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A broader perspective on narrow scope competition

- A comparative study between smaller and larger companies using a focus strategy

Authors:

Stina Jonsson

Ewelina Larsson

Ilhan Safia Yosef

Supervisor:

Devrim Göktepe-Hultén

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Stina Jonsson

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Ewelina Larsson

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Ilhan Safia Yosef

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SAMMANFATTNING

Examensarbetets titel: Ett bredare perspektiv på ett snävare sätt att konkurrera - En komparativ studie mellan mindre och större företag med fokusstrategi

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Författare: Stina Jonsson, Ewelina Larsson, Ilhan Safia Yosef

Handledare: Devrim Göktepe-Hultén

Fem nyckelord: Fokusstrategi, Företagsstorlek, Konkurrensfördelar, Tillväxt, Konkurrens.

Syfte: Studien syftar till att få en bredare förståelse av mindre och större företag som har implementerat en fokusstrategi. Vi kommer att undersöka vilka möjligheter och utmaningar dessa företag utsätts för och hur dessa hanteras i förhållande till tillväxt och konkurrens.

Metod: Studien bygger på en kvalitativ forskningsinriktning i kombination med en fler fallstudie av sex företag som har implementerat en fokusstrategi. Två företag är av mindre storlek, två är av större storlek och två företag används som referenser för studien. Forskningsdata har samlats in genom semi-strukturerade intervjuer och har analyserats genom Gioia-metoden.

Teoretiska perspektiv: Porters (1985) fokusstrategi utgör den teoretiska grunden för studien. Forskningen tyder på att fokusstrategin ger ett antal möjligheter och utmaningar som skiljer sig åt mellan mindre och större företag. De flesta företag överger strategin relativt tidigt i sin livscykel och det finns indikationer på tillväxtutmaningar med strategin. Ett antal stora multinationella företag har å andra sidan framgångsrikt implementerat denna strategi trots företagets storlek.

Empiri: Data har samlats in från följande företag; Brekeriet Beer AB och Scandi Candy AB, utvalda som små fokuserade företag, GN Transport i Halmstad AB och SJR i Scandinavia AB, utvalda som större fokuserade företag och slutligen Trelleborg AB och Ewes AB, vilka används som referensföretag. Företagens möjligheter och utmaningar förklaras utifrån följande dimensioner; Storlek och tillväxt, och Konkurrens och kundvärde.

Resultat: Studien visar att storleken på fallföretagen som använder en fokusstrategi är en viktig bestämmande faktor gällande hanteringen av möjligheter och utmaningar, eftersom storleken ger upphov till olika sorters möjligheter och utmaningar. Vi har funnit både likheter och skillnader i hur fallföretagens förhåller sig till att hantera dessa.

ABSTRACT

Title: A broader perspective on narrow scope competition - A comparative study between smaller and larger companies using a focus strategy.

Seminar date: 2017-06-02

Course: FEKH19, Business Administration: Bachelor Degree Project in Strategic Management, Undergraduate level, 15 credits

Authors: Stina Jonsson, Ewelina Larsson, Ilhan Safia Yosef

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Key words: Focus strategy, Company size, Competitive advantage, Growth, Competition.

Purpose: The study aims to get a broader understanding of smaller and larger companies, which have implemented a focus strategy. We will study the type of opportunities and challenges these companies are exposed to and how these are handled in terms of growth and competition.

Methodology: The study is based on a qualitative research approach in combination with a multiple case study of six case companies following a focus strategy; two are smaller companies, two are larger, and two companies are used as reference companies. The research data has been collected through semi-structured interviews and has been analyzed through the Gioia method.

Theoretical perspectives: Porter's (1985) focus strategy constitutes the theoretical basis of the study. The research is fragmented and it is divided across both strategic management and marketing fields. The research suggests that the focus strategy provides a number of opportunities and challenges, which seemingly differ between smaller and larger companies. Most companies abandon the strategy relatively early in their life cycle and there are indications of growth challenges with the strategy. However, some large multinational companies have successfully implemented this strategy despite their size.

Empirical foundation: The data has been collected from the following companies; Brekeriet Beer AB and Scandi Candy AB, chosen as small focused companies, and GN Transport i Halmstad AB and SJR in Scandinavia AB, chosen as larger focused companies, and finally Trelleborg AB and Ewes AB, used as reference companies. The companies' opportunities and challenges are explained based on the following dimensions; Size and growth and Competition and customer value.

Conclusions: The study shows that the size of the case companies implementing a focus strategy is an important determinant when handling opportunities and challenges, as the size leads to different kinds of opportunities and challenges. We have found both similarities and differences in the case companies' approach to handling these.

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INTRODUCTION

This section serves as an introduction to our study, in which we shortly present the relevant theoretical and practical backgrounds. Thereafter, we present the research question and describe the objective of the study.

Theoretical background

In today's globalized world, finding a suitable competitive strategy is essential for companies to be sustainable (Toften & Hammervoll, 2008). Companies need to look for strategies in order to differentiate themselves from other actors such as through their product, service, price or marketing (Linneman & Stanton, 1991). The process of finding an appropriate strategy is not easy and if the right one is not implemented, companies risk being outcompeted and eventually put out of business. On the other hand, the right choice of strategic positioning can bring a company competitive advantage, setting it apart from competitors and generating above-average profit.

Companies can choose from various strategies in order to achieve sustainable competitive advantage. Among the most well-known strategic frameworks presented in the area of strategic management we find Porter's three generic strategies. Through these strategies, the companies position themselves to compete on the market better than any competitors. Porter's generic strategies are known as the following; "cost leadership" strategy, where companies achieve lower costs than competitors, "differentiation" strategy, where the companies offer higher quality products, and finally the "focus" strategy, where companies focus on a specific narrow segment (Porter, 1985).

Among Porter's generic strategies the focus strategy has been the most misunderstood (Murray, 1988). Opinions on focus strategy have been controversial and diverge between

authors in strategic management. For this reason, the focus strategy is going to be the starting point and the heart of our study¹. First presented in 1980 and further developed in 1985, Porter's generic strategies have been scrutinized, tested and criticized by different researchers. Authors like Wright (1987) claim, contrary to Porter's (1985) view, that while using a focus strategy is the only viable strategic option for small companies, it is considered an unattractive strategic option for larger companies. Furthermore, marketing scholars have expanded on the focus strategy with marketing tools for the so-called niche market strategy. In marketing this is primarily a recommended strategy for smaller companies (Stachowski, 2012; Toften & Hammervoll, 2013). On the other hand, while uncommon for larger companies, there are examples of these having implemented the focus strategy successfully (Hamlin, Henry & Cuthbert, 2012). Thus, there are inconsistencies in the theory when it comes to the implications of size for companies following a focus strategy. This poses a theoretical problem.

Practical background

Operating in a focused niche creates limitations for growth as it is constrained by its size. Thus, a company can only grow to a certain point within the same narrow segment. It may therefore be challenging for focused companies wishing to expand their business. Companies attempting growth through broadening their segment are exposed to the risk of losing their focus strategy and becoming "stuck in the middle" between serving their niche or expanding the company on the mass market. The stuck in the middle situation means losing any strategic competitive advantage in relation to competitors (Porter, 1985). The size constraints and the challenge avoiding the stuck in the middle situation may be the reason why

¹ Focus strategy and niche strategy are used as synonymous terms in this study. Focus strategy is more commonly used in strategic management, while niche strategy is more apparent in marketing literature and used by practitioners. We use both terms in the meaning of targeting a narrow segment (product or buyer segment) within a broader industry (Porter, 1985).

Miller & Friesen's (1984) study of company life cycles found that most companies abandon the focus strategy as they grow.

The study aims to get a broader understanding of smaller and larger companies in narrow scope competition. We will further look at the type of challenges and opportunities these companies are exposed to and how these are handled in terms of growth and competition. Thus, the research question of this study is:

How do larger and smaller companies with focus strategies differ in terms of seizing opportunities and coping with challenges?

Due to differences in size, the companies may face different kinds of opportunities and challenges, related to areas such as growth, competition, and strategy maintenance. In order to accomplish the objective of this study, an abductive, qualitative method of multiple case study design is used. Data is collected from six different companies, five of which are actively pursuing a focus strategy and one of which is currently shifting away from it. Two of the case companies are categorized as smaller, two are categorized as larger companies², and finally the last two companies are used as references, one illustrating the opportunities of a focus strategy, whereas the other one illustrates the challenges. These six companies should provide a multifaceted and realistic understanding of the focus strategy in practice in companies of different sizes.

This study is structured as follows; we begin with a literature review where we present previous academic literature relevant to the focus strategy. Then follows a description of the method used to conduct this study, followed by a presentation of the empirical data

²This categorization is based on Bolagsverket's (2012) definition of smaller and larger companies, which is further discussed in the methodology.

gathered through semi-structured interviews. We then conduct an analysis of the empirical data based on the theoretical framework, after which the conclusion of our findings is presented. Lastly, we discuss the generalizability and applicability of our study along with suggestions for further research.

Key points

- There are diverging viewpoints of the focus strategy related to size, growth and competitiveness in both strategic management and marketing research.
- The objective of this study is to identify and compare how larger and smaller companies with a focus strategy differ in seizing the opportunities and coping with the challenges.
- In order to fulfill the objective of the study six different companies have been chosen; two are smaller companies, two are larger, and two companies are used as references.

LITERATURE REVIEW

This literature review will introduce concepts of competitive strategy. This will be followed by a presentation of Porter's generic strategies, in particular the focus strategy, along with some critical and supporting points from research within strategic management and marketing. The review will then proceed to examine research specific to focus strategies in first smaller, then larger companies. Lastly, the main points from the review will be summarized.

Competitive strategy

Strategy can be defined as “*the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals*” (Chandler, 1962, cited in Hoskisson, Hitt, Wan, & Yiu, 1999, p. 422). This definition is formulated in Chandler's *Strategy and Structure*, which is a fundamental early work within strategic management research. It is however, still a widely established definition today. It was written during the “Business Policy” era of strategic management, where the applied dimension of the field for practitioners was emphasized. Chandler views strategic change as a response to opportunities generated by external factors and leading to structural change that allows growth in large companies (Hoskisson, Hitt, Wan, & Yiu, 1999).

The business policy era was succeeded by the “Industrial Organization Economics” with the external factors considered central. The era was characterized by the “Structure-Conduct-Performance” paradigm, where the industry structure determines firm conduct i.e. strategy and in turn thereby firm performance. (Hoskisson, Hitt, Wan, & Yiu, 1999). The

generic strategies is an important framework within this stream of research. According to Porter “*Competitive strategy is the search for a favorable competitive position in an industry, the fundamental arena in which competition occurs*” (Porter, 1985, p.1). Compared to the more overarching definition of strategy by Chandler, competitive strategy is a more narrowly defined type of strategy as it specifically addresses dealing with competition. Porter presented the three generic strategies (depicted in figure 1) in the books *Competitive strategy* and *Competitive advantage*. Following one of the generic strategies can allow a company to position itself to achieve a competitive advantage, i.e. generate higher profits than the industry average (Porter, 1985).

COMPETITIVE ADVANTAGE

		Lower cost	Differentiation
COMPETITIVE SCOPE	Broad Target	1. Cost Leadership	2. Differentiation
	Narrow Target	3A. Cost Focus	3B. Differentiation Focus

Figure 1. Porter’s three generic strategies. Source: Porter, 1985

The first of the generic strategies is the cost leadership, where a company strives for the lowest costs. The second strategy is the differentiation strategy, in which a company strives to offer a unique product that justifies charging a price premium. These two strategies are both employed in a broad scope, that is, in the broader industry. The last strategy is the focus strategy, where the company competes in a narrow competitive scope. This involves serving a niche that is over- or underserved by the broader industry because it requires a

different value chain or has customers with unusual needs. It requires intentionally limiting the potential volumes to the chosen narrow segment. The focus strategy has two versions: the “cost focus” and the “differentiation focus”, so the focus strategy ultimately entails employing one of the first two strategies in a narrow scope. The narrow industry segment can be identified through segmentation variables. The variables are product variety and buyer segment, where buyer segment can be further divided into buyer type, channel and location (Porter, 1985).

A company can achieve competitive advantage through only one of the three generic strategies, as a company attempting to employ more than one will end up being stuck in the middle. Stuck in the middle means attempting to pursue mutually exclusive strategies and inevitably failing to reach competitive advantage resulting in the company being outcompeted. There are only few exceptions to this phenomenon, for instance if the strategies are pursued by two completely separate business units (Porter, 1985).

Since the presentation, the three generic strategies have caused discussion among management researchers. Multiple studies empirically show that the generic strategies lead to better performance than companies that are stuck in the middle (Dess & Davis, 1984; O'Farrell, Hitchens & Moffat, 1992; Nandakumar, Ghobadian & O'Regan, 2011). Other researchers, however, also counter the concept of stuck in the middle by claiming that the generic strategies are not mutually exclusive (Murray, 1988; Miller, 1992; Parnell, 2006). Murray (1988) also criticizes the generic strategies based on his contingency view. He points out that the focus strategy causes the most confusion among researchers of the three strategies. His argument is that the focus and overall differentiation strategies are mistaken for each other. This is because a focused company's products will be differentiated from the broad industry and the definition thus depends on the level of analysis, i.e. whether it is

compared to the broader industry or competitors within the same niche or segment (Murray, 1988).

The industry segmentation required for a focus strategy includes market segmentation, but is broader as it involves the entire value chain rather than being limited to marketing activities (Porter, 1985). Marketing is thus an essential part of the strategy process, if only a facet of it, and marketing research provides valuable insights into the focus strategy.

In marketing literature the focus strategy is mainly researched under the name “niche market strategy” or “niche marketing” and the literature draws on research from both marketing and strategic management. In a literature review of niche marketing, Toften & Hammervoll (2013) question whether it is an applied marketing strategy, a generic strategy, or even an extreme market segmentation strategy. However, they argue that niche marketing can be applied both at a competitive strategy level and a marketing level. The niche market strategy is considered generating margins over volumes and there are many suggested requirements, such as specialization and uniqueness, relationships, and a degree of protection from competitors. The protective barriers in niche markets are often built from, among other things, these relationships and the product specialization (Toften & Hammervoll, 2013). The strategy is commonly recommended for small and new businesses, which lack resources and economies of scale (Stachowski, 2012). It is mostly treated as a defensive strategy for businesses that are relatively weak (Hamlin, Henry & Cuthbert, 2012) or competing in mature, slow-growth industries (Toften & Hammervoll, 2013). The focus on smaller niche players is further evident from the research having centered on single niche strategies rather than multiple niche strategies (Hamlin, Henry & Cuthbert, 2012). The research suggests a potential challenge in decreasing niche demand. Niche companies wanting to expand can do so by abandoning the niche strategy, through multiple niche or internationalization approaches (Toften & Hammervoll, 2013).

Focus strategy in smaller companies

Smaller companies have a disadvantage relative to larger companies as they cannot as easily achieve economies of scale, move down the experience curve or build their brand. They therefore need to find strategies to overcome this disadvantage. Wright (1987), who criticizes Porter for the theoretical gaps in the framework, argues that the focus strategy is the only viable strategy for small companies due to lack of resources.

There have been a number of empirical tests looking into how focus strategies correlate with better performance in smaller companies. The year after the publication of Porter's (1985) *Competitive Advantage*, Watkin (1986) reviewed the literature in the retailing industry to compare it with the focus strategy. It is pointed out in the review that the retailing industry is competitive. While the majority of business activity is carried out by larger retailers, the majority of the retailers are small and successful measured by increase in employment. Watkin (1986) argues that small retailers would not be able to compete with large retailers if targeting the same markets head-on. The success of small retailers is therefore due to their focus strategy. The small retailers compete in a narrower scope than mass-market retailers by for example targeting customers at the upper and lower end of the income scale or consumers with different lifestyle patterns.

The link between focus strategy and higher performance in smaller companies is also observed by Wesson & Neiva De Figueiredo (2001), who empirically test this correlation in new microbreweries. They found that when the microbreweries had a high percentage of local sales, then they were usually higher performing in terms of revenue and production levels. This indicates that a narrow geographic focus leads to more success. It is argued in the study that this relationship between focus and performance in the market entrants is caused by the strategy generating opportunities to build customer loyalty, protect from competition and focus the entrants' limited resources.

The benefits of the focus strategy for smaller companies are well-known and empirical studies show the strategy to be popular among small and new companies. In their longitudinal study of the corporate life cycle, Miller & Friesen (1984) looks at the situation, structure, decision-making style and strategy in the five life cycle stages companies go through: birth phase, growth phase, maturity phase, revival phase and decline phase. They found that during the birth phase companies typically consciously pursue a niche strategy to find uncontested gaps in the market in order to get started without facing the established competition head-on. This niche strategy was however often replaced already in the growth phase, where companies typically start to diversify and broaden product lines, which results in more hostile competitive environments. The niche approach seemingly does not reappear across the life cycle of the companies.

Focus strategy in larger companies

Wright (1987) argues that the focus strategy is mostly unattractive for large companies as evidenced in the abovementioned life cycle study. Wright (1987) points out that a focus strategy is exclusively viable in a limited market, where there is only space for small companies. The one instance where a focus strategy is attractive for a large company is in combination with a broad scope differentiation strategy. The company would then offer mainly broadly targeted products and secondarily narrowly targeted products (Wright, 1987). According to Porter (1985), however, this proposed example would result in a stuck in the middle scenario and a subsequent loss of competitive advantage. Porter (1985) does warn that the focus strategy is particularly susceptible to becoming stuck in the middle due to the size of the focus segment potentially limiting the company's growth. A successfully focused company, having reached a dominant position, might be tempted to target a broader customer segment in order to grow further. This in turn would compromise of the source of competitive

advantage through becoming stuck in the middle. Porter (1985) recommends that focused companies diversify into new niche segments in other industries in order to grow without compromising the strategy. Porter's warning of limited growth in a narrow segment acknowledges the challenges pointed out by Wright (1987), though the researchers propose different ways to tackle this. The argument of limitations also echoes Adam Smith's theorem that the division of labor i.e. the specialization of productive activities: "*is limited by the extent of the market*" in *The Wealth of Nations* (Smith, 1776, cited in Besanko, Dranove, Shanley & Schaefer, 2009 p. 70). The theorem implies that being very specialized is only viable when the market demand is large enough to support it, since it requires investment. This indicates that there are potentially great size constraint challenges to focused companies.

Porter's (1985) growth recommendation to expand the number of focus segments would lead to diversification. The success of this diversification is somewhat contested. Porter (1985) acknowledges previous difficulties in empirically proving that diversification leads to economies of scope in terms of synergy effects. He, however, ascribes these difficulties to companies not understanding how to implement and achieve synergies rather than them not being realizable. There is also support for Porter's argument in for instance Palich, Cardinal & Miller's (2000) synthesis of diversification and performance. Their synthesis proves related diversification to be more profitable than no or unrelated diversification.

Studies have been conducted that analyze focus strategies in multiple segments in line with the growth direction suggested by Porter (1985). Schlie & Goldhar (1995) review the opportunities provided by what they term advanced manufacturing. They find that generally, advanced manufacturing and its flexibility, variety, and speed leads to a shift in opportunities from economies of scale to economies of scope. This has several contributions to competitive advantage, one of which is the multiple niche competition that the authors formulate. This is

an addition to Porter's generic strategies; they see the multiple niche competition as a third level of competitive scope. This strategy allows for economies of scope in producing a number of differing unique niche products or customized products. Schlie & Goldhar's (1995) multiple niche competition reflects Porter's (1985) growth recommendation and warning of the stuck in the middle risk for focused companies discussed above, even though they argue that it is not the same strategy as a focus strategy.

The beneficial relationship between multiple niches and flexibility is also supported by marketing researchers Hamlin, Henry & Cuthbert (2012). They argue that a multiple niche strategy can allow a company to achieve strategic flexibility and thereby respond quickly to demands in turbulent competitive environments (Hamlin, Henry & Cuthbert, 2012). They term this as having a niche portfolio, where the company has many niche activities in order to diversify their risk. The strategy is rare and can vary, but it is stated that the strategy can nonetheless be prosperous. It is argued in the study that strategic flexibility and diversification is advantageous, since niches are often more volatile than mainstream markets because of their size and isolation. It is implicit in the multiple niche approach that should there be a negative development in one niche, the remaining niches can financially support each other, ensuring overall financial stability despite being active in volatile niches. The authors point to challenges employing the strategy for smaller companies due to limited resources, but also claim that the strategy is challenging for companies of any size. A company can only devote so many resources to each niche, and the niches must be different enough to spread the risk whilst not being beyond the core capabilities of the company (Hamlin, Henry & Cuthbert, 2012).

Key points

- Porter's focus strategy allows a company to position itself in an industry for above-average profitability by targeting a narrow industry segment based on the variables of product and buyer.
- Marketing research of the focus strategy highlights concepts such as specialization, relationships and protection from competition.
- There is empirical support for a correlation between higher performance and a more narrow focus for small companies.
- Literature on larger focusers is divided. Most companies abandon the strategy relatively early in their life cycle and there are indications of growth challenges.
- Some researchers suggest growth through multiple niche strategies or internationalization for focused companies, while others deem the focus strategy by itself unattractive for larger companies.
- The research is fragmented and it is divided across both strategic management and marketing fields.
- The research suggests that the focus strategy provides a number of opportunities and challenges, which seemingly differ between smaller and larger companies. It does not provide a clear image of how these can be handled.

METHOD

In this section we describe the method chosen to complete our study. We explain the research design, followed by an explanation of the approach. We then proceed to describe the case companies, respondents, and empirical data collection method, as well as the data analysis method. The section concludes with a discussion of our study's validity and reliability.

Research design

Comparative design: a qualitative multiple case study

Our study employs a qualitative research approach in combination with a multiple case study. Case study design is a frequently used research design in business and economics (Eisenhardt & Graebner, 2007), emphasizing the study of the specific environment of a particular situation. In qualitative research, the focus is on words rather than the quantification of data (Bryman & Bell, 2007). When aiming to gain an in-depth understanding of a subject, a qualitative research approach is more suitable than a quantitative approach (Holme & Solvang, 1996). The research design chosen for the study is a comparative multiple case study based on six companies following a focus strategy. By studying the six companies our aim is to highlight the opportunities and challenges present in smaller and larger companies implementing a focus strategy and their way of handling these. A multiple case study is conducted in order to compare and contrast the cases. This allows us to better identify what is unique for each of the focus companies and what is similar among the chosen cases (Bryman & Bell, 2013).

Approach

The research design is used in combination with an abductive approach in order to establish a link between our empirical data and the chosen theory. The abductive approach balances empirical and theoretical reflection where shifts between the two are continuously made in order to reflect on empirical discoveries and the implications of these for the theory (Alvehus, 2013). The approach is chosen instead of the inductive and deductive approaches as both create a limitation regarding the interpretation of the collected data and are therefore not suitable for our study (Alvehus, 2013).

Sample

Case companies

In order to find a unique and distinctive case, we first looked to Trelleborg AB. Trelleborg is a multinational polymer solutions company that has a leading position in several niche markets. Trelleborg's focus strategy is uncommon for larger companies, as it exclusively employs a focus strategy. We gathered information about the focus strategy in academic articles and about the kind of challenges and opportunities focus companies of different sizes experience regarding their strategy. Based on the collected information, we decided to pursue a broader view of the strategy and conduct a multiple case study as previously discussed. The six companies in our study were chosen based on having a focus strategy. In addition to this, all companies chosen are based in Sweden in order to facilitate the contact and interview process. We choose to categorize smaller and larger companies according to the Bolagsverket (2012) definition, where companies are defined as large if, in one of the last two fiscal years, they fulfill more than one of the following conditions: having more than 50 employees, a balance sheet over SEK 40 million, or a net revenue over SEK 80 million. As the chosen companies are Swedish we found the definition of the Swedish

Bolagsverket to be the most appropriate. In addition to Trelleborg, the following companies were chosen: two smaller focused companies, Brekeriet Beer AB and Scandi Candy AB and two larger focused companies, GN Transport i Halmstad AB and SJR in Scandinavia AB. Lastly, we chose to include Ewes AB, a formerly focused company, in our study. The two smaller and two larger focused companies are the main focus of our study with two interviews for each of these. Trelleborg and Ewes are used as reference companies, respectively illustrating the opportunities and challenges of a focus strategy, with one interview each.

The study is based on a non-probability sample and purposive sampling, meaning that the companies have not been randomly selected (Bryman & Bell, 2007). The companies were selected due to their relevance for the posed research question in regards to their strategy and size. We are aware that this contributes to difficulties in generalizing the results and considering them representative for all companies using this strategy (Bell & Bryman, 2013). We do, however, believe this to be the best method for our study, which is further discussed in the section on validity and reliability.

Table 1. Presentation of the case companies

Company	Activity	Number of employees	Revenue (2016)
Brekeriet Beer AB	Microbrewery fermenting beer with wild yeast and/or bacteria	4	2, 4 million SEK ³
Scandi Candy AB	Candy production without gelatine	15	24.3 million SEK ⁴
SJR in Scandinavia AB	Recruitment services in banking, finance and insurance	579	341.1 million SEK ⁵
GN Transport Halmstad	Transport between Sweden- France	80	325, 4 million SEK ⁶
Trelleborg AB	Polymer solutions, leading positions in niche markets	23 245	27 145 million SEK ⁷
Ewes AB	Springs	110	150 million SEK ⁸

Respondents

Contact with the respondents was first made through e-mail and over the phone, through contacting the chosen companies and asking to be put in contact with appropriate respondents, i.e. persons working with company strategy. After establishing contact with these persons, we presented our study and its objective (Healey & Rawlison, 1993). The

³ Allabolag, 2017a

⁴ Allabolag, 2017b

⁵ SJR årsredovisning, 2017

⁶ Allabolag, 2017c

⁷ Trelleborg AB, 2017

⁸ Andersson, P, 2017

respondents were chosen based on purposive sampling. We deemed this sampling method most appropriate for our study, as it enabled us to choose representatives best able to answer questions regarding the company strategy.

Table 2. Presentation of the study's respondents

Company	Name	Title	Date
Brekeriet Beer AB	Christian Ek	Co-founder/ Head brewer	April 21th 2017 April 27th 2017
Scandi Candy AB	Lars Pålsson	Founder and CEO	April 19th 2017 May 15th 2017
GN Transport i Halmstad AB	Henrik Nilsson	Head of Sales and deputy CEO	April 24th 2017 April 28th 2017
SJR in Scandinavia AB	Malin Hjort	Regional Manager South	April 19th 2017 May 18th 2017
Trelleborg AB	Rikard Lindqvist	VP Strategy and M&A	May 2nd 2017
Trelleborg AB	Selim Timocin	Business Developer	May 2nd 2017
Ewes AB	Pär Andersson	Marketing Manager	May 5th 2017

Empirical data

Data collection

After having made first contact with the future respondents, the interview date and time were decided through e-mail and over the phone. The interview guides presenting the interview questions were then made in preparation for the interviews. As we prepared these, we were given feedback by our supervisor on questions that were unclear or poorly formulated. The questions were then reformulated in order to make them clear for the respondents (The interview guide and interview questions are available in Appendix 1-4). The interview guide was sent to the respondents ahead the interview, allowing them to prepare themselves for the questions and content of the interview (Bryman & Bell, 2013). The research data was collected through semi-structured interviews, based on the use of the interview guides. This method gives respondents freedom in the way of answering the questions and allows more flexibility during the interview (Bryman & Bell, 2013). The questions were asked in the original order, however, some follow-up questions absent in the interview guide were asked based on the respondent's answers. The interviews were conducted with one to two persons in the company and lasted between 45 to 60 minutes each, with the exception of the Trelleborg interview which lasted 90 minutes. Five of the interviews were conducted over the phone while five of them took place in the companies' respective headquarters. Before beginning the interview, each respondent was informed that the interview would be recorded to facilitate the transcribing of the interviews, and that the transcribed interviews would be sent to the respondents in order for them to verify that their statements are fair representations of the company's strategy. All of the respondents were positive and acceptant of this.

The interviews were conducted in Swedish, as we wanted to ensure that the respondents felt comfortable with the questions and with expressing themselves. The quotes

from the interviews used in the study have been translated into English as the study is written in English. We are taking into consideration that translating the quotes entails not presenting them in their original form. However, making the respondents comfortable in their own language in order to gather the needed information and not obstructing the empirical data collection was considered to be most important.

The primary data has been complemented with secondary sources in the form of academic articles, annual reports and corporate websites. The biggest source of secondary data is academic articles since they have been the foundation of the literature review.

Data analysis

The data in this study has been analyzed using the Gioia method, a method developed for analyzing qualitative data through concept development. The method entails simultaneous data collection and data analysis by the researchers, and makes use of the process of coding the data into concepts and categories based on theoretical relevance (Gioia, Corley, and Hamilton, 2012). Firstly, the recorded data was transcribed in order to collect and analyze everything said during the interviews and use direct quotes by the respondents. Secondly, in accordance with the first order analysis of the Gioia method, the collected data was broken down into smaller components, sorted into different concepts and thereafter grouped into different categories enabling comparison of the results (Gioia, Corley, and Hamilton, 2012). In the second order analysis of the Gioia method, we could observe similar or dissimilar themes apparent in the different case companies (Gioia, Corley, and Hamilton, 2012). As we continued with the data collection and data analysis, we were able to reduce the number of categories as well as determine which ones were relevant to our study and consistent or inconsistent with our theoretical framework. In addition, conducting the data analysis in parallel with the data collection enabled us to identify the incomplete areas of our collected

data after the first round of interviews. Based on the incomplete data, this enabled us to outline the questions for the second round of interviews. Finally, after having completed the empirical data collection, the categories resulting from the first order and second order analysis and the categorical relationships among them were compared with the theoretical framework and arranged under the five aggregate dimensions of Strategy, Size and Growth, Future Ambitions, Customer value and Competition. This was done in order to determine the results of the study as well as contribute to the existent theory (Gioia, Corley, and Hamilton, 2012).

The secondary data was analyzed in combination with the primary data. This provided support in identifying the similarities and differences between the case companies.

The study's validity and reliability

We have chosen to use the criteria of validity and reliability in order to measure our qualitative data, although these criteria are arguably better suited to measure quantitative studies, rather than qualitative studies (Bryman and Bell, 2013). Bryman and Bell (2013) mention two stances among researchers on this issue, where one supports the use of validity and reliability with some adaptations to make the criteria more applicable for qualitative research, and one supports the use of alternative criteria especially developed to assess qualitative studies. As the following criteria have been used by several researchers (Bryman and Bell, 2013) and are more or less adapted to qualitative researches, the study will be based on these criteria.

Validity

Validity relates to whether the study measures what is intended to be measured and whether the results found are generalizable to other cases. In order for the study to have a high validity, it must be possible to measure the results as well as apply these to similar cases (Bryman & Bell, 2013). Internal validity refers to whether the data collected is of relevance in developing the theory on the phenomenon. Thus, the issue of relevance makes the selection of organizations or people taking part in the study important for internal validity (Bryman & Bell, 2013). This study is primarily based on the statements made by the interview respondents of the six different companies studied. To strengthen the internal validity in our study, we have chosen six companies highly relevant to our study, as they consist of three larger and two smaller companies pursuing a focus strategy as well as one larger company currently abandoning a focus strategy. Each of the interview respondents were chosen because their respective roles and responsibilities relate to company strategy or marketing strategy in the respective companies. In order to further strengthen the internal validity of our study, secondary data from organizational documents was collected as a source of data additional to the primary data derived from the interviews.

External validity refers to whether the findings of the study are generalizable to other cases. The criterion of external validity is better suited for quantitative studies, as it is more difficult to measure qualitative studies (Bryman & Bell, 2013). We are aware that the small sample size compromises the generalizability of the results, as one or a few single cases cannot be representative for other cases. However, a degree of theoretical generalizability is possible; the concepts generated based on the cases in the multiple case study can be helpful in further understanding the studied phenomenon as well as further exploring and developing the theory (Bryman & Bell, 2013). The method of purposive sampling also compromises the study's external validity, as the case companies have not been chosen randomly but on the

basis of their strategies. However, this contributes to internal validity and we consider this tradeoff between internal and external validity to be justified as it provides us with relevant cases.

Reliability

Reliability refers to the repeatability of the study and to what extent the same result can be achieved by conducting another study in the same or in a similar way. In order for a study to have high reliability, it must be possible to conduct a similar study under the same circumstances and arrive at the same results (Bryman & Bell, 2013). The data has been collected based on a qualitative basis, in a social environment that cannot be identically replicated in another study. This makes it more difficult to measure and compare resulting in difficulties in meeting the criteria of reliability (Bryman & Bell, 2013). In order to deal with this issue, we have thoroughly described every part of the research process. The respondents of the four smaller and larger case companies have been interviewed using the same interview guide and reliability has further been increased by sending the interview guide to the respondents in advance (Bryman & Bell, 2013). However, the semi-structured interview method allows for a degree of freedom in the respondents' answers, as well as flexibility in the form of individual follow-up questions not presented in the interview guide asked by the interviewers, thus limiting reliability. So as to further strengthen the study's reliability, all the interviews were recorded and transcribed in order to document the full extent of empirical data as well as to avoid excluding important information or including false information due to limitations in human memory.

Key points:

- The study is based on a qualitative research approach and multiple case study of the following companies: Brekeriet Beer AB, Scandi Candy AB, GN Transport i Halmstad AB, SJR in Scandinavia AB, Trelleborg AB and Ewes AB.
- The multiple case study is conducted in order to compare opportunities and challenges in smaller and larger companies implementing a focus strategy and how they handle these.
- The study of our six niche companies is based on an abductive approach.
- The research data has been collected through semi-structured interviews.
- The data has been analyzed using the Gioia method, a method developed for analyzing qualitative data through concept development.

EMPIRICAL DATA

In this section we present the empirical data collected through the semi structured interviews. We introduce the four main case companies, two smaller and two larger, by describing their focus strategies and then their opportunities and challenges relating to growth and competition. Lastly, we introduce our two reference companies and their respective strategies.

Description of the four case companies and their focus strategies

Smaller companies

The first smaller case company is Brekeriet Beer AB, a small brewery founded in 2012 in Sweden by three brothers. Initially, the business started out as a hobby, and Brekeriet now produces sour beer fermented with wild yeast and bacteria primarily due to the brothers' interest in this type of beer and their desire to introduce it to others. The products are partly sold in Sweden, however their exports constitute the largest part of their sales (Brekeriet Beer AB, 2017). Due to being so new, the company is still developing its focus strategy, which is considered to an extent as a process of trial and error. The most important aspects of the strategy for the company are to constantly strive for the highest possible product quality and to consistently brew beer that fits the niche in order to achieve a good reputation and customer loyalty.

The second smaller case company is Scandi Candy AB, a candy manufacturer founded in 2002 in Sweden. The company was established due to an increased demand for gelatin-free candy. This demand was driven by an outbreak of Mad Cow disease and Scandi Candy set out to address this gap in the market according to Founder and CEO Lars Pålsson.

Producing this type of candy also aligned with the interests of Pålsson, who strictly wanted to produce candy free from gelatin and any artificial ingredients. The company sells candy directly out of its own store, through food chains and through exporting. The company is kosher certified and exports a considerable amount of candy to Israel. According to Pålsson, Scandi Candy focuses on high quality products: *"I cannot compete with the low-price countries (...) where you can be offered very, very cheap candy"*. The company prioritizes having the production in-house in order to guarantee the desired quality and consistency, and *"therefore our candy is not the cheapest"*.

Larger companies

The first larger company is GN Transport i Halmstad AB, a family business founded in 1986 in Sweden. GN Transport is a transportation company specializing in transporting goods between the markets of Sweden and France, and to a lesser extent Luxembourg. The company is actively working towards becoming the market leader in its geographical niche. GN transport began as a broadly targeted company, transporting goods between various European countries. However, since the company did not compete very successfully at that time, it chose to niche itself by serving the Swedish-French market. According to Deputy CEO and Head of Sales Henrik Nilsson, France marketed itself as being Sweden's next big export market and so GN Transport saw the potential of succeeding in this geographical area. Nilsson explains that this focus provided results from the start, stating that the company started to grow as soon as it chose its niche: *"When we decided to choose one market, the company also began to grow. Before that (...) you did not get any long-term relationships with customers"*. Regarding its strategy, GN transport's main priority is to constantly maintain a *"high level of service"* for customers.

Our second larger case company is SJR in Scandinavia AB, founded in 1993. The company is currently active in Stockholm, Gothenburg, Malmö and Helsingborg in Sweden.

The company specializes in recruitment and consulting in the areas of economics, banking, finance and insurance and is actively working towards becoming the market leader within its niche “*We experience great success due to being such a niched company*”, states Regional Manager Malin Hjort. The SJR group has the subsidiaries SW in Scandinavia AB, founded 2006, and Ogunsen AB, founded in 2007 (SJR, 2017). SJR as a parent company is niched solely within business and finance, while the two subsidiaries operate more broadly. In discussing SJR’s strategy, high quality stands out as an important factor for achieving competitive advantage: “*we do not compromise on [the quality perspective], then we would rather say no*”, explains Hjort. As she further explains, the high quality is due to the company handling the entire process of the offered service: “*We do interviews, we do tests, we take the references and we do the final evaluation (...) we work with the whole process*”.

The company’s size and growth

Small companies

The desired growth direction differs between the observed case companies. In order to grow, Brekeriet invests the biggest part of its business on exports. As stated by Co-Founder and Head Brewer Christian Ek, the company is relatively unknown locally and is therefore exporting half of the production. The company views the whole world as a market available for sales. He states; “*Had everyone liked it in Landskrona, we would have been bigger here and maybe exported less*”. In terms of growth, Ek describes the niche as “*constantly growing*” and “*broadening*”. The company is continually exporting to new countries, such as Russia and China, and the brand is currently available in 25 different countries making the company’s exports “*go in every direction*”. In relation to future threats determinant for the company’s growth, Ek states the following; “*time, money and product quality*”. He further explains the challenge of constantly keeping up the product’s quality as it has to be perfect

and the struggle to do it right. In terms of challenges relating to growth, Ek states that losing control could be a big concern as bringing in new people into the company makes control more difficult. For Brekeriet, the size is seen as of less importance than the independence and control over the production according to Ek. He further explains his desire of not growing too big too fast: “(...) *we will continue working and see where we land*”. When asked about the positive aspects of the future of Brekeriet Beer, Ek states that “*The big vision now is to further build this niche*”. The company wants to focus on further expanding and introduce new products within their niche, and expose more potential to customers: “*we scale up that which is already niched*” as Ek explains. To achieve this, the company is expanding its brewery by purchasing more barrels for beer fermentation, in order to increase volume as well as product quality: “*With the construction here, it is a strategy for us to focus on the type of products that takes long to do, and are more exclusive*”. When asked about the future strategy, Ek states that the company has so far no intention of moving away from its strategy. “*It seems we will only be doing sour beer onwards*”, as he further explains. The company gains from only doing this particular type of beer: “*We have noticed that if we try to step outside of that niche, then [the beer] does not sell as well*”. This gives the company confidence to advance in the same direction and not compromise its focus to the detriment of the company.

Scandi Candy's has, on the other hand, experienced struggles in terms of size and growth in the beginning, as the company experienced slow growth. As founder Lars Pålsson explains, the company could have grown faster if more varieties of candy, including candy containing gelatin, had been offered. However, staying consistent in only producing gelatin-free candy later proved to be positive for the evolution of the company and the niche itself has also been a driver of the company's growth. During the last years the company has grown slowly but steadily, and has increased by 20-25% during the past year. Regarding the

development of the company's size, Pålsson expresses his desire to not grow "*too fast*" and "*not faster*" than the company needs as he does not want to lose control. Pålsson further explains his concern in terms of growth: "*I am very worried about growing too fast (...) if you grow a lot then you take in too many new people, and we don't want that*". However, despite his desire, the company is to a certain extent forced to adapt to its customers and their evolution. Taking that into consideration, Pålsson explains the challenge of accommodating the customers' growth, as it puts pressure on Scandi Candy to raise its own capacity and "*grow at the same rate as our customers*". As for the future of Scandi Candy, Pålsson states his desire to remain a high quality candy producer: "*We will continue in that direction, to try to make premium products, maybe organic, we do vegetarian*". The company will retain its focus on high quality products, as well as on its niche of gelatin-free candy. So far, the company has no intention to stray from its niche strategy in the foreseeable future: "*Our original strategy will probably stay, as long as I am here at least*" says Pålsson.

Larger companies

The larger company, GN Transport describes its growth as "*organic*". Deputy CEO Henrik Nilsson explains that the company has grown naturally through the years and "*without acquiring other companies*". As Henrik explains the company has so far established a strong brand and is widely known in many Swedish industries. The next goal in terms of growth is to further expand in the French market as "*there is definitely more [room for] growth in France*". As Nilsson further explains "*In Sweden, GN Transport is an extremely strong brand, associated with our strategy and our niche to deliver to France. But in France we are not as strong as here in Sweden (...) that is what we want to invest in onwards*". Finding new opportunities within their niche rather than expanding on other territories is part of the company's priorities in order to grow without comprising their initial niche. The company has so far no intention of straying from its niche in the future. However, as Nilsson explains the

company might consider looking into delivering from France to other potential Nordic countries, such as Finland and Norway in the future. As GN Transport grows, the company is forced to adapt in order to accommodate French customers who often view their niche market as Northern Europe, rather than just Sweden.

Lastly for SJR, regional manager Malin Hjort explains that the company has internal goals in terms of the size for the company. Regarding the future of the company, the respondent expresses the company's desire of becoming "*the obvious choice*" for customers within their niche and becoming the largest company in its niche; "*We have high market shares and we have even higher goals for it, of course within business and finance*". When asked if the company plans to expand and find new niche segments in order to grow, Hjort mentions that the company always looks for opportunities in terms of growth "*both geographically naturally, but also whether the company's business areas (...) can be developed*". So far, the company has chosen to expand within the SJR Group through two subsidiaries that are more broadly targeted. In discussing the future strategy of SJR, Hjort believes that the company will continue its niche strategy and explains that it would be preferable to find opportunities to expand the number of services offered within the niche rather than broadening it. However, Hjort expresses the company's desire to evolve in terms of digitalization: "*There will be strong development in how we operate onwards (...) but the strategy around the niche and being the obvious choice in terms of filling positions within business and finance I think will be the same*". Hjort identifies this increasing digitalization as a future challenge. Some working positions might disappear due to being replaced, and more candidates and companies finding each other directly through social networking sites, which may reduce SJR's opportunities. However, while this could be a challenge for the company, Hjort also says that it could become an opportunity, as long as the company can manage to keep up with technology. As she states, the company's target candidates within business and

finance will always be needed in some form and the demand is always going to exist. According to the respondent, the company recognizes the importance of being consistent in their services, and how these will always revolve around their niche. Hjort mentions sensitivity to shifts in the business cycle, but explains that specializing in both recruitment and consulting has helped SJR handle these shifts, as the company's consulting services are requested more often during downward shifts in the business cycle, while its recruitment services are requested more during upward shifts.

Competition and customer value

Smaller companies

Competition is an important aspect of the niche strategies in the case companies. Regarding Brekeriet's competition on the market, the co-founder Christian Ek states that the company does not see competition from other brands as a threat. They do not "*fixate on competitors*" as he says and this is caused by several factors according to Ek. Firstly, Brekeriet's products are rather unique in the process and complexity of the beer and capabilities in product development. Brekeriet has its "*own brewery*" and a "*good story*" of the three brothers Ek enabling to differentiate themselves from other actors. Secondly, the owners sell everything they brew and "*have to say no to certain customers*" due to lack of beer quantity and are therefore not worrying about the competition as much as expansion. As Ek further explains, other breweries are viewed as creating opportunities since Brekeriet is "*inspired by*" and "*looks up to*" other breweries. The three brothers collaborate with other breweries "*quite often*" and Ek further expresses that the breweries collaboratively drive demand by introducing the specialty beers to consumers. In terms of future competition, even though some breweries start producing the same kind of beer, the company does not consider this a challenge but rather an opportunity as Ek states: "*It is just good if there are*

others that also make sour beer, because then there are more people who are exposed to it and then maybe buy more of our products”.

On the other hand, Founder of Scandi Candy Lars Pålsson acknowledges the competitive challenges that small candy manufacturer faces from larger competitors. The larger manufacturers have economies of scale regarding the “*incredibly expensive*” machinery and costs related to ensuring the company lives up to legal standards of safety. Pålsson even expresses unwillingness to compete through price and especially not with low cost candy produced by larger companies, as he invests in and prioritizes high-quality. Despite the advantages of larger competitors, Scandi Candy has grown significantly more than the industry average and “*gained market share*”, especially through exports according to Pålsson. The founder does see strengths in Scandi Candy being “*the smallest and the newest*” producer of candy. He explains that he thinks the consolidation and manufacturing in low cost countries have caused a loss of knowledge and capabilities for the larger candy manufacturers, when they “*become too big*”. Pålsson also believes that the company’s small size allows it to be more flexible than its larger competitors, as it can produce smaller volumes of certain products asked for by customers, and extract a higher price. On the other hand, Pålsson does not view other small niche candy producers as direct competition, since Scandi Candy is active within its own niches and has distinguishable products. He further explains that having multiple types of candies offered, benefits the market as these products are “*needed*” as customers prefer a variety of different textures and flavors.

Larger companies

When bringing up competition, Deputy CEO Henrik Nilsson of GN Transport declares that transportation is “*an extremely competitive industry*” with “*all types of sizes as competitors*”. While the larger competitors threaten GN Transport being able to offer lower prices, the smaller competitors threaten in being very flexible. Nilsson does, however,

describe GN Transport as quite a flexible company “*in spite of our size*”. The company competes with a combination of strengths and its niche as Nilsson phrases it: “*The niche is not just being a transport service from Sweden to France, rather it is being the best, most flexible partner when it comes to Sweden and France*”. In addition, the company distinguishes itself through its knowledge of and experience with France and French culture as “*an extremely important core capability*”. As a result of its capabilities in the niche it offers a higher value and can charge a “*slightly higher price because we are niched*” Nilsson says. The company describes itself as being “*a bit more innovative*” and “*100% more dedicated*” than its competitors in offering high quality, reliability and transparency for the customer according to Nilsson. While talking about the company’s customers, GN Transport is constantly working towards finding new customers as well as strengthening the existing customer relationships. The niche does present some challenges in not being able to serve customers outside of the geographical niche as mentioned and the company is currently looking for measures to cope with this challenge. The company does on rare occasion accommodate customers whose transportation needs for the most part are within the niche, enlisting a partner company to handle the remainder of the customer’s needs. However, GN Transport prefers to avoid this due to the risks associated with having another company representing their brand.

In order to compete, SJR has capabilities within their niche in the opinion of regional manager Malin Hjort: “*In Malmö we sit and interview around 30 new candidates within business every week in our office*”, stating that this leads them to become specialized in finding candidates with both competencies and potential and it causes the company to be well-known in its markets. Hjort declares that within their niche SJR should be the best at solving the customer’s problems to the point where “*If we cannot solve it, then nobody should be able to solve it either*”. In order to deliver the best service to candidates and

customers, the company makes sure that “*all employees have an incredible commitment to what they do*”. SJR also competes on developing personal relationships and ensuring that the staff is motivated. In addition, most of the employees have been working in the company for a long time, making it possible to build long-term relationships with customer as: “*customers feel we know them well*”, states Hjort. While Hjort recognizes that SJR sometimes loses business compared to its competitors due to their higher prices, she states that it is “*a strategic choice*” and they win a lot of business due to being niched. Hjort further explains “*SJR is a long-term company*” with a strong discipline in staying in the niche and trusting the strategy. As such, when receiving requests that stretch beyond the company’s niche, SJR chooses to refer these customers to its’ more broadly targeted subsidiaries, rather than straying away from their niche.

The larger reference companies

Opportunities

Trelleborg AB is a large group founded in 1905 in Sweden. The company produces engineered polymer solutions for sealing, damping, and protecting critical applications in demanding environments in a multitude of global industries. The company’s strategy today is to be the leading company in selected segments. In addition, they actively seek out niche segments combined with product categories that are aligned with company capabilities and expertise. The strategy rests on four strategic cornerstones of geographical balance, portfolio optimization, structural improvements and excellence and it leverages five core capabilities of polymer engineering, local presence - global reach, applications expertise, customer integration and business accelerator (Trelleborg AB, 2017).

Vice president of group strategy and M&A Rikard Lindqvist sees two main opportunities achievable through a niche strategy. Firstly, it offers a chance to become “*the*

preferred supplier for the customers". Secondly, a niche strategy enables one to "*address markets and potentials, that do not require that you invest tens of billions*" while still realizing a strong position. Focusing on applications that have a high value relative to the cost and securing market leadership attains these opportunities. The chosen applications being critical and in demanding environments results in sophisticated solutions. The sophistication can in turn lead to market leadership as Lindqvist explains: "*the more advanced a solution is, the less competitors can deliver these solutions*". These applications also generate relatively high margins, according to Lindqvist, since "*for the customer the solution we deliver is extremely important, but the cost is all in all very marginal*". Lindqvist estimates the biggest risk to be a solution becoming a commodity, since "*if you have a product that does not change over time, someone (...) will copy the solution*". To keep the solutions advanced Trelleborg attempts to be at close proximity to the customer and invest in R&D. As business developer Selim Timocin says "*in order to sustain a leading position over time, then we have to constantly challenge ourselves, look at the customer's applications (...) and look into how we can improve it for the customer*". This, Timocin explains, relates to the core capabilities and is part of staying ahead of expectations and growing with the customer. Timocin adds that this also provides opportunities to drive new markets through "*creating value beyond the physical function for the customer*".

Lindqvist argues that striving for leading positions is seen as beneficial as market leaders are the most successful at growing and improving margins over time. Trelleborg has experienced examples of leading positions resulting in higher profitability. Lindqvist further explains that "*by being the leader within a niche, you become the one who your customers turns to for advice and for the latest solutions, you thereby gain (...) an opportunity to partner up with your customer before your competitors*". Additionally, Timocin points to the leading positions providing bargaining power for some applications. An important dimension of

having leading positions is being global and therefore able to support customers wherever they are in the world. Lindqvist states that this is how Trelleborg can “*add the most value*”, but it is only possible to reach those customers by “*having a stronger position in a narrow segment or niche rather than being broadly targeted*”. The dimensions of the chosen niches are thus determined through the possibility of realizing a leading position. In addition to this, the group also looks at factors such as potential growth and margins in the long-term as well as the polymer engineering being at the center of the application.

Trelleborg has been a focused polymer group the last two decades after transitioning from a conglomerate and Lindqvist calls the polymers “*the glue that holds Trelleborg together*”. The polymer focus provides consistency in the group, which distinguishes Trelleborg from Private Equity companies. Trelleborg is active in markets that are quite volatile according to Lindqvist, which underlines the importance of a rather diversified portfolio. This includes balancing the portfolio across segments, applications and geography. Lindqvist tells that due to the size and long-term perspective of the group along with this balance Trelleborg is “*financially robust*” and “*has the resources (...) to endure crises*”.

A criterion for the success of the strategy is the decentralization of the group. Lindqvist defines it as “*bottom-up strategy process*” and Timocin lists the decentralization of the responsibility and the core capabilities as important factors for successfully implementing a niche strategy. While Lindqvist acknowledges that the Trelleborg strategy and subsequent decentralization limit the potential for synergies on costs, he argues that this is counteracted by the benefits of the strategy and that they have identified certain realizable synergies through the excellence program.

Challenges

Ewes AB was founded in 1935 as E.W. Svenssons Metallvarufabrik, producing simple springs, but has since evolved into Ewes AB and broadened its assortment of springs

to include automotive, electronic, industry and standard springs essential to components within these areas. The company also started producing electrodes used for filtration devices in 1964 (Ewes AB, 2013). The company's ambition has traditionally been to specialize in the production of springs and it has previously been pursuing a niche strategy in the area of springs. However, the company is currently working on broadening its product portfolio and is thus moving away from using a niche strategy. According to the Marketing Manager Pär Andersson, the decision to change the company's strategy has been largely driven by challenges due to external factors and pressures, and by a strong ambition to grow, stating that *"If we are to grow, we must offer something more than springs"*. External factors and pressures refer to societal changes leading customers to moving their production abroad, subsequently resulting in the loss of customer relations for Ewes AB. Andersson adds that the product is often not highly prioritized, adding to the tendency of losing customer relations as these move geographically. As such, the company has chosen to follow its customers and grow as they do: *"If we sit and see that our customers and customers of interest to us are making movements, perhaps especially geographically (...) then it is our ambition to follow them (...) and instead grow with them"*. The company's ambition for growth relates to springs being a relatively cheap product, and as such, the company wants to produce and sell larger volumes in order to generate revenue. Andersson speaks of how the societal climate in Sweden historically has been favorable for manufacturing, but that the developments leading end customers to move abroad has inhibited the company's growth. As he explains: *"It is not enough that we only manufacture springs, simply because the volume [demanded] is not sufficient for us to be able to continue growing"* and as such is one of the reasons behind the decision to leave a niche strategy. Andersson recognizes the advantage of being specialized in a certain product, but also recognizes the disadvantage of having only a limited range of offered products: *"Of course, if you become that narrow, [and] if the product or your end*

customer for these products disappear, then you do not have anything else to offer, there is a danger in that". As such, Ewes is working towards offering a wider range of products and solutions to customers. Andersson views the change of strategy as something positive for the company's future: "*We see completely different opportunities today for growing than we did before*", also mentioning that the company hopes to create a better position and relations with customers by offering more. The company is also aware of challenges ahead due to the change in strategy, such as difficulties in assessing which products are and are not within the company's capability now that it is no longer limited to a niche, and in which areas aside from springs the company has the potential to be competitive in. Andersson says that "*Many of these areas can be ones where we are very lacking in experience, and where the customer has considerably larger previous experience*" and thus the company has to gather new competencies while broadening its range of products.

Key points

- *Brekeriet's* challenges are to maintain a high production, not to lose control by growing too large or too fast. *Scandi Candy's* challenges relate to not growing too fast in order to not lose control, while keeping up with the demand of its growing customers.
- *GN Transport's* challenges are to stay consistent in its niche, further invest in expanding in the French market. *SJR's* challenges are to cope with the shifts in business cycles and increased digitalization, viewed as both a challenge and an opportunity.
- *Brekeriet* uses competitors as inspiration to improve their products. *Scandi Candy* cannot compete on price with larger companies and does not view other small niche candy producers as direct competition.
- *GN Transport* is more flexible and has superior knowledge of the niche than competitors. It experiences a challenge in not being able to serve customers outside of its geographical niche. *SJR* sometimes loses customers due to its higher prices, but often wins business due to being specialized.
- *Trelleborg* aims to be the leading company in selected segments yielding high margins. Its strategy allows it to achieve leading positions and become the preferred choice by customers. The product portfolio is spread across segments, applications and geography.
- *Ewes* is moving away from its niche strategy due to growth ambitions and external factors inhibiting sales growth. Challenges consist of assessing what products are within the company's capabilities and what new competencies need to be acquired.

ANALYSIS

In the following section the empirical data is compared and analyzed based on the theoretical insights from the literature review. Firstly, the implementation of the focus strategies of the case companies are analyzed. Secondly, the ways that the case companies seize opportunities and cope with challenges relating to growth are compared and contrasted. Thirdly, a corresponding comparative analysis of seizing opportunities and coping with challenges relating to competition and customer value is presented. Lastly, we reflect upon the findings and these are summarized and presented in table 3.

Focus strategy

Based on Porter's (1985) framework, we categorize the following case companies: Brekeriet, Scandi Candy, GN Transport, SJR and Trelleborg, as having chosen to implement a differentiation focus strategy. We have observed these companies prioritizing quality and uniqueness in their products and services rather than prioritizing cost reductions. Ewes, we argue, has until recently been implementing a cost focus strategy by working on reducing the cost linked to the production rather than uniqueness or superior quality of the products.

The companies in our sample all compete in a narrow scope based on Porter's (1985) industry segmentation. Brekeriet is the only brewery in Sweden who brews sour wild yeast beer and thereby has seized an opportunity to compete in a narrow scope based on product variety. Scandi Candy offers gelatin-free candy, which is targeting a narrow scope based on product variety. Furthermore, Scandi Candy also targets specific buyer types as the candy is serving narrow buyer segments, such as vegetarian, vegan and Jewish buyer types, not served by the broader industry, providing a business opportunity. GN Transport is focused on a

specific buyer segment, specifically a buyer location segment. The company saw an opportunity to offer specialized services for this segment as trade between Sweden and France increased. SJR consistently offers a niche product variety in recruitment and consulting within business and finance. GN Transport and SJR both target buyers with unusual and specific needs for specialized competencies and locations, who are underserved by the broad industry consistent with Porter (1985). Trelleborg's polymer expertise gave them an opportunity to offer a narrow product variety of highly advanced, often customized, polymer solutions required to withstand tough conditions. Ewes has historically focused on a specific product variety, namely springs. However, the company is currently working towards a change of strategy, setting it apart from the other case companies.

Size and growth

Smaller companies and growth

As we have observed, both of the chosen smaller case companies are focused in single narrow segments. According to Miller & Friesen (1984), this is a typical feature for small and newly established companies. We think that both Brekeriet and Scandi Candy are illustrating the theory well. When starting out in the birth phase of the company life cycle, Brekeriet identified a gap in the beer industry in the form of sour beers and seized the opportunity to enter this relatively uncontested narrow segment. Similarly, Scandi Candy started by seizing an opportunity in an uncontested gap in the candy industry as demand surged for gelatin-free candy due to the outbreak of Mad Cow disease.

Brekeriet and Scandi Candy have chosen their uncontested focus segments, both due to it representing a business opportunity and due to a passion for and interest in their particular niche. The brothers of Brekeriet brewed the beer as a hobby before the interest became a business opportunity and Pålsson of Scandi Candy has strong beliefs that candy

should not contain gelatin or any artificial ingredients. This suggests, contrary to Wright (1987) that these small companies did not only choose a focus strategy because it was their sole option due to lack of resources. It was also due to a personal interest in the niche products becoming the driver for seizing the opportunity. On the other hand, it can be argued that a broader strategy would not have been possible all the same due to lack of resources.

Neither Scandi Candy nor Brekeriet have the intention of replacing their niche strategy as the companies grow. This would be in opposition with the usual movement by companies through the life cycle findings of Miller & Friesen (1984), who found that companies change their focus strategy in order to adapt and broaden their opportunities. The two smaller case companies consider their niche and business part of their identity for their present and future. Additionally, the smaller case companies both argue that they are hesitant towards growing too much or too fast, as this might compromise their competitive advantage. This suggests that the two smaller companies regard growth primarily as a challenge. They both cope with this challenge by keeping growth slow and controlled. This shows that Brekeriet and Scandi Candy are both cognizant of the risk of becoming stuck in the middle as Porter (1985) warns. Furthermore, they have both grown significantly through exports, in line with Toften & Hammervoll (2013), which might be a way to cope with the challenge of limited growth for larger focused companies as pointed out by Porter (1985).

Larger companies and growth

While the small companies are relatively compatible with Miller & Friesen's (1984) point of view, the two larger companies choice of focus strategy is uncommon from a life cycle perspective. Neither of the companies has replaced its niche strategy as it has grown larger. The strategy has also proven to be attractive for both of the larger case companies despite Wright's (1987) claims. In further contradiction to Miller and Friesen (1984), the companies have no future plans of changing their focus strategy.

In its debut, GN Transport initially experienced success following the implementation of a focus strategy. Before the strategy was implemented the company could not build long-term relationships or get established. This aspect is in agreement with Wesson & Neiva De Figuiredo's (2001) observations of the correlation between a focus strategy, specifically a stronger geographical focus, and higher performance. With their focus, GN Transport has seized the opportunity to become big in the Swedish market. On the other hand, this opportunity of limiting themselves to one market might now present a challenge to further growth. The company has, however, yet to fully exploit the opportunities in the French market, as there is still room to grow there. GN Transport is therefore aiming to seize opportunities for growth in France. While growing, the company has had to cope with challenges, as customers want solutions beyond the focus. GN Transport is facing the dilemma of either pursuing their current strategy or broadening the segment and thereby compromising the strategy. So far the company has coped with the challenge by taking on customers with the vast majority of their transportation needs in the niche, cooperating with a partner company to handle the transport outside of the niche. This is, however, an approach they try to avoid as they see it as diluting the brand.

SJR is also facing challenges relating to growth as they have also experienced customer requests outside of their narrow focus. However, SJR has coped with this in a different way. They have decided to establish broadly targeted subsidiaries, which can respond to these requests. This approach does to some extent mimic Wright's (1987) logic of combining a broad and narrow scope differentiation strategy. The approach, however, differs from the logic since the larger parent company is the focused company. While Wright's (1987) proposed combination strategy is at odds with Porter's (1985), the approach of SJR is not, as the framework allows for having both strategies, if in separate business units.

In coping with challenges of growth both GN Transport and SJR have also stated that they would rather expand their product offering within their respective segments than compromise their focus.

Reference companies and growth

Trelleborg adopted a focus strategy later in the group's life cycle, which is not in line with Miller & Friesen (1984). Ewes is, on the other hand, currently changing their strategy, thereby following the pattern of most companies according to Miller & Friesen's (1984) life cycle study as they become larger. However, the change of strategy appears to be later in the life cycle, than what the study predicts, as they no longer are in the birth phase.

Trelleborg seized an opportunity to transition from conglomerate to a focused polymer group. While the result of this matches Porter's (1985) recommendation for successfully focused companies to target several narrow segments, the process does not. This is not the case as the recommendation entailed a company focused on one narrow segment to expand to several narrow segments. Trelleborg, however, went from multiple broad and narrow segments to only multiple narrow segments. Ewes' change of strategy was motivated by the declining market for springs in Sweden as customers were moving abroad, which caused a loss of opportunities for growth. This collides with the company's strong growth ambitions. The motivation for a strategic change due to a limited market and lack of growth opportunities is consistent with Adam Smith's theorem of limitation to specialization being determined by the extent of the market (Besanko et al., 2009). This is evidenced by the fact that the limitation of the market for springs is preventing Ewes from growing within its specialized product area. The company is instead choosing to broaden its production towards new product areas despite lacking knowledge and experience in these areas. This is further consistent with Porter's (1985) argument that the size of the focus segment might limit the company's growth. The volume the company is able to sell within its focused area of springs

is not considered sufficient to sustain the growth that Ewes aims to achieve. GN Transport is facing a similar challenge; the company has opportunities to grow if they accept customer requests outside of their niche. This has led to considerations of expanding the geographical focus from Sweden-France to Scandinavia-France. As such GN Transport would potentially cope with this challenge by broadening the focus as Ewes did. However, unlike Ewes, GN Transport would do so while still maintaining a focus strategy.

The phenomenon of the narrow targeted market declining, as it did for Ewes, is a central challenge to focused companies according to Toften & Hammervoll (2013), and it is consistent with Henry, Hamlin & Cuthbert (2012), who argue that niches are volatile and changeable. Trelleborg also experiences volatility in their segments, further supporting the aforementioned literature. While Ewes coped with this challenge by abandoning the focus strategy, Trelleborg has coped through diversification. We argue that Trelleborg's strategy clearly matches the concepts of Henry, Hamlin & Cuthbert's (2012) multiple niche strategy for strategic flexibility. Lindqvist's points about how the emphasis on balancing the portfolio allows Trelleborg to withstand crises. Trelleborg has a strong focus on polymer-centered solutions, and Timocin categorizes the group's core capabilities as important for the success of the strategy. This is in line with Henry, Hamlin & Cuthbert's (2012) argument that multiple niches have to be diversified while still matching the company's strength, as well as Palich, Cardinal & Miller's (2000) support of related diversification. SJR handles the volatility of their niche by having both recruitment and consulting, which are negatively correlated from a cyclical point of view. This suggests a diversification logic similar to that of Trelleborg.

Competition and customers

Smaller companies, competition and customers

Neither of the two smaller companies sees competition as a major threat. The companies consider themselves as unique in their category and unique in their respective niches. Brekeriet is the only company in Sweden producing this kind of product, meaning that there is no direct competition. Scandi Candy perceives its products to be unique as other gelatin-free products on the market are highly different in consistency and taste. The company is thus protected from the competition. These findings show the niche protecting argued by Toften & Hammervoll (2013). This protection perspective is the reason the focus strategy is often recommended for smaller companies. While Scandi Candy sees challenges in being small in a capital-intensive industry, the company does not see itself as in direct competition with large established companies. This is due to these companies producing in low-cost countries and competing with low prices rather than quality, thus offering a different product. We believe this is in line with the perspectives of Watkin (1986) of smaller companies competing successfully against larger companies with a focus strategy. This claim is further strengthened as Scandi Candy sees opportunities from their size as they win business from larger candy manufacturers, who are more inflexible and less specialized.

Both Brekeriet and Scandi Candy view the presence of other focused companies on the market as an opportunity rather than as competition. Brekeriet considers competitors as sources of inspiration and drivers of demand for non-traditional beer. They reason that more sour beers on the market results in more potential customers being exposed to this kind of beer, ultimately becoming potential customers for Brekeriet. On the other hand, Scandi Candy reasons that due to end customers preferring a mix of different textures and flavors, products other than Scandi Candy's are needed.

Larger companies, competition and customers

While the smaller companies face low competition, the two larger companies experience more pressure from competition. The transport market is very competitive and GN Transport has challenges regarding the pressure of larger transport companies serving more geographical areas. In order to cope with these challenges, the company offers a specialized transport service, both unique and customized for the market, due to the focus strategy. They also experience a lot of customer loyalty. This has resulted in the ability to charge higher prices than competitors. For these reasons, this suggests that GN Transport also experience a level of niche protection explained by Toften & Hammervoll (2013) as a result of their product specialization and customer relations. SJR has a similar high quality service as GN Transport based on their focus expertise. The company works in keeping this quality and expertise above that of competitors, allowing them to differentiate themselves. Additionally, SJR works extensively with their network of customers and candidates. SJR has due to this also been able to charge higher prices than competitors. We further interpret this as benefitting from some degree of niche protection from competition as well as due to product specialization and customer relationships.

The results show that the larger focus companies face more competitive pressures than the smaller focus companies. The larger companies can to some extent cope with this through niche protection in line with Toften & Hammervoll (2013) like the smaller companies do.

Reference companies, competition and customers

Even Trelleborg, the by far largest company in our study, experiences some niche protection. This is evident as Trelleborg is in some markets one of the only, if not the only company that can deliver the advanced solutions often developed with the customer. We see this as exemplifying the concepts of niche protection based on product specialization and

customer relations (Toften & Hammervoll, 2013). Ewes, on the other hand, chose to abandon the focus strategy suggesting that the opportunities for competing provided by a focus strategy in terms of niche protection clearly did not outweigh the challenges of the niche declining.

The prioritizing of a leading position within a chosen niche is evident in both Trelleborg and SJR. They have both to a large extent reached this goal of leading positions. This can suggest that the focus strategy provides opportunities for achieving leading positions in the narrow segments for larger companies.

Porter (1985) argues that broadening the competitive scope leads to the loss of original competitive advantage. This implies that the broadening done by Ewes might be a risk for the company. However, as Ewes is still within the process of changing its strategy, it is still unclear to what extent. The company is aware that there might be difficulties in assessing which new products fit with the company's capabilities, and in which products the company should invest in developing new expertise for. As such, the company is venturing into some product areas where they lack the specialization that has traditionally provided the company with competitive advantage. This change of strategy is, however, a common phenomenon and part of the process of growing as a company according to the study by Miller & Friesen (1984), which suggests that Ewes has opportunities to overcome the risks of the change.

Table 3. Summary theory, empirical data and analysis

Theory	Empirical data	Analysis
Focus Strategy		
<ul style="list-style-type: none"> • Focus strategy (Porter, 1985): companies compete in a narrow competitive scope. The focus strategy has two versions: the <i>cost focus</i> and the <i>differentiation focus</i>. • High product specialization: product specialization is generated through a focus strategy and it is considered as a protective barrier in marketing literature (Toften & Hammervoll, 2013) • Multiple niche, strategic flexibility and diversification: It is argued that a multiple niche strategy can allow a company to achieve strategic flexibility and thereby respond quickly to demands in turbulent competitive environments (Hamlin, Henry & Cuthbert, 2012). Palich, Cardinal & Miller's (2000) synthesis of diversification related diversification to be more profitable than no or unrelated diversification. 	<p>Smaller companies</p> <ul style="list-style-type: none"> • <i>Brekeriet</i>: emphasis on high quality, specialized products, consistency • <i>Scandi Candy</i>: emphasis on high quality, specialized products <p>Larger companies</p> <ul style="list-style-type: none"> • <i>GN Transport</i>: emphasis on high quality, specialized service, consistency • <i>SJR</i>: emphasis on high quality, specialized service <p>Reference companies</p> <ul style="list-style-type: none"> • <i>Trelleborg</i>: aims to achieve leading market positions in many segments. Emphasis on high margins, critical applications, balanced segments • <i>Ewes</i>: Abandoning focus strategy 	<p>Smaller companies</p> <ul style="list-style-type: none"> • Brekeriet and Scandi Candy have seized an opportunity to compete in a narrow scope based on product variety. Scandi Candy also targets specific buyer types. They both follow a differentiation focus strategy. <p>Larger companies</p> <ul style="list-style-type: none"> • GN Transport is focused on a specific buyer location segment. SJR offers a niche product variety in recruitment and consulting within business and finance. Both companies target buyers with specific needs. They also both follow a differentiation focus strategy. <p>Reference companies</p> <ul style="list-style-type: none"> • Trelleborg follow a differentiation focus and offer a narrow product variety of highly advanced, often customized, polymer solutions. Ewes has historically has a cost focus based on a specific product variety. However, the company is currently working towards a change of strategy.
The company's size and growth		
<ul style="list-style-type: none"> • Size constraints of focus segment: focused segments involve intentionally limiting oneself to a narrow segment. This implies that there are challenges related to growing with this strategy (Porter, 1985). • Risk of stuck in the middle: as the growth potential for a single niche are limited, growing focusers might broaden their product lines. According to Porter (1985) this would lead to a stuck in the middle situation. This implies that companies fail to reach competitive advantage by not being consistent in their strategy, and the company is outcompeted. • Risk of niche decline marketing research indicate that niches are more volatile and the decline of a niche is a big risk for companies with a focus strategy (Toften & Hammervoll, 2013). 	<p>Smaller companies</p> <ul style="list-style-type: none"> • <i>Brekeriet</i>: Will not grow too large, too fast. Want to avoid losing control. Growing through exports. Will not change the focus segment. • <i>Scandi Candy</i>: will not grow too large, too fast. Growing through exports. Will not change the focus segment. <p>Larger companies</p> <ul style="list-style-type: none"> • <i>GN Transport</i>: Aim to grow in France and grow within focus segment. Struggles with customers asking for routes outside of focused segment • <i>SJR</i>: Grow within finance and economics. Growth through broadly targeted subsidiaries. Adapt to increasing digitalization. <p>Reference companies</p> <ul style="list-style-type: none"> • <i>Trelleborg</i>: choose growing segments and continue current strategy. • <i>Ewes</i>: The focus strategy hindered growth. Broaden product portfolio beyond previous niche to handle this. 	<p>Smaller companies</p> <ul style="list-style-type: none"> • Both Brekeriet and Scandi Candy identified a gap and seized the opportunity to enter a relatively uncontested narrow segment. This choice was caused by both a business opportunity and an interest in their particular niche. • Neither Scandi Candy nor Brekeriet want to abandon a focus strategy and cope with this risk of stuck in the middle by keeping growth slow and controlled. <p>Larger companies</p> <ul style="list-style-type: none"> • GN Transport has seized the opportunity to become big in the Swedish market and is aiming to seize opportunities for growth in France. The company is facing the dilemma of either pursuing their current strategy or compromising the strategy for growth, but they aim to maintain the strategy. • SJR is also facing challenges relating to customer requests outside of their narrow focus. SJR has coped with this by establishing broadly targeted subsidiaries, which can respond to these requests. <p>Reference companies</p> <ul style="list-style-type: none"> • Trelleborg seized an opportunity to transition from conglomerate to a focused polymer group. Trelleborg went from multiple broad and narrow segments to only multiple narrow segments. • Ewes' change of strategy was motivated by the declining market for springs in Sweden as customers were moving abroad, which caused a loss of opportunities for growth.

Competition and customer		
<ul style="list-style-type: none"> • Strong customer relationships strong relationships achieved through the focus strategy are considered as a protective barrier in marketing research (Toften & Hammervoll, 2013). • Niche protection marketing literature suggests that a company can be protected from competition to some extent by operating in a niche through concepts such as product specialization and strong relationships (Toften & Hammervoll, 2013). 	<p>Smaller companies</p> <ul style="list-style-type: none"> • <i>Brekeriet</i>: wants to work towards increasing customer loyalty. Does not struggle with competitive pressures. Other microbreweries inspire and drive demand • <i>Scandi Candy</i>: Aim to grow with current customers. Does not struggle with competitive pressures. Other focusers in the industry benefit each other <p>Larger companies</p> <ul style="list-style-type: none"> • <i>GN Transport</i>: Seeks long-term relationships. Struggles with broader competitors offering transport to several countries. Can extract higher price within focused segment. • <i>SJR</i>: Long-term relationships. Wins business due to specialized service, sometimes loses business due to higher prices <p>Reference companies</p> <ul style="list-style-type: none"> • <i>Trelleborg</i>: Customer integration and business accelerator. Limited competition due to market leadership in focused segments, customer relationships and specialization • <i>Ewes</i>: Want better position with customers. 	<p>Smaller companies</p> <ul style="list-style-type: none"> • Brekeriet is the only company in Sweden producing this kind of product, meaning that there is no direct competition. • Scandi Candy perceives its products to be unique as they are different in consistency and taste. The company is thus protected from the competition. • Both Brekeriet and Scandi Candy view the presence of other focused companies on the market as an opportunity rather than competition. <p>Larger companies</p> <ul style="list-style-type: none"> • The two larger companies experience more pressure from competition. • GN Transport has challenges regarding the pressure of larger transport. In order to cope with these challenges, the company offers a specialized transport service, both unique and customized. The company works in keeping this quality and expertise above that of competitors. • Additionally, SJR works extensively with their network of customers and candidates. • The larger companies can to some extent cope with this through niche protection like smaller companies do. <p>Reference companies</p> <ul style="list-style-type: none"> • Trelleborg, the by far largest company in our study, experiences some niche protection as Trelleborg is in some markets one of the only companies that can deliver the advanced solutions often developed with the customer. • Ewes, on the other hand, chose to abandon the focus strategy suggesting that the opportunities for competing provided by a focus strategy in terms of niche protection clearly did not outweigh the challenges of the niche declining.

Reflections

Through this study, we have found that smaller and larger focus companies differ in seizing opportunities and coping with challenges as they perceive them differently. While the smaller companies seek ways to cope with the high demand of their products, the larger companies are coping with that challenge of achieving growth while maintaining the strategy. The larger companies thus search for opportunities to seize in order to grow, since this is regarded as beneficial. Meanwhile, the smaller companies have many opportunities for growth, but are coping with the challenge of not growing too fast and thereby risking diluting their specialized competencies or losing control.

CONCLUSIONS & DISCUSSION

This section presents the study's conclusion where the results are summarized in order to provide an answer to the research question. The last part of the study mainly focuses on suggestions of further studies on the focus strategy.

Following our multiple case study, the results show that the size of the companies implementing a focus strategy is an important determinant when handling opportunities and challenges. Through the study we have seen that all of the companies benefit from their well-defined niches as they clearly differentiate from competitors. All of the companies see their niche generating specialized expertise, providing opportunities for competitive advantage and some extent of protection from competition. Thus, there are similarities between how the smaller and larger companies cope with competition. Our study shows, however, that on the smaller company's side, being small is seen as an advantage and both of the smaller case companies express their desire not to grow too much in order to maintain control and avoid the challenges faced by larger focus companies. The larger companies have maintained their focus strategies while growing. These companies perceive their strategy as a strength rather than a limitation. The challenges present in larger companies are however different than those present in smaller companies and they have different ways of coping with them. Overall, we notice that the risk of being stuck in the middle between staying in the niche and broadening their company is more of a pressing threat for the larger companies, which is further exemplified by our reference company Ewes. The larger companies have, however, so far insisted on not changing or compromising their niche approach as they grow. This can result in further opportunities for a multiple niche strategy as exemplified by our reference company Trelleborg.

Discussion

In today's competitive world, how to seize opportunities and cope with challenges is a vital question facing companies of all kinds. Through this study we have gained insight into several ways companies of different sizes following a focus strategy may act regarding this question. As our study shows, company size is a determinant of what opportunities and challenges a company with a focus strategy faces in terms of growth, customers and competition. This in turn affects the suitability of different actions to manage these. There are, however, several opportunities for growth and effective competition offered by a focus strategy. Our case companies all stress the importance of consistently staying in one's narrow segment in order to seize these opportunities. A focus strategy thus requires a long-term commitment along with devotion of time and resources to identifying an untapped narrow segment, learning about this segment and the broader market, and specializing oneself in serving the segment the company has chosen.

It can be questioned what really constitutes a definition of a focus strategy. We take into consideration that, as Murray (1988) points out, defining what is narrow and what is broad is relative; in considering the entire candy industry, a company like Scandi Candy can be perceived as focused on the narrow segment of gelatin-free candy. However, in considering the market for gelatin-free candy, Scandi Candy's strategy can be perceived as being broadly differentiated. We reason that it is more relevant to compare Scandi Candy to the general candy industry, and thus its strategy is focused as it serves buyers with unusual needs. The same reasoning can be applied to all of our case companies.

We are aware that our two smaller case companies are offering products, while our two larger case companies are offering services. However, we do not perceive this to be a significant limitation to our conclusions as Porter (1985) does not distinguish between the two when it comes to the generic strategies.

We further take into consideration that the comparability of Trelleborg and Ewes as reference companies can be contested. Trelleborg is active in multiple focus segments, while our four case companies are active in a single focused segment. Schlep & Goldhar (1995) argue that competing in multiple niches is not the same as a focus strategy, rather it is a third and separate competitive scope in addition to the broad and narrow competitive scopes. Porter (1985), on the other hand, reasons that a focus strategy and multiple niche strategy are the same strategy. We reason that while competing in multiple focus segments is more complex, it is still a focus strategy consistent with Porter (1985). Ewes differs from the four case companies in this study as they are abandoning a focus strategy. This might have been influenced by Ewes having followed a cost focus strategy, as opposed to a differentiation focus strategy. This could have impacted the choice of abandoning a focus strategy, as the remaining case companies are differentiating their products based on quality and uniqueness whilst Ewes is reliant on sales volume due to its product being cheap and not particularly differentiated. Additionally, the Swedish market for Ewes' products has been stagnating in recent years. This does not seem to be the case for any of the remaining case companies, all of which describe concrete opportunities for growth within their respective focus segment. We have regarded Ewes as a suitable addition to our study as we are researching opportunities and challenges in smaller and larger focused companies, regardless of their implementation of differentiation focus or cost focus strategies.

While our findings concerning smaller companies largely conform with previous research, the findings concerning larger companies are of particular interest as they deviate to some extent from what has previously been claimed. Contrary to these claims, we found clear indications that a focus strategy can be attractive for large companies and enable these to successfully compete. Previous research on the focus strategy has also suggested that there are a number of challenges related to growing as a focused company, and our findings

provide new insights into how these challenges are overcome. As our findings are based on a multiple case study containing only six cases, it affects the generalizability of our conclusions. Moreover, as our case companies are of different sizes, the findings specific to smaller companies are further limited, as are the findings specific to larger companies. Based on this, we can argue that there are indications that a focus strategy can be attractive and sustainable for larger companies, but not that this is the case for all or most larger companies. Our findings also suggest that smaller focused companies face similar opportunities and challenges. However, due to this finding being based solely on two case companies, it cannot be generalized. Despite limited generalizability, we believe that our findings provide insight into how companies perceive opportunities and challenges with a focus strategy and how they differ due to the size of the company.

Further research

Our findings suggest that smaller and larger companies with a focus strategy handle opportunities and challenges in different ways. We suggest that further studies comparing these differences across other strategies aside from the focus strategy should be conducted. This is in order to establish to what extent these differences are uniquely related to companies with a focus strategy and thus derive a more solid backing for our conclusions.

Another interesting aspect to further study would be the relationship between the focus strategy and market leadership. Whilst conducting our study, we observed that two of the larger companies in our study, namely SJR and Trelleborg, are striving for leading positions within their respective niche or niches. This could indicate that the focus strategy can provide market leadership and potentially even to generate a monopolistic situation for larger companies. It would, however, require further studies to investigate whether or not this is the case.

Lastly, we suggest a study on how the focus strategy possibly relates to the concept of organizational capabilities and resources. The majority of our case companies listed their highly specialized competencies as the essential to their competitive advantage. A study such as this could therefore provide a deeper understanding of the sustainability of a competitive advantage achieved through the focus strategy.

Key points:

- We have found that the size of the focused company is a determinant when handling opportunities and challenges.
- All of the companies see their niche generating specialized expertise, providing opportunities for competitive advantage and some protection from competition.
- The smaller companies see their size as an advantage and express their desire not to grow too much in order to maintain control and avoid the challenges faced by larger focus companies.
- The larger companies have bigger challenges in avoiding becoming stuck in the middle, but insist on maintaining their strategy as they grow.
- Our conclusions have limited generalizability; however they provide insights into the opportunities and challenges facing focused companies.
- We suggest that further studies could compare differences in terms of opportunities and challenges across other strategies aside from the focus strategy, study the relationship between the focus strategy and market leadership, or study how the focus strategy possibly relates to the concept of organizational capabilities and resources.

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Appendix 1 - Interview questions - Part 1

This appendix lists the different questions we are planning to ask during the interviews with the representatives of the chosen companies. The questions will be adapted to the company's activity. We expect all of the following questions to be answered by the respondents with the exception of questions, which are specific to the larger or smaller companies.

Respondents

The objective of these questions is to understand the background of respondents in respective company.

1. Could you tell us in short about your role and responsibilities at this company?
2. How long have you been in the company?

Company size

In order to get a general picture of the company and the industry the company is active in, we start the interview with a couple of overall questions of respective organizations.

The development of the size

The questions include how the progress has occurred through the years and how the company has evolved in terms of size.

3. How has the company developed in terms of size throughout the years?
4. Can you name the main drivers of the development of the size of the company?
5. What are the ambitions in terms of size for the company?
6. Can you give examples of obstacles encountered during the development of the company?
7. Is the company expecting to expand the number of niche segments in the future?

For larger companies

These questions are only relevant to the larger companies as they are active in more than one niche.

8. Are there examples of the company realizing synergies between its niche segments?
9. How are new niche segments chosen in the company?
10. What experiences have you had with the company balancing attention between niches with varying profitability?

For smaller companies

These questions are only relevant to the smaller companies as they are only active in one niche.

11. Does the company expect to change the focus on its niche in the future as it grows?

Organization's strategy for competitive advantage

The second and main focus of the interview is based on strategy questions. The questions raised have the goal to explain the role of the company's business strategies and objectives. The questions have been chosen in a way that respects the company secrecy and asked in a non-intrusive way in order to get so much information as possible from the interview for our analysis.

The company's strategy

The objective of these questions is to understand the company's perspective on the strategy and how the company acts obtain to competitive advantage.

12. What is the company's strategy for achieving competitive advantage? (By competitive advantage we mean creating more or different value for customers than your competition)
13. Can you give examples of the implementation of this strategy where the company have succeeded in creating superior value?

The development and the future of the strategy

The objective of these questions is to identify the company's vision about its evolution in its future strategy.

14. Could you tell us more about how the vision of the company's future looks like?
15. Can you give an example of how the company's strategy has evolved over time?
16. Will the strategy need to be adapted as the company grows?

Opportunities and challenges

The objective of these questions is to determine the strengths and opportunities of the strategy as well as how the company identifies and handles threats such as stuck in the middle or not managing to realize synergies.

17. Can you give examples of future threats for the company's strategy?
18. Can you mention some positive aspects of being active in a niche/niches that would not have been possible on a more mainstream market? (Follow with aspects of market power and protection from competition - ask for examples)
19. Can you mention some negative aspects of being active in niches that the company would not have encountered on a mainstream market?
20. What precautions are taken to prevent the company from being stretched out too broadly or focused too narrowly?

Appendix 2 - Interview questions – Part 2

This appendix brings up the questions set for the second interview with the respondents. The questions are based on what has been said on the previous interviews and aims to give more depth in the chosen subject. We expect all of the following questions to be answered by the respondents.

About the organization and its expertise

The aim of these questions is to get a deeper understanding of the company's activity and complete the questions asked during the first interview.

1. What are the company's core competences?
2. Which are the main goals for the company to be achieved with the strategy?

The company and its niche strategy

The objective of these questions is to understand what effects the niche strategy has had on the case companies.

3. How did the company identify the niche?
4. How has the company's niche market been defined?
5. How does the company define the term "niche strategy"?
6. Do you think a niche strategy is more relevant for small companies rather than large ones? If yes why?
7. To what extent is it important for the company to be consistent in its products/services to be successful in the niche?

Niche strategy and growth

The aim of these questions is to see whether or not a niche strategy is considered as a limitation for companies in terms of growth.

8. Do you see the company's niche strategy as a liability for the growth of the company?
If so, what measure can be taken to address this?
9. What factors make a niche strategy successful regarding the company's growth?

Large and small companies with niche strategies

10. Does the company have a clearly defined strategy?

For large companies

11. What differences in opportunities and challenges related to the company's strategy has the company experienced back when the company was small and now that it is large?

Competition on the market

In order to get a general picture of the market the company is active and competing in following questions are being asked.

Niche strategy and competition

This part includes questions regarding the company's competitive environment and how the company competes in its market.

12. Is the company's product clearly differentiated from the competitor's products?
13. What kind of companies are your competitors (large or small companies, new or mature companies)?

14. Do you see a niche strategy as helping with the pressure from your direct or indirect competitors?
15. Can the firm serve the market in a different way than its present competitors?
16. What are the strengths of the competitors compared to your company?
17. Has the company ever thought of another strategy as being helpful to compete on the market?

Recommendations

18. What important recommendations would you give to other people interested in starting a company on niche markets and implementing a niche strategy?

Appendix 3 - Interview questions – Trelleborg AB

The following questions were outlined for the interview with Trelleborg AB. The company represents in our study the opportunities that exist for niche players to become very large and successful. The questions were formulated based on the theoretical perspectives in the literature review, the empirical findings from the first round of interviews with the compared case companies and the public information available about Trelleborg AB. We expect all of the following questions to be answered by the respondents.

The respondents

The objective of these questions is to understand the background of respondents in respective company.

1. Could you tell us in short about your role and responsibilities at this company?
2. How long have you been in the company?

The strategy

These questions are designed to understand the group strategy, motivation for the strategy and the success of the strategy.

Niches

3. What constitutes a niche for the group?
4. Which strengths does the group see from competing in niches?
5. What characterizes attractive niches and industries?
6. What have been the drivers of the niche strategy being successful in the group?
7. How is growth pursued through the niche strategy?
8. Which challenges has the group experienced in achieving growth?

Market leadership

9. Why does the group aim for market leadership? What strengths does it provide?
10. Are there some limitations associated with requiring market leadership?

The strategic cornerstones

11. What is the importance of geographic balance as a cornerstone of the strategy?
12. How important is it for the group to diversify risks in the portfolio?
 - a. Do you consider this essential to the strategy?
13. How does the group leverage synergies between the different niche markets?
14. To what extent is there consistency between the niches?
15. How does the group balance the attention between the niche markets?

The core capabilities

16. How does the group ensure that all niches are relevant to the core capabilities?
17. What measures are taken to avoid stretching too broadly?
18. Operating in niches often require and generate specialized knowledge - how does that apply to the group?

Competition

19. How does the group differentiate/position itself from the competitors?
20. Is the competition in the niches mainly made up of other niche players or broadly targeted companies?

The development of the strategy

The aim of these questions is to understand why Trelleborg AB diverge from what research predicts

21. How has the strategy been developed and adjusted over time?
22. Most companies abandon a niche strategy as they grow, why is Trelleborg an exception to this?

The implementation

These questions aim to get an understanding of how the niche strategy has been successfully implemented

23. How is the strategy implemented across the group?
24. What are the most important factors in implementing the strategy?

Reflections

25. What kind of opportunities does the strategy provide for the group?
26. What are the main challenges associated with the strategy?
27. How do you think a niche strategy is suited for smaller and larger companies respectively?
28. What are the factors necessary for successfully implementing a niche strategy in a large company? In general?

Appendix 4 - Interview questions - Ewes AB

The following questions were outlined for the interview with Ewes AB. The company represents in our study the challenges that exist for niche players that are growing and evolving. The questions were formulated based on the theoretical perspectives in the literature review, the empirical findings from the first round of interviews with the compared case companies and the public information available about Ewes AB. We expect all of the following questions to be answered by the respondent.

Respondent

The objective of these questions is to understand the background of the respondent representing Ewes AB.

1. Could you tell us in short about your role and responsibilities at this company?
2. How long have you been in the company?

Company size

In order to get a general picture of the company and the industry the company is active in, we start the interview with a couple of overall questions of relating to company size.

The development of the size

The questions include how the progress has occurred through the years and how the company has evolved in terms of size.

3. How has the company developed in terms of size throughout the years?
4. Can you name the main drivers of the development of the size of the company?

5. What are the ambitions in terms of size for the company?
6. Can you give examples of obstacles encountered during the development of the company?

Organization's strategy for competitive advantage

The second and main focus of the interview is based on strategy questions. The objective of these questions is to have the respondent explain the role of strategy in company's history and what has prompted the company to change away from a niche strategy. The questions have been chosen in a way that respects the company secrecy and are asked in a non-intrusive way in order to as so much information as possible from the interview for our analysis.

Niche strategy

The objective of these questions is to understand the company's perspective on its previous strategy.

7. How has the company defined its strategy until now?
8. How has it has evolved over time since the beginning?
9. What were the positive aspects of being active in a niche?
10. What were the negative aspects of being active in a niche?
11. How have the opportunities and challenges related to the company's niche strategy changed as the company has grown larger?

Change in strategy

The objective of these questions is to understand the company's decision to change its strategy and the effect this has had on the company's competitive situation.

12. Could you tell us about the company's recent change in strategy?
13. Can you give some examples of how the company is working towards changing its strategy?
14. Can you name the main drivers for the decision to change away from a niche strategy?
15. Did the company consider keeping a niche strategy despite these circumstances?
16. How has the change in strategy affected the company's competitive environment?

The Future

The objective of these questions is to identify the company's vision for its future and the development of its future strategy.

17. Could you tell us more about how the vision of the company's future looks like?
18. How will the strategy continue to be adapted in the future?

Opportunities and challenges

The objective of these questions is to determine the opportunities and challenges recognised by the company in regards to its change of strategy as well as how the company identifies and handles risks and threats associated with this.

19. Can you mention which opportunities the company recognises in changing away from a niche strategy?

20. Can you mention what the challenges have been for the company in changing away from a niche strategy?

21. What risks/threats does the company face by broadening its product portfolio beyond its core competence?

22. What precautions by the company are taken to minimize these risks/threats?