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Strategic Planning and Performance in Small and Medium Enterprises

A Multiple Case Study in the German Manufacturing Industry

by

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Abstract

Purpose	This research aims to improve the understanding of the relationships between formal and informal strategic planning in reference to performance among SMEs.
Methodology	A qualitative case study was chosen as the approach for this thesis. The data was collected by conducting ten interviews with ten different manufacturing SMEs in Baden-Württemberg, Germany. A purposive sampling was conducted to ensure relevance of the primary data in this research. The interview outlines were based on the preliminary thesis framework (i.e. competitive environment, entrepreneurs and management, strategic planning, and firm's performance).
Findings	The competitive environment and entrepreneurs and management were confirmed to have influence to SMEs' strategic planning. One unexpected and significant factor to SMEs' strategic planning was found to be the business model of each firm (i.e. own products – mass marketed, contract manufactured products, and unique projects). Firms with the same business model type show very similar levels of strategic planning sophistication. Despite significant differences in strategic planning sophistication, firms showed very similar satisfaction towards performance. Entrepreneurs with mixed technology-business background are more likely to pursue more structured and formalized strategic planning. Only the firms with the highest level of strategic planning conducted environmental analysis and closely tied their plan to it, others managed to address their external environmental challenges in their own, unstructured approaches.
Originality / Value	Prior research showed inconclusive results on the implications of strategic planning to SMEs' performance and the causal link between the two was not well-established. This research explains the conflict with the suggestion of a relationship of diminishing returns wherein certain SMEs can benefit much more from strategic planning than others.
Conclusion	The significant differences in the degree of strategic planning are opposed by strong similarity of satisfaction with performance. This can be explained by the suitable strategic planning approaches chosen by each firm, rather than with a simple positive correlation. The relationship and interplay between the three factors, particularly the business model, have substantial influence on firms' approaches to strategic planning and to the resulting performance. A diminishing returns relationship between the benefit of strategic planning and the type of product can best explain the degree of strategic planning that should be pursued by a firm.

Keywords: Small and medium enterprises (SMEs), formal strategic planning, unstructured planning, performance, environment, product, entrepreneurs and management,

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Tack så mycket

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Terima Kasih

Table of Contents

1	Introduction	1
1.1	Background	1
1.2	Problem Statement	3
1.3	Research Questions & Research Purpose	4
1.4	Research Limitations	5
1.5	Outline of the Thesis	6
2	Literature and Theoretical Review	7
2.1	Small and Medium Enterprises (SMEs)	7
2.1.1	SMEs' Entrepreneurs	10
2.1.2	SMEs' Growth and Performance	12
2.2	Theoretical Concepts and Approaches to Strategic Planning	14
2.2.1	History and Principles of Strategic Management	14
2.2.2	The Management of Strategy	15
2.2.3	Basics of Strategic Planning	16
2.3	Recent Developments and Applied Studies of Strategic Planning	18
2.3.1	Strategic Planning in Practice	18
2.3.2	Strategic Planning Tools	21
2.3.3	Effects of Strategic Planning Implementation	22
2.4	Theoretical Framework	23
3	Methodology	25
3.1	Research Approach	25
3.2	Research Design	26
3.2.1	Case Study	29
3.2.2	Sampling	29
3.2.3	Operationalisation of the Data Collection	31
3.3	Data Collection Method	33
3.4	Data Analysis	35
3.5	Validity and Reliability	36
4	Results	39
4.1	Firms' Entrepreneurs and Management	39
4.2	Product Overview by Groups	44
4.2.1	Group 1: Own Product, Mass-marketed	44
4.2.2	Group 2: Contract Manufacturers	45

4.2.3	Group 3: Unique Projects for Customers	45
4.3	Firm’s Competitive Environment	46
4.4	Firms’ Strategic Planning	50
4.5	Firms’ Performance	54
5	Analysis and Discussion	57
5.1	Strategic Planning – Performance Matrix	57
5.2	Group 1: Own Product, Mass-marketed.....	58
5.2.1	Environment.....	58
5.2.2	Product & Production.....	59
5.2.3	Entrepreneur & management style.....	59
5.2.4	Approach to Strategic Planning	60
5.2.5	Relationship to Performance	61
5.3	Group 2: Contract Manufacturers	61
5.3.1	Environment.....	61
5.3.2	Product & Production.....	62
5.3.3	Entrepreneur & management style.....	63
5.3.4	Approach to Strategic Planning	63
5.3.5	Relationship to Performance	64
5.4	Group 3: Unique Projects.....	65
5.4.1	Competitive Environment	65
5.4.2	Product & Production.....	65
5.4.3	Entrepreneur & management style.....	66
5.4.4	Approach to Strategic Planning	66
5.4.5	Relationship to Performance	67
5.5	Discussion	68
5.6	Final Theoretical Framework	71
6	Conclusion.....	74
6.1	General Conclusions	74
6.2	Research Aims & Limitations	77
6.3	Practical Implications	78
6.4	Future Research.....	79
	References	80
	Appendix A – Interview Design	92
	Appendix B – Contact Letter Sent to Companies as Inquiry for Participation in the Research	98

Appendix C – List of Direct Quotes from Interviews with Translations 100

List of Tables

Table 1. EU SMEs Classification (European Commission, 2003).....	8
Table 2 SMEs' Strategic Planning Tools	21
Table 3. Overview of Interview Samples.....	34

List of Figures

Figure 1 Entrepreneurial Practice & Strategic Planning Relationship Diagram	6
Figure 2. Theoretical Framework: Causal Link of Environment and SMEs' Entrepreneurs Influence towards Strategy and Performance	24
Figure 3. Degree of Strategic Planning to	27
Figure 4. The Findings on Companies' Degree of Strategic Planning to Performance Satisfaction Matrix	57
Figure 5. Final Theoretical Framework	72
Figure 6. The diminishing returns of strategic planning in relation to business model.....	76

1 Introduction

The core idea of this research is discussed in this first chapter by describing the background and motivation of the chosen topic. It is followed by the problem statement which reveals the issue of the topic. The research questions are aimed to specify and focus on certain issues within the aforementioned problem which is expected to meet the research purpose. The limitations in this research are also stated in this chapter. Lastly, the structure of this thesis is explained in the research outline subchapter.

1.1 Background

As one organization type that is recently proliferating all over the world, small and medium enterprises (hereafter referred to as SMEs) may be defined differently depending on where they operate. Varying measures such as revenue turnover, number of employees, industry type, and so forth are used to determine what constitutes as SMEs. No matter what the definition of SMEs are in a respective region, they are now gaining attention of politics and research alike, reflected in the burgeoning numbers of researches and public policies concerning it.

While SMEs were rather left unnoticed in the past due to much more focus on large enterprises, Birch (1979) in his book, *The Job Generation Process*, brought SMEs to the attention of scholars and governments in the 1980s. He found that most of the new jobs were generated by small and medium sized businesses instead of the overemphasized big corporations; an insight that identified SMEs a crucial part to a nation's economic growth. As a result, subsequent policy makers are attempting to create a friendly business environment for them with supportive policies and lenient regulation (OECD, 2004; Commission of the European Communities, 2008). It is revealed that the strength of SMEs has positive implications to economic growth both in the developing and developed nations, although they may contribute so in different ways (Hu, 2010). Among the OECD countries, SMEs account to roughly 99% of companies compared to other types of firms, provide 70% of employment, and account for more than 50% of the value-added (OECD, 2017).

Although SMEs have been positively associated with job creation and economic growth, it is found that many SMEs struggle to survive and are typically hit the worst during an economic downturn (Trifu and Stirbu, 2015). Additionally, the OECD (2005) found in their *SME and Entrepreneurship Outlook* that 2 out of 10 newly established SMEs exit business within the first year of operation and more SMEs experience that in the subsequent year. Other studies over the last thirty years have pointed out that SMEs are continuously plagued by high failure rates mainly due to lack of strategic planning (Bracker and Pearson, 1986; Griggs, 2003;

DeMartino et al., 2015). Several factors might have caused this trend such as the typical lack of top management's relevant knowledge (Deimel, Kraus and Reiche, 2009), perception of complexity in the existing strategic planning tools (White, 1984), and concerns to time resources (Kraus, Reiche and Reschke, 2005).

Studying about SMEs should not be separated from the entrepreneurs, behind them (Wiklund, 1998). The way these entrepreneurs run their business shall certainly be reflected on the overall SMEs' decision-making and strategy which affect its performance. Not only that SMEs entrepreneurs' behaviour such as risk taker, innovative, and proactive are reflected in how the SMEs are being run (Covin and Slevin, 1991), but it may also affects how the strategic process is being made in the company which arguably differs from large enterprises (Griggs, 2003).

The theory of strategic planning for businesses itself can be traced since the 1960s. Economists have come to realize how strategy can be put into use to make a business prominent to its competitors and survive in the long-term (Gälweiler and Malik, 2005). Notable strategists such as Mintzberg built an overarching concept of strategy through his ten schools of thought to describe the different perspectives on strategy (Mintzberg, 1990). In regards to SMEs' strategic planning, other researcher like Berry (1998) suggested a prescriptive model to strategic planning which can be applied to approach a formalized strategic planning process. Similarly, Bracker and Pearson (1986) developed four categories of SMEs' strategic planning to understand the extent of implementation therein.

Building upon the theories of strategy, strategic planning researchers are seeking to understand the approach to strategic planning in real-world practice, how it has actually been implemented in businesses, and how SME business owner-managers perceive and apply it. It has been noted by Whittington (1996) that strategic planning in practice might not fully adhere to what has been suggested in theories. Specifically, as opposed to large corporations with their bureaucracy and formalized processes, SMEs' owner-managers often plan their business informally and on a day-to-day basis (Kraus, 2008). They further seem to depend on their past experience instead of thorough business analysis (Greenbank, 2000). Even more, it is found that many of them perceived strategic planning rather negatively (White, 1984; Kraus, Reiche and Reschke, 2005; Deimel, Kraus and Reiche, 2009).

Determining in how far a company applies strategic planning is a complex issue as there is no single framework that can wholly capture it. The same issue occurs when attempting to define strategy formulation, development, and outcomes in business. Thus, strategists like Ramanujam and Venkatraman (1987) offered several strategic planning dimensions that can be employed to identify the strategic planning implementation in a firm and the extent of it. Subsequently, other scholars such as Athiyaman and Robertson (1995) and Aldehayyat and Al Khattab (2012) tried to build upon Ramanujam and Venkatraman's (1987) strategic planning dimensions by proposing some other dimensions to capture it more broadly.

Of all these strategic planning dimensions, the use of strategic planning tools may often be the main foci in strategic researches. For example, as found in Glaister and Falshaw (1999) and Stonehouse and Pemberton (2002) articles, they were attempting to study the extent of strategic planning implementation in numerous firms by observing the use of established

strategic planning tools. To name a few of these tools in both researches, the SWOT analysis, PEST analysis, financial analysis, and portfolio matrices appeared commonly.

Overall, these aforementioned studies provide an understanding of strategic planning in theory and practice, how it is being used and perceived in SMEs, and how it can be captured. Next, there are numerous studies which focussed on applied strategic planning in SMEs and its performance implications. Quite commonly in the literature, positive correlations between strategic planning and success are implied, but not empirically proven. For example, Schwenk and Schrader (1993) and Andersen (2000) who confirmed a positive link between strategic planning and SMEs' financial performance. On the other hand, contradictive results are just as present in the literature. Gable and Topol (1987) and Rue and Ibrahim (1998) found that there is little to no relationship between strategic planning and financial performance. Going a step further from many researchers who frequently observed strategic planning and its mere association to financial performance, Gică and Negrusa (2011) compared it to several other performance indicators in hundreds of SMEs from diverse background and found no positive association either.

These contradictory results of strategic planning and its implications to SMEs' performance and/or success require further research on what may be the reasons for this phenomenon. As indicated, many of the previous researches have mainly used financial performance as indicators of strategic planning success. Accordingly, defining firms' success in a broader way might allow more valuable insights. Perhaps, the diverse industries that were observed in those researches may have contributed to inconclusive outcomes. When Glaister and Falshaw (1999) observed the strategic planning implications in manufacturing and service sectors, they have warned about the potential discrepancies among these two different sectors which in turn may affect research outcomes. Thus, focusing on one sector may possibly bring a more conclusive result by limiting the degree of difference in the overall context.

1.2 Problem Statement

As shown in the background section, there is a multitude of theories and approaches that try to explain the occurrence, intentions and effectiveness of strategies. While strategy effectiveness for large corporations is a well-established field, prior research concerning SMEs is conflicting and controversial. This is not due to a lack of research, but rather to the diversity of economic environment and management proficiency within SMEs as will be shown in this sub-chapter.

As Siegfried (2015) pointed out, the causal linkage between strategic planning and success in the SME sector remains unproven and the enormous variety of environmental conditions, management proficiency, and industry-specific characteristics make the establishment of a generally valid causal link methodically difficult.

While significant research has been conducted on the question why SMEs are often far behind large companies regarding strategic planning (Deimel, 2008) and how they would benefit from improving their strategic planning (Delmar and Shane, 2003), other researchers have

questioned the idea that formal strategic planning is always beneficial for SMEs in the first place. Notable examples are Mintzberg (1987) who argued that companies need strategies under certain conditions and do not need them under different conditions or Bracker and Pearson (1986) who identified four justifiable levels of strategic planning, effectively ranging from elaborate to non-existent.

In short, there is a complex variety of opinions, findings and doctrines in the academic world of strategy, many of which are tied to certain environmental conditions. For the leaders of SMEs, this jungle is excessively difficult to see through, while the academic world has difficulties to apply complicated, generalized concepts onto specific, real-world cases as well. Further attempts to explain the varying degrees of strategic planning among SMEs in the real world in relation to their success and satisfaction with strategic planning could contribute to the scientific debate over what amount of strategic planning is most beneficial under which circumstances.

1.3 Research Questions & Research Purpose

The purpose of this case study is to improve the understanding of the relationships between formal and informal strategic planning in reference to perceived performance among SMEs in the manufacturing sector in Germany. As previously discussed, the causal link between strategy and performance is not yet well-established (Siegfried, 2015) and there is scientific inconsistency on the relationship between the two, consequently an in-depth exploration of the relationship between them may provide clarification on this phenomenon. In explaining such cases, the entrepreneurial perspectives and their influence on strategic planning and success of SMEs shall also be explored. For the research at hand, the degree of formality of strategic planning based on the definition of SMEs' strategic planning researchers, Bracker and Pearson (1986) was adopted. They identified four classifications of the strategic planning implementation in SMEs from the least formal one, the unstructured plan, to the most advanced one, the structured strategic planning. On the other hand, the performance observed here is based on the satisfaction of the owners and/or top management towards the overall performance of the company, instead of only the financial success. A seven-point scale was designed to cater the perception of the owners and/or top management to the firm's performance. This allowed to accommodate for both financial indicators as well as other factors related to company development. The research was carried out with a small number of preselected companies on the opposing ends of the planning or less-planning and the successful or less-successful spectrum where data was obtained through in-depth interviews with owners and managers.

Central question of the Thesis:

Under which circumstances does strategic planning affect performance in small and medium enterprises?

The purpose of the research is to gain understanding on the perceived usefulness of strategic planning under different SMEs. The methodical goal of this research is to assess the applicability of various, partly contradicting strategy theories in practice. Through this

process, this research contributes to the clarification of apparent contradictions within the academic world and aims to provide guidance for decision makers in the economy.

1.4 Research Limitations

As with all qualitative studies, a generalization of findings onto larger sample groups is not permissible. Instead, the results of this research shall provide in-depth insight into the strategic planning practices of a small selection of companies. As such, the results shall help future researchers to understand the requirements and environments of small and medium enterprises better, which is meant to enable their design of subsequent, broader studies on the topic.

Another possible limitation refers to the transferability of results as the data has been collected in Baden-Württemberg, Germany. While this area is generally comparable to many other parts of the world, it must be noted that it forms a major industrial cluster of Europe while fielding particularly many strong SMEs. This could make it difficult to transfer the results into an economic area with structural weakness. A related aspect is the expected cultural homogeneity among the sample companies which could impact the transferability of results into different cultural contexts.

A third limitation is that the restricted scope of units of analysis to manufacturing SMEs. This was decided in order to ensure general comparability between the researched units because a much wider range of industries might have jeopardized this and led to biased conclusions as suggested by (Stonehouse and Pemberton, 2002).

A fourth limitation can be seen in the fact that all interview partners respondents were male. This was in no way intended by the research design but was rather a consequence of the focus on the manufacturing industry and the circumstance that Baden-Württemberg is a technology cluster, which effectively led the researchers into a male dominated field. It is plausible that results may have varied with a different gender distribution and a potential quantitative study design as follow-up on this research should take this into account.

A fifth limitation of this study is the fact that the study has been conducted in early 2019; following the growth cycle theory, this represents the late stage of a growth cycle which had been lasting in Germany since 2010. Conducting the same primary research during a stagnation or recession might have altered the results, especially in the subjective assessment of strategic performance.

1.5 Outline of the Thesis

The structure of this thesis is focused on six chapters with several subchapters covering the areas thoroughly. The first chapter is the introduction which comprises the background and reasonings of the topic selection, problematization of the topic, research question and research purpose to be explored further, and research limitations. It is followed by the literature review chapter which establishes key issues and theoretical concepts such as the SMEs itself, the state of strategy research including various approaches to strategic planning, and the recent developments and applied studies of strategic planning. The third chapter discusses the methodology used in this study which encompasses the research approach, research design, data collection, data analysis, and validity and reliability. Subsequently, the findings of the research are presented. Building upon these findings, an in-depth analysis and discussion is carried out by taking into account the related literature exemplified in the second chapter. Lastly, the conclusions from this research is drawn in the last chapter.

As this research revolves around the entrepreneurial practice of strategic planning and seeks to improve it, the following visualised structure guided the research design:

Scientific understanding of strategic planning in SMEs (1) is based on theories of strategy (2), which have been interpreted, developed and questioned by applied research (3), typically in reference to real-world entrepreneurial practice. During the latter process, many apparent contradictions and competing doctrines have arisen in the academic field, which have influenced the design of this research. The qualitative research (4) is then conducted along the lines of entrepreneurial practice and will lead to conclusions (5) that will improve the scientific understanding of strategic planning in SMEs (1).

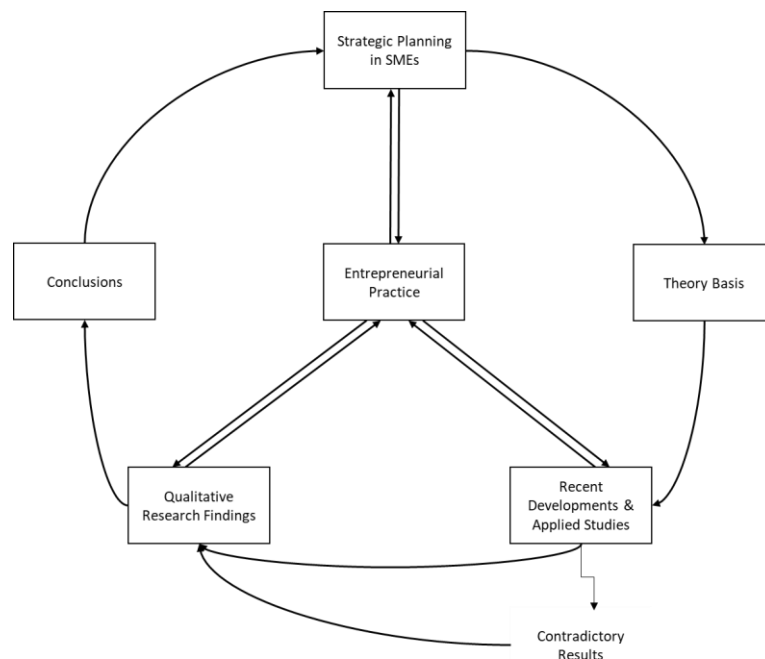


Figure 1 Entrepreneurial Practice & Strategic Planning Relationship Diagram

2 Literature and Theoretical Review

As described briefly in the previous chapter, strategic planning has been seen as an important aspect for companies to set their long-term direction to ensure competitiveness. Nevertheless, many researchers pointed out that SMEs and the actors behind them tend to overlook the use of strategic planning in their business, which arguably would impact their performance positively. On the other hand, it is unproven whether this common logic of positive correlation between strategic planning, implementation, and performance is truly sensible. Therefore, this chapter attempts to scrutinize the concept and practical findings of SMEs, the respective entrepreneur, the business environment and strategic planning based on former research. This was aimed at enriching the reader's current understanding of the topic, which in turn can be tested in an empirical manner in this study based on the real practice of entrepreneurs in manufacturing SMEs. This chapter will guide the reader through the following topics:

1. Small and Medium Enterprises (SMEs)

An introduction to SMEs in general, the types of entrepreneurs they are typically led by, their contribution to the overall economy and their performance therein.

2. Theoretical Concepts and Approaches to Strategic Planning

An introduction to basic theories of strategy and its evolution over the past decade as a foundation for the reader's understanding of SME-specific challenges of strategic planning.

3. Recent Developments and Applied Studies of Strategic Planning

Review of literature on management practices in SMEs in reference to strategic planning, the actual implementation including tool usage and an overview of the inconclusive assessment of their impact on performance.

2.1 Small and Medium Enterprises (SMEs)

The classification of a company's size can vary depending on the parameters used, such as the sales turnover, number of employees, total assets (Brooksbank, 1991), market capitalization (Koller et al., 2010), and so forth. Even though company performance does not receive the foremost attention in this research, it is worth noting that small and medium enterprises (SMEs) with their characteristics of restricted resources and knowledge (Kraus, Reiche and Reschke, 2005) tend to have unused potentials which can be leveraged to achieve greater performance particularly when they employ a strategic planning process (Bracker and Pearson, 1986).

Further, there is no consensus on the definition of SMEs itself. Its definition and parameter to determine the size may differ across world regions depending on the threshold set

respectively (OECD, 2005; Kyophilavong, 2008). One example referring to the U.S. where SMEs is defined according to its industry type, sales turnover, and number of employee with the maximum of 500 employees in all categories (Hammer et al., 2010). To add to the complexity, the total assets of SMEs in China are also considered as the parameter in defining the SMEs, whereas each of its parameter has different thresholds and the number of employees ranges between 100 to 1000 (Xiangfeng, 2008). The SMEs' definition by the European Union (EU) was used further in this research since the companies observed are based in Germany. Unlike in the U.S. and China, SMEs definition according to the EU, as shown in table 1, is less complex where it is not distinguished by the industry type, but only to the number of employees and to either the sales turnover or balance sheet total (European Commission, 2003).

Table 1. EU SMEs Classification (European Commission, 2003)

Company Category	Number of Employee	Sales Turnover	Or	Balance Sheet Total
Medium	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

In the past, SMEs were rather overlooked since research focus was mainly given to large corporations (Mac an Bhaird, 2010). Nevertheless it was revealed by many researchers (Mac an Bhaird, 2010; Tell, 2015; Rice et al., 2018) that SMEs started to catch the attention of scholars and governments after an American economist, Birch (1979), wrote on how small firms have played a significant role in providing new jobs in the U.S. His paper triggered the proliferation of SME-research and gave focus to other parts of the world (Knight, 1988).

Currently, SMEs are considered crucial both in developed and in emerging countries as they contributed positively to the employment rate, value added, and overall economy of a nation (OECD, 2017). Correspondingly, their labour intensive operations are not only advantageous to create job opportunities, but also expectedly to reduce poverty (UNIDO, 1999). Overall, SMEs make up to the majority of companies worldwide (Gilmore et al., 2013), while SMEs in Germany (as focal country of this study) accounted for 99.8% of all enterprises in 2018 (European Commission, 2019a). Wiklund (1998) argued that SMEs played a major part in the economic renewal as they are the driver of novel products and innovation. Its contribution to economic growth is as well one reason of why SMEs are now the spotlight of many countries' government (Beck, Demirguc-Kunt and Levine, 2005; Hu, 2010).

However, subsequent to Birch's trailblazing publication on SMEs and other supporting facts of their contribution, Gilmore (2013) pointed out that it is still not rare for SMEs to be described by their weaknesses. Major challenges to endure in the market and high failure rates are frequently associated with SMEs (Wiklund, 1998). Weak skills of owner-managers in decision-making, business, and finance appear to be major contributing factors (Gaskill, Auken and Manning, 1993). Surprisingly, these rather old findings are still relevant as they are in line with newer research suggesting that poor relevant business and management skills are still the major cause of business failures (Hatten, 2011; Smit and Watkins, 2012). Moreover, SMEs inherently suffer from resource limitations which thwarts their ability to

pursue greater opportunities such as expansion (Lu and Beamish, 2001). It is also well-established that SMEs have restricted access to financing (Kersten et al., 2017) which often hampers their growth (Beck and Demirguc-Kunt, 2006) or even worse, leads to business failure (Gaskill, Auken and Manning, 1993). However, subsequent to Birch's trailblazing publication on SMEs and other supporting facts of their contribution, Gilmore (2013) pointed out that it is still not rare for SMEs to be described by their weaknesses. Major challenges to endure in the market and high failure rates are frequently associated with SMEs (Wiklund, 1998). Weak skills of owner-managers in decision-making, business, and finance appear to be major contributing factors (Gaskill, Auken and Manning, 1993). Surprisingly, these rather old findings are still relevant as they are in line with newer research suggesting that poor relevant business and management skills are still the major cause of business failures (Hatten, 2011; Smit and Watkins, 2012). Moreover, SMEs inherently suffer from resource limitations which thwarts their ability to pursue greater opportunities such as expansion (Lu and Beamish, 2001). It is also well-established that SMEs have restricted access to financing (Kersten et al., 2017) which often hampers their growth (Beck and Demirguc-Kunt, 2006) or even worse, leads to business failure (Gaskill, Auken and Manning, 1993).

In addition to the above-mentioned internal limitations of SMEs, there are some threats posed by external actors either directly or indirectly in relation to its survival and competitiveness. One example is that despite the promotion and support for SMEs by the European Bank for Reconstruction and Development (EBRD), many financial institutions still perceive SMEs as high-risk and thus act very carefully when disbursing loans to them (Pissarides, 1999; Wang, 2016). Additionally, SMEs' size, age, and proprietorship are considered as the determining factors of their financing difficulties which may hinder them to grow and get into the ideal size (Beck and Demirguc-Kunt, 2006).

Despite the aforementioned weaknesses of - and threats to - SMEs, there are abundant strengths that SMEs have compared to larger firms. SMEs' limited product ranges may be beneficial for focusing on their core competencies and competitive advantages (Kraus, 2008). Their smaller size also plays an important role to build own organisational cultures which are not much plagued by external settings (Becherer, Halstead and Haynes, 2001). Hatten (2011) pointed out that larger firms tend to be distant from their customers, which vice versa, allows one of SMEs' competitive advantages: their proximity to the customers. He argued that SMEs can use this opportunity to build a stronger and lasting relationship to their customers. In contrast to the inherent characteristic of larger firms as being highly bureaucratic, SMEs are much less rigid which allows easier decision-making processes, communication, and coordination (Ghobadian and Gallea, 1996), which in turn gives them more flexibility to adapt to changes in the business environment (Kraus, Reiche and Reschke, 2005). On the other hand, Trifu and Stirbu (2015) found that economic turmoil may impact SMEs particularly badly. However, they also revealed that SMEs' agility to adapt and change quicker can be beneficial for them to overcome business turbulences. They discovered that those SMEs which adapted to change did survive and remained resilient subsequently.

Many other factors can also work in SMEs' favour should they leverage it well to compete in the market. Despite the limited resources and varying restrictions of SMEs, van Burg et al. (2012) found that many creative SMEs were able to turn these barriers to explore unidentified opportunities which in turn can increase their competitiveness. It is not rare to find SMEs in a

close geographical location which further form a cluster, in which Marsanasco and García (2013) determined it as an opportunity for them to interact and complement each other to foster growth and enhance competitiveness. The undebatable importance and benefit of SMEs has caused governments and policy makers to create a supportive business environment to stimulate its progression (OECD, 2004; Commission of the European Communities, 2008). Many other factors can also work in SMEs' favour should they leverage it well to compete in the market. Despite the limited resources and varying restrictions of SMEs, van Burg et al. (2012) found that many creative SMEs were able to turn these barriers to explore unidentified opportunities which in turn can increase their competitiveness. It is not rare to find SMEs in a close geographical location which further form a cluster, in which Marsanasco and García (2013) determined it as an opportunity for them to interact and complement each other to foster growth and enhance competitiveness. The undebatable importance and benefit of SMEs has caused governments and policy makers to create a supportive business environment to stimulate its progression (OECD, 2004; Commission of the European Communities, 2008).

2.1.1 SMEs' Entrepreneurs

Observing the SMEs and how they work often cannot be separated from the main actors behind them. These actors are often known as the entrepreneur who runs and be responsible for most of the activities in the SMEs. This trend was studied by Wiklund (1998) in his doctoral dissertation, where he pointed out that the smaller size characteristic of SMEs has led them to have less complex organizational structure which work on similar cultures as influenced by the entrepreneur behind them. In other words, the SMEs and their entrepreneurs behind them are entwined. Therefore, to understand how decisions and strategy are made, scrutinizing the entrepreneurial aspect itself was relevant.

To begin with, the rather broad definition of entrepreneurship was observed. The leading Austrian economist Joseph Schumpeter significantly influenced entrepreneurship research. In one of Schumpeter's (1934) defining works, he suggested that entrepreneurship is a work of assigning resources to new applications and arrangements that form an economic disequilibrium. While this refers more to the process, Venkataraman (1997) was aware of the supporting aspects to it which are the existence of both the rewarding opportunity and resourceful person, whereby the latter refers to the entrepreneur in person. Another perspective provided by Covin and Slevin (1991) is that a firm as an organization can have a similar entrepreneurial conduct such as the entrepreneurs themselves, who possess behaviour patterns such as risk-taking, innovative, and proactive to attain the growth objectives.

Many researchers attempted to make the classification of entrepreneurs itself to capture the differences among them. Smith (1967) divided entrepreneurs into two types which are the opportunistic and craftsman, where the earlier refers to the individual who possess great education and training, has high social awareness and participation, confidence to overcome the social environment, and direction to the long-term, while the latter is the exact opposite of these opportunistic characteristics. Later, Smith and Miner (1983) operationalized the practical definitions for both opportunistic and craftsman entrepreneurs using fourteen entrepreneurial variables such as scope of education (technical vs non-technical field), authority delegation (reliance on the entrepreneur vs delegation to other organization

member), and strategy implementation (limited competitive strategies vs wide-ranging competitive strategies from multiple facets).

In its relation to SMEs and their strategies, Wiklund's (1998) view of entrepreneurial orientation calls for attention: he sees the SMEs' entrepreneur's own-judgement on their strategic direction in the way they carry out the three entrepreneurial conducts described above as the key. He also pointed out that in SMEs, the relation between entrepreneurial orientation and performance is arguably significant. Therefore, the better the SMEs' entrepreneurs are in taking risk, pursuing innovative initiatives, and being proactive, the more likely that they will get better growth and performance. An interesting area to observe is to understand the potential factors that might affect how and why the entrepreneurs behave in certain ways when taking risk, pursuing innovative initiatives, and being proactive to drive their firm's growth and performance.

While many SMEs are a family business, Aldrich and Cliff (2003) explained that the influence brought by the family such as the structure, roles, and affiliation between them may have significant effects to entrepreneurial actions. Likewise, Ranwala (2016) found that the family and its members may have a substantial effect on the knowledge and skills to foster new ventures. Dyer and Handler (1994) described the influence of family towards the entrepreneurs' approach of running the business in four aspects; primary experience in their family's background, family participation in the business processes, family members that are being employed in the firm, and family members' ownership and business succession.

Relevant education is often argued to have significant effect on the entrepreneurial knowledge, behaviour, and activities, too (Raposo and do Paço, 1997; Ranwala, 2016). One explanation could be that education, which is considered as a resource, may enhance the entrepreneurs' competence and enable them to gain a competitive advantage for the firm (Wiklund, 1998). Not only education can provide the entrepreneurs with relevant managerial skills, but it can also help them with the social and soft skills which are arguably relevant to create a more effective and efficient firm (Elmuti, Khoury and Omran, 2012). Karlan and Valdivia (2011) found that there is a positive correlation between entrepreneurial education to enhanced managerial knowledge and skill as well as customer retention, but little correlation to a firm's growth and financial results. In contrast to the literature confirming positive correlations between educational background and entrepreneurial behaviour, Bae et al. (2014) conducted a meta-analysis study and found that there is little but significant correlation between them.

Although some researchers have pointed out the role of entrepreneurial education in influencing the entrepreneur's behaviour, relevant prior experience also has relevant impact on entrepreneurial features such as risk-taking, perceived hindrances, and level of control (Ramayah, Ahmad and Fei, 2012). Wiklund (1998) described that there are many ways of how one can get relevant experience such as through education, training, and social community. However, he accentuated that hands-on experience of the relevant industry in which the SMEs' entrepreneurs work in has been associated stronger to growth and performance, arguably due to their superior knowledge of the industry's pricing, markets, and customers. Even if the notion that the more experienced entrepreneurs generate better performance is still debatable, Reuber and Fischer (1999) argued that prior experience can be

beneficial for the entrepreneur to pursue informed actions and make sound decisions. Interestingly, with more experience of the entrepreneur, Gibson and Cassar (2002) found that they were less likely to make a plan for their business.

In regards to the topic of this thesis, it is relevant to explore whether entrepreneurs solely rely on experience as explained above or whether they also conduct strategic planning to make decision and achieve positive growth and performance. Literature research showed that there are still many entrepreneurs who perceived it strategic planning negatively. The existence of formal planning is often seen by the owner-manager of SMEs to fit better to larger companies (Deimel, Kraus and Reiche, 2009). It is also found that many SMEs' skipped the strategic planning process due to the high complexity perception of the strategic planning process (White, 1984). Through an extensive literature review, Kraus, Reiche and Reschke (2005) concluded three main findings where strategic planning seen as rigidity, time-consuming, and bureaucratic.

Even if entrepreneurs plan, most of them do not make it as a long-term planning to guide them in their future strategic direction. Of the 159 SMEs examined by Stonehouse and Pemberton (2002), most did not use strategic planning tools, focussed on short-term targets, and viewed strategy as an emergent process rather than a planning process. Likewise, Kraus (2008) observed that SMEs' owner-managers often only plan on daily operations. Reliance on the informal information based on prior experience was more employed rather than using a formalized planning process (Greenbank, 2000). Instead of leveraging formalized planning to help and guide SMEs' in conducting business and achieving goals, strategies were often developed only to meet the requirements of external parties such as banks to give them loans (Greenbank, 2000; Schulte, 2007).

The gap between strategic planning use in larger firms and opposing perception of usefulness of strategies may be explained through the barriers that might be faced by SMEs' owner-managers. Robinson and Pearce (1984) claimed that there are four major reasons on why many SMEs do not plan: limited time conveyed by the owner-manager, low understandings of the process since they just began the business, minimum understanding on the area of strategic planning, and feelings of insecurity to disclose the strategy to their employees and external consultants. Lack of relevant capability and know-how in strategy are also regarded as a common impediment (Gibbons and O'Connor, 2005; Kohtamäki et al., 2008). Concern towards firm's resources and the necessity to allocate them to put extra attention to day-to-day operations are also seen as the hindrance to strategic planning (Thompson, Bounds and Goldman, 2012).

2.1.2 SMEs' Growth and Performance

Firm's growth and performance are the common measures to understand whether a firm is in a good state or not. However, they are partly overlapping and cannot be measured in absolute units and require elaboration to be interpreted correctly. Tingler (2015) explained growth as the changes in the size of the firm over periods, which can be captured by several growth indicators. While there is no single way to describe performance, one can conclude from Tingler's (2015) research that it is a broader measure whereby growth is part of the

performance indicator. Likewise, Wiklund (1998) defined that growth is a proxy of performance, in which he also accentuated that SMEs' strategy shall be to pursue growth to achieve a better performance. Agnihotri (2014) explained that a firm can achieve growth in three ways; namely through organic growth where it uses its own resources and competence, hybrid growth where it uses or divides them with those available in the market, and inorganic growth where it acquires another organization to obtain the relevant resources and competences.

While many studies have observed how a firm grows and achieves improved performance, it may not be easy to determine this in practice, since there is no consensus on which variables represent the best measures (Delmar, Davidsson and Gartner, 2003). Variables such as revenue, profitability, and the number of employees were used to study the small firms (Birley and Westhead, 1990; Blackburn, Hart and Wainwright, 2013). In a more comprehensive way, Chandler and Hanks (1993) developed three distinct parts to measure performance. The first part of their performance measurement was to understand the growth and business volume of the emerging business by employing several variables such as market share growth, cash flow development, revenue growth, earnings, and net worth. The second and the third part were to measure those variables to their own firm and their competitor's firm respectively, using the perception of the top management by assigning a Likert scale on it. However, according to Wiklund (1998) and Delmar (1997) who focused on small firms' growth and performance specified that revenue and number of employees development were more relevant to capture growth and performance in SMEs.

There are three characteristics supporting SMEs' growth; namely the SMEs' entrepreneurs intention, the firm's abilities, and the business opportunity (Morrison, Breen and Ali, 2003). Davidsson et al. (2002) conducted research to find the underlying factors of SMEs' growth in which the results showed that a firm's age, size, independent ownership, industry, and legal entity type play a significant role in determining its growth, which also aligned with the findings of prior similar literature.

Although variables to measure a firm's growth and performance have been explained above, Delmar, Davidson, and Gartner (2003) accentuated that the way the firms grow cannot and should not be generalized as each of them is different. According to their definition, firms can grow either in absolute measures which represents the actual numbers or relative measures which represents the percentage changes in growth or both. They further developed seven categorizations of the firms with high growth as follow:

1. **Super absolute growers:** have an outstanding absolute growth in employment rate (either in total and organic) as well as revenue. Found primarily in SMEs and firms in manufacturing sector.
2. **Steady sales growers:** have negative employment rate, but have positive improvement in the absolute sales. Found primarily in larger firms within group companies and traditional manufacturing sector.
3. **Acquisition growers:** have robust positive improvement both in revenue and employment rate due to inorganic growth such as acquisition. Found primarily in larger firms within group companies, traditional manufacturing sector, firm with older age.

4. **Super relative growers:** shows the most improvement in relative aspect both for revenue and employment rate, although sometime also seen as inconsistent. Found primarily in SMEs, independent companies, and knowledge-based service sector.
5. **Erratic one-shot growers:** possess negative absolute revenue and employment rate (either in total and organic). Its relative growth was due to one or a few exceptional years, but also proportionately experience one or few poor year. Found primarily in SMEs and low technology service sector.
6. **Employment growers:** shows positive improvement in the number of employees but negative absolute sales. Found primarily in SMEs and low technology service sector.
7. **Steady over-all growers:** possess robust improvement in the absolute revenue and employment growth, both total and organic. Found primarily in larger firms within group companies and firms in manufacturing sector.

2.2 Theoretical Concepts and Approaches to Strategic Planning

This subchapter introduces the terminology and basic theories that this research is founded on. It is necessary in order to narrow down the research topic. Since strategic planning is inherently part of the development of strategies itself, the historical development of strategic management as a discipline of business research and its approaches and applications must be introduced. The theory of success factors is further needed in order to explain the supposed causal links between strategic planning and economic success of businesses in general and small and medium enterprises in particular.

2.2.1 History and Principles of Strategic Management

“Military strategy is a plan that serves to meet the purpose of the war: to achieve a peace in which the own interests are secured over the long run.”

Translated from “Vom Kriege“ (von Clausewitz, 1834).

The terminology of strategy stems from the military field and is thousands of years old. Nevertheless, it took until the 1960s for economists to deeply approach strategic research for businesses. Important works of the time are the Ansoff-Matrix for growth and expansion strategies by Ansoff (1970), the proposition that “structure follows strategy” by Chandler (1962) and Andrews’ framework for corporate strategy formulation and implementation (Andrews, 1971).

By 1981, Aloys Gälweiler summarized the modern understanding of strategy for business as the connection between planning, implementation and formulation of strategy with the way and the means that are applied in order to achieve competitive advantage goals and secure the survival of the enterprise, *republished* (Gälweiler and Malik, 2005).

David A. Aaker (1995) further contributed the inclusion of long-term goal setting in strategy formulation and the effective range of a company's strategy. In this context, strategic orientation is required based on what direction a company wishes to develop into (Gatignon and Xuereb, 1997). Continuing this thought, the company further has to decide how it aims to position itself towards the competition. Management is thus tasked with identification of future potential and investment opportunities that generate competitive advantages (Porter, 1980) which then have to be formulated into a competitive strategy as described by the generic competitive strategies by Porter (1989).

Based on these established theories and the common practice it can be generalized that strategies are elementary decisions that form the frame for operative decisions and the general success of the enterprise. As further elaborated by Hinterhuber (1990), strategies are supposed to be valid over a longer time horizon as they are meant to serve the future development – not just the present one. However, he points out that often the focus shifts towards short-term, day-to-day activities instead of long-term survival.

An explanation for this apparent discrepancy was proposed by Mintzberg (1987) who argued that companies both **need** and **do not need** strategy. Companies accordingly need strategy for setting direction, focusing effort, promoting coordination, defining the organization and for providing consistency, but they also don't need strategy when they are in a highly dynamic environment where the application of a consistent strategy is not feasible in the first place. He further points out that too much focus on strategy may effectively trigger resistance against necessary tactic

al and managerial changes. Thus, he concludes that: "Strategies (and the strategic management process) can be vital to organizations, both by their presence and by their absence." (Mintzberg, 1987). In his work, he showed that next to rational planning, there is a broad spectrum of strategy types from which he derives five understandings of strategy, the **5 Ps (Mintzberg, 1987)**: strategy as a plan, as a ploy, as a pattern, as a position and as a perspective.

From the 1990s onwards, different schools of thought developed in the strategy field. This variety of perspectives suggests that there is no universally applicable concept of strategy and their survival indicates that they all hold some value. Henry **Mintzberg summarized the 10 schools of thought** as his contribution to Frederickson and Mintzberg (1990). The schools are determined by they focus on design, planning, positioning, entrepreneurship, cognitive processes, learning, power, culture, surroundings, and configuration. The existence of the ten schools of strategy implies that there is no one generally applicable strategic framework and makes the application of any single school onto the variety of SMEs impossible.

2.2.2 The Management of Strategy

Management is not as much an empirical science as much rather the art of navigating through a complex and dynamic environment where relevant information has to be obtained and effective decisions have to be based on it (Drucker, Gebauer and Simon, 2014). At the same time, management is not necessarily seen as company governance, but rather as a tool for the

organisation (Drucker, 2010). Drucker elaborates that management is generally applicable when people bring different skillsets and experiences to an organisation in order to achieve a common goal. He sees the general goal of any organisation in the fulfilment of a specific task for a specific benefit. However, no task can be fulfilled without the application of knowledge and then no benefit can be gained. Knowledge is to be seen as an immaterial resource in the possession of an experienced human. Thus, management must put the human first in order to make use of this resource (Drucker, 2010). This commonality occurs among all disciplines of organisational management.

In 1998, the perspective of Hinterhuber and Krauthammer (2005) extended this thought by the aspect of leadership, which is often, but unduly, used synonymously with management. Besides actually leading, they see the concept of leadership as thinking ahead and acting ahead. This idea is in line with the understanding of management as a tool of future development for a company. Leadership is thus not to be seen as an independent discipline within management. Rather, the concept of leadership is seen as the initiative-taking, purpose-inducing vision that leads the organisation into the desired direction. As a secondary function, leadership takes effect by setting a good example. The third aspect of leadership is seen in the ambition to generate wealth or value for all stakeholders (Hinterhuber and Krauthammer, 2005). With help of the elements of providing vision and setting a good example, the concept of leadership addresses the management topic of employee motivation. Hinterhuber (2007) thus concluded that leadership is supposed to invest into humans and their development rather than into systems.

To summarize, there are two major models that try to explain the process of strategy development:

1. **The planning model (also called synoptic model):** connected to Ansoff, this prescriptive approach gives design instructions for how strategic processes should be organised. The core idea is an approach where the steps systematically follow each other and culminate into an elaborate plan (Ansoff, 1991).
2. **The incremental model (also called incrementalism):** developed by Mintzberg (1978) is based on empirical analysis of strategic decision-making processes. This falls under the category of descriptive approaches. The core idea is that strategies develop incrementally, are decided decentral and do not follow a strict pattern. Consequently, the plans typically exist in the heads of the decision makers rather than on agreed-upon documents.

2.2.3 Basics of Strategic Planning

A need for strategic planning is typically seen when long-lasting trends are broken. This is in line with the theory of Berry (1998), who describes the strategic planning process as long-term oriented, comprehensive, in written form and is establishing goals and strategies while evaluation and monitoring are of high relevance. Her prescriptive model of strategic planning for new SMEs in technology suggests to:

1. **Conduct an environmental analysis**
2. **Conduct an internal analysis**
3. **Evaluate actionable alternatives**
4. **Continuously review and revise plans**

However, she also points out that there is no need for a highly formalised process of strategic planning in the early stages of the firm’s life cycle. The validity of Berry’s strategic planning concept has been supported by Yusuf and Saffu (2005) in their study with 297 SMEs. Regarding the level of formality, Bracker and Pearson (1986) attempted to make a categorisation of the strategic planning process as follow:

1. **Structured strategic plans (SSP):** “Formalized, written, long-range plans covering the process of determining major outside interests focused on the organization; expectations of dominant inside interests; information about past, current, and future performance; environmental analysis; and determination of strengths and weaknesses of the firm and feedback. Typically 3-15 years in nature.”
2. **Structured operational plans (SOP):** “Written short-range operation budgets and plans of action for current fiscal period. The typical plan of action would include basic output controls such as production quotas, cost constraints, and personnel requirements.”
3. **Intuitive plans (IP):** “These informal plans are developed and implemented based on the intuition and experience of the owner of the firm. They are not written and are stored in the memory of the firm's owner. They are of a short-term duration, no longer than 1 year in nature. They depend on objectives of the owner and the firm's present environment.”
4. **Unstructured plans (UP):** “No measurable structured planning in the firm.”

All definitions in quotes are referring to Bracker and Pearson (1986). The time horizon of SSP as described above stems from 1986 can be criticized in today’s era where fast changes and developments drive in businesses. In turbulent market nowadays, precise prediction of a 15 year horizon may no longer be feasible; instead flexibility to adapt and respond quickly is more desirable (McGrath, 2013). One interview partner had a fitting thing to say about this:

<p>„Wer heute noch glaubt, er kann fünf Jahre vorausplanen, da frage ich mich ob der den Kalten Krieg nicht beobachtet hat.“ - Inhaber Firma J.</p>	<p>“Who believes today that he can plan for five years ahead, then I wonder if he did not observe the cold war.” – Owner firm J.</p>
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One of the most commonly used tools of strategic planning is the business plan. Siegfried (2015) argues, that it is particularly useful during the founding phase of a company or during a succession or takeover. It provides overview over: founders, products/services, market, marketing, employees, company structure, chances, risks and financing. Young entrepreneurs, buyers of a company, banks and investors appreciate well-written business plans in their decision-making processes for: searching for partners and investors, loans, buying and selling companies, management recruitment and for long-term orientation of the company. Siegfried

(2015) further argues that in order to be effective for professional use, a business plan needs to be: customized for the recipient, clearly structured, comprehensible, measurable, and convincing in presentation. Like this, a business plan's purpose is to deliver the abovementioned critical information to the relevant stakeholders. Finally, Siegfried (2015) concludes that there is a multitude of industry-specific and country-specific standards for business plans. This variety is supported by many suggested formats and orientation helps for business plans in scientific research. Authors like Beer et al. (2005) have shown that entrepreneurs with a professional background in business are more likely to write business plans than those of different professional backgrounds. Further, the chance of benefitting from organisational learning is greater with a business background.

2.3 Recent Developments and Applied Studies of Strategic Planning

The growing amount of theories in the strategy area, particularly in a business context, have led to an increasing number of studies attempting to observe strategy applied. Many researchers have attempted to understand both the reasons for businesses to apply or not to apply strategic planning itself and determined varying ways of how strategic planning is used and perceived by practitioners. Additionally, numerous strategic planning tools have been developed by notable strategists and consultancy companies to guide the business practitioners. Furthermore, several researches have sought to comprehend the impact of strategic planning on a company's performance and success but the causal links between planning and success have not been empirically proven.

2.3.1 Strategic Planning in Practice

Although researchers have discussed extensively on what strategy and strategic planning are, the reality in practice might not fully adhere to it. Whittington (1996) studied strategy from the past until recently and applied context in business, from which later he mapped out the new guidance of strategy in practice. He pointed out that in the real-world practice, the act of strategizing, which comprises craft skills and specific tacit skills, is more commonly applied than formal strategizing with help of academically developed tools. Building upon Whittington's (2006) work, Jarzabkowski (2004) encapsulated that strategizing in practice is the nexus between three aspects which are the practitioners who conceptualize and develop strategy, the practices which involve methods as well as tools related to strategy, and lastly, the praxis which is the way the members of the organization are actually conduct the strategy at various organizational levels. Overall, it can be understood that there is no universal strategy since each organization is idiosyncratic.

Strategic process is a part of the strategic management main component in which it is synonymous with the strategic planning syllable (Cole, 1994). The three major components of strategic planning itself, as summarized by Hopkins and Hopkins (1997), comprises strategy formulation, implementation, and control. Strategic planning in practice can be defined as a

delineation of a plan to achieve organization's goals in a long-term (Kear, 2006) and blueprint to give guidance on what organization should do from today to be at the desired position in five to ten years (Athapaththu, 2016). While many have overstressed the timespan of strategic planning for the long term, Carlson (1990) argued that short term strategic planning is equally important as focusing too much on the long term might make companies lose sight of any opportunity arising in shorter period and make them less adaptable to business turbulence. Additionally, strategic planning is not merely a one-time process conducted by organization, instead it is a continuous process (Drucker, 1986). Hence, organization should review and refine its strategic planning to align it with current developments.

In order to achieve goals, strategic planning plays a role in incorporating and synchronizing an organization's diverse tasks (Andersen, 2000). The process of strategic planning may help companies to formulate contingency plans within a scenario analysis by considering the changes that might occur in their business ecosystem (Kraus, Reiche and Reschke, 2005). O'Regan and Ghobadian (2002) highlighted that strategic planning is beneficial for an organization to leverage its strengths against its competitors. Nevertheless, White (1984) accentuated that there is no assurance that strategic planning will lead to success and he even stressed on several possible traps which often blinded management due to excessive confidence of their plans. Out of the twenty-six traps he described, the most frequent are connected to management reluctance to planning due their perception of company's current success, expectations of instant success after implementing strategic planning instead of seeing it as a learning process, and beliefs that they should strictly follow their initial planning rather than adapt to unseen changes.

Numerous researchers have attempted to understand the approach to strategic planning and how it is formulated and executed in organizations, for which they found mixed results. Similarly, Griggs (2003) also questioned whether a firm plans in accordance to the normative strategic process. It has been recognized that the strategic planning approach for SMEs differs from larger enterprises due to its distinct features (Bracker and Pearson, 1986; Kraus, Reiche and Reschke, 2005). Thus, said authors put more emphasis on the strategic planning approach of SMEs, whereby in this context, usually the owner-manager is the one who performs the process (White, 1984; Skokan, Pawliczek and Piszczur, 2013).

Referring to Hatten (2011) on how to develop a formally written strategic planning for SMEs, he proposed a six-step approach as follow:

1. **Mission statement formulation:** description of the firm's business and objectives
2. **Environmental analysis:** firm's internal and external analysis using SWOT
3. **Competitive analysis:** scrutinising firm's competitive advantages by comparing several aspects as opposed to its competitors and using Porter's five forces
4. **Strategic alternatives exploration:** comparable to gap analysis in which the results from the preceding steps are reviewed and investigated for further refinement to solve the disparity
5. **Objectives and strategies articulation:** formation of a well-defined target derived from the mission statement which is divided into business goal and function goal. Subsequently, a relevant strategy shall be articulated to realize the goals

6. **Control system establishment:** regular checking of the implemented strategic planning compared to the actual firm's performance.

Considering presence and absence of strategic planning in SMEs, Bantel and Osborn (1995) established that the lack of Porterian planning does not equal the lack of any strategic orientation. As such, they argue that even focus on a particular group of customers can be regarded as strategy. Finding the right amount of formal planning appears to be difficult for SMEs in Germany overall though as Meffert et al. (2005) have concluded from their analysis of 600 German SMEs that there is generally "zu viel Bauch, zu wenig strategische Planung", so: too much gut-feeling, too little strategic planning. Their conclusion further revealed that not a lack of methods seemed to have caused this, but rather a know-how gap on how to conduct strategic planning properly. This was expressed by many SMEs as not having defined their process of strategic planning and that many of them have difficulties selecting relevant information and appropriate methods. Specifically for the state of Baden-Württemberg, where this study is set, Held (2007) found in a study with 631 SMEs that the reasons for not planning are time constraints (31,6%), no perceived need (29,2%), missing personnel resources for strategic planning (12,5%), the complexity of the task (10,4%) and cost reasons (8,3%). This is mostly in line with Siegfried's (2015) summary who finds the main reasons for a lack of strategic planning in SMEs in:

- **Time constraints**
- **Know-how limitation**
- **Missing acknowledgement of necessity**
- **Missing rationality in decision-making**
- **Focus on day-to-day business**
- **Overemphasis on intuition of the decision-maker.**

There are neither exact ways to tell whether a company implemented strategic planning to its business effectively nor for what constitutes strategic planning dimensions. Many researchers argued that the existence of the formal and written plan can be considered as strategic planning (Bracker and Pearson, 1986; Baker, Addams and Davis, 1993; Held, 2007). However, Griggs (2003) observed that many of the strategic planning related literature only use a single dimension analysis, while it is opposing with the multidimensional characteristics of planning.

Building upon Ramanujam and Venkatraman's (1987), Athiyaman and Robertson (1995), and several other strategic planning researchers, Aldehayyat and Al Khattab (2012) defined six dimensions of strategic planning. The first four dimensions are the same with the dimensions specified above and the remaining two are as follow:

1. **Key people's involvement:** the extent of key people in the organization engaged to the process of strategic planning e.g. CEO, top management, or the owner-manager in most cases of SMEs.
2. **Time horizon:** the time length of which the strategy is planned for.

In addition to what has been classified as strategic planning dimensions by many researchers before, other aspects appear relevant, albeit not having been labelled dimensions. The

incorporation of a mission statement is arguably an important part of the strategic planning process in firms (O’Gorman and Doran, 1999; Van der Walt, Kroon and Fourie, 2004; Majama and Magang, 2017). Additionally, a firm’s overarching objectives and specific targets that stem from them are also considered as an essential part of strategic planning in firms (Glaister and Falshaw, 1999; Stonehouse and Pemberton, 2002).

2.3.2 Strategic Planning Tools

In the previous subchapter, the use of strategic planning tools was pointed out by some researchers as one of the strategic planning dimensions. There are numerous established strategic planning tools that are common to be operationalized by businesses. Most of these tools can be used for all company sizes, but according to Stonehouse and Pemberton (2002) SMEs are less likely to apply them compared to large enterprises.

Some of the most common tools used by SMEs can be identified in relevant literature. Building upon Frost (2003), Held (2007), and Siegfried (2015) who focused on SMEs’ strategic planning, related techniques, and models, some of the most common tools for SMEs can be summarize in Table 2 below.

Table 2 SMEs’ Strategic Planning Tools

Common Strategic Planning Tools for SMEs	Internal or External Perspective	Frost (2003)	Held (2007)	Siegfried (2015)
SWOT analysis	Both	✓	✓	✓
PEST analysis	External	✓		✓
Porter's five forces	External			✓
Core capabilities/competence analysis	Internal			✓
Financial analysis of own business	Internal	✓		
Competitor analysis e.g. financial analysis of competitors	External		✓	✓
Market analysis	External		✓	
Value chain analysis	Internal			✓
Portfolio matrices e.g. BCG matrix	Both			✓
Benchmarking tools	External		✓	✓

While tool usage was a part of this study’s empirical research, the central focus revolved around the business environment and how the SMEs’ entrepreneurs deal with it in running the business. This is aligned with Wiklund’s (1998) statement on how strategy or various sets of actions carried out by the managers in addressing the business environment will in turn affect

the firm's performance. Therefore, of all the strategic tools mentioned above, the one that may wholly capture the business and competitive environment through several aspects is Porter's five forces. Additionally, the aforementioned "school of positioning" by Mintzberg (1990) also referred to Porter's definition of the competitive environment. The five forces tool was introduced in Porter's (1979) article of "How Competitive Forces Shape Strategy", in which it was described by many as upheaval in the field of strategy. Later, he republished the article with a rich description of each part of the tool which can be summarized in the following (Porter, 2008):

1. **Threat of new entrants:** the possibilities of new players to enter the industry and its implications to incumbent players.
2. **Bargaining power of suppliers:** the extent of influence that the suppliers can exert to the company and its consequences to firm's cost structure.
3. **Bargaining power of buyers:** the extent of influence that the buyers can exert to the company and its consequences to firm's product price and revenue streams in general.
4. **Threat of substitute products or services:** the availability of other products or services that provide similar function through different ways which may threaten firm's product.
5. **Rivalry among existing competitors:** the incumbent players' actions in the industry that determine the fierceness of the competition.

2.3.3 Effects of Strategic Planning Implementation

Positive Implications of Strategic Planning

The use of strategic planning has been correlated to positive outcome to the company's performance and overall success by a number of authors. Schwenk and Shrader (1993) conducted a meta-analysis of SMEs' formal planning impact to its financial performance, such as to the revenue growth, return on assets (ROA), profit margin, etc., which they found a substantial positive relationship. Similarly, Baker, Addams and Davis (1993) suggested that when small firms implement formal written strategic planning, it can lead to business success. Since many have overlooked strategic planning in SMEs, Andersen (2000) attempted to investigate its effects to firm's performance in various industries and found that it has led to greater financial performance and organizational innovation without a sizeable difference between each industry. In a study carried out by Blackburn, Hart, and Wainwright (2013), they found that the older age and smaller size of SMEs which have innovative entrepreneurs and formal business plan tend to have better revenue and employment development, while the younger firms tend to have better profitability. Going more specific, Delmar and Shane (2003) studied the impact of business planning to small new companies which they found it is particularly advantageous to facilitate the activities of the newly established firms, help lessen the risk, and improve the overall survival rate.

Negative or No Implications of Strategic Planning

On the contrary, other studies also found that there is little to no relationship between strategic planning and a firm's performance or success. Of the 179 small retailing firms investigated in

a study by Gable and Topol (1987), they found extremely low impact of formalized planning to revenue and profit margin. Correspondingly, Rue and Ibrahim (1998) explored the extent of formal planning to SMEs' performance and found insignificant impact particularly to its return on investment (ROI) and only modest effects to perceived performance. Though not specifically observing SMEs, Falshaw, Glaister and Tatoglu (2006) found that there was no correlation between strategic planning implementation and financial performance. Gică and Negrusa (2011) also observed how several firm's performance indicators were impacted compared to the use of seven strategic planning measures to 200 SMEs with diverse background and did not discover any positive relationship.

Overall, these studies have provided inconclusive and contradictory results on how strategic planning affects firms' performance or success. This pattern is not unusual and has been recognized as well by several researchers such as Shrader, Taylor and Dalton (1984) through a meta-analysis which they found both positive and negative implications to performance for both the planners and nonplanners. Additionally, Rudd et al. (2008) discovered similar contradicting results, but they further examined how the degree of flexibility intercede with the strategic planning and performance relationship. On the other hand, this phenomenon may also be explained due to difference in the empirical methods applied and subjects observed by these researchers. They also realized that the work of strategic planning and its relationship to performance is intricate and has extensive scope, thus they recommended for further similar research to explore broader research sample and other aspect of firm's performance rather than just financial (Rue and Ibrahim, 1998; Falshaw, Glaister and Tatoglu, 2006).

2.4 Theoretical Framework

Conclusively, the reader of this chapter was informed about SMEs' characteristics, strengths, weaknesses, and their role in the economy. The entrepreneurs are arguably an important factor and have much influence on the overall SMEs' activities. The theoretical and applied strategic planning literature have been reviewed to provide a broader picture of what strategy and strategic planning are, both in general and in particular for SMEs. Different perspectives and spectrums on strategy, mainly by Mintzberg, have been highlighted as the overarching strategy theories. Several similar patterns can be seen as well on the approaches of strategic planning from various researchers in theory and practice alike. Lastly, various research showed contradictory outcomes on the strategic planning implementation and its relationship to the performance and success of the firms, particularly in SMEs.

The previously mentioned factors were used as the building blocks for this research: the entrepreneurial perspective of SMEs owner and/or manager, the competitive environment surrounding the SMEs, the theoretical and practical aspects of strategy and strategic planning, and firm's performance. While the emphasis on how the external environment may affect the competitiveness of a business (Porter, 1979) and thus firm should be able to position itself in the market (Frederickson and Mintzberg, 1990), Wiklund (1998) further attempted to draw the lines of this aspect to SMEs' strategy and performance. In his research, Wiklund (1998) built several causal link diagrams which he believes to have impact on SMEs' performance. One of them was the strategic adaptation perspective towards firm's performance. In this

framework, he focused on how the strategy, which shall include strategic planning and theoretically shall be built upon the relevant business environment, could impact the overall performance of SMEs. Furthermore, based on literature study, it is suggested that SMEs' entrepreneurs significantly affect the strategy development and, in turn, the performance. This relationship, which defines the overall direction of this thesis, is depicted in figure 2 below.

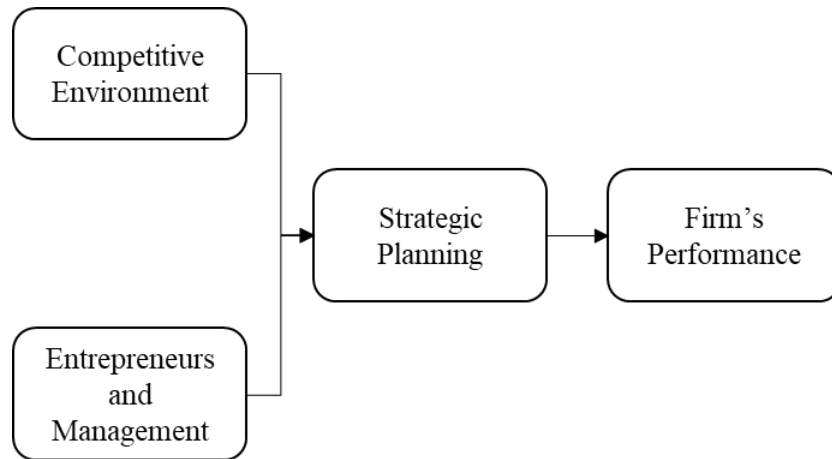


Figure 2. Theoretical Framework: Causal Link of Environment and SMEs' Entrepreneurs Influence towards Strategy and Performance.

Following the framework, we can further break down each of its aspects into details in relation to this research. In the environment aspect, the focus here is to explore the five competitive forces as explained by Porter (1979), where he argued that each of them affect the strategy of a firm. Through this view of environment, it is expected that the research shall bring clarity whether all of the five forces impacted the strategy of SMEs or only parts of them. On the other hand, entrepreneurs' in SMEs play a significant role in operations, planning and strategizing. Therefore, the entrepreneur's influence, likely in itself affected by educational background, past work experience, and their other path dependencies can arguably affect the strategy. Consequently, the strategy choices of the entrepreneurs and the firms can either be high or low on formalized planning depending on the two aspects. As a rational expectation, the strategy choices should be reflected in the performance both positively and negatively. The research is meant to reveal whether this expectation can be upheld or not.

In summary, the study built upon this framework to address the relationship and significance between strategy - which includes strategic planning - and performance of SMEs in the. The interview questions asked to the SMEs' owner-manager, which can as well be seen as the entrepreneur, are derived from this framework. Therefore, the reader may get a whole picture and rich information on how all these aspects may partake in the firm's performance of these SMEs'.

3 Methodology

This chapter discusses the methodology used in this study to address the discrepancies in strategy research for SMEs. To begin with, the research approach is described and followed by the research design which covers the type of study chosen in this research based on its relevant nature. Subsequently, the method to collect relevant data is explained in a chronological order as well as the process on how it was analysed further. The validity and reliability processes are also explained in order to ensure the quality of the research.

3.1 Research Approach

A qualitative case study has been chosen as one of the most commonly conducted business research methodologies as suggested by Creswell (2013). In contrast to the quantitative approach which is used to address a close-ended question through numerical data, this research aims to answer the open-ended, aspect-rich question through an observation of several individuals on their experiences (Creswell, 2013). Focussing on the experience of the SMEs' entrepreneurs in this research is corresponding to what Starman (2013) described as interpretative paradigm which fits the features of qualitative approach. In line with the research purpose, this study aims at increasing scientific understanding of strategy use in SMEs and thereby resolve some of the current discrepancies among researchers. The goal of this study is thus to throw light at the significance of strategic planning in determining the performance of the SMEs. This was done by researching the manufacturing industry specifically, while the findings were supposed to be transferable to other sectors of the economy.

Based on the scientific discrepancies found in the literature in chapter 2, this research inevitably had an exploratory character. An argument given by Creswell is that qualitative approaches are the best choice when the researchers do not know the important variables that are to be examined which was the case for this research. Further, an abundance of strategy theories were to be tried and questioned through the perspective of individuals, which corresponds to the definition of qualitative research by Creswell (2013). This, together with the intention of discovering complicated relationships between multiple factors, made a qualitative research approach best-suited for this purpose.

In order to get find meaningful research results, the aspect-richness and number of research subjects have to be considered. While it may be ideal to have a high rate of both, the practical limitations require a focus on either of them. As established above, the research question is very aspect-rich, which makes data collection an extensive process of time and effort. Arguably, the best possible combinations were either to maintain a high degree of aspect-

richness with a lower number of subjects studied - or a lower degree of aspect-richness with higher numbers of subjects studied. In order to address the research question adequately, the earlier combination of research elements was more suitable considering the nature of this research. All in all, this is in line with Luthans and Davis' (1982) statement on the rigorous study of one or several cases to obtain deep comprehension on the organizational behaviour, known as idiographic approach, as opposed to the nomothetic approach which involve large set of data in a homogenous and restricted environment.

3.2 Research Design

To ensure an appropriate and rigorous research, a suitable research design was a necessity. According to Yin (2016), research designs should act as “logical blueprints” to help addressing the research questions by following a rational approach which shall also present a causal link among each part of the research. Following the nature of this research as described in subchapter 3.1, a qualitative case study was chosen to provide a better explanation for a complex situation of persons or organizations (Baxter and Jack, 2008). More specifically, a multiple case study instead of a single case study is performed to understand the situations in several settings, show the similarities and differences between each case, increase its reliability, and contribute to broaden the relevant theories (Gustafsson, 2017). Accordingly, it helps to address on the approach to obtain a high degree of aspect richness through several cases and thus the case here is considered as the unit of analysis.

In order to ensure significant diversity among observed companies, a matrix was developed that would portray the relationship between strategic planning implementation in SMEs and its satisfaction towards performance as shown in Figure 3. Essentially, there are two central aspects in this research that inherently connected to the research question which are the degree of strategic planning implemented in the firms observed and the satisfaction of performance. In order to come up with high degree of aspect richness, the sample was not selected to position randomly within the matrix. Instead, the companies had been roughly identified to settle in the utmost corner of the matrix which could bring valuable insights in such extreme situations.

Digging down on figure 3, the X axis on the matrix was determined as the satisfaction of performance. The definition of performance satisfaction in this research is represented by both the perception of interviewees towards their financial and non-financial performance such as other measures of company development. To ease the interviewees in assessing their satisfaction towards the performance, a seven-point Likert scale ranging from extremely unsatisfied to extremely satisfied was offered. This process to approximate the success satisfaction since it was revealed in the pilot interview where the interviewee was rather uncertain on how to answer the question properly. Despite the seemingly quantitative approach, this process is arguably plausible in this qualitative research as the study's aim is not to observe the average success satisfaction in these SMEs nor to make generalization among them, but rather to guide them in evaluating their success satisfaction by as well giving

the reasonings behind their choice. This range of options are then plotted as the points in the X axis.

On the Y axis in the matrix, the extent of strategic planning implemented in the respective SMEs was installed. The degree of strategic planning implemented in SMEs can be defined into four criteria adopted from Bracker and Pearson’s (1986) classification ranging from unstructured plan to structured strategic planning. Although their study was rather old, it can be considered as relevant since numerous leading strategic planning researchers such as Kraus (2008) and Mazzarol, Reboud, and Soutar (2009) are still referring and adopting their categorization up until recently. Later, the extent of strategic planning implementation can be plotted to each company based on the analysis towards the interview partners’ answer on their strategic planning process.

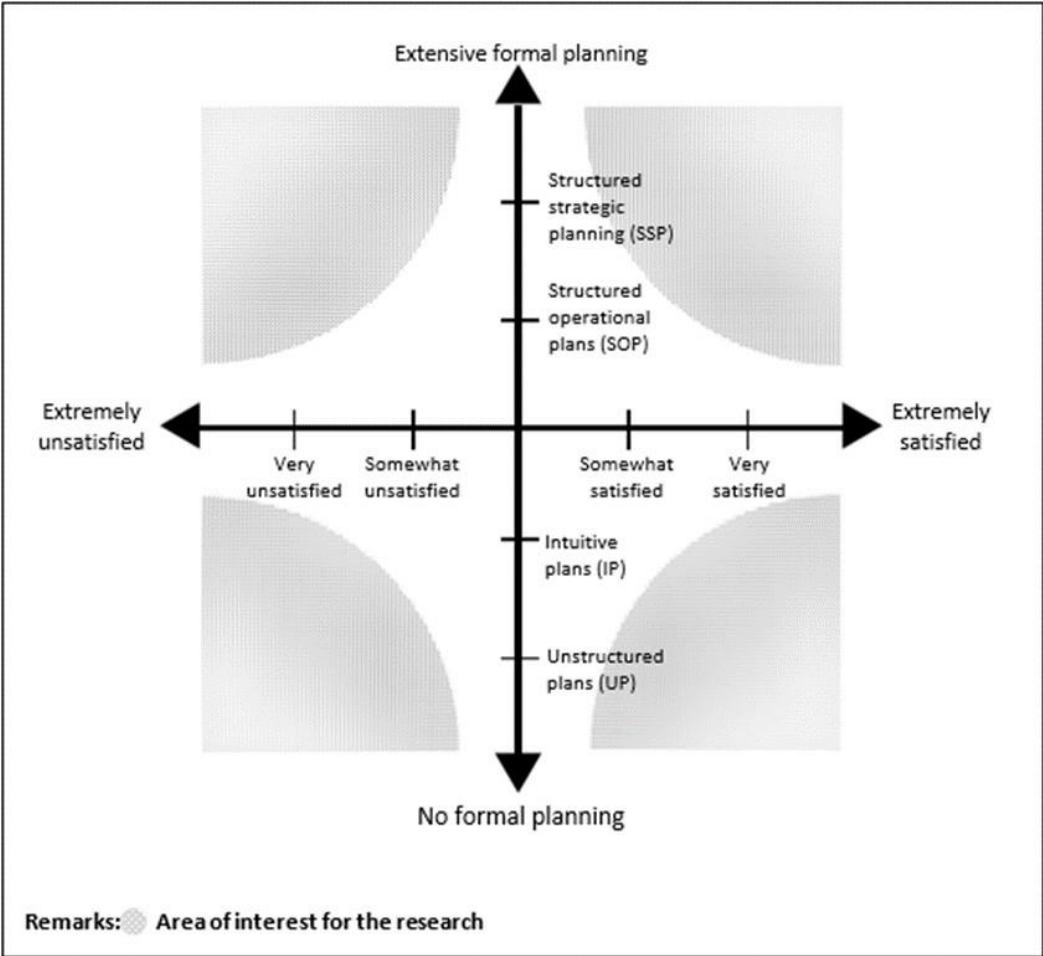


Figure 3. Degree of Strategic Planning to Performance Satisfaction Matrix

In general, this qualitative research was conducted by collecting the relevant information through semi-structured interviews with 10 SMEs in Baden-Württemberg, Germany. The decision to have only one interview in each SME is aligned with the literature review where researchers found that the owner-manager is usually the one who do the strategic planning (White, 1984; Skokan, Pawliczek and Piszczur, 2013). Hence, in gaining deep information relevant to this research, a deep and rather long interview was conducted with the owner-manager or the person in the management position of each SME instead of conducting

interview with several other people in each firm who may not know much on the topic and will not bring beneficial insights.

Thereafter, it was started by developing the company requirements to be selected as samples in this research. Considering one of the methods of this research which to explore the application of strategic planning only in the manufacturing sector, a purposeful sampling is employed in selecting relevant interview partners, which will be described further in the sampling section of this chapter. Additionally, this is also to ensure the feasibility of point-by-point comparison, thus limiting the risk of a massive discrepancy in the context explored.

Based on the comprehensive desk research and literature review, an initial interview outline was developed. Previous to conducting actual interviews for the research, the initial research design was tested with help of a pilot interview with a company that fit in the sample size, which will be described in detail in the data collection section. Kim (2011) emphasized the importance of pilot studies in general through four aspects: namely to recognize the hindrance of participants selection early on, assimilate to the state of being a researcher to conduct an empirical interview, evaluate how the interview process goes, and refine the interview outlines. Thus, such obstacles or errors can be overcome during the actual study and the pilot helps evaluating and refining the semi-structured interview outline.

Once the final methodology design and interview outline had been developed, participants who fit with the criteria to be observed further in the actual research were identified. This was conducted by gathering information of over 40 small and medium sized businesses in the manufacturing sector through database research and desk research. It shall be noted that after communicating the intention and process of the research, the examined participants were taking part voluntarily with their agreements in advance.

The following step was to conduct the interviews separately with each of the participants. They were asked the questions based on the predeveloped questionnaire and facilitated to answer it openly without the interviewers leading them towards certain answers. The interviews were audio-recorded and supplemented with written notes to ensure empirical validity and reliability. Additionally, the recorded interviews were transcribed to ease the presentation and analysis of the information. Not all interview partners spoke English on a sufficiently high level and thus, German was the primary language of communication in seven interviews to ensure their ability of expressing themselves properly.

The interviews were then evaluated in order to understand the extent of the companies' current implementation of strategic planning and how they perceive the success of it. Through this information, mapping of their position in the matrix was completed as opposed to the preliminary mapping with limited initial information. This step was meant to ensure the suitability of these companies with the research goals and would lead to additional interviews where a fit was not given.

With the information presented in a structured manner, conducting a deeper analysis in a qualitative approach as described in subchapter 3.4 was possible. In case of inadequate or unclear information obtained in the first interview, the participants were contacted again for a supplementary interview or clarification. The additional information obtained were also

analysed to deliver a comprehensive observation. The subsequent step was data analysis as described in subchapter 3.4. Lastly, conclusions were derived from the findings and recommendations for future research were given to complete the aspects that may not yet be covered in this scope of the research.

3.2.1 Case Study

There are several approaches to qualitative study that are commonly used such as qualitative phenomenology study, case study, ethnography, and grounded theory study (Creswell, 2013). The approach to be selected shall consider various aspects of the research such as the research question and purpose. By definition, case study is a profound observation of the real events by involving more than one point-of-view of an idiosyncratic and multifaceted subject (Simons, 2009).

The decision to choose the case study over the other approaches falls due to three aspects as defined by Rowley (2002). The first and most defining one is the form of research question, whereby in this thesis it matches with her definition as needing an exhaustive analysis to address the why and how of the problems. Respectively, this thesis aims at searching for the correlation between the sophistication of strategic planning and satisfaction over performance and the underlying factors influencing this event. Secondly, Rowley (2002) characterised that a researcher in a case study type usually have a short level of control towards the unit studied. Simply interpreted, in contrast to a survey research type which researcher sort of able to make a generalisation among the unit studied, in a case study the researcher shall dig into deep the problem in each organizational level and then compare them in a methodical order. Lastly, Rowley (2002) explains that case study might be a better approach to observe a current issue, where ranges of information are available to be obtained to avoid any kind of manoeuvring attempt of the unit studied. This characteristic is also in line with the aim of the research which is to understand the relationship between strategic planning implementation and its relation to success satisfaction in manufacturing SMEs by studying several real contemporary cases. Additionally, employing a case study approach may help to reveal something new based on the deep exploration with the sources.

Gustafsson (2017) exemplified the types of qualitative case study which can either be an individual or multiple case studies. She further described that multiple case studies allow the researcher to scrutinize the data and information deeply by understanding the varying contexts. As previously explained in figure 3, the study compares several manufacturing SMEs in relation to the extent of their strategic planning and their satisfaction towards performance, hence multiple case studies made for a plausible type to be employed.

3.2.2 Sampling

Purposeful sampling is typically the technique of choice for research in which the goal is to identify and select cases rich in information while fielding only limited resources (Patton, 2002). In the context of this research, a challenge was to identify and select individuals who

are possessing special knowledge and experiences about applied strategic planning in SMEs, while their companies had to be sufficiently comparable for analysis.

Following the strategy collection of Palinkas et al. (2015), the intended research design emphasises on variation in the sample size, among which it seeks intensity of variation. The “intensity” sampling strategy seeks strongly varying, but not extreme cases which offers a compromise between “*illuminating the typical and the unusual*” on the one hand, and reasonable validity on the other (Palinkas et al., 2015). This strategy fits well into exploratory work that aims at understanding the nature of variation within the subject of study, which is exactly the goal of this research. With an intensity strategy, Palinkas et al. (2015) argue that a sample size of $n = 1$ is generally sufficient as the goal is to compare and differentiate rather than to derive an extrapolation or wider applicability. Consequently, this study aims at a minimum of 1 sample in each of the intensity fields. As described above, mapping the respondents on the matrix prior to conducting the interviews was impossible, so a larger number of interviews had to be conducted in order to achieve a the aimed for variety.

From a broader perspective, the sampled companies were selected solely from the state of Baden-Württemberg, Germany for a number of reasons. Firstly, Baden-Württemberg is considered to be one of the prominent economic and innovative areas both in Germany and Europe with notable large companies and efficacious SMEs (European Commission, 2019b). Secondly, this region is the highest industrialised region in Germany, mainly due to its large automobile industry which is supported by large relevant industrial suppliers (Baden-Württemberg State Ministry, 2019). With these facts about the state of Baden-Württemberg and its many successful SMEs, it is particularly interesting to investigate potential reasons for this phenomenon, which makes the exploration of SMEs’ strategic planning particularly interesting.

From a practical perspective, the samples all had to fulfil the following criteria which are meant to guarantee their comparability and relevance to the study.

Industry requirements: This study focused on strategic planning of SMEs specifically in the manufacturing sector. This conscious exclusion is based on Glaister and Falshaw (1999), who suggested that the planning requirements in the service industry may vary so significantly, that a comparison with manufacturing companies would have run high risk of methodical flaws and biases. The manufacturing industry entails a large variety of sub-industries, all of which are generally included in the research sample. The requirement was thus in line with the common definition of the manufacturing industry as an organization that produces physical goods as opposed to intangible services. Offering services additionally to physical goods was not a criterion for exclusion.

Organizational size requirements: As described in the literature review, the European Union’s definition of SMEs is commonly applied in research and a logical criterion for research conducted within the EU. As displayed in table 1 previously, the respective criteria were applied for sampling.

Up to discussion is whether it is sensible to compare a medium company with over 200 employees with a micro company with only 5 employees and attempt to benchmark them on

strategic planning. The results would be overly predictable and may not offer much value for analysis. Consequently, it is sensible to create a lower limit in order to guarantee a reasonable degree of comparability. Thus, micro companies were excluded entirely from this study.

Position within the company requirements: As established in the literature (LeBrasseur, Zanibbi and Zinger, 2003), the relevant decision-makers for strategic planning are typically the general manager, managing director or, as highly common in SMEs, the owner-manager. An interview partner should thus fulfil one of these positions.

3.2.3 Operationalisation of the Data Collection

Rationally, having a robust interview outline should result in rich and informative answers by the interviewees to address the research questions and the topic in general. In order to achieve this, the interview outline was built upon the scrutinization of the theoretical framework and literature review discussed in chapter 2. As introduction to the interview, the first section consists of a company overview. The remaining four sections of the interview outline were derived from the theoretical framework although the order was changed in order to ease the interview partners in. According to the framework, the strategy is supposedly influenced by its business environment and the entrepreneur behind. Apart from basing questions on literature, a benchmarking technique was also employed in form of similar research designs by Siegfried (2015), Glaister and Falshaw (1999), Stonehouse and Pemberton (2002), and Majama and Magang (2017).

The first section of the interview touched upon the company's overview which mainly aimed at understanding the company's background and line of business. The relevance here was to gain contextual knowledge of the firm itself which was meant to be used in any further analysis. The questions were based on Wiklund (1998), Davidsson (2002), and Blackburn, Hart, and Wainwright (2013), mostly on their determination of growth factors.

The focus of the second section is the entrepreneur's background. In the literature review, the roles of the SMEs' entrepreneurs have been discussed broadly where factors such as educational background (Raposo and do Paço, 1997; Wiklund, 1998; Ranwala, 2016) and prior relevant experience (Reuber and Fischer, 1999; Gibson and Cassar, 2002; Beer et al., 2005; Ramayah, Ahmad and Fei, 2012) may determine how they run and lead the business. Further, the questions are connected to the school of planning, the school of entrepreneurship, and the cognitive school by Mintzberg (1990). Two additional questions investigate how the entrepreneurs implement plans in the company and what they perceive as particularly challenging as based on Baker, Addams and Davis (1993) and Mintzberg (1990). Both questions are also connected to Hinterhuber and Krauthammer (2005) who see the challenges from the leadership perspectives.

The third section addressed the extent of strategic planning in each firm. (Robinson and Pearce, 1984; Gibbons and O'Connor, 2005; Kohtamäki et al., 2008) were the basis for questions of perceived usefulness of strategic planning. The questions about the business plan were adopted from Baker, Addams, and Davis (1993) and Siegfried (2015). Lastly, one

dimension of strategic planning is the time horizon and these questions were based on (Paul Carlson, 1990; Baker, Addams and Davis, 1993).

Further, the third section was split into two sets of question. The first set was designed for the firms with much formal written planning, while the second set of question was for firms that have little or no formal planning. The reason to split this part into two scenarios was because of Mintzberg's (1987) argument that companies both need and do not need strategy. In determining which set of question to go, a question to identify whether the interviewee do more of a formal or informal planning was asked.

One of Mintzberg's (1987) spectrums of strategy, the "plan" aspect, was used as the overarching concept for companies that use formal planning. Hatten (2011) was the basis for questions on goals of the business. The question for the starting point of strategic planning is derives from Berry's (Berry, 1998) conclusion that young firms may not need it. Similarly, Berry (1998), Baker, Addams and Davis (1993), and Drucker (1986) connect to the question on frequency of planning. Some researchers pointed out that in SMEs, usually the owner-manager develops the strategic plan (White, 1984; Skokan, Pawliczek and Piszczur, 2013), however others like Robinson and Pearce (1984) suggested that external consultants can usually help the organization in doing it. Thus, exploring whom might help the SME entrepreneurs' in developing their strategy was meant to bring insight to this research. Greenbank (2000) and Schulte (2007) determined that external forces may demand strategic planning and thus, a question is concerned with this. Strategic planning tools are one dimension to capture the formality of strategic planning implementation as discussed by Jarzabkowski (2004) and Stonehouse and Pemberton (2002) who said that SMEs are less likely to use it, making this worth a question. Lastly, the question on how these SMEs compare their planning to their competitors refers to Hatten's (2011) external analysis.

For the companies that use little or no formal planning, the questions were based on Mintzberg's (1987) spectrums of strategy: the "perspective" aspect. Even if firms do not apply formal planning, their alternative solutions (Hatten, 2011) were explored with these question, also related to Griggs (2003). Since negative or no prior experience was expected to be a reason for not planning (Robinson and Pearce, 1984; Thompson, Bounds and Goldman, 2012), this was addressed with a question as well. Lastly, judging the firms' competitors state in terms of formal planning addressed Hatten's (2011) competitive analysis.

The fourth section was addressing the firms' performance. This section consisted of three parts, each describing one aspect of performance. The first concerned financial performance connected to (Wiklund, 1998; Delmar, Davidsson and Gartner, 2003) as well as (Blackburn, Hart and Wainwright, 2013). The second question asked for general performance aside from financial measures connected to Rue and Ibrahim (1998), and Falshaw, Glaister and Tatoglu (2006). Thirdly, the optimism on the future was investigated through a question connected to Chandler and Hanks (1993).

The business environment was the fifth section and was based on Mintzberg's (1987) the "strategy as position". The questions themselves are based on Porter's five forces (1979) that have been described in chapter 2.

3.3 Data Collection Method

In an empirical study, the researcher is obliged to collect a new set of data instead of relying on secondary information (Yin, 2016). Therefore, besides collecting a secondary data which has been presented in the literature review, the primary data was collected through the relevant sources. The primary data was the main focus as it shall provide the rich information directly from the sources which is beneficial to this research. On the other hand, secondary data acted as the proponent to guide building the idea of the research, widen the readers understanding of the preceding studies predominantly in SMEs' strategic planning, and reinforce the analysis.

Obtaining primary data in qualitative research can be conducted in least in four ways such as qualitative observation, qualitative interviews, qualitative documents, and qualitative audio and visual material (Creswell, 2013). Considering the context of the research in which it was intended to investigate the degree of strategic planning application and the performance satisfaction towards the planning in manufacturing SMEs, the method of the qualitative interview was chosen as the best-fitting form of data collection to extract rich information from the sources. Additionally, Yin (2016) divided two ways of interviewing for the qualitative research: either by conducting shorter interviews with a larger number of respondents, or alternatively, longer interviews with a smaller number of respondents and possibly follow-up interviews and reviews. The latter option was chosen for this research since the idea is to gain deep understanding from each of the different interview partners.

The interview structure was based on the study's theoretical framework in order to help explore and address the research question. The interview design was also developed both by orienting itself on past similar researches and building upon the literature review on the previous chapter as has been explained thoroughly in the chapter 3.2.4 of the interview outlines formulation. Hence, this limited the risk of developing baseless empirical observation.

The preliminary interview design was then tested through a pilot interview with Inteko GmbH, an SME which fits into the sample definition but was disregarded from the actual sample due to overly strong links between one of the researchers with the company. The pilot interview was solely aimed at testing the effectiveness of the interview outline and led to minor refinements. One example is that the interviewee sometimes needed help to illustrate on certain aspects since the original question formulation was too complex. Additionally, a pre-testing on the audio recording software was conducted. Overall, the pilot interview provided the design process with substantial input for the final interview design (*see Appendix A*).

The interview was structured into five main sections: company overview (for general understanding), background of the strategists (sub-question 1), procedure of strategic planning (sub-question 2 and 3), the company's performance (sub-question 4), and external factors affecting the company (sub-question 5). The first one is mainly to understand the background of the business and its current state. Secondly, the educational background and professional experience of the interviewee would be identified in order to get the idea on how these may

play a role in the strategic planning implementation. The third part is designed to address the extent of strategic planning implementation in the respective company. This part was concerned with the strategic planning of the company's in general and it is followed by two alternative set of questions to cater either the companies which applied strategic planning more intensely or the companies which hardly applied it. The following section is aimed to address the success satisfaction towards the overall performance of the company. In this section, not only the financial performance was considered, but also the overall development of the company. Lastly, the environmental factors that may affect the company's strategic planning and success were investigated. The questions in this section are derived from Porter's five forces (Porter, 1980), since the effect of the competitive environment on strategic planning was the subject of investigation.

Over forty potential interview partners were then identified according to the sample definitions in chapter 2. The initial contact to the potential interview partners was conducted by sending them a proposal letter through e-mail (*see Appendix B*). The following day, a follow-up call was made to check on their feedback towards the proposal. With 10 of the potential interview partners, interview appointments were scheduled. Additionally, the interview partners were informed further regarding this study and asked for their voluntary willingness to partake in the study.

Ten interviews with ten different manufacturing SMEs were conducted. The owners or managing directors were interviewed in most of the cases, but in three cases, this was not possible and high-ranking managers were the interview partners (one commercial/production manager who is a long-term proxy for the owner, one business unit managers who directly works for and with the owner and one production/technology manager). In all of these cases, it was ensured that the respective interview partners were highly involved in strategic planning and that they were able to give adequate answers to all interview questions and prove rich explanations that were valuable for further analysis. Eight out of the ten interviews were conducted in their respective office, while the remaining two interviews were conducted through phone interview. The interviews last between 38 minutes to 2,5 hours. All interviews except one were audio recorded, due to the interview partner's objection, thus in that case only written notes were taken. The overview of the interview result is shown in table 3 below.

Table 3. Overview of Interview Samples

Firm	Industry	Turnover	Employees	Interview
A	Machine builder	EUR 7 million	10	82 minutes
B	Pipeline components	EUR 50 million	300 *	78 minutes
C	Contract manufacturer	EUR 14 million	80	58 minutes
D	Sensor technology	EUR 4 million	52	75 minutes
E	Electrics interfaces	EUR 20 million	250 *	72 minutes
F	Robot applications	EUR 2 million	19	54 minutes
G	Chucks and Collets	EUR 20 million	150	66 minutes
H	Contract manufacturers	EUR 6.1 million	88	150 minutes
I	Machine builder	EUR 2.7 million	25	61 minutes
J	Machine builder	EUR 10 million	70	38 minutes

**deemed suitable for research due to recent fluctuation and high number of non-FTEs.*

Subsequently, the recorded interviews were transcribed to text version with the support of transcription software i.e. MAXQDA 2018. In order to make a better analysis, the researchers sorted the relevant information of each company and organise them in a classification corresponding to the research problem. To ensure its validity and reliability, the interview transcriptions were sent to the respective interview partners for confirmation and correction.

In order to avoid potential issues regarding the interviewees' privacy and confidentiality, their consents of partaking in the study were always asked prior to the interview and confidentiality on the exclusively academic use of the data was guaranteed. The identity and private information of the interviewees and their companies was not to be revealed in this research. With the exception of the pilot interview, in which its purpose was solely to test the interview outlines without using the result for the analysis, all the interviewees have no personal or business relations to either authors which otherwise could have damaged the research quality. This was to ensure the compliance with the research ethics stipulated in the Swedish Ethical Review Act Sections 13–22.

3.4 Data Analysis

The data analysis was conducted around the theoretical framework at the end of chapter 2. At first, data was brought into written form as summarized transcripts based on notes taken during the interviews and the recordings. To ensure the appropriateness of the summaries, they were provided to the interview partners for review in order to eliminate misunderstandings or oversimplification.

Initially, an analysis of the data “within-case” was carried out in order to focus on each firm studied. It was supposed to generate understanding of potential in-case linkages. This method revealed that most companies had successfully managed to find suitable strategies for their respective needs, but it did not offer a comparative overview. The next step was to conduct a cross-case analysis of the results by topic in order to identify patterns of differences and similarities. These topics were based on the theoretical framework:

1. **The competitive environment** (Interview section V)
2. **The entrepreneurs and management** (Interview section II)
3. **The strategic planning** (Interview section III)
4. **The firm's performance**, (Interview section IV)

Based on the answers in topic 3, the degree of strategic planning was assigned to the Bracker and Pearson (1986) categories. Numerical values were attributed to the results of topic 4 based on the Likert scales in the interviews. To avoid overinterpretation, spectrums were chosen for topics 3 and 4 when appropriate, as to represent the dynamics and complexity of the respective planning and to represent the subjective and compound character of satisfaction towards performance. As a result, a graphical representation on the planning/success matrix was generated. Clear patterns became visible on this chart and it was decided to create an overview of the respective products of each firm for further analysis and discussion.

3.5 Validity and Reliability

Unlike with quantitative research, where validity and reliability are centred around the correct application of suitable statistical methods and the accuracy of research design in the data collection process, researchers who pursue qualitative research have to emphasise different aspects of validity and reliability. In his book, (Yin, 2016) points out that qualitative research is a craft rather than pure science and is characterized by conducting original research while pursuing three core goals: “transparency, methodicness, and adherence to evidence.” While transparency is directly linked to the data collection process and data analysis and methodicness relates to a sound research design, adherence to evidence is directly connected to the validity and reliability of the research, which cannot rely on established statistical methods or other tried-and-tested numerical forms of evidence. Consequently, Yin suggests that credibility can be reinforced through trustworthiness, triangulation and validity.

Trustworthiness:

According to Yin (2016), trustworthiness is more of a displayed attitude that can be reflected in the research design rather than through any specific action. Trustworthiness can thus often be gained by the conscious avoidance of convenience in sampling and research design and is as such a supportive mean to create credibility. For this research, it had been decided to exclude potential interview partners with personal ties to the researchers. Effectively this meant that no company which is owned or managed by a family member, relative or close friend, of any of the authors was included in the research sample. Further, former or current employers were equally excluded. This was to reduce the risk of many biases ranging from goodwill of the respondent over manipulation of answers and corporate blindness.

Triangulation:

A common method used in qualitative research; the core idea is to increase validity by always using at least three different sources to confirm the initial observation. Within the scope of this research, triangulation was reflected in the matrix approach of sampling with intentionally different perspectives on the research subject. Ideally, the observation is confirmed not only by different sources, but also by different types of sources (Yin, 2016). However, he also admits that this is often not feasible as some sources are unique in nature and alternative sources cannot adequately reflect the complexity displayed in another. For concrete measures in this research refer to the following section.

Validity:

According to Yin (2016), a valid study must interpret data properly which enables the conclusions to accurately reflect the observed phenomena. Yin also admits that complete validity is inherently impossible to achieve but recommends applying the eight strategies of Maxwell (2013) in order to reach a reasonably high level of validity.

1. Intensive long-term field involvement:

Within this research, long interviews (45-150 minutes) were conducted to gain in-depth insights into the sample companies' planning activities. Additionally, data gaps were filled with help of a supplementary interview after the original one.

2. "Rich" data:

This research has been designed in a way that ensures the collection of comprehensive and varying perspectives on the same subject, which was meant to allow rich insights. Further, questions were purposely formulated in an open way which was meant to increase the richness of answers.

3. Respondent validation:

In order to limit the risk of misinterpretation of the respondent's views or behaviours, the transcripts of all interviews were provided to the original respondents for feedback and review prior to data analysis.

4. Intervention:

The intervention strategy is relevant for field observation during experiments or when observing live interaction in a group interview. The research design made the intervention strategy irrelevant for this research.

5. Search for discrepant evidence and negative cases:

The research had been designed in a way that purposely seeks for different perspectives on the same matter in order to find discrepant evidence for theories, which was regarded as a sufficient use of this strategy.

6. Triangulation:

Ideally, the primary data would have been triangulated through multiple perspectives to check on each other. However, in SME research, the owner-manager is often the only person in the company with the competence and knowledge to discuss strategy comprehensively (White, 1984). To cope with the limitation of having only one person to obtain the information from a firm, ten interviews with ten firms were conducted. Triangulation in that sense was thus not feasible for this research. Another method of triangulation refers to the use of data or literature from languages other than English. Since not all interviews were held entirely in English, respective translated passages were presented side by side with the original language in the appendix, so that a reader of both languages can peer-review the adequacy of the translation.

7. Numbers:

Numbers are inherently difficult to use when comparing imprecise theoretical assumptions. In order to establish some validity, the matrix approach was tied to specific levels of strategic planning on the y-axis and to the Likert scale approach on the x-axis.

8. Comparison:

The data analysis focused on explaining the different perspectives on strategic planning that had been reported during the data collection. The analysis also compared the findings of this research with findings of other researchers in order to draw conclusions.

4 Results

In this chapter, the results based on the data collection is presented. The results were arranged in five categorizations derived from the interview outlines, except for the product groupings, to ease the data presentation. Several direct quotations from the interview partners were also presented, where the details in the original language can also be seen in the Appendix C.

4.1 Firms' Entrepreneurs and Management

This chart provides an overview of all the firms' entrepreneurs and/or managers if applicable. The data is derived from section II of the interviews and supplemented with applicable answers given in other sections if that was the case. The chart is divided into a description of entrepreneurs and management, the mix of their educational background and experience and a description of the management style and practices in the company.

Firm	Entrepreneurs and Management
A	<p>Entrepreneurs: Two owner-managers as partners, first generation.</p> <p>Background and experience: One owner graduated in business administration, the other one in engineering. Both had previously been working in the painting industry, just as now. They aim to contribute each other's areas of expertise, one effectively as commercial manager, the other as lead engineer.</p> <p>Management style and practice: decisions are mostly informal and exchanged face-to-face especially between the two owners: <i>"There's no formal plan. [...] If you don't give it outside, there's no sense to write it down"</i>. This is deemed suitable due to the small company size. Experience-based decision-making is successful here and complex analysis is not seen as adding much value. The complex character of technology in their niche segment does not allow for much standardisation and requires adaptive plans that revolve only around some key rules. Intensive face-to-face communication with employees is needed to align them with company goals and convince them to leave their habits if necessary. Reliance and focus on customer relationship are paramount here as the owner described: <i>Customers tell you a lot [...] what they think, what are the future trends, where are things going, what is going up and down."</i></p>
	<p>Entrepreneurs: Founder's son as owner-manager plus two business unit managers. All family members are owners, but only one son is active as CEO. Second-generation family business (founder in consulting role).</p> <p>Background and experience: The current owner has a degree in business engineering and the management also has mixed backgrounds of technology and business. After previously working abroad for a large German telecommunications</p>

B	<p>company, the son took over in 1998. According to an anonymized public source, the transition was rough and nerve-wrecking as his management style was more structured and delegating compared to his micro-managing father, who still remained in the company and they were constantly fighting. Only after an ultimatum in 2001, the founder resigned and the tensions relaxed. The business unit managers had each been working for other industry companies before.</p>
	<p>Management style and practice: Experience values are guiding the soft factors of management in this company like relationship building and product knowledge <i>“You need experience for sure and you need to have relationships. [...] If you don’t find the right way to go to the customer and to build a relationship, you do not run the business”</i>. An emphasis on the ability to convince investors and creditors was uniquely mentioned in this interview: <i>“Either you have a sexy product or a good payback on the shares, you need to convince people.”</i> Other than that, professional and formal management techniques like analyses and reviews and a classical hierarchy with delegated power are applied here. Bonus systems are employed for motivation and a corporate identity is stimulated with help of company clothing and family festivals.</p>
	<p>Entrepreneurs: Founder and his son as owner-managers. First-/second-generation family business.</p>
C	<p>Background and experience: The founder is a master craftsman in metal working and son has a degree in mechanical engineering after an apprenticeship as industrial mechanic. Neither of them has any formal education in business or administration. The company was founded as a management buy-out by the father when his previous company was outsourcing production and the respective employees were to be laid off.</p>
	<p>Management style and practice: The founding phase was described as a fight for growth and survival, where the founder was described: <i>“My father is rather the maker than the strategist and decides based on gut-feeling, rather than someone who strategically analyses everything.”</i> Only with the second generation, more number-based decision-making was introduced, also to compensate for the lack of experience of the son. The management focusses much on optimisation of operative processes, while they hardly look at the external environment. The loyalty of two key customers makes longer planning appear unnecessary. Bonusses are given based on subjective assessment rather than systematically. Leadership of people is conducted on a humanitarian basis: <i>“You need to treat everyone as a human, you need to talk to everyone, you need to know that every human is different.”</i></p>
D	<p>Entrepreneurs: Son of founder as owner-manager. Second-generation family business.</p>
	<p>Background and experience: The founder had a non-university degree in mechanical engineering (<i>Techniker</i>), while his son did an apprenticeship in automotive electronics and later became a <i>Techniker</i> as well. There is no formal education in business or administration.</p> <p>Management style and practice: Management in this company appears to underestimate the quality of their formal planning. They actually employ formal planning to a comprehensive degree in scope but describe their planning as</p>

	<p>informal. Due to operations over capacity, resistance to automation and changes are non-existent and the highly trained staff is made to understand that changes are for their benefit. Among the management team, tasks are clearly divided and communication works through a flat, but effective traditional hierarchy. The owner's attitude to formal planning: <i>"If you don't have one central decision maker in the company, there is probably more formal planning. But with flat hierarchies, you can make good decisions without it."</i></p>
E	<p>Entrepreneurs: Grandsons of founder as owner-managers plus son of founder in consulting role and three key managers. Third-generation family business.</p> <p>Background and experience: One current owner-manager has a degree in business administration, the other in technology business management. The key managers have technology backgrounds. The owner-managers (cousins) had limited experience from other firms and have been working for their current company for many years before taking over in 2016. The managers have much more diverse experience from multiple other companies in different industries.</p> <p>Management style and practice: The company's leadership is experienced and applies an advanced level of professional management practices and is well-structured and consistent in their analysis and decision-making. The largest part (80%) of the company however, are low-qualified production staff. In line with the previous generations' principles, they actively hire low-qualified staff that otherwise would have difficulties to find employment. <i>"The owners are very aware of their social responsibility in the area."</i> This was consequently implemented during the 2009 crisis when the firm willingly took the blow with their financial reserves to protect the entire staff from unemployment. Although this bold move has impacted its financial results, it was deemed acceptable due to its generally less profit-driven motives: <i>"Every firm must make money. But we are not profit-driven like corporations."</i></p>
F	<p>Entrepreneurs: Founder as owner-manager plus. First generation.</p> <p>Background and experience: the founder first did an apprenticeship as electrician and later as well for mechanics. He subsequently wanted to pursue a non-university engineering degree (<i>Techniker</i>), but instead was trained in robot programming by his employer with which he was working for eight years. This included much international traveling. He then founded a family and wanted to found his own company so he would not have to travel as much. No formal education in business or administration. Overall, he deemed his background and experience as very favourable to his current company's technical side, <i>"but for the other [things] that I need to have my own company, that was only a learning process of doing by yourself."</i></p> <p>Management style and practice: Management is largely informal and laissez-faire. The company culture emphasizes fun at work rather than profit-orientation. Decisions are largely technology-focused and experience-based, rather than business-oriented or analytical. Goals are only loosely defined and can be overturned when a more appealing opportunity arises. Further, the project-based character of the business makes standardization and detailed planning useless in his eyes. Despite the low planning he implemented, he understood well on its importance: <i>"I think for me it's [strategic planning] necessary to think sometimes"</i></p>

what I want and also for my own life because the company is my life.”

G

Entrepreneurs: Grandson of founder as owner-manager but now in a consulting role. Founder’s great-granddaughter groomed to take over as managing director. Other key characters are the operations manager and the commercial manager. Fourth-generation family business.

Background and experience: The owner’s great-granddaughter is the current sales managing director with a degree in business. The interview partner himself is the commercial manager and as well in charge of the production and development as proxy for the partly retired owner. He holds a degree in mechanical engineering which then was followed by an education in commercial management. Prior working in firm G, he used to be working at its direct competitor.

Management style and practice: A healthy mix of experienced and new managers to lead the operations in this family firm is seen as beneficial to avoid getting stuck in the daily operations. The strategic planning with clear actionable plans tailored to the core competences is highly valued by him to guide the firm’s direction and he deemed implementation as the key because his former employer failed there: *“many flipcharts, mission, vision, then there was a roll-out, external consultants and in the end, nothing came out of it. The implementation was just nothing. You just have to start doing it at some point.”* Rather than dictating the employees on what to do, he believes in leading by examples and going directly to the employees to show the desirable conducts: *“This must be someone from the very top. It cannot be someone I send to have things implemented. You have to walk around yourself and show that you really mean it.”* The high and demanding targets are challenged by getting the employees on board; thus, employee involvement and communication are aimed to overcome this issue.

Entrepreneurs: Founder’s three daughters had no interest in leading the company and are passive owners. Effective entrepreneur is now the managing director. Second-generation family business, but manager-led.

H

Background and experience: The managing director has a plethora of over 40 different professional qualification ranging from the mostly technology-based area to business and management, which were obtained exclusively from the vocational track over 26 years. His experience as a master gunsmith and in the military have provided him with good knowledge in materials and international experience respectively. Other professional work experience was obtained from several corporations within different positions such as quality management and operational manager. He has been with firm H for 11 years now and has become the managing director since 2012.

Management style and practice: *“I rather try out pressing the buttons than reading the manual for everything and see what happens.”*. At the same time, he has an aversion to bureaucratic processes *“They seriously wanted me to write a 3D report because of a single faulty part. [...] Such plans you can just throw away, tomorrow we are producing something else anyways.”* He focuses heavily on good employee relationships: *“As a managing director, you are also marriage counsellor, you give legal advice and I have even asked to be the arbitrator in a family fight.”* and consequently enjoys employee satisfaction and loyalty: *“All*

I	<p><i>people always work at 80%, but when I ask them for 100% for a short time, they do it for me.</i>” Bonus systems, regular and careful communications, and non-financial benefits are used. On the business side, his negotiation tactics are cleverly opportunistic and bureaucracy-avoidant as far as possible: <i>“and then he asked me: “well can you quickly produce this for us anyways?” and I said: “Well of course, the machine is running already!”</i>”</p>
	<p>Entrepreneurs: Founder as owner-manager. First generation business.</p>
	<p>Background and experience: The owner did an apprenticeship in metal working and later also as industry merchant. He values qualifications of professions which led him to take many courses and classes on management and similar topics. He had work experience in the area of sales (although in a different industry) prior founding the company in 1984. He observed good perspectives in the medical field and was motivated by personal entrepreneurial spirit.</p>
J	<p>Management style and practice: He has an autodidactic style on managerial issues and is very structured in running the business. A substantial control and documentation process are carried out regularly. Much of the strategic planning are structured towards short and long-term goals which are being well-integrated to daily works. Continuous communication and weekly meetings are used to impose the strategy and goals throughout the departments. <i>“I am sometimes a person who sets a lot on monologues. But it’s not like my ideas are always implemented. There is open discussion and if the suggestions are better, then the better ideas will be implemented. [...] So, this is not a patriarchal firm here.”</i> This is also aimed as a way to compensate with the challenges in finding well-motivated employees <i>“It’s not the product, not the market, it’s the employees. How well can we motivate people? Where can we get their interest? How can we get them to carry our ideas? That’s the biggest challenge.”</i></p>
	<p>Entrepreneurs: Founder as owner-manager. First generation business.</p>
	<p>Background and experience: The owner has a <i>Techniker</i> degree in mechanical engineering which was a follow up on his apprenticeship as industry mechanic and never had any business or management education. In total, he has over 20 years of experience in the field of mechanical engineering and later followed up by experience in sales and project management parts.</p>
J	<p>Management style and practice: <i>“Experience is particularly important for the special machinery business. Nothing goes without experience.”</i> As an owner, he runs multiple functions <i>“I do almost everything, I do sales, partly the commercial management although we have someone to do controlling and I do the project management”</i> because he wants to be at the front: <i>“I delegate those tasks where I say: “I am not trained in that; this is not my strength”. But those things that are my strength, and I count sales and project management to that, there I want to be at the forefront.”</i> Instead of implementing strategic planning, which he claimed to be not an expert at and time-consuming <i>“A strategic planning in that sense is not existent with us. We simply don’t have the time at the moment with our order situation.”</i>, he focuses more on the employee involvement for the strategy and idea generation for firm’s improvement. Accordingly, when implementing the plans that were generated by the employees’ ideas, the resistances are rather low.</p>

4.2 Product Overview by Groups

Albeit product not being part of the initial theoretical framework, a brief evaluation of the primary data revealed some relevance. In the following charts, the groups are divided as seen in the matrix in chapter 5 and the products are described and evaluated on their technological complexity, which is not to be confused with the sophistication of their production. Then, the market and marketing activities of the company is briefly described in order to evaluate the product complexity from a marketing standpoint.

4.2.1 Group 1: Own Product, Mass-marketed

Firm	Products	Complexity
B	Products and technology: ball valves, insulation joints for pipelines and domestic distribution. Complex safety technology and know-how involved.	High tech
	Market and Marketing: international marketing to governments, public entities and energy corporations. Products are inevitable components in pipeline and distribution projects. Direct communication and strong relationship to the customers are deemed as important: <i>“If you don’t find a way to convince the customer to do a long-term business, you just have one-hit wonders. That’s not the idea.”</i>	Easy to understand
D	Products and technology: control and measuring technology (sensors) for industrial use. Wide range of products of varying degrees of sophistication and uniqueness.	Low and high tech
	Market and Marketing: selling into 25 industries and world-wide. The market is saturated, and users typically understand the products.	Easy to understand
E	Products and technology: electric control units, switches, and interfaces for industrial use. It has more than 4000 different products which will stay relevant up to 30 years in the market.	Low and medium tech
	Market and Marketing: users are engineers who understand the specifications and can order products by catalogue. More than half of its products are exported internationally. Overall, highly saturated market.	Easy to understand
G	Products and technology: high-performance, high-price precision chucks and collets. Simple product, but highly complex production to achieve highest quality segment.	Medium tech
	Market and Marketing: wide range of products sold internationally. Users understand them fully. Can be purchased by catalogue.	Easy to understand
I	Products and technology: hygiene equipment and machines for medical use. Complex design and know-how to accommodate for demanding legal requirements.	High-tech
	Market and Marketing: niche market of medical and dental clinics. Sell internationally but with focus on local market with superior customer service.	Medium to understand

4.2.2 Group 2: Contract Manufacturers

Firm	Products	Complexity
C	Products and technology: metal parts produced through varying degrees of sophisticated technology (from sheet metal forming to laser cutting). Final products are relatively simple.	Low-tech
	Market and Marketing: large local customers, no active marketing, orders come directly from the customer with exact specifications.	On demand
H	Products and technology: a range of metal parts and assembled components, which also covers the print finishing of the products. Relatively simple products, but requires high flexibility to accommodate customer's requirements.	Low-tech
	Market and Marketing: an array of customers ranging from SMEs to corporations. No observable active marketing. High dependency on customers, but there is a high loyalty. In the future with its production automation, it would focus more as the service provider	On demand

4.2.3 Group 3: Unique Projects for Customers

Firm	Products	Complexity
A	Products and technology: painting automation for industrial use. Highly complex due to explosion-protection requirements. Low in-house production process, leveraging mainly on outsourcing to allow higher flexibility: <i>"We're very few employees. We are mainly working as design company, so we have the brains for the design [...] therefore we can be very flexible."</i>	High-tech
	Market and Marketing: extreme niche market with intensive need for co-design with the customer. Every machine is unique.	Consultation intensive
F	Products and technology: control units for robotic applications with software programming. Products have relatively fast-changing technology base.	High-tech
	Market and Marketing: three domestic offices for proximity to customers. No active marketing activities, but referral from customers. High customer loyalty, who need much consultation.	Consultation intensive
J	Products and technology: special machine builder for assembly, feeding, and testing technology. Wide range of complex technologies.	High-tech
	Market and Marketing: customers from various sectors. High customer orientation due to specific requirements. Customers need intensive co-design between feasibility and their own requirements. <i>"We notice that customers change. For example, they want ever more flexible machines. In such cases we have to react quickly and if necessary, make new developments."</i>	Consultation intensive

4.3 Firm's Competitive Environment

This chart provides an overview of all the firms' competitive environment. The data is derived from section V of the interviews. The interview questions as well as the chart are divided into five parts based on each competitive forces as described by Porter (1979). Each of them is given an assessment score ranging from 1 (low) to 5 (high), which then later an overall score can be generated. This is aimed to give better understanding on the overall industry competitiveness for each firm. Theoretically, the level of industry competitiveness should be reflected in how the entrepreneur's deal with them and may as well affect the strategy in each firm.

Firm	Competitive Environment	Competitiveness
A	<p>Buyer's power: Moderate, the perceived benefits of the specialised machine it built and the competitors' product determine the price significantly. If high benefits perceived by the customer with no substitute products, the price can be increased much. However, overall there is not much influence can be put by the firm.</p> <p>Supplier's power: High, there is not many suppliers in the field due to its niche-market. Often customers dictate from which suppliers must firm A get the components.</p> <p>Threat of new entrants: Low, it is extremely difficult for new entrants to get into the business due to high regulation and specific know-how which can be obtained through experience.</p> <p>Industry rivalry: Moderate-low, Real competition can be observed. However, there is some sort of agreement to not step into each other specific business. Hostile takeover does not exist in this field.</p> <p>Threat of substitution: Low, a substitute technology exists (painted glue-on foil) in the market but it has very limited usability.</p>	<p>2.4</p> <p>Moderate-low</p>
B	<p>Buyer's power: Moderate-low, the price that can be exerted depends on the product features by benchmarking them to competitors. By doing so, firm B can enhance or add additional features to influence the price. Higher price due to higher material costs can be communicated to maintain its profit margin, but it cannot do so for its own profit motives.</p> <p>Supplier's power: Low, Long-term relationship with suppliers can be beneficial for price negotiation. Early order also helps to reduce the cost.</p> <p>Threat of new entrants: Low, a very conservative market with specific law and regulation. There are other high barriers such as know-how, safety, and reputation since it is not easy to build as he explained: <i>"You have to convince that your product is according to the specification to the rules, to laws, and things like that. So, there's a huge barrier in terms of getting your product on this kind of level."</i></p> <p>Industry rivalry: Low, players in the business respect each other and stay out of each other's way. Strategic cooperation sometimes also happened among the companies.</p>	<p>1.6</p> <p>Moderate-low</p>

	<p>Threat of substitution: Moderate, the emergence of other form of energy sources than gases require new types of pipelines. Therefore, the company is aware and attempts to follow these future demands.</p>	
C	<p>Buyer's power: Moderate-low, A relatively higher price can be exerted due to its strength on close customer proximity allowing it to have a faster and more flexible delivery. Price made based on compromise for a win-win outcome.</p>	2.4 Moderate-low
	<p>Supplier's power: Moderate, Simple materials can be purchased in bulk abroad, which reduces the cost. However, special materials can only be obtained from few suppliers which reduces the bargaining power.</p>	
	<p>Threat of new entrants: Moderate-low, it does not require high capital and special know-how to enter the business. However, the threats from new entrants is relatively low as there is enough opportunities in the market.</p>	
	<p>Industry rivalry: Moderate-low, there is a high demand in the market where each player has its own niche and customers. Nevertheless, the risk of employee poaching is more existent due to lack of supply in the labour market.</p>	
	<p>Threat of substitution: Moderate, automation is considered as a substitute process for some current processes in which the company also invested to catch up. Other substitute products exist but have limited applications. Foreign produced parts can substitute its products when the customers do not need fast delivery.</p>	
D	<p>Buyer's power: Moderate, the company can influence the price through negotiations as long as it can be explained reasonably, especially for some of its unique products. However, the existence of competitors for their other products may lower its price influence.</p>	1.8 Moderate-low
	<p>Supplier's power: Low, the company has a good position to influence the components' cost through framework contracts and bulk orders. Its strategic partnerships with the suppliers are also beneficial to drop the cost.</p>	
	<p>Threat of new entrants: Low, a high know-how and technological flexibility are required in the business. The ability to supply a large variety and produce customised products are essential to cater customers' needs. There is high switching cost due to technological compatibility. A long-term relationship-based marketing is also an entry barrier.</p>	
	<p>Industry rivalry: Moderate, cooperation among the competitors exists occasionally. Hostile takeover also exists sometimes. There are many players ranging from large to small ones with specific sub technologies within the market rather than having niche market.</p>	
	<p>Threat of substitution: Low, within this field, the changes happen more incrementally. Any radical changes that can potentially substitute its products cannot be seen.</p>	

E	<p>Buyer's power: Moderate-high, the market is described as tough with high competitors offering products in similar quality. The best price often wins which makes it hard to influence the price. However, minor influences such as faster delivery time can be used to charge higher price.</p>	3.4 Moderate
	<p>Supplier's power: Moderate, Negotiation and framework contracts have allowed the company to get discounts from the suppliers. However, product safety and customer requirements often restrict the firm from choosing its components.</p>	
	<p>Threat of new entrants: Moderate, the market is rather saturated with some large established players. The know-how to enter the market can be built up over time with moderate initial investment. The barriers could be the requirement to get product safety certification.</p>	
	<p>Industry rivalry: High, Currently, there are few domestic competitors due the tough market. International competitors and online businesses also worsening the competition in the business. Over time, the once good relationships to the suppliers and customers are fading away.</p>	
	<p>Threat of substitution: Moderate-low, even though touch screen appliances can be considered as the substitute products, it may still be limited in use since some controls are meant to have haptic recognition.</p>	
F	<p>Buyer's power: Moderate, there are two type of project for this firm where is being paid hourly or a project with initial pricing terms. In the earlier, it is hard to influence the price while in the latter the price can be negotiated.</p>	1.4 Low
	<p>Supplier's power: Low, although its orders are not as big as the larger companies, the pricing is considered as good. Negotiations to the suppliers on the pricing also existed on annual basis.</p>	
	<p>Threat of new entrants: Low, A significant experience and initial capital are required to enter the business. Getting the right people and setting up a productive working system are not easy.</p>	
	<p>Industry rivalry: Low, there is an abundant of similar competitors, but there is a lot of works to be catered in the market. The competitors usually respect and stay out of each other's way. Hostile takeover is unknown, while friendly takeovers exist occasionally. <i>"Normally, we have no competition with those companies. There are also companies where we get our know-how from because we work much with them."</i></p>	
G	<p>Buyer's power: High, Company's current sales approach using intermediaries has led to low bargaining power and minimum feedback from its direct buyer.</p>	2.8 Moderate
	<p>Supplier's power: Low, many of its components are produced in-house, therefore low reliance from outside. The company also use framework contracts to its suppliers.</p>	

	<p>Threat of new entrants: Moderate-low, the products which have high quality as produced by this company are hard to imitate and requires high know-how. However, for the cheaper and lower quality version of the products, it is not difficult to enter.</p>	
	<p>Industry rivalry: Moderate-low, there are only two players in the top-tier segment, while there are many competitors in the lower segment which unceasingly catching up with their quality. There is a serious competition observed but not fiercely.</p>	
	<p>Threat of substitution: Moderate-high, many of their customers applications, mostly milling applications, can be substituted with additive manufacturing. The trend on the electric mobility may also reduce their sales due to lower demand from the car industry.</p>	
H	<p>Buyer's power: Moderate-low, firm H has a substantial negotiation power especially to SMEs buyers compared to corporate buyers. It mainly depends on the products, but the company always attempts to achieve win-win solution.</p>	2.4 Moderate-low
	<p>Supplier's power: Moderate, <i>"If you order 1 ton instead of 100 and want to negotiate, they will laugh in your face"</i>. Framework contracts often used with some success cases. Although strategic alliances exist, it does not generate much savings.</p>	
	<p>Threat of new entrants: Low, a substantial initial capital requirement and the lack of employable staffs on the job market reduces the threats of new entrants.</p>	
	<p>Industry rivalry: Moderate, the rivalry is considered as moderate due to large opportunities in the market. Cooperation among competitors also exist, while hostile takeovers are unknown. Cheap competition from abroad with lower quality is available.</p>	
	<p>Threat of substitution: Moderate, possible threat by automation and additive manufacturing for metal products are existent especially within the next 10 years. Now, it is considering to become more of a service provider to overcome this threat.</p>	
I	<p>Buyer's power: Moderate-low, it is always possible to increase prices although there is certain threshold. <i>"We are not LIDL and we are not ALDI. [...] We have a product with price X and we have to get that through with product features."</i> Even if the competitors are similar in pricing, they mainly sell them through mediators as opposed to direct selling like firm I does.</p>	2.2 Moderate-low
	<p>Supplier's power: High, there is highly specific and complex requirement for the components, thus the company can hardly influence the cost of components. Hence, firm I attempted to focus on supplier loyalty.</p>	
	<p>Threat of new entrants: Low, potential new competitors will not be a big threat due to relatively long time to build reputation in the market: <i>"It is a very strange market, where you can't just show up and throw in a product. It is a long process because the customers are not exactly discount hunters. You would need a very long breath to gain ground."</i> It is harder for foreign competitors due to strict EU requirements as well as specific sales and marketing approach.</p>	
	<p>Industry rivalry: Moderate-low, competition does exist but not very fiercely considering the large market. <i>"We have detected that we</i></p>	

	<i>are certainly on the right path strategically [...] we will be able to annoy our competitor more, because we build similar products as our large competitor."</i>	
	Threat of substitution: Low , there is almost no substitute products observed in the market. Its products' technology is very unlikely to become obsolete.	
J	Buyer's power: Moderate-low , the influence towards the price depends on the situation of customers. The more unique or the more capacity it has, the better price it can influence.	2.2 Moderate-low
	Supplier's power: High , it is difficult to negotiate the material price to the suppliers due to extreme variance and low number of its order.	
	Threat of new entrants: Low , the initial capital requirement and financing may be the hindrance for new players to get into the business. Its machines are considered as hard to copy by others.	
	Industry rivalry: Low , due to high complexity and customized products, there is almost no competitor that provide the same product. Consequently, customer does not have much choice on where to buy which decreases the competition.	
	Threat of substitution: Moderate-low , there is a continuous shift in know-how where the company seek to follow. Special requirements by the customers often push them to adapt new technology.	

4.4 Firms' Strategic Planning

This chart provides an overview of all the firms' planning as determined in the interviews; mostly derived from section III, but supplemented from each interview as a whole. Based on their described planning, the firms were assigned a planning level according to the framework of Bracker and Pearson (1986) ranging from structured strategic planning (SSP), to structured operational planning (SOP), to intuitive planning (IP), to unstructured planning (UP). Since 3 of the companies have shown elements from more than one of these categories, this was reflected in assigning them to a spectrum rather than only one exact category if appropriate.

Firm	Firm's planning	Planning level
A	Plans in this company are operational, always flexible in themselves and emphasize the company's ability to remain flexible at all times. A written plan exists only for finances (3-5 years) which he perceived to be important. A more comprehensive plan exists only when needed by the banks and considered useless for internal purposes. Reasons against formal planning are the small company size where plans can always be discussed and have no need to be written down and goals are based on intuition as he gained speed benefit as well: " <i>If somebody else writes down [their plans], we can do it very much quicker</i> ". Plans for technology, marketing, HR, or competitive	IP - UP

	environment analysis do not exist at all.	
B	The management has advanced understanding of strategic planning. Written plans exist for innovation, capacity and marketing including external analysis. The financial plans are detailed and reviewed regularly in formal meetings by management and an advisory board. Planning horizon is 2-3 years. SWOT analysis is in use and a professional enterprise resource planning system. They intend to keep tool usage simple, though.	SSP
C	The management has little understanding of strategic planning due to their tech-only background and see little opportunity for strategic planning due to dependency on two key customers. A formal business plan does not exist and only the minimum ISO planning requirements are fulfilled without being utilised on actual daily operations: <i>“Because you can evaluate many things immediately and skip them right away because you know: with this process, we will get in trouble.”</i> . However, extensive and professional operational planning takes place, but nothing exceeds the horizon of one year as its benefits can be sensed by the managing director himself: <i>“The usefulness is certainly high. It would be stupid to say it doesn’t. But I am not really qualified to make a large statement about it.”</i> . Considering its extensive daily operations, lack of strategic planning was actually seen as helpful to cope up with the situation: <i>“The advantage is that you have capacity free for operative planning, for day-to-day business and then you are maybe just faster.”</i> Environmental analysis, marketing, technology plans or similar do not exist.	SOP - UP
D	The company takes ISO 9001 much more serious than other respondents as he put much work on it: <i>“Strategic planning requires enormous effort and especially with companies of our size, there often also is the “over the table” strategy.”</i> . There is a formal business plan (annually), financial and liquidity plans (analysed monthly), also plans for sales, marketing, external analysis (although the company wishes they had more resources to observe externally) and technology plans (product plans in this company). The planning horizon exceeds 3 years. Recruitment plan exist in informal form. SWOT and PEST are used as tools. Other than that, self-designed excel charts are used as tools.	SSP
E	Owners and managers have advanced understanding of strategic planning. A product manager has recently been added with the task to assess the competition and the own product portfolio in the world market. The formal business plan contains clearly formulated targets for every department which are updated annually. These lead to an overarching strategic plan with an overarching directive (currently enhancement of profitability and productivity through automation).	SSP

	<p>Operational plans are reviewed monthly, financial plans weekly. The planning horizon is 2-5 years due to the impossibility of longer horizon: <i>“Everything beyond that [planning for 2-5 years] is looking into a crystal ball.”</i>. Notably, none of the conventional strategic planning tools are used. The use of consultant was present although it did not add much to firm E’s already thorough internal planning: <i>“There was a consulting firm for two years and well, ... they decorated the bride.”</i></p>	
<p>F</p>	<p>There are no measurable targets, no written financial plan, nor timeline as he described: <i>“Not really [have long-term goals]. At the moment, we are looking forward to optimize our own products, but we have no timeline, schedule, we have nothing.”</i>. Since business is project-based, work is very dependent on the customers, which (in their view) makes it impossible to plan. A formal business plan exists, but only to fulfil the ISO certification requirements and it is not used for their business. The owner stated to have expansion goals in the future, but no actionable plans. When the company does make a plan, it only is in the head of the owner and for one year ahead, as he perceived strategic planning requires time investment: <i>“To make a really good planning, I think I have to invest everyday 1.5 hours in the evening and that’s too much.”</i>. The dynamic work environment and rapid changes of the technology basis require the company to have high flexibility instead of getting stuck in a plan. Plans for technology, environmental analysis, marketing etc do not exist.</p>	<p>UP</p>
<p>G</p>	<p>A high understanding and appreciation of formal strategic planning exists, as he comprehended that: <i>“The mission and vision are why I exist in the world; the strategy is there to describe the path of how to achieve my vision.”</i> A formal business plan with clear targets is formulated and continuously gets reviewed and updated. Generally, the operational plans are derived from the goals (i.e. market and sales goals). Both short-term (1 year ahead) and long-term (8-10 years ahead) goals exist. The company also does an environment analysis, competitor analysis, macro-factors analysis, and market analysis to devise plans to tackle future challenges. A comprehensive employment policy is also conducted. The strategic plan is developed mainly by the management team and supported by a tax consultant and auditor. Various planning tools are used.</p>	<p>SSP</p>
<p>H</p>	<p>Most plans and decisions are based on gut-feeling as the management has strong aversion towards bureaucracy. About planning: <i>“It is important, but must be changed continuously. You mustn’t have it fixed. You have to remain totally flexible.”</i>. Nevertheless, the company has a written business plan with a 1-year horizon <i>“3-5 years I can put that back into the era when I was an apprentice. That was in 1982. Then you could still do that.”</i>. The BP focuses on operational planning</p>	<p>SOP – IP</p>

	<p>(output, quality, technology, and employees). Less comprehensive plans contain automation investment. The longest plan (15 years) only deals with capital plans (machine leasing, write offs, and construction) and is made by an external tax consultant company, just as the liquidity planning. The goals were set based on the annual plans which includes key figures, but he emphasised that most decisions were based on informal observations and own intuition. External analysis or marketing plans do not exist.</p>	
<p>I</p>	<p>A high degree of formal strategic planning where detailed operational goals are based on the overarching goals, both the short-term and long-term. <i>“Everything that is written is manifested. It’s not like: “let’s do it and see”, but everything has a certain path. Writing things down was always the first thing I did.”</i> The formal business plan contains a financial plan, sales plan, and marketing in which operational and strategic goals are clearly distinguished. The planning horizon varies between 3-6 years depending on the areas. The formal planning is elaborated with a professional quality management (QM) system under the supervision of a QM manager. Continuous planning and controlling in weekly meetings are valued <i>“Continuity determines quality. It basically transfers into each other seamlessly. That is the advantage of this system”</i>. External consultants are usually hired for special needs and occasions. Several own-planning tools were developed to ease with their plan and progression <i>“We notice during the development process that the project is not suitable for the market, not customer-friendly or whatever it may be and then the project is killed.”</i>. To summarise the strategy: <i>“We set on the traditional enterprise: small, handy, Swabian [...] our customers are small dentists, small surgeons and the small ones fit just better together and we are still able to offer them the entire spectrum with validation and so on.”</i></p>	<p>SSP</p>
<p>J</p>	<p>The company is currently hindered from planning: <i>“If you have such a rapid growth as we had... we recently acquired two other companies – planning and growth have completely escalated. But generally, planning is of course important.”</i> What got them into this positions is described: <i>“Of course, in the beginning, there must be a business plan, but as soon as things start rolling, you will have to work on your organisation and try to finish projects and won’t have the time to formulate strategies anymore.”</i> Considering the prospect of formal planning in the future, the owner said: <i>“Strategic Planning helps you, too. Pure intuition is dangerous for an enterprise.”</i> Nevertheless, he currently refrains from it because: <i>“We are simply too young and have not been on our way long enough. I am simply not having the manpower to do this at the moment”</i>. Existing plans cover finances, sales, and marketing, but their nature is purely operational, short-term</p>	<p>UP</p>

4.5 Firms' Performance

This chart provides an overview of all the firms' performance based on the interview questions in section IV. Since these were 3 Likert-scale questions, the results are summarized as a spectrum consisting of 3 values (1 as highest, 7 as lowest) and supplemented with the reasoning given in the interviews. This was in order to reflect that performance is a subjective, compound measure based on financial performance, overall company development and confidence in the future.

Firm	Elements of Performance Satisfaction	Overall Values
A	Financial performance: 2 , turnover was at maximum capacity, but profitability still has room for improvement.	2-2-2
	Overall performance: 2 , the company is where it wants to be, but there is room for improvement with delivery times of suppliers, which results in production delays, that in turn affect profitability.	
	Future outlook: 2 , the market outlook is very positive (e-mobility in particular), but they will have trouble growing due to lack of engineers on the labour market as he accentuated: <i>"For the market side we are very optimistic, the problem is really the employees."</i>	
B	Financial performance: 5 , while one BU has been successful throughout the years, the other one has been writing losses for years. The profits from the one have to be used to finance the turnaround strategy in the other, as he described: <i>"So right now, the situation that we have, we're having a happy healthy kid and a sick kid."</i>	5-3-2
	Overall performance: 3 , the company is on the way out of their self-inflicted crisis and they are confident to have taken the right measures: <i>"I think the development is good. First of all, you need to recognize where is the right way and I think [firm B] made the decision to find the right way."</i> It is, however, still much effort and time needed to get back out of it.	
	Future outlook: 2 , confidence in the second generation of owner-managers is high and the company is investing into relevant changes in the market (like water instead of oil).	
	Financial performance: 2 , massive turnover growth over the last years that has overstretched the company's ability to grow and deliver. However, there were unexpected sudden drops (2016).	

C	<p>Overall performance: 2, company established itself on the market, has high loyalty of customers and employees, built up financial reserves and has professionalised operations.</p>	2-2-3
	<p>Future outlook: 3, The company is focused much on operations and has no clear future plan. Correspondingly they have “cautious optimism” for the future. Their built-up financial reserves are meant to cover up for weaker economic times that may occur.</p>	
D	<p>Financial performance: 3, Margins are tight in this market and rising salary levels and material cost have eaten up the potential profits from turnover growth.</p>	3-3-3
	<p>Overall performance: 3, capacity utilization is over 100% and customer diversification goals have been met. But with the current labour market, they have difficulties growing, while high salaries decrease profitability.</p>	
	<p>Future outlook: 3, in the saturated market of this business, the company has diversified largely to grant stability. The international business is affected by the ongoing trade conflicts (particularly US-China) in the world and Brexit is also an uncertainty factor.</p>	
E	<p>Financial performance: 2, there has been constant growth, but the last two years were in the 2-digit area. “Investments into building and automation have strained profits lately, but they are meant to improve profitability in the future. Overall satisfaction of financial performance in relation to its strategy was described to be well-aligned: <i>“We had growth from 2009 in one-digit numbers, the last years in two-digit numbers. So, considering our strategy, we have not done too many things wrong.”</i></p>	2-2-3
	<p>Overall performance: 2, Growth by 80 employees over the last 5 years, management practices have been expanded and professionalised significantly with the third-generation owner-managers. A problem is the shortage of skilled staff and new apprentices on the labour market, which hinders their potential.</p>	
	<p>Future outlook: 3, Although the market outlook is positive, the competition on this saturated market is increasingly tough. While the domestic politics are stable, international politics are increasingly hampering trade. <i>“What is the world doing? What does Turkey, what does China, what does Trump?”</i></p>	
F	<p>Financial performance: 2, The entrepreneur is very satisfied with the financial performance as of now, but points out that this is less of a priority for him as he is more focused on fun at work: <i>“I’m working because I love to work. Money is nice to have, [...] but this is not the target. At the moment, I’m extremely satisfied about the financial side because we had the result where I say: it’s very good, perfect!”</i></p>	2-3-3
	<p>Overall performance: 3, deficiencies have been detected in the organisation of projects and arguments both internally and externally occurred: <i>“We are fighting too much with the customers and the employees because we don’t have enough structure in some processes for a project.”</i>. Also, hiring new employees is difficult and he resorted to hiring engineers right off the university in Ukraine in order to generate growth.</p>	

	<p>Future outlook: 3, "10 years is a long time." the dynamics of the market are hardly predictable for this company and they expect a strong macro-economic recession within the next 2 years, followed by a rebound.</p>	
G	<p>Financial performance: 1, strong profits have been made in recent years which he perceived as a good indication of its current strategy: "The previous sales manager had this good feel and brought the turnover from 5 million to 20 million. So, it can't be said that he did it badly.". The profits have been reinvested into production capacity and automation. There is much financial manoeuvrability as he proudly described: "In the last years, I invested 5 million into machines. These funds help us to serve the market by ourselves. It's quite helpful that the owners don't extract money from the company. So, with the banks, we have an excellent rating."</p>	1-2-2
	<p>Overall performance: 2, There is high confidence into the mindful and comprehensive planning from management and ownership alike with a good mix of technological and business expertise.</p>	
	<p>Future outlook: 2, the company is well aware of the threats in the market and is taking action before they become a problem. Currently, they try to decrease their dependency from key intermediaries.</p>	
H	<p>Financial performance: 1, continuous growth between 3% and 20% with profits large enough for significant growth and investments. Consolidation is needed now, rather than more growth.</p>	1-2-1
	<p>Overall performance: 2, there is improvement potential particularly in the machine park, but overall many initiatives of the last years have been successfully implemented.</p>	
	<p>Future outlook: 1, the lack of highly trained staff on the employment market is a competitive advantage for this company due to their extensive internal training and apprenticeship efforts with resulting high employee loyalty.</p>	
I	<p>Financial performance: 2, The newly developed product has been a huge success on the market, also due to foreseen changes in the legal requirements for customers.</p>	2-2-2
	<p>Overall performance: 2, the ideas for new product development and the introduction of peripheral services to the previous portfolio are now proving fruitful.</p>	
	<p>Future outlook: 2, they have detected a market niche within a niche market where they are now able to compete against their much larger competitors thanks to direct selling and person-to-person service.</p>	
J	<p>Financial performance: 1, extreme growth has occurred for this company, while they managed to keep the growth of turnover and profits in balance.</p>	1-2-3
	<p>Overall performance: 2, the extreme growth had its toll on staff and particularly on management who work far more than they aim to: "It is always a double-edged sword because very strong growth also takes a high toll on all employees. [...] So, it is difficult to keep that under control. You need really good people for that, which we have."</p>	
	<p>Future outlook: 3, due to the focus on operations, the company did not develop much of a future plan, analysis or outlook. The gut-feeling is thus only somewhat positive.</p>	

5 Analysis and Discussion

The following chapter will analyse the results represented in chapter 4. While the results were presented cross-case by topic, the analysis will be presented by the groups determined in chapter 5.1 to provide a better understanding of how each group’s strategic planning and performance follow certain patterns.

5.1 Strategic Planning – Performance Matrix

Based on the matrix proposed in chapter two, the results found in chapter 4 led to the following graphical representation. Identical colours represent groups with decisive similarities. Group 1 (blue) are firms with varying degrees of satisfaction, but highly formal strategic planning done by entrepreneurs of mixed technology-business backgrounds for their mass-produced and internationally marketed products. Group 2 (purple) are contract manufacturers from technology-focussed entrepreneurs who produce on demand for much larger firms. Group 3 (yellow) are firms in project business who develop unique machines for their customers. They have very little formal planning, but are still very successful. These commonalities and differences are the main subject of chapter 5. It needs to be pointed out that little data about unsatisfied companies could be obtained, which might have been related to the macro-economic growth cycle at the time of data collection as mentioned in the research limitations.

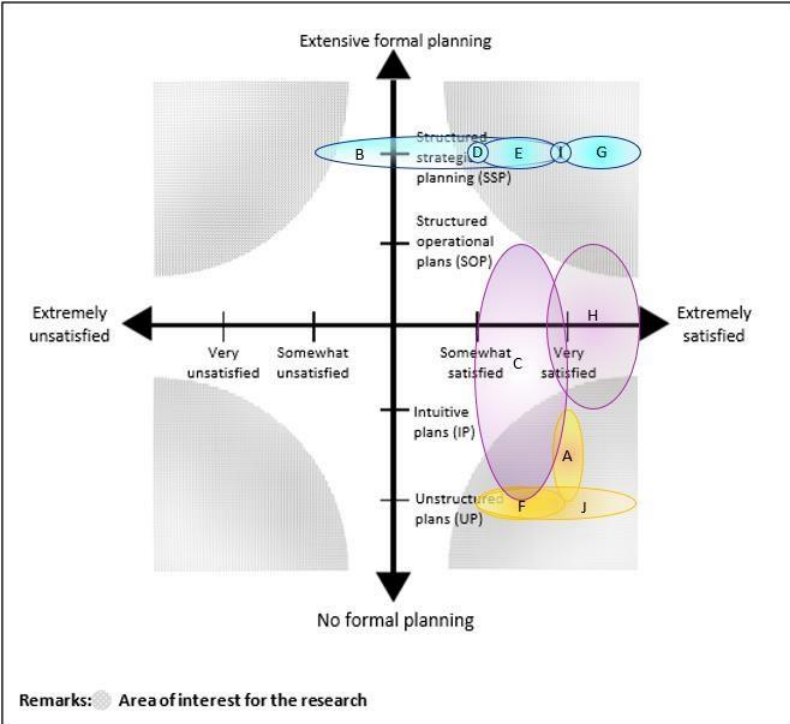


Figure 4. The Findings on Companies' Degree of Strategic Planning to Performance Satisfaction Matrix

5.2 Group 1: Own Product, Mass-marketed

5.2.1 Environment

The environmental analysis based on Porter has resulted in competitive ratings of moderate to moderate-low, implying a general lack of severely fierce competition for the five companies in group 1 (firms B, D, E, G, and I). Overall, there is no consistency on the level of each forces' competitiveness among the five firms, except for the threat of new entrants, which is relatively low for all. Firm E's and firm G's higher level of competitiveness can be explained by their high buyer's power as well as high industry rivalry for E and high threat of substitute products for the G. Firm G has little influence on the buyer due to its approach to sell through intermediaries, hence through its continuous business plan review, it attempts to improve its position by shifting to a direct selling strategy. Additionally, many other potential substitute products due to new techniques exist in firm G's market, which led them to seek to expand beyond the automotive market. While for firm E's case, the buyers tend to be price sensitive which also led to fiercer competition, thus it attempted to address the low bargaining power towards its buyers by seeking to expand into the world market.

The low level of threat of new entrants for all firms may be explained by various barriers to entry in this group, although there is no consistency among the reasons. A high degree of know-how to be able to enter the industry is present for all the firms, except for firm E where the know-how can be obtained easier with only moderate investment. The strict regulation and specific requirement of the European industry directives may also deter competitors for getting into the business for the firms B, E and I. Their local presence and understanding of European market are arguably much better than that of non-European competitors, therefore the threat from international competitors and their lower pricing, is lower. The market is mostly saturated for firms D and E, which are dominated by established players of varying sizes and national origin. Other barriers such as a good market reputation also exists for the firms B, I, and D in which it is not easy for new players, even with a lower price, to simply sell their products.

In general, the other three forces of competitiveness for firms B, D, and I vary from mainly low to moderate. The low threat of new entrants gives the companies in this category an advantageous position in their markets. Although firm E and firm G may have challenges mainly from two factors (industry rivalry and buyer's power respectively), they attempted to improve their position by putting more effort on long-term and gradual changes such as focus on international expansion and direct selling for them respectively. Overall, the firms in this category realized their own external environment challenges through their regular structured analysis and planning, thus they have strategized to improve their position. As a result, these challenges could be controlled by each firm which allowed them to improve their positions in the market. Accordingly, they managed to overcome such challenges and avoided these threats to their firms' performance.

5.2.2 Product & Production

It is notable that all the firms in group 1 have their own products with series production or full-on mass production of standardized product lines. While the companies are still SMEs, in many ways, their operations and production depth is comparable to corporations. Equally to the typical corporation, all of them are actively marketing internationally, although Germany is still their largest market. It is not exactly surprising that international marketing requires more formal strategic planning, which in fact, all of them have. The products are in themselves easy to understand and do not require intensive consultation or customization for the buyers and users, which would imply less need for flexibility than the firms of group 3. Firm I stands out somewhat from this rule because their products require maintenance, validation and some sales consultation, but generally still follow the trend of the group.

While the products may be relatively simple to market, their production and design processes are nonetheless sophisticated. All of the firms in this group need sizeable development budgets to continuously develop new products for maintaining their relevance on the market. Especially firm I is heavily design-focused compared to its small size. Another budget-related particularity of the group is the asset-intensity of production. The mass- and series production requires asset-heavy machine parks, millions of investments and in case of firms B, E and G more than 100 production staff who need to be employed at high capacity utilization in order to stay profitable. This intensity of assets across all five companies makes it appear more than logical that the management is much more concerned with thorough strategic planning when compared to the firms in the other groups.

5.2.3 Entrepreneur & management style

The entrepreneurs of group 1 stand out as their education is the least technology-focused of the three groups. Most entrepreneurs and managers in group 1 either personally have a mixed educational background of business and technology, or the team as a whole has a mixed background of the two. Managers with a business-only education are also found in this group. This is strongly in contrast to the other groups which consist almost entirely of entrepreneurs with a tech-only education. It is self-suggesting that this relatively higher degree of formal business proficiency would explain why the formality of strategic planning is so much higher in group 1. Notable is also that the older companies in this group have been founded by entrepreneurs from a technology background, but their heirs have had increasingly more of a business background (firms B, E and G).

Unsurprisingly, these managers and entrepreneurs also employ the most advanced formal management practices, have regular formal meetings and protocols. They are the only ones who actively conduct proper external analyses and value structure and form much more than the others. This is reflected in classical hierarchies in the firm, where top-down decision-making is seen as the natural state of things. Group 1 is also the only one that actively uses strategic planning tools, but most of them have developed their own ones to suit their specific planning needs better. Furthermore, they appear to have their employees well under control because none of them really complained about acceptance issues. On the contrary, all of them

are fully aware of leadership methods and have adapted them to their company's needs. Firm E for example conducts careful communication to their many lowly-qualified staff, while the mostly high-qualified staff of firm D is downright grateful for automation projects that alleviates their work. Managing the motivation of staff still remains a challenge for these firms, though.

5.2.4 Approach to Strategic Planning

A high degree of strategic planning is present in all the five firms in this group, so they are all categorized in SSP. Most of the entrepreneurs in this category possess a mixed background between the technical and business side, which arguably led to a better appreciation and understanding of strategic planning. The firms here have clear structured goals with detailed targets and actionable plans for their businesses' future. External analysis, competitor analysis, market analysis, and other relevant analysis are existent and actively used to support the business. Either conventional or self-developed strategic planning tools are operationalized as well. All firms review and refine their plans on a regular basis to ensure their relevance. The planning horizon extends beyond a merely 1-year operational plan and is mostly found around 3-5 years. In most of the companies, the strategic planning is developed by the higher management level. Special cases were found in firm E and firm I where they hired a quality manager and a product manager specifically tasked to help the management with the overall business analysis and planning. For some of the firms, external consultants often help with the overall company's planning and firm B even has a non-statutory advisory board consisting of other local entrepreneurs.

All in all, these high strategic planning activities are in line with the nature of their business and products. Their own products which are produced in series or mass appear to make strategic planning particularly useful to keep the business stable and profitable in the long term. As opposed to the two other groups presented in this research, the firms in group 1 may not require a great flexibility to change and adapt their production process in a short-period. Both the local and international scope of their customers has made business analysis and planning important since there are more complex macro-economic and political challenges in their wider target markets. With their own and mass-production, consequently an asset-intensive characteristic can be observed in all these five firms where they need to invest in machine parks. The presence of their short-term and operational plans helps with the asset-intensive production process to produce in bulk, while the long-term and more strategic plan is used to ensure future competitiveness of the firm, maintain their core capabilities and make sure that the expensive assets can be used at high capacity for as long as possible.

An extensive and continuous external or similar competitive analysis for firms in this group has allowed them to capture potential competitive challenges. The importance of such analysis and plans were pointed out by the respective entrepreneurs. In firm E's case, it specifically assigned a product manager to assess industry competitiveness. Even firm D's with its already structured external analysis and plan would like to have more resources to analyse its external environment. As previously described in the competitive environment subchapter, challenges such as threat of substitute products and industry rivalry were treated by some marketing and expansion strategy.

5.2.5 Relationship to Performance

From the researched companies, group 1 had the furthest spread in reported performance satisfaction and the lowest overall satisfaction with financial performance. This however, is mostly due to the negative satisfaction of firm B, whose reasoning was that strategic mistakes have been made in the past for one of the two business units and the company is now working hard on correcting them. While the other four companies in the group were mostly satisfied with the financial results, their scores were still somewhat weaker than those of groups 2 and 3. Since this study is not a quantitative one, the low number of cases does not allow for the extrapolation that formal planning is negatively correlated with financial results. However, it certainly doesn't strengthen the motion for a positive correlation either. Psychological factors like higher financial ambition of the more business-educated management in group 1 could be disturbing factors that have not been taken into account in this evaluation. The higher degree of market saturation in group 1 as opposed to the other groups however, is a plausible causal link for tighter margins and lower financial performance satisfaction, particularly because correlates stronger with firms B, D, and E, who reported market saturation issues.

Regarding satisfaction with overall company development, the firms of group 1 are all satisfied, but score marginally lower than the other groups once more. However, the consistent reason are complaints about the difficulty of finding new suitable staff on the labour market, which is clearly related to the low unemployment in south Germany at the time of the conduction of this study. As an external influence, this cannot be linked to the formality of strategic planning in any way.

In terms of future outlook, the scores of group 1 were exactly in the middle of group 2 and group 3. Most striking was that they were the group with a much clearer outlook in the future, where they could describe future threats much better and had observed their environment including macro-economic influences specifically for their respective industries and considered international trade politics and industry directives in their analyses. Correspondingly, their much more formal strategic planning appears to allow them to predict the future more accurately and develop strategies to benefit from future opportunities and deal with future threats before they become a problem. This allows for the conclusion that their strategic planning gives them a more accurate picture of the future, but not necessarily a more positive outlook.

5.3 Group 2: Contract Manufacturers

5.3.1 Environment

Overall, the competitive environment level for both the companies in this group (firms C and H) is moderate-low. With the exception of a rather high threat of substitute products for firm H, all the other factors vary between low to moderate.

It can be observed that both firms always attempt to make a good win-win compromise with the buyers, which led to a moderate-low degree of buyer's power. This can be explained by the nature of its business where the customers come to these companies with their specific needs to be produced and further allowing a negotiation process depending on the products' complexity and other factors, where this part can be influenced largely by the firms. Specifically, for firm C, it has the advantage of close proximity to its customers, allowing a better bargaining power position.

The bargaining power of suppliers is moderate for both companies. This is due to their changing projects and different customer requirements, thus limiting their power to negotiate for lower price. Ordering parts in bulk to obtain discount can be done in some cases of firm C, but not for firm H. Albeit the existence of framework contracts, it did not help much considering customer's special requests to get material from exact suppliers. Hence, it is rather difficult to outmanoeuvre this challenge for both firms.

The threat of new entrants is relatively low for both companies due to enough jobs in the market as perceived by firm C and initial capital and employable staff requirement as perceived by Firm H, hence there is not much of a threat from this force. Firm C does not sense a fierce industry rivalry except for the risk of employee poaching, which may also be the result of the lack of employable staff as seen by firm H. Accordingly, it is reasonable that firm C emphasises on their humanitarian leadership style to increase employee loyalty. Firm H perceived a higher level of rivalry fierceness due to cheap international competition. Nevertheless, firm H's product quality is undoubtedly much higher than these competitors. Lastly, both companies experienced a moderate threat of substitute products. However, both firms attempted to cope with this issue by investing more in automation and considering to shift additionally towards offering peripheral services on top of production. As a result, these companies can still achieve an overall satisfying performance.

5.3.2 Product & Production

The commonality of the two firms in group 2 is that they both mass-produce without having any products of their own. What makes them unique compared to the other two groups is that they do not pursue any active marketing at all and correspondingly do not have any related planning. In fact, this is largely unnecessary because their customers know very specifically what they need, when they need it and do not have to be convinced that they need it. Consequently, much of the standard elements of strategic planning, like positioning, research & development, and sales do not have any meaning for group 2. This explains their relatively lower planning formality compared to group 1.

While the products themselves may indeed not require any strategic planning, the production certainly does. It is similarly asset-heavy as in group 1 with expensive machine parks and high staff numbers. Since most staff is working in production, the capacity utilization of staff and machines must be held high and this is reflected by advanced operational planning of both companies, albeit the planning horizon of neither firm extends 1 year. The short planning horizon can be explained with the fact that the products are produced specifically for the customer and they in turn do not plan their supply chain needs for longer than that.

5.3.3 Entrepreneur & management style

The firms of group 2 have been founded by entrepreneurs from a technology background and are still led by technology-educated managers/heirs. A difference is that the second-generation leader of firm C is still young, while the managing director of firm H has 26 years of professional of experience and an astonishingly colourful career with additional commercial training. This easily explains firm H's somewhat more comprehensive planning in regards to customer diversification the consideration of external influences.

Regarding their style of management, hands-on management is a suitably descriptive term for this group. They are each very active on the production floor and involved into their employee's lives to a large degree. They emphasize excellent personal relationships to their staff and genuinely care about them. This humanistic management style is also their means of choice to deal with change-acceptance issues among the employees and it rewards them with high employee loyalty and satisfaction. Management is conducted much less formally than in group 1 and a top-down decision-making coexists with bottom-up initiatives. Employees are encouraged to suggest improvements to production processes and their opinions are valued more than the voices of external consultants which are perceived as either irrelevant or even with aversion.

5.3.4 Approach to Strategic Planning

The degree of strategic planning for firms C and H spreads over a spectrum from SOP to UP and from SOP to IP respectively. The spectrum lies in the fact that the firms show elements of more than one strategic planning category levels of Bracker and Pearson (1986). Therefore, to avoid the bias in categorizing the two firms, a spectrum must be assigned. A conspicuous similarity in both of these firms is that they have a high degree of capacity and production planning to deal with their high intensity of operational activities with the planning horizon of less than 1 year. This is quite logical considering the nature of their business as contract manufacturers, where they produce in mass and series but they have to deal with a lack of consistency between one customer order to another due to their specific requirements and needs. Hence, this element of intensive capacity and production planning fits with the definition of SOP.

Although the lack of business background of both the two firms' entrepreneurs could explain why their degree of strategic planning may not be as sophisticated as those in the first category, the flexibility requirements in this business may be the more relevant explanation for this phenomenon. In contrast to group 1, firm C and firm H do not have their own products. Therefore, there is little need to have long-term plans to address potential market and competitor challenges as they will continuously and automatically follow the development in the market based on their customers' needs and environment. Accordingly, it would offer only little benefit for these firms to conduct extensive external analysis, marketing plans, and similar plans in their business.

The informal goal-setting and decision-making mainly derives from the entrepreneurs' resistance to get stuck in a bureaucratic process. The need of a quick decision-making is

present as they need to be able to catch up with rapid changes in the production process and demand. The difference of the strategic planning between firm C (SOP-UP) and firm H (SOP-IP) can be explained by the more diverse working experience of the managing director in firm H from different industries and companies who pursued more formal strategic planning. Albeit they focus on capacity and production planning, firm H also has a rather long-term planning for its capital, which seems a logical reasonable considering its asset-intensive characteristic to support the business and the involvement of tax consultant firm for the task. Even if most times the decision-making are based on intuition and informal observations, firm H also has more formal goal-setting which also includes key figures about staff performance and satisfaction.

Although several challenges exposed from its environmental factors were pointed out during the interview, the non-existence of external analysis in this firm has led to the lack of elaborated strategies to address these challenges. Nevertheless, it does not necessarily mean that the external challenges were not addressed by these firms at all. As pointed out in the competitive environment subchapter previously, some strategies were developed to overcome these issues, but it is not be well-elaborated in their overall formalized strategic plans.

5.3.5 Relationship to Performance

Group 2 overall reports the highest performance satisfaction. From a financial perspective, they reported some of the highest growth numbers of all firms and are correspondingly “very” and “extremely” satisfied. But again, the small number of cases does not allow for making a link between medium formal planning to success. Much rather is it possible to connect their success to their favourable environment where they do not need to fear competition and enjoy customer loyalty: during an economic growth cycle, this is an obviously beneficial combination.

The satisfaction with overall company development is the highest and can be attributed to their focus on operational planning, which they see at a high standard with continuous optimization potential. Further, they report fewer issues with holding their employees, which clearly is a result of the entrepreneurs’ management styles that are focussed on keeping their employees satisfied and loyal.

Lastly, the future outlook is mostly positive and in fact the highest of the groups, but it needs to be pointed out that this may not be justified. While firm C was only somewhat optimistic, this can clearly be attributed to their lack of long-term planning. In fact, they do expect a severe cool-down of the economy, but their plan to deal with it is to absorb the blow with their financial reserves: a functional, but painful solution, explaining their “cautious optimism”. Firm C on the other hand is led by a managing director with an unshakably optimistic personality. He might have rightly assessed that his company has a long-term competitive advantage through his employment policy, but this helps very little against a potential short-term economic cool-down. Overall, due to their less formal strategic planning, the companies stumble – to a degree – blindly into the future, which is why their positivity may not be entirely justified.

5.4 Group 3: Unique Projects

5.4.1 Competitive Environment

Two companies in this group (firms A and J) have a moderate-low level of competitiveness, while firm F is on the low level. The distinguishing competitive force is their supplier's power, which is high for A and J. This is caused by the low number of available suppliers for firm A, which is obviously connected to its extreme niche market. Hence, firm A tries to overcome this challenge by improving their design to make the component requirements more efficient. For firm J, it is mainly caused by extreme variance of components and correspondingly a low number of orders, which is an obvious consequence of developing a large variety of machines for each customer. It attempts to address this issue by either ordering the components from further places or producing them in-house when feasible. Interestingly, this is the complete opposite for firm F where it has the lowest level of supplier's power. This is connected to firm F's projects where the uniqueness stems more from the changing design and programming and less from the more standardised use of hardware components for their robot applications. Consequently, they can negotiate better with their component suppliers.

The other major distinguishing force is the buyer's power where the uniqueness and perceived benefits of the resulting products to their customers determine the price. The more distinctive the product and the more payback the customers can expect, the higher the price that can be exerted by these firms. However, this is not always the case, especially for firm A and firm J, where the availability of competitor's products and other substitute products are present in the market, which limits their bargaining power. All in all, in the three different cases, a high degree of customer relationship management is implemented.

The threat of new entrants is low for all of the three firms. This is predominantly caused by the high know-how requirements and substantial initial capital need. Although some degree of competition can be observed, the overall industry rivalry is considered as low or moderate-low in because each of the players try to stay out of each other's way to avoid unnecessary price wars. Finally, the threat of substitute products is not a major risk, since the firms always listen to the customers to stay updated on the new developments and each project is new and different, therefore they can absorb new know-how continuously.

5.4.2 Product & Production

The three firms in group 3 are all machine builders, although with largely different specialisations. Their machines are all uniquely designed for a specific use at a specific customer. Consequently, their products are highly complex and need to be co-designed with the customers who often do not know what exactly they need. This intensive consultation is part of their marketing strategies but since each case is so unique, the marketing plans are loosely defined and rather informal. Accordingly, a robust customer relationship management

can also be detected among these firms instead. One of the three firms work in an extreme niche market, while the two others can cater the demands of customers in varying industries.

The production is equally complex as the products themselves: each machine needs its own design, suppliers are often different, changing customer specifications during the design process have to be taken into account and standardization is consequently near impossible. In such a working environment, it is not surprising that strategic planning is perceived as unfeasible and in fact, the group has by far the lowest score on formal planning. On the contrary, flexibility is actively favoured over planning by the most experienced entrepreneurs of the group (firm A). Unlike the firms of group 1 and 2, the production is much less asset-intensive. While they may have to pre-finance single projects, they do not need to invest millions into machine parks and consequently need less sophisticated operational planning to keep asset utilization up.

5.4.3 Entrepreneur & management style

The entrepreneurs of group 3 have the least formal education in regards to business with only one exception in firm A, which is led by one engineer and one business graduate. Instead, all of the firms have been founded based on professional experience in their particular field of technology. Herein it needs to be mentioned, that all entrepreneurs used to have significant working experience in exactly the field they are in right now. The extensive work experience could be a contributing factor why they are able to conduct their businesses without formal planning.

Their management styles however, differ significantly: firm A conducts relatively professional management practices and a conventional top-down approach, where employees are persuaded to follow and accept the management's plans. This is in stark contrast for firm F where a laissez-faire management style can be observed. This roots in the entrepreneurs' personal attitude that work should be fun. However, he has his employees less under control and complains that they are fighting too much about the lack of project structure and planning. Firm J is led by a highly-involved entrepreneur who likes to be at the forefront of daily business and encourages employee involvement in change management and improvement initiatives which is effectively a bottom-up decision-making system. Overall, the management styles in this group could not be more different and have to be attributed to the personal preferences of the entrepreneurs and perhaps their lack of formal management education for firms F and J.

5.4.4 Approach to Strategic Planning

The three firms in this category have the lowest degree of formal strategic planning compared to the two other groups. firm F and firm J have the lowest level planning which resides in the UP category, while firm A's planning stretches over IP to UP. This disparity could be explained by the partial business background of firm A's entrepreneurs, while the entrepreneurs in firm F and firm J have tech-only backgrounds. Almost no written plans exist

in this group, except when it is required by the ISO certification or their banks. The goal-setting and decision-making are very informal and mainly based on gut-feeling and intuition. Another affecting factor is the high-orientation to the customers, which is sensible considering their ever-changing and project-based work. Overall, the three firms all stated that flexibility is paramount in their business rather than being stuck in formal plans which may be obsolete soon due to rapid changes in the market and technology. Customer relationship management and co-design can also be described as the strategy-shaper in these cases.

While a clear target, written plans, and actionable written measures are almost non-existent for firm F and firm J, (categorized as IP), a higher degree of planning is observable for firm A. In firm A, the entrepreneur described that he still developed a relatively medium-term financial plan to help guide him in decision-making to a certain degree, even though most of the times it is based on pure intuition, experience and discussion with the co-owner. firm F, on the other hand, described that its current rapid growth combined with two acquisitions hinder the development of formalized strategic plans as other tasks appear more urgent. Hence, it currently only uses some degree of operational plans for its daily business. They stated that limited manpower and more pressing matters in day-to-day business have kept them from introducing better formal planning. Lastly, the high dependency on customer's demands and rapid technological changes in the industry of firm F has deterred them from conducting strategic planning, as it may become obsolete very fast. Another explanation could be that the entrepreneur's main motivation of the firm is having fun at work rather than pursuing profit, which might make strategic planning a lot less rewarding.

Although the external or similar competitiveness analysis and plan are non-existent in the firms in this category, some related challenges were pointed out by the entrepreneurs. To overcome these challenges, some operational actions were carried out to make its competitive position better. However, nothing is addressed through a structured nor strategical manner.

5.4.5 Relationship to Performance

Satisfaction with financial performance is relatively high although the firms in this group conduct the least formal strategic planning. Instead, two of them consciously decided against it and all of them emphasise the need for flexibility over planning for their specific industry. This can be best connected to the mode of production of their machines with intensive design processes. Their financial success implies that their decision might have been the right one in combination with their products.

Satisfaction with the overall development is average when compared to the other groups. However, the reasons do indeed differ. While they were more satisfied with their growth and organisational development, they were less satisfied with the smoothness of internal processes and especially firm J compensates with much longer working hours for the management, while firm F is dissatisfied with project management. Both of these can be attributed to deficiencies in operational planning and thus to the level of formal planning. Considering the rapid change in technology however, it does seem well-suited to apply their laissez-faire management style and high employee involvement respectively. Correspondingly, they are overall very satisfied with their employees.

In regards to future outlook however, the firms of group 1 have the lowest overall score; mostly due to feelings of uncertainty about the future. While they operate in a highly dynamic industry from a technological perspective, predicting the future would indeed be difficult. Formal strategic analysis would arguably help them to have a clearer picture of the future and consequently take preventative actions against future threats and prepare for the future chances. Just like group 2, they currently manoeuvre through the industry short-sightedly and do not trust their ability to take action against this condition.

5.5 Discussion

As expected in the preliminary theoretical framework, the firm's environment does have impact on strategic planning, but seemingly less than implied by previous researchers. On the contrary, the research preliminary framework as adopted from Wiklund's (1998) and other theories such as Porter's (1979) and Mintzberg's (1990), cannot entirely explain the strategic planning choices of firms in group 2 and group 3. In their cases, the environment appears to have received only little consideration as opposed to the firms in group 1, who, arguably have much more conventional business models, similar to those one would expect in larger companies. Those firms in group 1 are actively conducting external environment analysis and planning based on a formalized and structured approach, while firms in group 2 and 3 attempting to overcome their external environment issues rather through operational approaches.

Nevertheless, Wiklund (1998) in his study highlighted one argument by Child (1972), that firms may not entirely orient themselves on their environment for designing strategies, rather, the environment gives them a varying range of options and strategic freedoms of how to design their strategies. This argument would be in line with the researched companies' low to moderately competitive environments which allow them more strategic freedom as opposed to highly competitive environments. Consequently, they would indeed not need to be quite as environment-concerned in their strategic orientation to achieve satisfaction in performance. Instead, as they have done in their practice, they matched the approach to tackle environment challenges through appropriate actions in line with the nature of their business. Bantel and Osborn (1995) have previously confirmed this notion where the lack of porterian planning does not imply a lack of strategic orientation. As an example, the SMEs in group 2 and 3, but also firm I focus heavily on their proximity to the customers, as Hatten (2011) described a typical SME competitive advantage: an effective and simple, but not necessarily environment-derived strategic conclusion.

The entrepreneurs and managers themselves, as well as their management styles, are certainly another important determinant of how extensive and formalized the strategic planning is in their companies. Unsurprisingly, the more business education a management team had, the more they leaned towards formal strategic planning – independently of company size. This adds more into prior theories which suggested the significance of relevant education to the entrepreneurs (Raposo and do Paço, 1997; Wiklund, 1998; Ranwala, 2016), although in the past they have not yet discussed its relevance in particular to formal strategic planning, rather

to overall managerial skills. Almost all of the entrepreneurs interviewed had substantial relevant past working experience within their industry, which has helped them to understand the market and customers better. As a result, it arguably enabled them to make sound decisions overall. Even though in firm C and D, the entrepreneurs did not have as much hands-on experience prior taking over, but still they have a robust technical education background and prior apprenticeship experience relevant for their business. This further confirms the theories regarding entrepreneurs' actions and decision-making styles (Reuber and Fischer, 1999). Although hands-on experience was arguably imperative to achieve better growth and performance (Wiklund, 1998) which was supported through the results of this study, apparently for the entrepreneurs of firms C and D with less hands-on experience, they could still achieved similar levels of performance and satisfaction compared to others. Thus, it augments Wiklund's (1998) statement that education, training, and social community may at some degree replace hands-on experience to excel in the industry.

The leadership and management styles of management teams with more business education was generally more conventional and followed common management principles and practices as it was expected by prior researchers such as Karlan and Valdivia (2011). This was in contrast to managers and entrepreneurs with technology-only backgrounds as found in the groups 2 and 3 who avoided formal strategic planning caused by a mixture of lacking expertise and confidence on the topic (Gibbons and O'Connor, 2005; Kohtamäki et al., 2008) as well as a perceived lack of benefit from strategic planning as flexibility was favoured over structure. This manifested itself in their bureaucracy-avoidance as compared to larger firms: SMEs are much less rigid which allowed easier decision-making processes, communication, and coordination (Ghobadian and Gallear, 1996), which in turn gives them more flexibility to adapt to changes in the business environment (Kraus, Reiche and Reschke, 2005). While it was argued by Thompson, Bounds, and Goldman (2012) that many SMEs focus more on day-to-day operation which deters them from conducting proper strategic planning, this could be a result of the dynamic working environment as perceived by firms in group 2 and 3 which require them to be flexible in adapting to it.

Further to leadership and management style, the managers in group 2 focussed strongly on their human-centred leadership style, in line with Hinterhuber (2007), who concluded that leadership is supposed to invest into humans and their development rather than into systems. Although the companies in group 2 are less advanced in their strategic planning, their emphasis on employee relationship at least has benefitted them in two aspects: firstly, higher loyalty to retain them amidst the shortage of employable staffs in the job market and secondly, higher motivation to work extra when required to fulfil huge job orders. Even though the firms in group 1 have rather similar asset-intensive feature and mass production process activities compared to group 2, they pursued less human-centred leadership. An explanation to this could be that the entrepreneurs in group 1 have a more advanced business and managerial background, thus allowing them to carried out a more normative and structured strategic planning. In contrast, less educational background in business and management could have been the reason that led entrepreneurs in group 2 to keep the business running smoothly by focusing on employee relationship management. Overall, their ideas of thinking ahead and long-term orientation were then actively pursued through humanitarian leadership which is believed as a tool for future development (Hinterhuber and Krauthammer, 2005), as opposed to formalized and conventional strategic planning.

Overall, in accordance with two types of entrepreneurs as defined by Smith (1967), the entrepreneurs in group 1 could be closely tied to his definition of the opportunistic entrepreneur. On the contrary, entrepreneurs in group 2 and 3 were more of the craftsman type. However, some of the opportunistic characteristics are also present in group 2 and 3's entrepreneurs such as their social awareness and participation as well as confidence to overcome their environment, even though they lack relevant business and managerial education and long-term orientation. Conclusively, the entrepreneurs indeed have a very strong impact on their SMEs and Wiklund's (1998) notion that SMEs and the entrepreneurs behind them are entwined, can be confirmed.

The third major determining factor that influences strategic planning was only found through the data analysis and was not a part of the preliminary framework: the **product** of the company. While environment and the entrepreneurs certainly had their impact on shaping the SMEs' strategies, the product of the firm might actually have had the strongest one. The consistency in the findings was overwhelming and with the asset-intensity of series-production and mass-production, the higher degree of strategic planning in groups 1 and 2 can clearly be causally linked. The further increase of strategic planning formality from group 2 to group 1 can further be linked to their international marketing of their own products as opposed to being a mere contract manufacturer for larger customers. On the other end of the spectrum, companies in the project business had very little opportunity for standardization, only national or regional marketing and a comparably low-asset production. Accordingly, the benefit of strategic planning would be much lower for them, which arguably contributes to their lack of conducting it.

In the literature review it was discussed that no single theory of Mintzberg's (1990) ten school of thoughts could explain the strategy development in SMEs. Instead, this research showed that the more formalized and structured form of strategic planning found in group 1 matches with his schools of design, planning, positioning, and surroundings. Specifically, for firm B in group 1, it also fits with the school of configuration since the management described the firm's decision to start with formalized planning as the result of dramatic changes (acquisition of another company). On the contrary, the school of entrepreneurship, cognitive, and learning are aligned with the strategy found in the companies of groups 2 and 3. The strategy in the perspective of these schools mainly was influenced by the entrepreneurs' experiences, intuition and gut-feeling, and at the same time a constant learning process with emphasis on flexibility.

Still in line with Mintzberg's (1990) ten school of thoughts, the firms in group 1 can clearly be connected to the planning model or synoptic model after Ansoff (1991) as they follow more systematic, formal and comprehensive strategic planning practices along the line of scientific convention. The strategic planning of groups 2 and 3 can be connected much more to the incremental model by Mintzberg (1978) because their strategies do not follow an overarching design but are constantly under development and reassessment in the heads of the developers rather than finding them in comprehensive, agreed-upon documents. The model highlights the ability of the entrepreneurs' to not follow a strict design, but rather give them a more flexible approach, which is needed by the firms in group 2 and 3.

The discussion ultimately leads to the main research question of this study:

Under which circumstances does strategic planning affect performance in small and medium enterprises?

The firms' performance has shown that SMEs can achieve varying levels of success and satisfaction with highly formal strategic planning, as well as with unstructured planning and everything in between. Tingler's (2015) argument that firm's performance is rather a broader concept, whereby growth is considered as a part of it, is apparent in this research. Indeed, growth can determine performance, but other aspects such as know-how development, delivery time, and management practice are considered as elements of performance by the entrepreneurs themselves.

In relation to the performance, where growth is the element of the focus as pointed out by Delmar, Davidsson, and Gartner (2003), there is no clear relation between each group of company and growth type. However, of all the ten companies interviewed, only one (firm J) is actively pursuing growth through acquisition or an inorganic way, therefore it fits with their classification as steady over-all growers. Many of the firms (A, B, C, D, and F) also aligned with the classification of super relative growers, which was mentioned to be commonly found in SME, where relatively high growth and performance in terms of revenue and employees can be seen. This is even though sometimes inconsistencies due to sudden drops or due to current internal issues such as in firm B occur. This inconsistency also affects the employee growth side which is caused by the same problem of few employable staff on the job market. According to Delmar, Davidsson and Gartner, (2003), the super absolute grower category fits well with manufacturing firms and SMEs and could also be found in some of the firms (G, E, H, and I) with striking growth in terms of revenue and sales

All in all, the ten firms' varying success level in relation to their strategic planning can be explained by the causal links made in this chapter, which strongly indicate that performance is determined by a suitable choice of strategic planning in relation to their competitive environment, the entrepreneurs' influence and most of all, the product category in which the SME operates. Chapter 5.6 will elaborate on "product" further. Hence, an informal level of strategic planning is not necessarily to be regarded as a flaw as it all depends on its relevant strategic choice. It further confirms Mintzberg's (1987) arguments that firms both need and do not need strategy depending on the nature of business. The contradiction of both positive and negative implications of strategic planning in previous literature may be addressed through these findings. It could be that the firms studied by prior researchers which possessed a high degree of strategic planning may not tailor it well to these three factors. Consequently, the strategic planning may have been ill-suited for the respective firms. The concretely suggested interrelations will be elaborated in the subsequent chapter.

5.6 Final Theoretical Framework

The preliminary framework as introduced in chapter 2 was adapted from Wiklund's (1998) strategic adaptation perspective with an additional feature of entrepreneurs and management,

due to its relevant influence on the strategic direction of a firm and how it is managed in general. This framework acted as the main guidance and shows the causal link between strategic planning and its contributing factors to firm’s performance. Therefore, prior to data collection and analysis, the initial postulation was focused only on these four aspects of the framework which would presumably explain the research question of strategic planning’s circumstances in relation to SMEs’ performance.

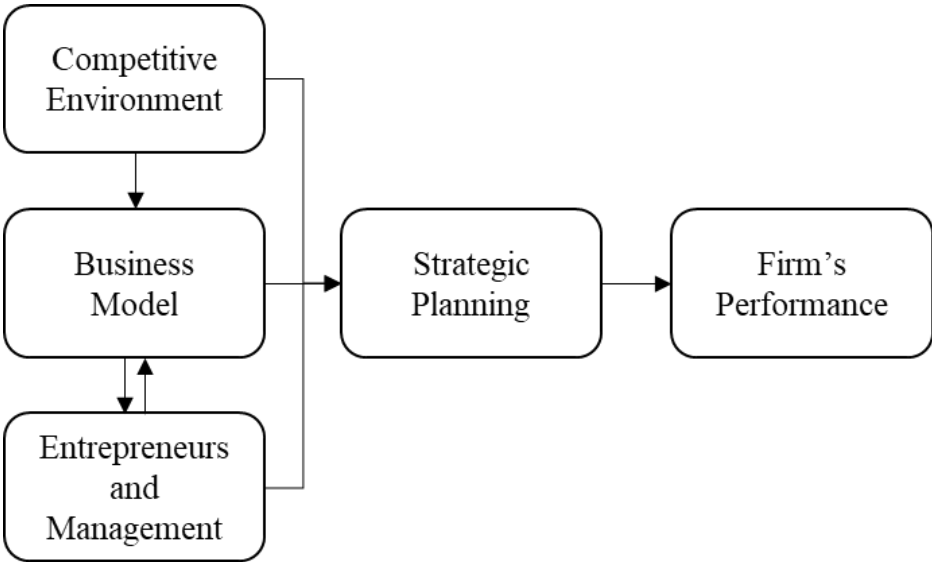


Figure 5. Final Theoretical Framework

The benefit of a qualitative approach to reveal new findings from the depth of observation has proven valid as an additional interplay was uncovered: the category of product as reflected in the groups of this chapter appears to significantly correlate with the usefulness of strategic planning. As discussed, the “product” is a specificity of the manufacturing industry. In order to take this onto a more abstract and universally applicable level, the term comes down to “business model” where a company is either pursuing a project business model or a standardization business model or anything in between. With help of this generalisation, the model can also be applied to the service industry where firms will equally base their business models around either a focus on unique projects, like an event-management firm, or on standardised services, like an insurance firm and anything in between. Correspondingly, firms in the service industry would likely be subject to the framework factors just like their equivalents in manufacturing. In general, the product aspect shall be deemed as important determinant of a firm’s business model itself. Magretta (2002) described that the business model should explain how a firm makes money in two ways: creating value for customers and capturing value as returns in the process. Therefore, with this definition in mind, the three product categories in this thesis could interchangeably be referred to as business models as the value can be captured both through the product itself and the by way it is offered to customers. This exposition is confirmed by Casadesus-Masanell and Ricart (2010) as they defined “business model” as the firm’s logic in its operation and value-creating activities. They further argued that the choice of strategy, which they described as “contingent plan” to the respective business model, should therefore be adopted in certain relevant ways to the

business model per se since its substantial consequences would in return determine its competitiveness. Introducing “**business model**” as a **distinct category** into the framework is necessary because it cannot sufficiently be subordinated to either of its neighbouring factors:

As expected, **the competitive environment** does indeed influence strategic planning, as it determines strategic options and freedom, but a direct interrelation with entrepreneurs cannot be derived from this study. In line with the strategic freedom argument, the competitive environment also shapes the business model that companies chose to pursue. This is reflected in the niche-orientation and other positioning choices of some the SMEs, which are mostly determined by the environment. So, the environment can be seen as an outside force that affects the business model choice, but a business model is inherently intrinsic to a company. Further, a backwards influence of the business model onto the competitive environment cannot be derived from this study: unlike some large corporations, it is unlikely that many SMEs have the market weight to do so in noticeable ways. The competitive environment thus comprises the collective of external forces that may shape a company, but are inherently outside of the company.

Business model and entrepreneurs are strongly intertwined and majorly determine the strategic planning of the firm. As this study has shown, certain product categories inherently require much more formal strategic planning, mostly due to international marketing and asset-intensive production. A transferability of this concept onto services is likely, but could not be established with this research. The business model is thus the abstract set of ideas and principles that are shaped by the environmental opportunities and the abilities and preferences of the entrepreneur. However, it cannot be subordinated to either: An entrepreneur may have major influence on the choice of business model, but as shown in this research, successful business models have been overtaken with a change of leadership and generation in several cases of this research. Often, the second-generation entrepreneurs were significantly different from their predecessors, but maintained the business model. Thus, it should be considered as its own distinct factor. In regards to the business model impact on strategic planning, the discussion has shown that some business model categories need flexibility much more than strategic planning and correspondingly would benefit much less from formal planning.

Further, **entrepreneurs** with a technology-background and accordingly specialised careers are much more attracted to project-based business models both in founding these companies and as successors within them. When transferred to the service industry, it is to be expected that specialists of a sector are found more in project business, but again, this is subject to future research. This is in contrast to entrepreneurs with a mixed or business-only background, who are much more attracted to standardization business models with international marketing where they can play out their personal strengths of conventional formal management and planning. Again; this applies to founders and successors alike. Conclusively, business model and entrepreneur interrelate and are together determining both the need and the conduct of formal or informal strategic planning in an SME. Overall, the combination between the three factors significantly influenced the respective firms’ strategic planning. The adoption of strategic planning regardless of the degree of its structure and formalization is thus dependent on them, predominantly on the business model, which acts as the hinge of this causal-link relationship. Accordingly, the suitability of the strategic planning choice by the firm will determine the performance.

6 Conclusion

In this chapter, the key conclusions of the thesis will be discussed to draw the line of the overall relationship from the research background towards the findings and analysis. The proliferation of SMEs as a research topic has made it particularly interesting to dig deeper into the topic. The focus of the thesis on strategic planning of SMEs is a subsequent result of the efforts of previous researchers on the topic with inconclusive answers on its impact on performance. Consequently, the notion that strategic planning is always beneficial for SMEs was questioned in chapter 1. Studying the extent and circumstances of the SMEs in relevance to the strategic planning would arguably shed light on the debate. As a result, an overarching research question was developed to address this problematization:

Under which circumstances does strategic planning affect performance in small and medium enterprises?

6.1 General Conclusions

An extensive literature review was conducted to help understand the topic and to show the relationship between strategic planning and performance better. Both the theoretical and practice-related research were scrutinized in regards to SMEs' strategic planning. Several aspects were pointed out which in turn led to the development of the preliminary framework as a basis of this thesis. Firstly, the theoretical foundation on SMEs' competitive environment and positioning perspective have signalled the importance of the external environment in shaping a firm's strategy. Such theories were further confirmed by Wiklund's (1998) strategic adaptation perspective towards SMEs' performance. Hence, the external environment was seemingly impactful on SMEs' strategies. Secondly, the entrepreneurs and management which were described as intertwined with the SMEs was therefore postulated to substantially affect strategic planning as well. These two strategic planning foundation factors would later affect the resulting performance.

The results of the thesis however, showed that there is an additional determining factor to SMEs' strategic planning which was not predicted beforehand. This finding was enabled as a result of the internal validity measurements implemented in this research, particularly the rich data and comparison aspect, which in turn has helped to reveal a new determining aspect to the research framework. The business model of the SMEs has turned out to be the predominant factor to shape the strategic planning. Further, interrelations between entrepreneurs and the business model could also be observed. A relationship between the environment towards the business model was present, but not the other way around. Overall, the factor "business model" by itself and the relationship between one another would impact the firm's strategic planning. Whether it will lead to firm's performance satisfaction or not

depends on the suitability of the chosen strategic planning approach, which should be well-aligned if performance satisfaction is to be achieved.

There are three types of business models observed in the manufacturing sector that were uncovered from this research. The first one is the firms that have their own products, manufactured in bulks, and internationally marketed. The second category is contract manufacturers who have no own products and mainly work to supply the components ordered by bigger companies. The third category is the firms engaged in unique projects after ever-changing customer specifications. It is well possible that additional categories exist, but they did not become apparent in this research.

The significance of the business model type towards the degree of strategic planning employed by each firm is vastly noticeable through the research matrix. The three business model types are clustered in different areas of the matrix with the most formal level of strategic planning held by firms in group 1, then followed by firms in group 2, and lastly by firms in group 3 which has the least formal strategic planning in use. There is notable consistency among the entrepreneurs and management with these clusters, too. Firms in group 1 mainly consist of entrepreneurs who have a mixed background of technical and business education, the latter enabling more advanced strategic planning in the firm. On the other hand, almost all firms in group 2 and 3 (with the exception of firm A) are led by technology-only entrepreneurs. Despite of the severe differences in strategic planning, firms in all groups were able to achieve relatively high performance and satisfaction in regards to finances, overall development, and future outlook.

The explanation for this phenomenon, where there is a wide range of strategic planning level within the researched firms from highly formalized to unstructured strategic planning could be elucidated in some reasons. Firstly, the asset-intensive characteristic and the international marketing for firms in group 1 may require a thorough and long-term planning to ensure the continuity of their businesses. While on the contrary, firms in group 3 require fewer assets in their production as processes may be outsourced to other firms and components are procured from outside. Secondly, while the firms in group 2 are also asset-intensive as those in group 1, they do not market the products in a wider scope of customers as in group 1. Therefore, formal planning and analysis, particularly of external aspects, may be less relevant for group 2 firms, which explains their lower planning levels. All firms in group 2 and group 3 have customers with very precise specifications and without own standardized products, active marketing may be unnecessary for them. Thirdly, external environmental factors were addressed in a more structured and formalized way by firms in group 1 which brought them to the top position in the matrix. However, in group 2 and 3, the external environmental challenges were addressed in a less formal way to allow for higher flexibility as rapid changes were reported much more by them. The general conclusions are that the strategic planning should always be aligned with the determining factors of each firm. If the appropriate strategic planning choice is pursued, performance satisfaction can be achieved as in the case of the researched firms here.

As a response to these conclusions, an additional literature review was conducted to understand whether past researchers have come to similar interpretations. One article focusing on the manufacturing sector's strategic planning by Garvin (1993) does to some extent describe the matching of the firm's strategic choice towards their needs (e.g. production capacity, labours, and quality). Garvin (1993) described that a firm should not focus on all strategic priorities equally (i.e. cost, quality, flexibility, delivery, and service) as it was

prescribed by previous researchers. Instead, he suggested that a firm shall rank them based on their necessities and make according strategic decisions. Translated to this research, his description of quality and cost as strategic priorities may be ranked first and second for firms in group 1 where their own product's and its features as well as firm's reputation and impact of marketing activities are paramount. On the other hand, firms in group 3 shall be better focusing on flexibility and service as strategic priorities due to their needs to adapt quickly to market changes and customers' demands. In between the two categories is group 2 as contract manufacturers. While both the focus on quality and flexibility as strategic priorities are of importance to their business, the delivery aspect may be dominant to them as they continuously deal with different customer orders in varying amounts and tight schedules. Thus, being able to deliver the right product at the right time would be in their interest. Thus, in many ways, Garvin's strategic priorities are correlating relatively strong with the business model categories in this research, which would support our conclusion and the final framework.

Competing theories trying to explain the less formal strategic planning of SMEs have put much emphasis on practical obstacles rather than theoretical reasoning. As mentioned in chapter 2, in his meta-analysis, Siegfried (2015) narrowed these obstacles down to: time constraints, know-how limitations, missing acknowledgement of necessity, missing rationality in decision-making, focus on day-to-day business, and overemphasis on intuition of the decision-maker. It needs to be pointed out that most previous researchers appear to have assumed a general benefit of strategic planning and were mostly seeking to find better-suited planning methods for SMEs; it was not their concern to question the use of strategic planning. Consequently, they found a different category of explanations for less formal planning. Our conclusion does not deny these findings; in fact, they appear mostly in line with some of the arguments brought up by interview partners in groups 2 and 3 and even occasionally appeared in self-criticism among managers of group 1. Nevertheless, these competing theories cannot explain at all how firms can be successful without formal strategic planning as opposed to our theory of diminishing returns, following below.

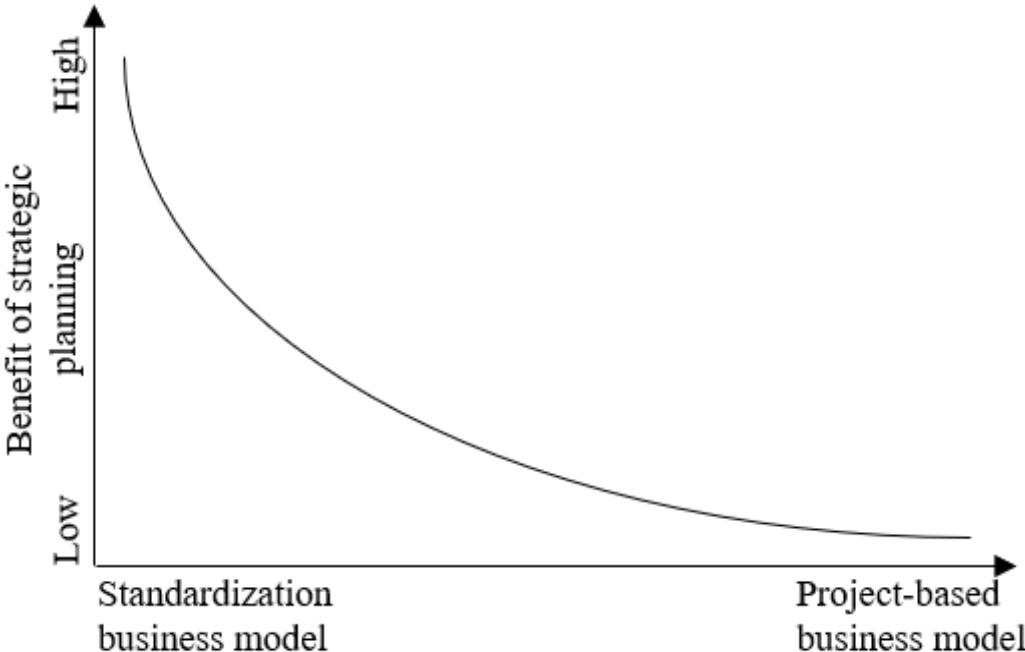


Figure 6. The diminishing returns of strategic planning in relation to business model

In figure 6, it is suggested that there is a relationship of diminishing returns between the benefit of strategic planning and the type of business model. Almost the entirety of corporations and large companies have some form of standardized products and/or services. As pointed out in the literature review, strategy research has for the most of its history focused on this kind of company and as a result, the tools and theories have been tailored around them. Correspondingly, these companies benefit greatly from the entire portfolio of strategic planning like international market research, competitor analyses, workflow optimization tools, total quality management and so on. Many SMEs however, have far less standardized products all the way down to working in project-based business, where every machine or contract is significantly different from the previous one. As has been confirmed in this research, these companies value flexibility much more and planning would mean too much effort for too little pay-back. The fact that large companies never focus on this kind of business may explain why previous research has not considered “business model” as the influential factor that it appears to be for SMEs.

6.2 Research Aims & Limitations

The thesis has been structured in order to answer the research question in a far-reaching way. The results and analysis have brought to light the relationships between formal and informal strategic planning in reference to perceived performance among SMEs. This relationship has been illustrated through the final theoretical framework as shown in figure 5 which brought insights on the underlying factors of strategic planning and the interplay between them in order to gain performance satisfaction in SMEs.

Earlier in the research problematization, it was emphasised that there were contradictory results in regards to the use of strategic planning towards performance in SMEs by some researchers in the past. It is expected that the outcome of this thesis has contributed to the clarification of these contradictions by explaining at least three determinants on SMEs’ strategic planning towards performance. The application of strategic planning should therefore be well-matched with these three factors in the respective firms, instead of simply applying it through high formalization and structure without considering the firm’s specific needs.

Although in the validation section it was argued that discrepant evidence and negative cases were desired to provide a more conclusive explanation, one limitation of this research is that no companies with very low satisfaction towards performance were found. In the literature review it was discussed that SMEs were plagued with high-failure rates due to entrepreneurs’ poor management and decision-making skills (Gaskill, Auken and Manning, 1993; Hatten, 2011; Smit and Watkins, 2012), which did not align with this thesis. Consequently, the relationship of strategic planning in such cases could not be explained as well. However, the

absence of evidence is no evidence for absence and future research on the topic should actively seek to include weakly performing firms as comparison.

This research was conducted in the area of Baden-Württemberg with focus on the manufacturing sector for methodological reasons. This could be one of this research's limitations where the result could or could not be applicable to other sectors (i.e. service sector) or other regions. Regarding the business model type, for example, there is definitely differences between the manufacturing sector and service sector. Entrepreneur's style and management could as well be affected by cultural settings, which may not have been captured in this research due to its focus on one region with relative cultural homogeneity.

Lastly, considering the qualitative approach in this research, the data obtained from the sources did not attempt to address certain variables in a quantifiable manner. Instead, explorative and open-ways for the interview partners to answer the questions were employed. Therefore, there may be a limitation in regards to their approximation and our interpretation of the degree of strategic planning and performance satisfaction in each firm.

6.3 Practical Implications

Those who concern themselves with applied strategic planning: entrepreneurs, managers, and consultants should be aware that strategic planning does not hold the same potential value for every firm alike. While even small firms with a business model based on standardization may still benefit greatly from it, firms in the project business, even if they are mid-sized, have much less to gain from it. Conclusively, firms should not blindly attempt to introduce strategic planning because they have learned from its theoretical benefits or because they aim to orient themselves on larger competitors. Instead, the strategists should carefully consider which concrete benefits can be gained from strategic planning in their specific cases.

So would an SME with a compact product portfolio, series-production and international sales already benefit significantly from almost every aspect of formal strategic planning, a contract manufacturer would benefit mostly from advanced operational planning and financial planning, and a special machine builder only from an analysis of future technologies of their specific market. Like every type of business expense, strategic planning does not have a value in itself, but is a support function of the business with a return on investment. This return on investment must be consciously considered for every company and benchmarked with alternative uses of the entrepreneurs' time and attention.

It has been shown that varying degrees of strategic planning formality can all lead to high performance satisfaction. Sophisticated, exhaustive strategic planning should therefore not merely be pursued by all firms without first considering the nature of their business and their very own needs. Instead, it should be matched with the factors: environment, business model, and entrepreneur.

6.4 Future Research

Without the assumption that there might be a relationship of diminishing returns between strategic planning and the business model of SMEs, previous researchers concentrated on the question:

“Why are SMEs conducting so much less strategic planning than large firms?”

However, this question might have given too much weight to the wrong topic. Based on our research, we would suggest that the main question for future research should be:

“Which kind of SMEs should conduct more formal strategic planning?”

And in a narrower scope:

“At what point does formal strategic planning outweigh the benefits of flexibility?”

At least this research suggests that mostly SMEs with conventional business models benefit from conventional, formal strategic planning, while those who find themselves in a highly volatile working environment with high demands for flexibility just do not receive much payback from the substantial effort that would have to flow into proper strategic planning. The above question remains interesting because whether there are distinguishable borders, steps, or spectrums of strategic planning benefit could not be answered sufficiently with this research.

To address the limitations of this research, future researchers can consider focusing on similar research as in this thesis with focus on companies with low performance satisfaction. Previous theories that were presented in chapter 2 regarding high SME failure rates in relation to poor management could not be addressed properly in this research. Future research with a larger scope should be able to shed more light on whether this framework can also explain the weaker performance of firms on the left side of the matrix.

In addition, similar research could be carried out in different economic sectors (i.e. service sector), to see if there is consistency of the results and conclusions. The replication of the research to the other geographical regions could also help to validate the transferability of outcomes and conclusions. While this research found three factors to be determinants of the strategic planning in SMEs, future research with different sources may potentially reveal other relevant factors. Similarly, there could be another class business model among SMEs which was not revealed in this research or there may be a finer distinction among them.

The qualitative approach used in this research has resulted in a more interpretive definition of both the degree of strategic planning and performance satisfaction in SMEs rather than fixed variables. We suggest that a survey-based study with similar objectives is carried out. Therefore, a better numerical approximation could be provided and used for a comparable analysis.

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Appendix A – Interview Design

Interview Questions (English Version)

Section I – Company Overview

Filled in by researchers prior to interview as far as possible with desk research. Gaps filled by interview.

1. Products description:
2. Turnover:
3. Employee number:
4. Employee number development over last five years:
5. Company Ownership:
6. Average product life cycle:

Section II – Background (Interviewee)

1. What is your professional educational background?
2. What was your work experience prior to your position now?
3. How important do you find intuition and experience for leading a company?
4. How do you understand the term: “strategic planning”?

Definition of strategic planning used in this study according to (Müller-Stewens, 2019): (translated) strategic planning is **the institutionalisation** of a **comprehensive process** that aims to decide in **which direction a company** (or parts of a company) **shall develop**. This means which **success potential** it shall employ and which **actions should be undertaken** and which **resources** should be allocated in order to achieve this.

5. How do you try to enforce your strategy throughout the company? (goal alignment, communication etc.)
6. Where do you see the greatest challenge in implementing strategic plans?

Section III – Procedures of Strategic Planning

General

1. How do you judge the usefulness of formal strategic planning for your company?
2. Do you have a business plan? (E.g. financial projection, company’s sales/marketing plan, expansion plan, etc.) What parts of it do you consider as strategic?
3. Whether you have a business plan or not: For how long are you planning ahead?

The following section depends on whether the company does or doesn’t do formal strategic planning.

1. How do you make plans for your company? Rather in your head or in a structured written form?

For Companies that use formal written planning

1. What are the main goals of strategic planning for you?
E.g. guidance in operating the business, improve financial performance, market assessment
2. At what point in your company history did you start to make formal plans?
3. When does your company make plans or analysis? (time-wise, e.g. quarterly)
4. Are there any events or situations that urge you to make or update your plans? (event-wise, e.g. after project failure)
5. Who is helping you with strategic planning or goal setting?
6. Are external forces like your bank or investors ever demanding formal strategic planning from you?
7. What planning tools do you use? E.g. SWOT, PEST, BCG Matrix, etc.
8. How often do you use these tools?
9. How would you estimate the quality of your planning compared to your strongest competitor? How compared to an average competitor?

For Companies that use no or little formal written planning

1. Why are you conducting only little or no formal strategic planning?
2. Do you set long term objectives? If yes, in what areas? E.g. financial objectives, Technological advancement, Know-how development
3. How are you setting goals and make decisions if not through strategic planning?
4. Have you ever tried strategic planning? And what was your experience with it?
5. Do you see any benefits of not applying formally written plan?
6. Do you think your competitors are formally strategically planning?

Section IV – Company’s Performance

The following questions are not asking for specific numbers. They are about your feelings of performance and goal achievement of your company.

7. How do you feel about the development of turnover and profits over the past five years? *Answer options & reasons:*
 1. *Extremely satisfied, why?*
 2. *Very satisfied, why?*
 3. *Somewhat satisfied, why?*
 4. *Neither unsatisfied nor satisfied, why?*
 5. *Somewhat unsatisfied, why?*
 6. *Very unsatisfied, why?*
 7. *Extremely unsatisfied, why?*
8. Finances aside, how content are you with the overall development of your company over the past five years? *Answer options & reasons:*
 1. *Extremely satisfied, why?*
 2. *Very satisfied, why?*

3. *Somewhat satisfied, why?*
 4. *Neither unsatisfied nor satisfied, why?*
 5. *Somewhat unsatisfied, why?*
 6. *Very unsatisfied, why?*
 7. *Extremely unsatisfied, why?*
9. How optimistic are you for your company's development for the next ten years?
- Answer options & reasons:*
1. *Extremely optimistic, why?*
 2. *Very optimistic, why?*
 3. *Somewhat optimistic, why?*
 4. *Neither pessimistic, nor optimistic, why?*
 5. *Somewhat pessimistic, why?*
 6. *Very pessimistic, why?*
 7. *Extremely pessimistic, why?*

Section V – Environmental Factors Derived from Porter's Five Forces

What is the influence of the manager or company towards the following environmental factors?

1. Can you exert any influence towards the price of your product? (Bargaining power of buyers)
2. Can you exert any influence towards the cost of your materials/components? (Bargaining power of suppliers)
3. How difficult is it for others or new players to enter your industry? (Threat of new entrants)
4. How fierce is the competition in your business? (Industry rivalry)
5. Do you know of products or processes that can replace or substitute your products? (Threat of substitution)

Interview Questions (German Version)

Teil I – Firmenübersicht

Von den Autoren mit Hilfe von Firmendaten ausgefüllt. Lücken durch die Interviewpartner gefüllt.

1. Produktbeschreibung:
2. Umsatz:
3. Mitarbeiteranzahl:
4. Mitarbeiteranzahl Entwicklung über die letzten 5 Jahre:
5. Firmenbesitzverhältnisse:
6. Durchschnittlicher Produktlebenszyklus:

Teil II – Hintergrund Interviewpartner

1. Wie sieht Ihre berufliche Bildung oder Ausbildung aus?

2. Was für Berufserfahrung hatten Sie vor Ihrer jetzigen Position?
3. Für wie wichtig halten Sie Intuition und Erfahrung zum Führen eines Betriebs?
4. Was verstehen Sie unter dem Begriff: „Strategische Unternehmensplanung?“

Für diese Studie wird die folgende Definition nach (Müller-Stewens, 2019) angewandt: Unter einer strategischen Planung wird die Institutionalisierung eines **umfassenden Prozesses** verstanden, um zu entscheiden, **in welche Richtung** sich ein Unternehmen (oder ein Teilbereich des Unternehmens) **entwickeln** soll, d.h. welche **Erfolgspotenziale** es nutzen und ausschöpfen sollte, und **welchen Weg in Form zu ergreifender Aktionen** und zu allozierenden **Ressourcen** es dazu wählen soll

5. Wie versuchen Sie, ihre Strategie firmenintern durchzusetzen? (z.B.: Zielangleichung durch Prämien, Kommunikation etc.)
6. Wo sehen Sie die größte Herausforderung bei der Umsetzung strategischer Pläne?

Teil III – Vorgehen

Allgemein

1. Wie beurteilen Sie die Nützlichkeit von formeller strategischer Planung für Ihren Betrieb?
2. Haben Sie einen Business Plan? (z.B.: Finanzplan, Vertriebs und Marketingplan, Exportplan usw.) Welche Anteile davon sind strategisch?
3. Egal ob Sie einen Business Plan haben oder nicht, wie weit planen Sie voraus?

Die folgenden Fragen sind abhängig davon ob die Firma viel formelle Planung betreibt oder wenig.

1. Wie machen Sie Pläne für Ihre Firma? Eher im Kopf und mündlich, oder eher strukturiert schriftlich?

Für Firmen, die formell schriftlich planen

1. Was sind Ihre Hauptziele in strategischer Unternehmensplanung?
z.B.: Richtungsangabe für die Betriebsführung, Verbesserung der Finanzen, Marktübersicht gewinnen)
2. Ab welchem Punkt in Ihrer Firmengeschichte haben Sie damit begonnen strategisch zu planen?
3. Wann machen Sie Pläne oder führen Analysen durch (z.B.: quartalsweise)
4. Gibt es Ereignisse, die zur Änderung oder Neuerstellung von Plänen führen? (z.B.: ein gescheitertes Projekt)
5. Wer hilft Ihnen bei strategischer Planung oder Zielsetzung?
6. Gibt es Interessengruppen, die formelle Planung von Ihnen verlangen (Banken, Anteilseigner etc.)?
7. Welche Planungsinstrumente nutzen Sie? (SWOT, PEST, BCG Matrix)
8. Wie oft nutzen Sie diese Instrumente?
9. Wie schätzen Sie die Qualität Ihrer Planung im Vergleich zu Ihrem stärksten Konkurrenten ein? Wie im Vergleich zu einem durchschnittlichen Konkurrenten?

Für Firmen, die wenig oder gar nicht formell schriftlich planen

1. Warum führen Sie keine oder wenig formelle strategische Planung durch?
2. Wie setzen Sie Ziele oder treffen Sie Entscheidungen, wenn nicht durch formelle Planung?
3. Haben Sie jemals versucht, strategische Planung einzusetzen? Wenn ja, wie waren Ihre Erfahrungen damit?
4. Setzen Sie langfristige Ziele? Wenn ja, zu welchen Bereichen?
5. Sehen Sie Vorteile darin, auf formelle Planung zu verzichten?
6. Glauben oder wissen Sie ob ihre Konkurrenten formell planen?

Teil IV – Firmenleistung

Im Folgenden fragen wir nicht nach konkreten Zahlen, Es geht mehr um Ihre gefühlsmäßige Einschätzung und Zufriedenheit mit der Leistung und Entwicklung Ihrer Firma.

7. Wie zufrieden sind Sie mit der Entwicklung von Umsatz und Profit der letzten fünf Jahre? *Optionen und Gründe:*
 1. Äußerst zufrieden, warum?
 2. Sehr zufrieden, warum?
 3. Eher zufrieden, warum?
 4. Weder zufrieden, noch unzufrieden, warum?
 5. Eher unzufrieden, warum?
 6. Sehr unzufrieden, warum?
 7. Äußerst unzufrieden, warum?
8. Finanzen beiseite, wie zufrieden sind Sie mit der Gesamtentwicklung Ihrer Firma über die letzten fünf Jahre? *Optionen und Gründe:*
 1. Äußerst zufrieden, warum?
 2. Sehr zufrieden, warum?
 3. Eher zufrieden, warum?
 4. Weder zufrieden, noch unzufrieden, warum?
 5. Eher unzufrieden, warum?
 6. Sehr unzufrieden, warum?
 7. Äußerst unzufrieden, warum?
9. Wie optimistisch sind Sie in Bezug auf Ihre Firma über die nächsten zehn Jahre? *Optionen und Gründe:*
 1. Äußerst optimistisch, warum?
 2. Sehr optimistisch, warum?
 3. Eher optimistisch, warum?
 4. Weder optimistisch, noch pessimistisch, warum?
 5. Eher pessimistisch, warum?
 6. Sehr pessimistisch, warum?
 7. Äußerst pessimistisch, warum?

Teil V – Externe Faktoren (basierend auf Porters fünf Kräften)

Welchen Einfluss haben Sie bzw. Ihre Firma auf die folgenden Faktoren:

1. Inwieweit können sie den Verkaufspreis Ihrer Produkte beeinflussen?
(Verhandlungsposition der Kunden)
2. Inwieweit können Sie ihre Kosten von Material und Komponenten beeinflussen?
(Verhandlungsposition der Zulieferer)
3. Wie schwierig ist es für andere Firmen oder Neugründungen, Ihren Markt zu betreten? (Markteintrittshürden)
4. Wie hart würden Sie den Konkurrenzkampf in Ihrer Branche beurteilen?
(Branchenrivalität)
5. Kennen Sie Produkte oder Prozesse, die Ihr Produkt überflüssig machen oder ersetzen könnten? (Gefahr durch Ersatzprodukte)

Appendix B – Contact Letter Sent to Companies as Inquiry for Participation in the Research

German Version

Sehr geehrter Herr (NAME EINFÜGEN),

Für unsere **Masterarbeit** an der Universität Lund in Schweden untersuchen wir strategische Planung in kleinen und mittleren Unternehmen in der herstellenden Industrie.

Unsere Arbeit dreht sich um die Frage, **inwieweit formelle strategische Planung für KMUs sinnvoll ist**, denn es gibt gute Argumente für strukturiertes Planen wie ein Großbetrieb, aber eben auch für die die Erfahrung und das Bauchgefühl des flexiblen Unternehmers. Kurz gesagt, wir suchen Unternehmer und Geschäftsführer von beiden Enden des Spektrums: „**Strategen**“ und „**Macher**“. Dazu bitten wir Sie um ein Interview für unsere Forschungsarbeit.

Der Wert für Sie: Setzen Sie sich kritisch mit der Führung ihres Unternehmens auseinander, eröffnen Sie andere Perspektiven und nutzen Sie unsere – **für Sie kostenlose – Analyse**. In jedem Fall bekommen Sie am Ende unsere objektive Auswertung zur strategischen Planung in Ihrem Betrieb, frei vom sonst so häufig auftretenden Problem der Betriebsblindheit. Dabei ordnen wir Ihre Vorgehensweise in Forschungsliteratur ein und vergleichen sie mit anderen herstellenden Betrieben. Durch den qualitativen Charakter unserer Arbeit werden wir uns intensiv mit Ihrer Firma befassen, anstatt oberflächlich mit einer Vielzahl von Betrieben.

Inhaltlich geht es im Interview um **Ihre Erfahrungen und Einstellungen zu verschiedenen Planungsinstrumenten** wie Business Plänen, Finanzplänen etc. In keinem Fall werden wir nach sensiblen Daten wie Ihrer Produktentwicklung oder nach anderen Geschäftsgeheimnissen fragen.

Im Laufe der Woche würden wir uns telefonisch bei Ihnen melden um zu fragen, ob Sie Interesse an der Teilnahme an unserer Forschungsarbeit haben und uns **eine halbe Stunde Ihrer Zeit** entbehren könnten.

Wir verbleiben mit freundlichen Grüßen,

Philipp Konnerth und Shabrina Adani

English Version

Dear Mr. (INSERT NAME),

For our **Master Thesis** at the University of Lund in Sweden, we are currently contacting small and medium enterprises of the manufacturing industry.

Our research deals with the question, **how useful formal strategic planning is for SMEs**. Afterall, there are good arguments for structured strategic planning as corporations do, but also for experience-based decision making and the gut-feeling of the flexible entrepreneur. In a nutshell: we are looking for entrepreneurs and managing directors from both ends of the spectrum: the **“strategist” and the “maker”**. Therefore, we would like to ask you for an interview for our research.

Value for you: critically consider your planning style and open yourself to new perspectives by using our **analysis free of cost**. In any case, you will receive our objective assessment of the strategic planning in your company, free of the corporate blindness bias. We will weigh your leadership against research theories and the practices in other manufacturing companies. Due to the qualitative character of our thesis, we are going to work intensely on your company instead of superficially skimming through a high number of firms.

The interview will be about **your attitudes and experiences with planning tools** like business plans, financial plans and so forth. Under no circumstances will we ask about sensitive data like product development or other trade secrets.

During the course of this week, I will contact you by phone and ask whether you are generally interested in participating in our research and whether you could offer **half an hour of your time** to our project.

With kind regards,

Philipp Konnerth and Shabrina Adani

Appendix C – List of Direct Quotes from Interviews with Translations

Firm	English	German (if applicable)
A	<i>“We’re very few employees. We are mainly working as design company, so we have the brains for the design [...] therefore we can be very flexible.”</i>	
	<i>“Customers tell you a lot [...] what they think, what are the future trends, where are things going, what is going up and down.”</i>	
	<i>“There’s no formal plan. [...] If you don’t give it outside, there’s no sense to write it down.”</i>	
	<i>“If somebody else writes down [their plans], we can do it very much quicker.”</i>	
	<i>“For the market side we are very optimistic, the problem is really the employees.”</i>	
B	<i>“You need experience for sure and you need to have relationships. [...]. If you don’t find the right way to go to the customer and to build a relationship, you do not run the business”</i>	
	<i>“If you don’t find a way to convince the customer to do a long-term business, you just have one-hit wonders. That’s not the idea.”</i>	
	<i>“So right now, the situation that we have, we’re having a happy healthy kid and a sick kid.”</i>	
	<i>“I think the development is good. First of all, you need to recognize where is the right way and I think [Firm B] made the decision to find the right way.”</i>	
	<i>“Either you have a sexy product or a good payback on the shares, you need to convince people.”</i>	
	<i>“You have to convince that your product is according to the specification to the rules, to laws, and things like that. So, there’s a huge barrier in terms of getting your product on this kind of level.”</i>	
C	<i>“because you can evaluate many things immediately and skip them right away because you know: with this process, we will get in trouble.”</i>	<i>„weil man viele Sachen schon im Vorhinein einschätzen kann und dann sagt, dass man es gleich skippt, weil man weiß: mit dem Ablauf wird das eher hakelig sein.“</i>

	<i>“My father is rather the maker than the strategist and decides based on gut-feeling, rather than someone who strategically analyses everything.”</i>	<i>„Mein Vater ist eher der Macher als der Stratege und entscheidet eher aus dem Bauch heraus, als jemand der alles strategisch genau analysieren würde.“</i>
	<i>“The usefulness is certainly high. It would be stupid to say it doesn’t. But I am not really qualified to make a large statement about it.”</i>	<i>„Der Nutzen ist sicherlich hoch. Das wäre dumm zu sagen, dass das keinen Nutzen hätte. Aber ich bin nicht so qualifiziert zu dem Thema, dass ich da große Aussagen zu machen kann.“</i>
	<i>“The advantage is that you have capacity free for operative planning, for day-to-day business and then you are maybe just faster.”</i>	<i>„Den Vorteil den man vielleicht hat, ist dass man Kapazität frei hat für operative Planung, für Tagesgeschäft und dann vielleicht einfach schneller ist.“</i>
	<i>“You need to treat everyone as a human, you need to talk to everyone, you need to know that every human is different.”</i>	<i>„Man muss mit jedem menschlich umgehen, man muss mit jedem reden, man muss wissen, jeder Mensch ist anders.“</i>
D	<i>“Strategic planning requires enormous effort and especially with companies of our size, there often also is the “over the table” strategy.”</i>	<i>“Strategische Planung bedeutet eben enormen Aufwand und gerade in Firmen unserer Größenordnung gibt es eben oft auch noch „über den Besprechungstisch“ Strategie“.</i>
	<i>“If you don’t have one central decision maker in the company, there is probably more formal planning. But with flat hierarchies, you can make good decisions without it.”</i>	<i>„Wenn man keinen zentralen Entscheider in der Firma hat, wird wahrscheinlich mehr formell geplant. Aber mit flachen Hierarchien kann man auch sonst ganz gut Entscheidungen treffen.“</i>
E	<i>“Every firm must make money. But we are not profit-driven like corporations.”</i>	<i>“Jede Firma muss Geld verdienen. Aber wir sind nicht gewinngetrieben wie Aktiengesellschaften.</i>
	<i>“We had growth from 2009 in one-digit numbers, the last years in two-digit numbers. So, considering our strategy, we have not done too many things wrong.”</i>	<i>„Wir hatten Wachstum seit 2009 im einstelligen Bereich, die letzten Jahre im zweistelligen Bereich. Von der Strategie die wir fahren muss ich sagen, haben wir nicht allzu viel falsch gemacht.“</i>

	<i>“Everything beyond that [planning for 2-5 years] is looking into a crystal ball.”</i>	<i>„Alles was darüber ist [2-5 Jahre planen], denk ich ist Glaskugel.“</i>
	<i>“There was a consulting firm for two years and well, ... they decorated the bride.”</i>	<i>„Da war eine Beraterfirma da, zwei Jahre und ja... hat die Braut geschmückt.“</i>
	<i>“Well they [consultants] have decided it; it is not our fault!”</i>	<i>„Das haben ja die [Berater] entschieden, wir können nichts dafür!“</i>
	<i>“The owners are very aware of their social responsibility in the area.”</i>	<i>„Unsere Geschäftsleitung ist sich ihrer sozialen Verantwortung im Umkreis sehr bewusst.“</i>
	<i>“What happens with the world? What does Turkey, what does China, what does Trump?”</i>	<i>„Was macht die Welt? Was macht die Türkei, was macht China, was macht Trump?“</i>
F	<i>“but for the other [things] that I need to have my own company, that was only a learning process of doing by yourself.”</i>	
	<i>“I think for me it’s [strategic planning] necessary to think sometimes what I want and also for my own life because the company is my life.”</i>	
	<i>“Not really [have long-term goals]. At the moment, we are looking forward to optimize our own products, but we have no timeline, schedule, we have nothing.”</i>	
	<i>“To make a really good planning, I think I have to invest everyday 1.5 hours in the evening and that’s too much.”</i>	
	<i>“I’m working because I love to work. Money is nice to have, [...] but this is not the target. At the moment, I’m extremely satisfied about the financial side because we had the result where I say: it’s very good, perfect!”</i>	
	<i>“We are fighting too much with the customers and the employees because we don’t have enough structure in some processes for a project.”</i>	
	<i>“10 years is a long time.”</i>	
	<i>“Normally, we have no competition with those companies. There are also companies where we get our know-how from because we work much with them.”</i>	
G	<i>“The mission and vision are why I exist in the world; the strategy is there to describe the path of how to achieve my vision.”</i>	<i>“Die Mission und Vision geben vor warum ich auf der Welt existiere: Die Strategie legt den Weg fest, wie ich die Vision erreiche.“</i>

	<i>“The previous sales manager had this good feel and brought the turnover from 5 million to 20 million. So, it can’t be said that he did it badly.”</i>	<i>“Der ehemalige Geschäftsführer Vertrieb hat dieses gute Gefühl gehabt und hat den Umsatz von 5 Millionen auf 20 Millionen gebracht. Also man kann nicht sagen, dass das schlecht ist wie er es gemacht hat.“</i>
	<i>“many flipcharts, mission, vision, then there was a roll-out, external consultants and in the end, nothing came out of it. The implementation was just nothing. You just have to start doing it at some point.”</i>	<i>„Viele Flipcharts, Mission, Vision, dann gab’s ein Roll-out, externe Berater und am Ende kam nichts dabei raus. Die Umsetzung war einfach nichts. Man muss dann auch einfach mal machen.“</i>
	<i>“In the last years, I invested 5 million into machines. These funds help us to serve the market by ourselves. It’s quite helpful that the owners don’t extract money from the company. So, with the banks, we have an excellent rating.”</i>	<i>“Ich habe die letzten Jahre 5 Millionen in Maschinen investieren können. Das sind Gelder die uns helfen, den Markt selber zu bedienen. Da hilft es sehr, dass die Besitzer hier keine Gelder rausziehen. Bei den Banken stehen wir dann top da mit unserer Bonität.“</i>
	<i>“This must be someone from the very top. It cannot be someone I send to have things implemented. You have to walk around yourself and show that you really mean it.”</i>	<i>„Das muss einer von ganz oben machen. Das darf nicht der sein, den ich schicke und das umsetzt. Da muss man selber rumlaufen und zeigen, dass man es ernst meint.“</i>
H	<i>“I rather try out pressing the buttons than reading the manual for everything and see what happens.”</i>	<i>“Ich drücke einfach mal die Knöpfe und schaue was passiert als dass ich das Handbuch lese.“</i>
	<i>“As a managing director, you are also marriage counsellor, you give legal advice and I have even asked to be the arbitrator in a family fight.”</i>	<i>„Als Geschäftsführer, da bist du auch mal Eheberater und gibst Rechtsberatung. Ich wurde sogar schon als Schlichter in Familienstreitereien herangezogen.“</i>
	<i>“All people always work at 80%, but when I ask them for 100% for a short time, they do it for me.”</i>	<i>„Jeder arbeitet ja normal bei 80%. Aber wenn ich mal für eine Weile 100% brauche, dann machen sie das für mich.“</i>
	<i>“It is important but must be changed continuously. You mustn’t have it fixed. You have to remain totally flexible.”</i>	<i>„Es ist wichtig, aber es muss immer wieder verändert werden. Man darf das nicht festzurren. Man muss total</i>

		<i>flexibel bleiben.“</i>
	<i>“3-5 years I can put that back into the era when I was an apprentice. That was in 1982. Then you could still do that.”</i>	<i>“3 – 5 Jahre, das kann ich in das Zeitalter zurückschieben, wo ich gelernt hab‘. 1982 war das, da konnte man so was noch machen!“</i>
	<i>“They seriously wanted me to write a 3D report because of a single faulty part. [...] Such plans you can just throw away, tomorrow we are producing something else anyways.”</i>	<i>„Da wollten die doch allen Ernstes ich soll einen 3D Report schreiben wegen einem einzigen fehlerhaften Teil. [...] Solche Pläne kannst‘ wegschmeißen. Morgen produzieren wir sowieso schon wieder was anderes!“</i>
	<i>“and then he asked me: “well can you quickly produce this for us anyways?” and I said: “Well of course, the machine is running already!”</i>	<i>„und der fragt mich: „ja können Sie uns das jetzt vielleicht trotzdem schnell fertigen?“ Da sag ich: „Ja selbstverständlich, die Maschine läuft ja schon!“</i>
	<i>“If you order 1 ton instead of 100 and want to negotiate, they will laugh in your face.”</i>	<i>„Wenn du eine Tonne bestellst statt hundert und willst verhandeln, da lachen die dich ja aus!“</i>
I	<i>“Everything that is written is manifested. It’s not like: “let’s do it and see”, but everything has a certain path. Writing things down was always the first thing I did.”</i>	<i>„Alles was geschrieben worden ist, ist manifestiert. Es ist nicht so: „jetzt machen wir mal“, sondern es hat natürlich schon alles einen bestimmten Weg. Schriftlich was zu verfassen war eigentlich immer so das erste für mich.“</i>
	<i>“Continuity determines quality. It basically transfers into each other seamlessly. That is the advantage of this system.”</i>	<i>„Kontinuität entscheidet über Qualität. Das geht quasi nahtlos ineinander über, das ist der Vorteil von diesem System.“</i>
	<i>“We notice during the development process that the project is not suitable for the market, not customer-friendly or whatever it may be and then the project is killed.”</i>	<i>„Wir merken innerhalb des Entwicklungsprozesses, dass das Projekt eigentlich nicht marktgerecht ist, dass es nicht kundenfreundlich ist, oder was auch immer und dann stirbt das Projekt.“</i>

“We have detected that we are certainly on the right path strategically [...] we will be able to annoy our competitor more, because we build similar products as our large competitor.”

„Wir haben erkannt, dass wir auf dem strategisch richtigen Weg sind. [...] Wir werden jetzt unsere Mitbewerber mehr ärgern, denn wir bauen ähnliche Produkte wie unser großer Mitbewerber.“

“We set on the traditional enterprise: small, handy, Swabian [...] our customers are small dentists, small surgeons and the small ones fit just better together and we are still able to offer them the entire spectrum with validation and so on.”

„Wir setzen mehr auf das Traditionsunternehmen: klein, fein, schwäbisch. [...] unsere Kunden sind kleine Zahnärzte, kleine Chirurgen und kleine und kleine, die passen einfach eher zusammen und wir können Ihnen das ganze Spektrum anbieten mit Validierung und so weiter.“

“It’s not the product, not the market, it’s the employees. How well can we motivate people? Where can we get their interest? How can we get them to carry our ideas? That’s the biggest challenge.”

„Das liegt nicht am Produkt, das liegt nicht am Markt, das liegt an den Mitarbeitern. Wie gut können wir sie motivieren, wie gut können wir sie abholen, wie weit tragen die mit uns unsere Gedanken. Das ist die größte Herausforderung.“

“I am sometimes a person who sets a lot on monologues. But it’s not like my ideas are always implemented. There is open discussion and if the suggestions are better, then the better ideas will be implemented. [...] So, this is not a patriarchal firm here.”

„Ich bin manchmal schon ein Mensch der stark auf Monologe setzt. Aber es wird nicht immer gemacht, was ich mir vorstelle. Es wird dann offen diskutiert und wenn die Vorschläge besser sind, dann werden die besseren Vorschläge auch umgesetzt. [...] Also es ist hier kein patriarchischer Laden.“

“We are not LIDL and we are not ALDI. [...] We have a product with price X and we have to get that through with product features”

„Wir sind nicht Lidl und wir sind nicht Aldi. [...] Wir haben ein Produkt mit dem Preis X und den müssen wir einfach durchbringen durch Produktfeatures.“

“It is a very strange market, where you can’t just show up and throw in a product. It is a long process because the customers are not exactly discount hunters. You would need a very long breath to gain ground.”

„Es ist ein sehr komischer Markt. Es ist kein Markt, da kommst du her, wirfst ein Produkt rein und dann nimmt es jeder, sondern es ist ein langfristiger Prozess, weil die Kunden im Prinzip keine Schnäppchenjäger sind. Man bräuchte einen sehr langen Atem zum

		<i>Fußfassen. “</i>
J	<i>“Experience is particularly important for the special machinery business. Nothing goes without experience”</i>	<i>“Erfahrung gerade im Sondermaschinenbau ist sehr wichtig. Ohne Erfahrung geht gar nichts.“</i>
	<i>“Strategic Planning helps you, too. Pure intuition is dangerous for an enterprise.”</i>	<i>„Strategische Planung hilft einem ja auch. Reine Intuition ist gefährlich für ein Unternehmen.“</i>
	<i>“I do almost everything, I do sales, partly the commercial management although we have someone to do controlling and I do the project management”.</i>	<i>„Ich mache fast alles. Vertrieb, die kaufmännische Seite teilweise obwohl wir jemanden haben der das Controlling macht und ich mache noch das Projekt Management.“</i>
	<i>“I delegate those tasks where I say: “I am not trained in that; this is not my strength”. But those things that are my strength, and I count sales and project management to that, there I want to be at the forefront.”</i>	<i>Ich gebe immer die Aufgaben ab, wo ich sage: „da bin ich nicht für ausgebildet und das ist nicht meine Stärke.“ Aber da wo es meine Stärke ist und da zähle ich Vertrieb und Projektmanagement dazu, da will ich natürlich an vorderster Front sein.“</i>
	<i>“A strategic planning in that sense is not existent with us. We simply don’t have the time at the moment with our order situation.”</i>	<i>„Strategische Unternehmensplanung in dem Sinn gibt es bei uns nicht. Da fehlt uns einfach die Zeit im Moment bei unserer Auftragslage.“</i>
	<i>“If you have such a rapid growth as we had... we recently acquired two other companies – planning and growth have completely escalated. But generally, planning is of course important.”</i>	<i>„Wenn Sie in so dermaßen schnellem Wachstum drin sind wie wir... bei uns haben sich das Wachstum und die Planung überschlagen. Wir haben zwei weitere Unternehmensbereiche dazugekauft und das hat sich in den letzten Jahren überschlagen. Aber grundsätzlich ist Planung schon wichtig.“</i>
	<i>“We are simply too young and have not been on our way long enough. I am simply not having the manpower to do this at the moment”.</i>	<i>„Da sind wir einfach noch zu jung und noch nicht lange genug unterwegs. Mir fehlt da auch einfach die Manpower im Moment.“</i>

“Of course, in the beginning, there must be a business plan, but as soon as things start rolling, you will have to work on your organisation and try to finish projects and won’t have the time to formulate strategies anymore.”

„Natürlich am Anfang muss da ein Business Plan sein, aber sobald die Sache ins Rollen kommt muss man an seiner Organisation arbeiten und Projekte fertigbekommen und dann ist einfach keine Zeit mehr um Strategien zu formulieren.“

“Who believes today that he can plan for five years ahead, then I wonder if he did not observe the cold war.”

„Wer heute noch glaubt, er kann fünf Jahre vorausplanen, da frage ich mich ob der den Kalten Krieg nicht beobachtet hat.“

“We notice that customers change. For example, they want ever more flexible machines. In such cases we have to react quickly and if necessary, make new developments.”

„Man merkt, dass Kunden sich verändern. Kunden wollen zum Beispiel immer mehr flexiblere Maschinen und da muss man dann eben schnell auch reagieren und bei Bedarf dann eben auch entwickeln.“

“It is always a double-edged sword because very strong growth also takes a high toll on all employees. [...] So, it is difficult to keep that under control. You need really good people for that, which we have.”

„Es ist immer so ein zweischneidiges Schwert, weil sehr starkes Wachstum bedeutet natürlich auch extreme Belastung für alle Mitarbeiter. [...] Also ist es auch sehr Schwierig, das unter die Füße zu kriegen. Da braucht man dann richtig gute Leute, was wir ja haben.“