm relates to these actions (Wilkinson & Young 2002). Tikannen and Halinen (2003) highlight three types of strategising activities; visioning, mobilising and positioning. We will focus on visioning in the following. However, mobilising resources and actors, and creating a new position in a network, cannot totally be separated from visioning. Based on visioning activities guided by questions such as “where should we be? What is going on?” firm’s must answer questions of “what should we do, and how should we do it?” (Laari-salmela et al. 2015). In visioning activities, actors start in their perception of their network, but at the same time try to identify possible futures by identifying potential relationships, apparent or not (Möller & Halinen 1999; Tikannen & Halinen 2003). Activities related to visioning, also referred to as cognitive strategising, includes individual firm’s’ anticipation of their network’s evolution and on this basis creating an alternative path.

The act of strategising can hence be considered in terms of actors' engagement in visioning activities which forms the basis for intentional interaction aiming at mobilising, influencing or adapting to other network actors through confronting or conforming strategies resulting in a changed and expectantly preferred network position. It has been argued that visioning is something that all managers do; however, not all visioning results in changes (Möller & Halinen 1999; Tikkanen & Halinen 2003). Visioning is hence either enabled thereby driving change or limited and resulting in inertia. As strategising and visioning has only to a limited degree been unfolded, we draw on design management literature (Simons and Sanders 2009, Cooper et al. 2011). Design management has over the latest decade developed some concepts and methods for strategising and visioning (Cooper et al. 2011, Liedka and Ogilvie' 2011). Liedka and Ogilvie' (2011) have developed processes that go beyond traditional research processes in building and deepening collaboration between stakeholders as they aim to resolve a particular challenge in a networked society. The model by Liedka and Ogilvie (2011) contributes to visualise the visioning processes. Overall the model has four steps; "What is", "What if", "What Wows" and "What works". The model provided the opportunity to engage with each other as well as providing ways to communicate, be creative, share insights and test out new ideas.

## **METHOD**

The research contains 4 Danish SME firm cases that participated in a research project 'ReThink the Future' running from 2017-2019. SMEs were selected, as they have an open window to transform and adjust the organisation and their daily operations due to the shift in management. The project was organised as four workshops guided by research facilitators (Storvang, Mortensen & Clarke 2018). The workshops were conducted as a design thinking process guided by Liedka and Ogilvie's (2011) four-step design thinking model: what is, what if, what wows and what works? We have in particular been inspired from the first three steps, understanding the present situation of the firm up till now, its value creation, its knowledge of the firm's strengths and weaknesses, its possibilities for change, sketching of possible new business and network positions and testing of the assumption behind possible new business models and networks positions. The process contained three to four workshops with homework between the workshops to make the participants reflect on their future opportunities. In each workshop, at least two top managers participated. When needed, employees were included in the process. In the different workshops, various stakeholders participated, e.g. customers, suppliers, experts, employees, researchers, graphic facilitators.

As an essential part of the process, we have used forecasting and backcasting methods to support managers visioning. Forecasting is about analysing the most likely developments or trends by predicting based on what we know. Backcasting is about formulating the desirable future to plan the current strategy to create and

achieve this future. The two methods can be combined as a viable and evolving way of being well-prepared for the future challenges in a rapidly changing and unpredictable future. A backcasting scenario should continually emphasise being credible to what we already know, which incorporates a specific, reliable goal in the process, or a technological reality, which could be created by forecasting a scenario. Lee, S. (2012), state “(...) and monitoring the development of new technologies identified as relevant for the future would be a very powerful competence.”

As a part of the front end of the process, each firm had to formulate a vision they wanted to work on in their strategising process during the workshops. In workshop one the firm’s worked on their current status. As a particular element of workshop two, the firms had to invite an external stakeholder to participate in the workshop. The 2nd workshop had the purpose of developing and reframing the vision that the firm had formulated. The external stakeholders could be a customer, supplier, employee, expert or specialist whom they thought could help them in the process. The function of the external stakeholders in the 2nd workshop was to put new perspectives into the discussions between the two participating managers and to help them to unfold their challenges. Also, the external stakeholders could help them look closer at how the outside world perceived the firm from outside. The third and fourth workshop had the purpose of prototyping solutions and creating action plans for implementation.

Data are collected during the whole process was based on interviews, observations, audio recording, photographs, facilitators' reflections and the outcomes produced (e.g., models, sketches and prototypes). Before the workshop-series, all firms are visited to understand the firm’s context and challenges.

Table 1. Overview of the workshops and data collected in the process

Firm	Before workshops	Workshop 1	Between Workshops	Workshop 2	Between workshops	Workshop 3	Between workshops	Workshop 4	After workshops
FA	D, I, F	O, F, A, P, S	P, C, D	O, F, A, P, S	F, H, D	O, F, A, P, S	F, H, D	O, F, A, P, S	F, C, I, D
TM NSK HCN	D, I, F	O, F, A, P, S	P, C, D	O, F, A, P, S	F, H, D	O, F, A, P, S			F, C, I, D

D = desk research; I = Interview; F = Facilitator/research reflection meeting(s); O = Observation; F = Field notes; A = Audio recording; P = Photography; S = Sketches, visual images and prototypes; C = Firm visits; H = Homework support.

## CASES

The four Danish SME firm’s and their invited external stakeholder:

- An architecture firm (TM) / stakeholder was a treasurer in a church council
- A furniture manufacturer of chairs (FA) / stakeholder was a retailer of furniture
- A wholesale firm that delivers meat (NSK) / stakeholder was a cook from a law firm
- An importer and distributor of machinery (HCN) / stakeholder, was a dealer of the firm’s products

## CROSS-CASE COMPARISON

The four firm's all have a strategy to grow, but their point of departure differs for how they are visioning this strategy. All firm's have to tackle future challenges, and due to change in firm ownership, all four are open to change. Consideration of the future varies:

- The architectural firm focuses on offering new design products in the restoration of historic architecture and on developing new consultancy services in the form of various advisory packages.
- The furniture manufacturer focuses on rethinking core business as more contemporary design and targeting younger customers segments.
- The wholesale firm focuses on a diversified value creation approach for ordering as well as to gain better knowledge of customer buying and work processes and flows.
- The distributor of machinery focuses on differentiation and improvement of competitive position as a high-quality product.

The external stakeholders were decision-makers, end-customers, retailers and a dealer. The stakeholder place themselves as co-creator of futures as well as playing the role of mediator or translator of the context they represent. They provide information on context, decisions levels, and difficulties the firm needs to consider. They provide ideas, e.g. service and product features. Based on the interaction the firm's gained an overview of essential stakeholders in the network and whom they should collaborate with to achieve better positioning in the network as well as provide a better product and service for the customer.

The firm's did not only face the question of implementation after the workshop; they also had to rethink and refine the vision as a form of adaptation and further development. This **emerging development of the visioning process** is therefore not just about priorities, it is an iterative process of visioning the future, understanding the consequences and how to reach the vision and then adjusting. All the external stakeholder helped to push the firm's in their understanding. Particularly engaging in understanding the context of the customer gave insight and ideas for possible futures and ideas for new solutions. Importantly it also gave insight into challenges and barriers for how to achieve their vision as an example the Furniture manufacturer realised that targeting the segment of younger customers, demanded more than the design of new furniture.

Stakeholder interaction was found beneficial for the strategy process. In the workshops, the firm's were only supposed to invite external stakeholder into the second workshop. However the firm's decided to invite more external stakeholders for the following workshops, even though it was not required by the workshop facilitators. Additionally, in a couple of cases, the firm's decided to bring along new managers that they had just employed. They used the workshops as an introduction to the firm and their future challenges, but also they used it as an opportunity to get additional and new perspectives to the visioning process.

In the four cases the firm's all struggle with a **comprehensive cultural change** that has not only taken place in management, but also the market. The cultural change has consequences for the organisation and therefore they must also rethink the culture concerning the employees, the products and the customers. This is expressed by many of the firm's here voiced by the CFO from the distributor of machinery: *"It is a strong, strong culture carried by employees who have worked (...) for many years, it is like a divorce for them (...) with employees, but to a great extent also for the customers (...) this is not something you can just change overnight"*. The firm has so far existed because the customer has trusted them and in the firm, this is passed on stories based on classic traditional virtues and values. However, competition is fierce, the customers and the market have changed, and, in the future is changing even faster. Based on the visioning and backcasting some of the needed changes became apparent for the management groups.

To all firm's the element of **professionalisation of the firm is a challenge** they need to handle in the future. The CEO from the distributor of machinery elaborates on this challenge of business development as: *"What I must focus on is that we have to run the business every day while doing this [development]"*. The CEO from the wholesale firm also explains this: *"... this is very interesting because I have days, that on a personal level - one day (...) if only I do, what is it called, development. When I then go home, then I think, like hell, this has not created too much value. So, what value have I created to the firm if I do not do any operating activities? So, one can also have a sense of guilt if it is pure development"*. This indicates problems to embrace both operations and visioning simultaneously. Particularly in the cases of the distributor of machinery and the wholesale firm they must increase digitisation to have control over their business, distribution, logistics, production and thereby their customers.

In three out of the four cases, the firm's face the challenge that they have to make **radical changes** which to some **extent requires a re-start of the business**. The architectural firm has to handle that current partners have no experience with restoration work and maintenance of historic buildings. In that sense, they have to conquer new territory and new markets. The furniture manufacturer has to rethink core business and find new customers requiring not only a re-design of their products but also a change of employees and their future sales channels. The distributor of machinery must change from being an importer of machinery to a service partner. Sales optimisation and efficient logistics is no longer the best strategy. They must create value and ownership with the customer which means that they have to help their customers to earn money in the future.

## CONCLUSION

Based on the cross-case comparison we identify a shared set of challenges for the SMEs. The firm's had trouble allocating time and having their mindset switched from an operational mode to a development mode; thus they have not had sufficient tools to mature or understandings for what is needed to execute the strategy. This due in part to a lack of time in their daily operations, and partly due to lack of visioning experience. It is difficult for them to create visions and especially visions that are not about tomorrow while they are chasing tomorrow's revenue. Before the workshops, the firm's neglected to engage relevant stakeholders in their B2B network in their visioning process.

Based on the workshops-based research, we propose that it is beneficial to create a collaborative space in guiding the firm in their strategic planning, where the firm can create, negotiate, interpret and re-frame their visioning into meaning. This method of using external stakeholders in the strategising process is beneficial. The stakeholders are not just a source of insights but are real creative sparring partners and co-creator of a mutually attractive vision. With external stakeholders the SME can efficiently create and test multiple scenarios of future visions as well relate them to the current situation and competences and the challenges the firm will encounter pursuing the vision. The process is thereby not only a process of forecasting the new vision; it is also an emergent and abductive process of designing the vision which also contains back-casting to reformulate and achieve the strategy in the future. In this iterative process, they find ways to grasp the vision and to navigate among the different scenarios. As part of the process, several of the firm's considered their position in the network and which actors to influence to reach a preferred situation.

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