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Generation of strategic growth alternatives
Empirical evidence from large companies listed on NASDAQ OMX Helsinki

MSc Degree Programme in Strategy

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Abstract of master's thesis

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Abstract

In order to serve the underlying purpose of any business, to make a profit for its shareholders, companies regardless of size, industry or geographical location need to consider and seek growth. However, creating growth is not a simple task but requires thorough thinking and decision making from top executives steering their businesses.

Objective of the study
The objective of this study is to find out the factors or approaches that companies take into consideration when generating strategic growth alternatives. Also the sources of these inputs are examined. In addition, the study aims to address the ways in which the growth alternatives are communicated to the decision makers.

Methodology
The theoretical foundation of this thesis lies on rational strategic decision making and strategic growth alternatives. The empirical data for the study was gathered from 13 semi-structured thematic interviews with top level executives responsible for strategy in their organizations. At the time of the research, all the companies were listed on NASDAQ OMX Helsinki and had a market capitalization in excess of 250 million euros. The interviewed strategy executives represented the following companies: TeliaSonera, Neste Oil, Elisa, Cargotec, Valmet, Tieto, Sanoma, Aktia, Oriola-KD, Basware, F-Secure, Finnair and Lemminkäinen. The interviews were interpreted through thematic analysis using a systematic coding process. Data collection and data analysis were conducted as an iterative process building on the theoretical framework constructed based on earlier research on the topic.

Findings
Generation of strategic growth alternatives is a multi-dimensional process including various inputs. Based on the findings, the outside-in approach, in which external operating environment is essential, is emphasized when creating strategic growth alternatives. Especially customers are seen as an invaluable source for growth opportunities. High priority factors from the external environment are also market growth and the competitive field. In addition, the relevance of widely discussed static positioning strategies seems to be eroding. Core competencies, capabilities and even organizational culture are replacing the older underpinnings when it comes to new business development. Growth generation needs to be continuous – not tied to the calendar year.

Keywords strategic management, strategic decision making, new business development, strategic growth alternatives, growth, NASDAQ OMX Helsinki

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1. INTRODUCTION

1.1. Background and motivation for the study

"The investor of today does not profit from yesterday's growth." – Warren Buffett

Businesses exist to make a profit for their shareholders. Profit, that is the bottom line, is dependent on two major variables: top line and the costs associated with running the business generating the top line. In order to boost profits and to reward their shareholders carrying the financial risk against which they want an adequate return, companies can either grow the top line or cut costs. During and after the recent financial crisis as in all the depressions before that, companies tend to cut costs in order to stay afloat and maintain shareholder trust. Sometimes the blame for cost cutting does not even have to be a major global economic downturn: it can be a sudden change in the operating environment, overwhelming move from a competitor, recent legislative reform, realization of political risks or a loss of a major client. The reasons – and excuses – are interminable. Cutting costs, however, is not an infinite route – nor a sustainable way of running and growing a business: a serious business enterprise that is supposed to boom. Eventually executives tightening resources and streamlining processes will face the bottom where there is nothing left to cut back from. No employees to lay off. No non-core businesses to divest. No factories to shut down. Executives, with their companies onboard, realize they have driven a hearse to the iron gates of a graveyard. Peeping through the gate they see the worst firms already having one foot in the grave reluctantly preparing to salute their ancestors six feet under. Thus, there is only the other, much more desired yet basic and simultaneously formidable way to boost profits in the long run: to grow.

Growth is not an elementary topic. Companies of all shapes and sizes are confronted with the struggle of maintaining their growth in different industries and markets (Burgelman, 1984). Growth is of vital importance in the strategic management of any business enterprise and the top executives steering their companies are faced with the challenging task of creating ways to take their companies to the next level, and the levels after that. The stakes are extremely high when a company decides upon its future path (Shivakumar, 2014). However, these decisions with high degree of commitment are essential for survival and success of a business (Aaker, 1984). The ability to make successful strategic decisions regarding the growth of a company has increased its importance in strategic management literature (Eisenhardt, 1999). The strategic decision making process encapsulates the paramount choices and actions thereof which define the triumph or defeat of a firm. Given the undoubtedly high stakes, it is natural that the top executives responsible for these decisions might experience fear or even stampede (Martin, 2014). Strategic decision making regarding growth is thus indispensable but daunting.

The managers responsible for strategic decision making have a variety of choices when it comes to growth. There are for instance different bases, directions and methods to consider (Johnson & Scholes, 1999). It has been widely agreed that generating several different alternatives to reach a desired objective improves the quality of the decision making process and eventually the decision itself (Eisenhardt, 1990; Eisenhardt & Zbaracki, 1992; Nutt, 2004). This also applies to the generation of strategic growth alternatives – the focal topic of this paper. Furthermore, having less information and fewer alternatives weakens the decision making (Eisenhardt, 1990).

It is evident that generating more alternatives to reach an objective should yield better results. The look for alternatives can also be induced by unexpected opportunities or threats rather than preplanned actions (Carter, 1971). In either way, the top executives usually gather relevant information to stimulate the decision making, generate a set of alternatives and eventually choose the most suitable one to be implemented (Eisenhardt & Zbaracki, 1992).

The focus of this paper is in the search for strategic growth alternatives. Especially the gathered information and sources of ideas for new business opportunities are in the spotlight. New growth ventures can generally be said to emerge either outside-in or inside-out (O'Sullivan, 2012). The first, market-driven, approach highlights the environment external to the company and the opportunities as well as threats arising from it. The second, competence or resource driven, approach builds on the stretch of existing internal capabilities and assets to generate growth (Wernerfelt 1984, Prahalad & Hamel 1990, Barney 1991). Both the external and internal factors are important to take into consideration when creating expansion options (Reid, 1989).

However, the literature only provides general guidelines on what, exactly, should be included in the process of generating new growth initiatives. Moreover, the sources from which the critical inputs or factors could be gathered are left vague. The discussion mainly concentrates on external opportunities and threats and internal strengths and weaknesses without going further in the details. This research gap is the focus of my thesis.

I chose the topic due to several reasons. First of all, I am highly interested in growth because of its vital importance discussed above. It touches any company regardless of size, industry or geographical location. Secondly, I personally enjoy progress and development - taking things forward so to say. In addition, rational risk taking, which is inherent in growth generation, charms me. Lastly, having worked in a strategy consulting firm and being able to participate in different client projects has allowed me to experience the struggle for growth in every day context.

1.2. Purpose of the study

The purpose of this study is to tackle the research gap presented in the previous section. I aim to explore the different inputs or factors that companies take into account when generating strategic growth alternatives. I approach the study from a viewpoint of rational decision making and decision making as a process. The study has been limited only to the front-end of the decision making process. I focus on the inputs and slightly touch upon the description and communication of the expansion initiatives. The following phases of comparison, evaluation and selection are left untouched even though they are discussed in the review on earlier research. To my knowledge, this particular limitation of study regarding growth is unique at least in the Finnish context.

I gather empirical data from large companies listed on NASDAQ OMX Helsinki. By the time of conducting the research, each of the companies had a market capitalization in excess of 250 million euros. The main source of data are interviews with top level strategy executives in the sample companies. Similar to the limitation of the topic, no research on the generation of strategic growth alternatives in leading companies listed on NASDAQ OMX Helsinki has been conducted previously.

My research objective is to study the factors or inputs that the sample companies take into consideration when generating strategic growth alternatives. In addition, I aim to research the source of these factors or inputs. Lastly, I try to find out the ways in which the companies communicate the strategic growth alternatives to the decision makers. To address the research gap and research objective, I propose the following three research questions:

1. What factors, inputs or approaches do large companies listed on NASDAQ OMX Helsinki take into consideration when generating strategic growth alternatives?
2. Where do the inputs or factors come from? How are they gathered?
3. How are the strategic growth alternatives communicated, described or visualized to the decision makers?

I aim to contribute to the existing literature on strategy formulation, especially growth generation, and strategic decision making by introducing empirical findings regarding the topic. The evidence from leading companies listed on the Finnish stock exchange should represent the best practices in this given context.

1.3. Structure of the thesis

The study is structured into six separate chapters. In the first chapter I introduce the background to the study accompanied by motivation for the research. In addition, purpose of the study as well as explicit research questions are introduced.

The second chapter reviews earlier academic literature relevant to the topic of this thesis. I discuss strategy in general, strategic decision making and strategic growth alternatives. Applicable and relevant frameworks and figures are included in the literature review to enhance the readability of the thesis.

Thirdly, I explicate the methodological underpinnings and choices concerning this study. I go through the research method, research context and sample, data collection and data analysis. In addition, limitations to the study are discussed in the third chapter. The aim of the third chapter is to justify my choices regarding the research method and the realization of the study. In addition, the methodology chapter ensures that a similar study could be conducted by another academic researcher by following the same rationale.

In the fourth chapter I introduce the main body of my thesis: the findings. The fourth chapter is divided into two different sub-sections: inputs to the process of generating strategic growth alternatives and visualization and tools used in communicating the growth options to the decision makers. I provide illustrative and vivid quotes from the 13 interviews with top level strategy executives of large companies listed on NASDAQ OMX Helsinki. This chapter focuses on the findings in detail, and as a result of thorough analysis provides synthesis to the process of generating strategic growth alternatives.

The fifth chapter of this study is devoted to discussion. I link the findings of my study to the review on earlier academic research and mirror them against previous approaches. Also, any contradictions with prevailing beliefs on the topic are highlighted. The main purpose of the discussion chapter is to look at the findings from different perspectives, interpret the results, argue for my opinions and explain the implications of this study. Furthermore, I aim to conclude my answers to the research questions posed in the introduction chapter and to explain how the results support the answers.

Lastly, the sixth chapter draws conclusions on the study as a whole and provides suggestions for future research around this theme. References as well as appendices can be found from the very end of this paper.

2. REVIEW ON EARLIER RESEARCH

The following review on earlier research discusses the topics relevant to the study. The literature review begins with the definition of business strategy and levels of business strategy. Subsequently, dominant views on strategy are explored. The aim of the first section is to familiarize the reader with the basic concepts of strategy and in addition provide the foundation on which growth alternatives can be build.

The second section of this chapter concentrates on strategic decisions and strategic decision making. The importance of thorough and well thought decision making process is highlighted in the light of existing knowledge. Furthermore, best practices of effective and fast decision making are addressed. Similarly, common pitfalls are examined. This section links the generation of strategic growth alternatives to the strategic decision making process as a whole.

In the third section the literature review focuses on the heart of this thesis: strategic alternatives and the generation of them. Different directions as well as methods related especially to strategic growth alternatives are introduced. Afterwards, the different inputs as well as approaches to the process of creating growth options discussed in previous research are explored.

Lastly, a theoretical framework is presented. Its aim is to tie issues discussed in the literature review together, display the relations between them and highlight the focus of this thesis to the reader.

2.1. Strategy

I start my review on earlier literature by focusing on the basics of strategic management. Firstly, I define business strategy according to earlier academics followed by the different levels of business strategy. At the end of this section the dominant views on strategy are discussed in more detail.

2.1.1. Defining business strategy

According to the simplest definition strategy is a plan (Mintzberg, 1978). Several, more specific and refined, definitions for strategy have been introduced in the literature throughout the existence of the study of strategic management. Chandler (1962, p. 15) defined strategy as “the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals”. In addition to just describing strategy simply as a plan, Mintzberg (1978, p. 934) characterized strategy as “a pattern in a stream of decisions”. Kenneth Andrews (1971), a long-time Harvard

Business School Professor and editor of the Harvard Business Review, determined strategy as "the pattern of objectives, purpose, goals and the major policies and plans for achieving these goals stated in such a way so as to define what business the company is in or is to be and the kind of company it is or is to be".

One of the most well-known contributors in the field of strategy, Michael Porter (1980), specified strategy as "a broad formula for how a business is going to compete, what it its goals should be, and what policies will be needed to carry out these goals". As can be deduced, various academics have endeavored to describe strategy as a term and the coined definition vary from one another. Mintzberg (1994) declared that strategy has several meanings, all of which can be useful. He gathered the most common approaches into the so called Five Ps for Strategy: plan, pattern, position, perspective and ploy. The definition of Johnson and Scholes (1999, p. 10) went little further as they described corporate strategy as "the direction and scope of an organization over the long term: which achieves advantage for the organization through its configuration of resources within changing environment, to meet the needs of markets and to fulfil stakeholder expectations".

Based on the definitions provided by different successful academics, strategy can be seen as a long-term plan. It aims to answer to the questions such as: Where do we, as a business, want to be in the future? How do we get there? The presence of future goals and objectives are essential in formulating strategy. In addition, the actions needed to reach the desired future state of business are focal. Furthermore, strategy formulation and strategic management is about making decisions (Kazmi & Kazmi, 2008). As important as clarifying what the enterprise engages in and how, is what the enterprise does not engage in. Thus, strategic choices require trade-offs (Porter, 1980).

2.1.2. Levels of business strategy

Usually three levels of strategy are distinguished in a given enterprise: corporate strategy, business unit strategy and operational strategy (Johnson and Scholes, 1999). The first one, corporate strategy, relates to the organization as a whole: its purpose and scope to meet expectations and add value. Mission and vision statements are customarily linked to the corporate strategy. Mission compasses the overall purpose of the organization. Ideally, it is aligned with major stakeholders and defines the business the enterprise operates in (Johnson and Scholes, 1999). Vision, on the other hand, is the pursued state of the firm at some point in the future. According to Hitt et al. (1999), return on equity is the relevant measure for corporate strategy, since above average returns should indicate competitive advantage at the corporate level.

Similarly, below average returns express lack of competitive advantage and average returns indicate competitive unity with rivals.

The second level of strategy deals with business units. A strategic business unit (SBU) is a part of the enterprise for which there is a distinct external market for goods and services (Johnson and Scholes, 1999). The SBU level strategic questions relate to the markets to compete in, gaining advantage over competition in that market, innovating new offerings in different markets, and how emerging opportunities in particular markets or products could be exploited. Business unit strategies should contribute to the reaching of corporate level strategies and thus it is crucial that the activities at this level are aligned with the overall strategy of the organization. Barney (2002) argues that competitive advantage is the applicable measure to be used at the business unit level.

The third and last level of strategy according to Johnson and Scholes (1999) is the operational strategy. As can be extrapolated from the term, operational strategy or strategies try to deliver the corporate and business unit level strategic direction (Johnson and Scholes, 1999). How the company decides to utilize its resources, processes, capabilities and people are all operational level issues. This level of strategy considers the execution of corporate and SBU strategies and is more practical in nature that the former two.

2.1.3. Dominant views on strategy

Strategy as a topic has been studied and discussed massively in the academia. In this section I will shortly discuss the dominant views on strategy in order to help the reader to gain understanding about the goals of strategy, different approaches to strategy formulation and their relation to the generation of growth alternatives.

In order to make a profit a business has to have some income streams that after expenses and deductions provide an adequate return on the capital invested in the venture. Crucial to the income streams is the buyer - the customer. Customers buy products or services for various reasons: to solve problems, improve processes, cut costs, free resources, improve returns or increase status, for instance. If the perceived value of the offering exceeds its costs, customer are likely to buy. Abell (1980) also emphasized the importance of the customer in business definition. He argued that a business should be defined through three different dimensions: 1. customer needs, 2. customer groups and 3. distinctive competencies. As can be seen, the customer is central in his model. However, value creation solely is not enough for a business enterprise to succeed – it must also capture part of the value it creates for its customers. Michel (2014) argues that most companies focus only on value creation on the expense of value capture resulting in poor financial performance.

Of course, the look out of increased value creation and value capture is on the agenda of all the other companies as well. Thus, competition plays a central role in strategy and its formulation. Competitive advantage (CA) and sustainable competitive advantage (SCA) have been strongly linked to superior performance of companies. When a firm is "implementing a value creating strategy not simultaneously being implemented by any other current or potential competitors" it is said to have a competitive advantage (Barney 1991, p. 102). On the other hand, a firms is said to have a sustainable competitive advantage "when it is implementing a value creating strategy not simultaneously being implemented by any current of potential competitors and when the other firms are unable to duplicate the benefits of this strategy" (Barney 1991, p. 102). According to Aaker (1984, p. 169), "without a real sustainable competitive advantage, an attractive long-term return will be unlikely." It is important to notice the long-term time horizon when discussing SCA. However, in his article Barney (1991, p. 102) highlights that a SCA "does not depend upon the period of calendar time during which a firm enjoys a competitive advantage". Rather than focusing on periods of time, Barney emphasizes the firm's competitive advantage's prevention of duplication efforts from competitors in defining sustainable competitive advantage. Barney's views are in accordance with those of Aaker (1984) who argued that a SCA has three characteristics: it needs to involve a key success factor of the market, it needs to be significant enough to genuinely matter and it needs to be sustainable when threatened by environmental changes including actions taken by rivals.

Similarly to CA and SCA, the source of superiority over rivals has dominated the strategy literature for decades. Based on the literature the sources can be divided into two differing approaches: "outside-in" and "inside-out". These two approaches are extremely relevant to the generation of strategic growth alternatives as well, since they steer the focus of innovation and new business development. In the outside-in approach the focus is on the external factors such as market trends, customers and competition. On the other hand, the inside-out approach emphasizes the firm's existing resources, capabilities and products as sources of strategy formulation as well as growth. Therefore, these two broad approaches are not limited to the formulation of corporate level strategy but are applicable to the generation of strategic growth alternatives – the focus of this thesis. Next, these two approaches will be discussed in more detail.

In their article Peters et al. (2011) argue that there are major differences between the formulation of strategy between the positioning approach and the resource-based view. In positioning or “outside-in” approach the steps are 1) analyzing the external environment facing the industry, 2) locating a market or markets where the potential for above-average returns are apparent, 3) formulating a strategy to earn above-average returns, 4) acquiring or developing resources and capabilities to implement the selected strategies and 5) setting concrete actions in order to implement the chosen strategy (Peters et al., 2011).

In the resource-based view the steps to be taken in order to achieve SCA and thus superior returns are: 1) identifying the firm’s resources and capabilities, 2) identifying strengths and weaknesses, 3) highlighting core competencies that result in a competitive advantage, 4) selecting the industries and markets where a firm’s core competencies work best and 5) formulating and implementing a strategy that enables the firm to achieve superior returns through the adoption of core competencies. In other words the strategy is derived “inside-out” by lying the foundations on the resources and competencies of the firm. As can be seen, the two approaches are very different in nature.

Presumably the most extensively discussed sources of CA are Michael Porter’s three generic strategies that represent the outside-in approach (Porter, 1980 and Porter, 1985). Porter argues that these three are: overall cost leadership, differentiation and focus. The underlying intention of the three generic strategies is that by establishing a position to best meet the competitive forces within its industry, a firm can earn above average returns as a result of CA or SCA. Porter’s book *Competitive Strategy* acted as a stimulant for the field of strategy consulting as well as academic research on positioning – both of which started to shape different industries (Mintzberg et al., 1998). Michael Treacy and Fred Wiersema (1993) modified the Porter’s three generic strategies and suggested that competitive advantage could be derived from three basic “value disciplines”. Still, their model focuses also on positioning and creating customer value as bases of competitive advantage, similar to Porter’s ideas. The three value disciplines coined by Treacy and Wiersema are operational excellence, product leadership and customer intimacy. The third representative of the outside-in approach is the Bowman’s Strategy Clock (Bowman & Faulkner, 1997). The “clock” introduces eight different strategic options from which companies can choose their strategic positioning. The essential variables in Bowman’s framework are price and perceived added value which were discussed previously in this section. Still, some of the options in the framework are very similar to the ones introduced by Porter (Shakhshir, 2014).

The second source of competitive or sustainable competitive advantage arising from previous research is the resource-based view (RBV) which represents the inside-out approach. This approach derives from the critique of the positioning approach. For example Barney (1991) states that little emphasis has been placed on idiosyncratic firm attributes. The differences in the resources controlled by firms may be used to create strategies that are unduplicatable by competitors. Wernerfelt (1995, p. 173) highlights that, “basing strategies on the differences between firms should be automatic, rather than noteworthy”. According to Barney (1991) firm resources can result in sustained competitive advantage if they are 1. Valuable 2. Rare 3. Imperfectly imitable and 4. Non-substitutable. Hence, the name of the framework he introduced: VRIN. In 1995 Barney improved his framework to so called VRIO, which has since gained great publicity in academia. The abbreviations for “VRIO” changed to 1) the question of value, 2) the question of rareness, 3) the question of imitability, and 4) the question of organization (Barney, 1995).

In 1990 Prahalad and Hamel focused more thoroughly on the resource-based view by discussing the core competence of a firm. As stated by Barney (1991 and 1995) competencies are included in the inside-out approach of strategy formulation. Prahalad and Hamel (1990) encourage executives to view the companies as a portfolio of competencies rather than a portfolio of business as the highly common approach encourages. They maintain that in the short-term competitiveness is determined based on the price/performance attributes discussed previously. However, long-term competitiveness derives from the management’s ability to consolidate corporate-wide skills and abilities that spear through different business units and products. The core competence, or the “root system that provides nourishment, sustenance and stability”, is the collective learning in an organization about the harmonization of technologies, production capabilities, organization of work and delivery of value (Prahalad & Hamel 1990, p. 81). Core competencies require work across organizational units and functions, and at several different levels. They also maintain that the traditional SBU approach steers the thinking within companies and often limits the cross functional cooperation. Core competencies are highly relevant to the generation of strategic alternatives and as Prahalad and Hamel (1990) state, they can guide the growth similarly as the market attractiveness, for example. To identify the core competencies of an organization they provide three tests: 1. a core competence provides potential access to a wide variety of markets, 2. a core competence should make a significant contribution to the perceived customer benefits of the end product and 3. a core competence should be difficult for competitors to imitate (Prahalad & Hamel 1990, p. 83). The identification of core competencies might be a difficult task to perform, and according to Prahalad and Hamel many companies have divested business units that hold parts of their core competencies because they were perceived as business units or cost centers. Moreover, the loss of a business unit with the core competencies inherent destroys the firm's ability to benefit from those capabilities in the future and making the company dependent on external help and expertise.

After the heavy concentration of research on the positioning strategies and tactics, the focus has shifted towards the organizational capabilities as the source of advantage over rivalries. As Rumelt et al. (1991, p. 22) state "both theoretical and empirical research into the sources of advantage has begun to point to organizational capabilities, rather than product market positions or tactics, as the enduring source of advantage". Similarly, Eisenhardt and Zbaracki (1992) agree with this view.

To summarize this section, which included positioning and the resource-based view, it can be concluded that both external and internal factors have to be taken into consideration in strategy formulation as well as growth alternatives (Peters et al., 2011). Both of the approaches give treasured insights that could yield, if chosen carefully and implemented effectively, superiority over competition and ultimately above average returns. Should either market-based view or resource-based view completely dominate the strategy formulation of a firm, valuable opportunities could be left out or fatal threats could be left unnoticed. Therefore, both of these should be taken into account when generating strategic growth alternatives.

2.2. Formal strategic decision making

In this section I address formal strategic decision making conducted primarily by the top executives of a company. This section includes topics related to the decision making that executives face when generating, evaluating and eventually selecting strategic growth alternatives. I firstly discuss strategic decision in general. Subsequently, I address the academic view on effective strategic decision making followed by common pitfalls in the process.

2.2.1. Strategic decisions

So what decisions, then, are considered to be strategic? Shivakumar (2014) introduced a framework to categorize decisions based on two variables: scope of the firm and commitment (see Figure 1).

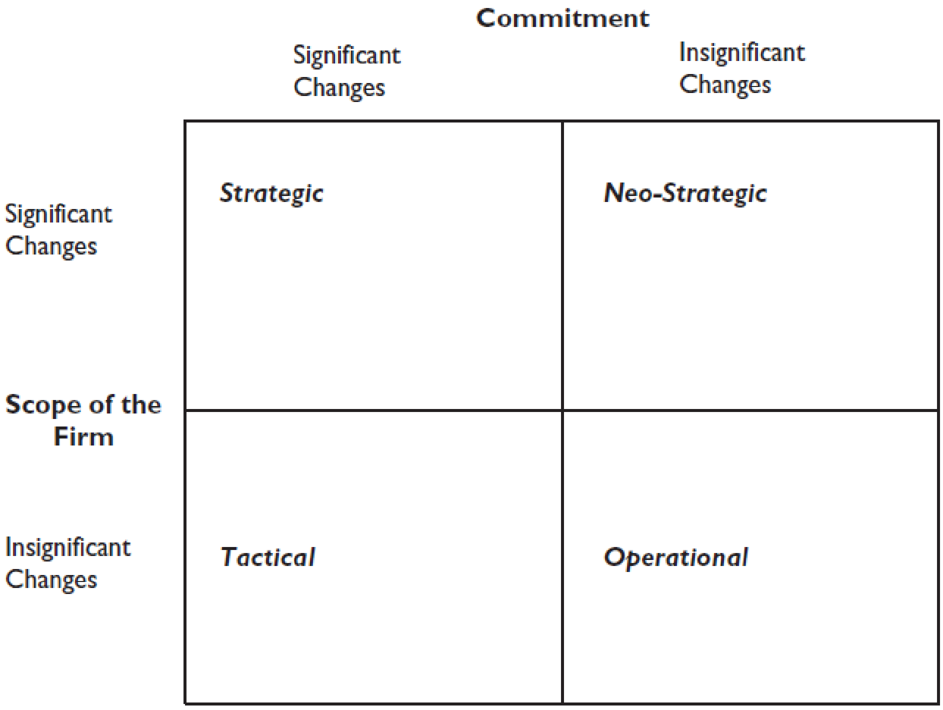

Figure 1. Categorization of decisions (Shivakumar 2014, p. 87)

The horizontal axis in the framework represents the significance of influence on the degree of commitment. The vertical axis represents the significance of influence on the scope of the firm. By Shivakumar's definition strategic decisions have both of the characteristics: they significantly alter the scope of the firm as well as degree of commitment.

He maintains that if a decision is costly to reverse, it has significant influence on the degree of commitment. Examples of decisions that entail high degree of commitment are investments and disinvestments, joint ventures, licensing, business models and exits. Shivakumar (2014) further entails that in order to gain a competitive advantage, companies must make decisions of high degree of commitment to particular assets and capabilities. Otherwise competitors could effortlessly replicate the strategy.

The other axis, scope of the firm, is considered to entail both the outsiders and insiders of a firm. Generally, the outside scope of the firm refers to value creation and thus to products, services, activities and markets (Shivakumar, 2014). However, the scope of the firm also influences the organization within: people, hierarchies, routines and culture. An example of a decision that affects the insiders is a change from divisional structure to matrix structure.

As can be concluded, strategic decisions are of vital importance to an enterprise. They steer tactical and operational decisions and are of higher level. Thus, fears of executives discussed by Martin (2014) are rather natural. As Aaker (1984) stated, strategic decisions, however fearful, are essential to effective management of any business and they need to be made.

2.2.2. Effective strategic decision making

According to Eisenhardt (1999, p. 66), "strategic decision making is the fundamental dynamic capability in excellent firms." Strategic decision making is crucial since it encapsulates the paramount decisions and actions thereof which define the future of a company (Eisenhardt & Zbaracki, 1992).

The traditional model of effective decision making involves different stages. Firstly it assumes that the decision makers enter the situation with objectives in mind. These goals then determine the results of chosen actions. Having the goals in mind, the decision makers gather information and based on their view develop a set of alternative actions (Eisenhardt & Zbaracki, 1992). After the generation of alternatives, the decision makers make their decision – that is to choose the optimal course of action to implement. The model of identification, development and selection has existed already for decades.

The search for alternatives, the topic of this thesis, can be divided into two rough dimensions (Carter, 1971). The first one, personnel-induced search, takes place when strong executives with clear goals in mind stimulate the search. The other, opportunity-induced, search occurs when a company aims to look for alternatives when facing unexpected opportunities or threats. Both of these approaches may yield excellent decisions and thus I will not limit my thesis on one or another.

Eisenhardt (1990) maintains that there are tremendous differences in the pace of strategic decision making among different companies. She studied firms operating in fast-moving high-technology environments and analyzed the breadth and depth of decisions taken in those companies. She argues that in complex and changing operating environments, which is certainly the state of the game today, thorough and in-depth analysis combined with robust strategic planning no longer guarantee success (Eisenhardt, 1990). According to her, fast strategic decision making is crucial and should be conducted regardless of industry. Furthermore, she argues that a “slow strategy is as ineffective as the wrong strategy” (Eisenhardt 1990, p. 53).

Previously, it had been a common belief that conflict slows down choice, politicking is common and that fast decision are autocratic (Eisenhardt, 1999). In her study, however, Eisenhardt found evidence that challenge all these assumptions and concluded that “the most effective strategic decision makers made choices that were fast, high quality, and widely supported” (Eisenhardt, 1999, p. 66). Strategic decision making resulting in the above mentioned outcomes would certainly be appreciated among top executives – and Eisenhardt, among other scholars, provides keys to improving organizations’ decision making practices.

First and foremost, decision makers should develop a set of alternatives that could yield the desired end result (Eisenhardt, 1990; Eisenhardt & Zbaracki, 1992; Eisenhardt, 1999 and Nutt, 2004). To any problem or goal, there should be three to four solutions – and the rule applies to every situation (Eisenhardt, 1999). “Search is more apt to be successful when an objective has been set and when several options are considered” (Nutt 2004, p. 20). Still, only four percent of the decisions studied by Nutt fulfilled these two criteria. Even though it could be thought that generating fewer alternatives would accelerate the decision making process, that may not be the truth. In addition, skimping immensely weakens the quality of decisions. Effective decision makers create, discuss and work several alternatives at once (Eisenhardt, 1990). Moreover, executives who engage in thorough decision making process generate also alternatives that they personally might not support in order to diversify choices, expand thinking and view problems from several perspectives. In contrast, slow decision makers generate and work with fewer alternatives and favor a highly sequential approach to options. They emphasize “depth of analysis over breadth of options” (Eisenhardt 1990, p. 46).

The sequential approach to alternatives is common among sluggish decision makers. The work on single alternative and moving on to a next one only after the first one has failed or cancelled tremendously slows down the process. Why then is working on more alternatives faster and more efficient? One of the reasons is the ability to quickly compare the alternatives – at least when they total three to five (Eisenhardt, 1990). Superiority or inferiority of an alternative is clearer when there are other options against which to mirror it – even though it could not be analytically quantified. Having multiple alternatives also increases the likelihood that decision makers feel that they have not missed the most optimal solution. Lastly, generating a set of alternatives provides the executives a back-up plan if the first priority option will not or cannot be implemented as planned – there are other alternatives already thought through right behind. According to Nutt (2004), executives give serious thought only on one single idea on four out of five decisions. Slow decision makers tend to focus only on one alternative at a time, and if it falls through, they start the search for a new solution all over again from the start (Eisenhardt, 1990).

Secondly, in addition to creating several alternatives, having less information to bolster your decision might weaken the confidence of decision makers which furthermore dilutes the quality of the choice. Surprisingly, fast decision makers use as much or even more information than slow decision makers (Eisenhardt, 1990). Additionally, the information used by the two groups differs. Slow decision makers tend to focus on thorough planning and futuristic information whereas their counterparts rely on real time information. The information gathered by fast decision makers includes facts about the current operations and current environment, and the information is reported with little or no time lag (Eisenhardt, 1990).

The sequence of information gathering also differs between fast and slow decision makers. Fast decision makers "typically examine a wide variety of operating measures on a monthly, weekly, and even daily basis" (Eisenhardt 1990, p. 41). The data varies from quantitative measures such as bookings, backlog, margins and profitability to qualitative aspects such as engineering schedules, product releases and competitor moves. Some of the companies studied by Eisenhardt (1990) and Eisenhardt et al. (1997) reported to meet frequently to discuss about the operational information. These meetings were high priority to every manager in charge and they enabled continues tracking of real time information based on which to act if needed. In addition, it allowed them to recognize opportunities or threats much sooner than slow decision makers. Slow decision makers aim at predicting the future or expect that by lingering the future will become clearer. On the other hand, fast decision makers maintain that predicting the future is impossible. One of the executives who participated to the study of Eisenhardt stated: "No company can know how things will evolve. You can only monitor the outside world and direct the evolving strategy at what you see" (Eisenhardt 1990, p. 45). To conclude, Eisenhardt's findings suggest that real time information, rather than futuristic planning, accelerates the decision making process.

Thirdly, according to Eisenhardt (1990), effective decision makers rely on advice. Either they have senior colleagues to help them in tough decisions or they hire consultants with cumulated experience to guide them. Typically, a counsellor, as Eisenhardt calls it, is an older person with extensive experience and who is recognized for his or her abilities (Eisenhardt, 1990). High caliber individuals can provide the decision maker with quality advice better than less experienced colleagues, which might be used by slow decision makers. Counselor relationship can also boost the executive facing a decision with confidence – lack of which is one of the pitfalls of strategic decision making.

Fourthly, in spite of the criticism towards conflict, fast and effective decision makers see conflict as a "natural, valuable, and almost always inevitable" (Eisenhardt 1990, p. 50). Fast decision makers acknowledge that choices have to be made even though disagreements would arise in order to maintain phase and keep moving forward. Especially when it comes to large strategic questions, management teams with various backgrounds and personal preferences are likely to have differing opinions. However, diverse teams are superior to homogenous teams exactly due to the different opinions and lenses through which the managers look at the situation in hand (Eisenhardt et al., 1997). In fact, Eisenhardt et al. (1997) found that the top executive teams with the highest level of conflict were leading the best performing enterprises. On the other hand, their study suggested that firms that were steered by teams engaging in little or no conflict were performing more poorly. Strategic decision making in low conflict businesses was simply poor – and most of the time the team itself realized that they were ineffective (Eisenhardt et al., 1997).

To resolve the conflict, effective decision makers tend to use a process called "consensus with qualification" (Eisenhardt 1990, p. 49). The purpose of the process is to first try to find consensus among the executives participating in the decision making. If, of course, consensus is found, the agreed option is selected. On the other hand, if consensus cannot be reached, the key executive and most relevant functional manager make the choice. Of course, the input from all the other participants is taken firstly into account prior to making the final call (Eisenhardt, 1990). This approach might not be practiced among slower decision makers who might for example wait for the consensus to be found – which of course decelerates the process and mind hinder the performance of the company as well as the personal relationships within the team.

Lastly, fast decision makers include the decision making into the everyday tactical business. They do not separate important choices from the overall purpose of the company but rather build a culture in which decisions are part of the day-to-day operations. Moreover, a single decision is seen as part of a larger web or chain of decisions which ought to take the company to the right direction (Eisenhardt, 1990).

To summarize, companies can engage in high quality, fast and supported decision making by following the principles discussed in this section. They should generate a set of alternatives, for instance three to five, to any problem (Eisenhardt, 1990; Eisenhardt, 1999). The alternatives should be compared and analyzed quite quickly preferring width of options over breadth of deep analysis of one alternative. Executives should also track real time information rather than try to forecast the future too accurately. By focusing on current operational metrics and latest external issues, managers are able to identify possibilities as well as problems more quickly – and to act on them immediately with the information already in hand (Eisenhardt, 1990; Eisenhardt, 1999).

No decision maker should solely rely on his or her own decision making ability. Consulting a counselor, mentor or a consultant in decisions with high stakes can enhance the quality of the choice. Similarly, decision makers should try to find consensus but if it cannot be reached, a choice has to be made by the most relevant individuals after listening to the inputs of others. By doing so, the company is able to maintain momentum and increase support: "delaying won't make you popular and won't make you fast" (Eisenhardt 1990, p. 53). Also, decisions should be integrated to other choices as well as tactics to ensure implementation. Finally, decision makers should have a common and clear objective – it dismisses politics and allows innovative alternative solutions to emerge (Eisenhardt, 1999). As Nutt (2004, p. 15) stated: "being clear about what is wanted reduces ambiguity and conflict, allowing all concerned to devote their energies to achieving the expected results".

2.2.3. Common pitfalls in strategic decision making

In business settings, especially the members of the top management team as well as the board of directors are faced with situations where they need to make strategic decisions regarding the future of the company they are steering. Strategic decision making requires choices – not all the aspired development paths can be pursued simultaneously. In his study, Nutt (2004) found out that the search for alternatives is often limited, and only 30 % of the studied companies used funds at all to search. In the following 40 % the search expenditures were really small – less than 1 % of the resources used in actually making the choice. That being the case, two thirds of the decisions are made with no or very little money allocated to the search for alternatives (Nutt, 2004). The principles and practices of fast and effective strategic decision making discussed in the previous section are thus far too often overlooked by executives in real life settings. As Nutt (2004) puts it, having an "answer" eliminates ambiguity but prevents the decision makers from searching for other alternatives that could be superior.

Martin (2014, p. 3) argues that majority of executives find strategy scary, because "it forces them to confront a future they can only guess at". Selection of strategy, strategic decision-making, is even worse since it cuts off possibilities and options (Nataraajan et al., 2000; Martin, 2014).

Furthermore, the fear of making a wrong decision, which could eventually lead to destruction of one's career, may hinder managers' decision making. Also Eisenhardt (1990, p. 49) argues that "one of the highest barriers to fast decision making is anxiety". She maintains that high stakes strategic decisions with high levels of uncertainty can be maddening, and thus procrastination intriguing. Similarly, Nataraajan et al. (2000) argue that it is fear of post-decision remorse that drives decision-makers into making safe and relatively conservative choices. Further, some executives choose to implement alternatives that they do not even expect to solve the problem or to provide the longed for results – they do it to avoid high risks (Eisenhardt & Zbaracki, 1992). Still, effective management requires identification, selection and implementation of business strategies (Aaker, 1984).

"There is often a tendency to focus on a single strategy and its financial projections rather than on creatively attempting to develop the most effective strategies" (Aaker 1984, p. 167). Furthermore, when strategic planning is conducted by a small group of like-minded individuals, the analysis of different options tends not to be most effective (Nataraajan et al., 2000). Nutt (2004) concludes that there are three different kinds of hinderers that limit the search of alternatives: 1) rush to judgement, 2) failure-prone practices and 3) poor allocation of resources. He claims that the first one, rush to judgement, is common among decision-makers. For example fear of the unknown, dislike of waiting for the right decision and clearing one's agenda might result in quick but not optimal choices. In addition, being able to make quick decisions might be perceived as a competence on the expense of the quality of the decision.

The second of the blunders mentioned by Nutt is failure-prone practices. In his research he found that some decision-makers "act only on concrete ideas and become paralyzed without them, indicating that they do not know what they want until they can actually see what they can get." (Nutt 2004, p. 14). Executives who derive their ideas from current practices rather than through innovative alternative generation are prone to idea-driven behavior where evidence is sought to support the underlying idea. Also Eisenhardt and Zbaracki (1992) argue that the analysis of options is often limited and, moreover, it reflects the use of standard procedures instead of robust analysis. Nutt also highlights that "adopting a ready-made plan leaves innovative ideas out of the decision-making process". This is of course not the ideal practice when it comes to generation of alternatives since decisions driven by a single option are more likely to fail.

Nutt names poor allocation of resources as the third and last hurdle decision-makers encounter. According to his study, executives allocate funds to studying few or just one option and spend little on anything else. In addition, any objections raised by critics of the single idea approach require more defensive research and documentation in favor of the single idea, thus absorbing even more resources. Eventually, time and money have been spent on supporting a single idea on the expense of generating more, alternative solutions.

In order to avoid the traps of decision-makers, Nutt proposes organizations to define clear objectives that are trying to be achieved. This would allow individuals to come up with different methods of achieving that goal rather than just focusing on previous practices. Secondly, decision-makers should expand the arena of action to allow identification of key stakeholders and their concerns as well as claims. Thirdly, decision-makers should use multiple perspectives to tackle biases and allow innovative solutions to emerge.

2.3. Strategic alternatives

The previous section addressed formal strategic decision making, its best practices and typical perils. This section concerning strategic alternatives focuses on the actual options the executives in charge are faced in the decision making process. Following the topic of this thesis I aim special attention to the alternative growth paths and methods, and only shortly discuss non-growth alternatives that managers could choose from when steering their companies forward. I begin this section by introducing the directions of strategic alternatives and follow with the methods available to achieve those directions. The third topic of this section concentrates on the heart of this thesis: the generation of strategic growth alternatives.

2.3.1. Directions of strategic alternatives

When executives shepherd their enterprises, they have a number of different options regarding the direction as well as method of developing their firms (Johnson & Scholes, 1999). Probably the most widely recognized strategic growth alternative framework was develop based on a Harvard Business Review article written in 1957 by Igor Ansoff (see Figure 2).

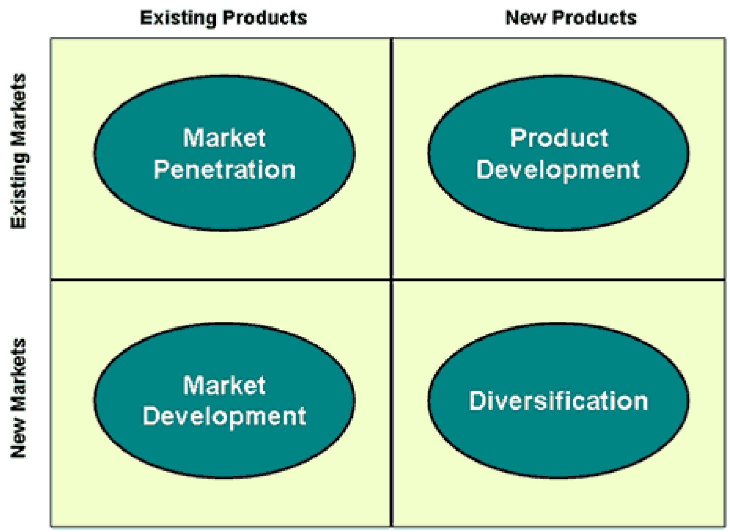

Figure 2. Ansoff Matrix (picture from O'Sullivan 2012, p. 7)

The framework looks at the different combinations of existing and new markets and products. Ansoff (1957) concluded that companies have four general alternatives to grow their companies: market penetration, market development, product development and diversification.

Johnson and Scholes (1999) developed the matrix developed by Ansoff further. They identified that in addition to the markets and products there is a third dimension related to the strategic alternatives – competence. They introduced their own version of the above discussed traditional Ansoff matrix (see figure 3).

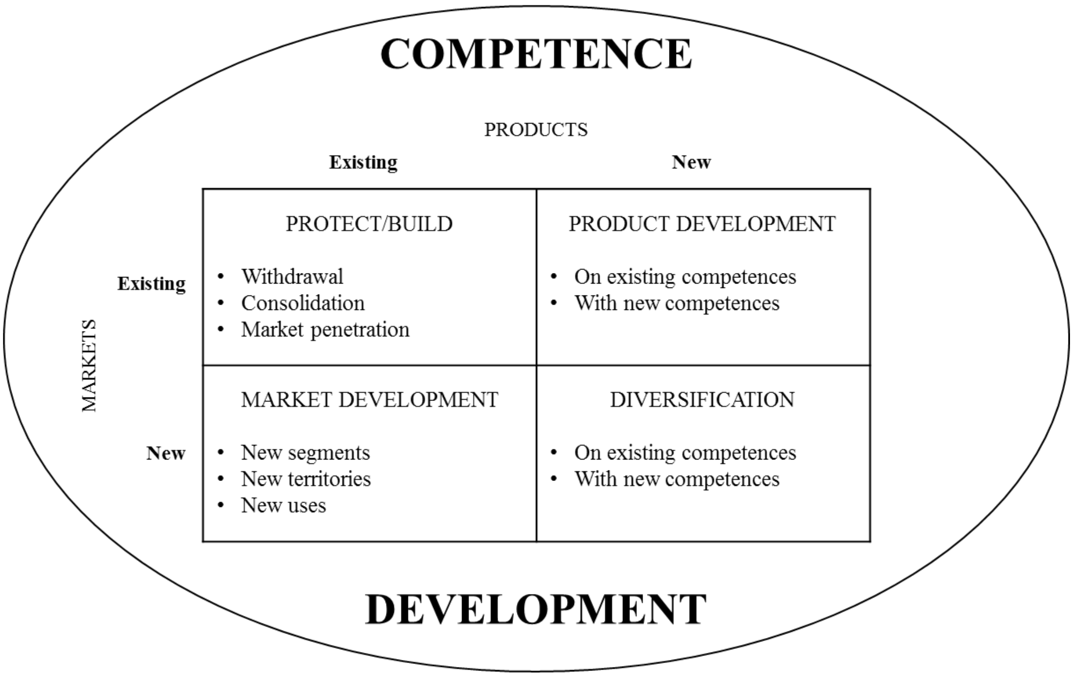

Figure 3. Directions for strategy development (adapted from Johnson and Scholes 1999, p. 308)

In their refined model, Johnson and Scholes maintain that strategic alternatives range from "strategies concerned with protecting and building an organization's position with its existing products and competencies, through to major diversification requiring development and change of both products and competencies to enter or create new market." (Johnson & Scholes 1999, p. 308). As can be concluded, the addition of the third element, competence, multiplies the development possibilities, and thus the alternatives executives have in their disposal. In reality, companies tend to follow several growth alternatives simultaneously and an overlapping development strategy could even be a sign of a well-run enterprise (Ansoff, 1957). Furthermore, the decision making related to these development strategies becomes even more demanding. Next, the different directions of strategic alternatives will be discussed in more detail.

The first one in the Ansoff matrix, market penetration, refers to a choice where a firm focuses on selling existing products into existing markets. By doing so, the company aims to maintain or gain market share (O'Sullivan, 2012). This development strategy is often regarded as the easiest one, and the competitors are likely to pursue the same goal for instance by sales promotion or more competitive pricing. Especially in mature markets market penetration is a battle for greater market share but it can be costly if fierce rivalry embarks. According to Johnson and Scholes (1999), when the overall market is growing it is relatively easy for companies with small market shares to gain share. In growing markets even new entrants might be able to gain market share from incumbents more easily than in static markets. In stationary markets market penetration strategy is usually much more challenging and costly. Consequently, short-term profitability might even be damaged especially when a firm starts it expansion with little or no share. Still, market share is highly valued and pursued by companies because a dominant position in the market tends to correlate with above average profitability and it provides cushion against sharp market shocks.

In the model developed by Johnson and Scholes (1999) market penetration is assigned to a quadrant related to protection and building of a firm's current position. In the same quadrant they have included also two other strategies: withdrawal and consolidation. When businesses consider the scope of their operations, withdrawal from some activities might be a reasonable course of action. For instance, companies lacking the competencies to compete in a particular market might divest its non-core operations. On the other hand, in declining overall markets a firm might choose to exploit its strong position – a strategy called harvesting (Johnson & Scholes, 1999). By doing so, a company aims to gain a maximum payoff from a market moving from maturity to decline.

Consolidation is concerned with "protecting and strengthening the organization's position in its current markets through its current products" (Johnson & Scholes 1999, p. 312). Still, consolidation does not mean that a company stands still. Rather, consolidation might require significant investments, development projects and innovations. This is due to the changing operating environment which forces the company to constantly ensure that its competencies and resources match the changing customer needs. Even though consolidation refers to maintaining market share, it is an active strategy.

When a company aims to sell its existing products into new markets it is pursuing the direction of market development. This can be done by finding new geographical areas, new customer segments or new uses for existing products (Johnson & Scholes, 1999: O'Sullivan, 2012). Internationalization is usually related to market development and companies could choose to expand to new territories when their home markets achieve saturation. Market development strategies usually require competence development as well. For example, local knowledge in new geographical markets might be an indispensable competence. Similarly, some new uses of products could require modifications to the company's current product. However, market development is natural when companies' ambitions exceed the opportunities proposed by its current markets.

The basis of the third direction, product development, is to sell new products to existing markets. Taylor (2012, p. 23) comments that "because product development meets different customer needs in a different way it is less likely to utilize existing competitive advantage than market development." Nonetheless, because the new products are sold to existing markets, some parts of the already existing value chain can be exploited. Johnson and Scholes (1999) state that a core competence of successful companies engaging in product development is the ability to analyze customers and their changing needs. They maintain that such a core competence can act as a basis for strategic development. In addition, companies with core competencies in research and development might choose product development as a strategic direction.

If a company chooses to engage in product development, it should not ignore the possible risks involved. As Johnson and Scholes (1999, p. 319) state "the process of creating broad product line is expensive, risky and potentially unprofitable, because most new product ideas never reach the market; and those that do, there are relatively few which succeed". Furthermore, product innovation may require substantial investments in research and development, and especially smaller companies with lower market shares may suffer from the disadvantages. Product development also requires development or acquisition of new competencies in order to be sustainable. Thus, executives choosing to engage in innovation of new products should attentively analyze the company’s existing competencies and the need for new competencies to ensure future success.

The last and most demanding strategic direction formulated by Ansoff (1957) is diversification. Diversification happens when a company moves to arenas totally outside of its current products as well as markets simultaneously. It offers the least basis for exploitation of existing resources and requires new skills, new techniques, and possibly organizational changes (Ansoff, 1957). This alternative can be further divided into related and unrelated diversification (Johnson & Scholes, 1999).

Related diversification is “development beyond the present product and market, but still within the broad confines of the industry” (Johnson and Scholes 1999, p. 323). Related diversification can take several forms and include backward, horizontal and forward integration. Vertical integration refers to integration taking place either backward or forward in the value chain (O’Sullivan, 2012). Backward, horizontal and forward integration may allow the firm to capture higher margins, gain dominance in the industry and improve its capability to serve its customer segments. However, controlling a larger part of the value chain does not necessarily guarantee better returns regardless of the dominant position in relation to other operators in the chain. Companies engaging in diversification strategies should acknowledge the risks associated with moving into areas beyond their experience (O’Sullivan, 2012). Still, related diversification may, for instance, provide cost savings, spread risk, improve resource utilization, strengthen control or allow the company to exploit its core competencies.

In backward integration a company enters into activities concerned to be inputs to its business (Johnson & Scholes, 1999). A traditional example of backward integration is the expansion into raw materials in order to ensure affordable supply. Similarly, a company could acquire a machinery manufacturer and integrate backwards in its own value chain. Horizontal integration refers to expansion into competitive or complementary activities in relation to the firm’s current operations. Integrating horizontally into for example competing products a company may seek to neutralize an emerging threat or to foster its existing position in the competitive field. Lastly, integrating forward into for example service segment could allow the firm to gain beneficial customer information that it can utilize to alter its internal value chain.

Unrelated diversification, on the other hand, is “where the organization moves beyond the confines of its current industry” (Johnson and Scholes 1999, p. 330). Even though riskier than the other three directions, there might be rational reasons for diversification. For instance being able to provide customers with wider product portfolio and thus selling value-added solutions, or to unlock income streams from markets that balance yearly cash flow. Other reasons could be exploitation of underutilized resources, escape from a declining business domain or risk spreading. Since unrelated diversification refers to activities outside of a company's current products, markets as well as industry, the possibilities are almost limitless. However, unrelated diversification, similarly to related diversification, can further be divided into three sub-categories (Johnson & Scholes, 1999).

If a company chooses to diversify to an unrelated arena, a common way to build the new venture is to exploit core competencies in entering new markets (Prahalad & Hamel, 1990). For example large international conglomerates may choose to build new businesses on their core competencies developed in previous operations. The second category of unrelated diversification happens when a company aims to exploit its core competence but this time in a market that does not yet exist (Johnson & Scholes, 1999). This could be a possibility for example in digital industries where companies seek to forecast the upcoming customer needs and to develop genuinely new offerings to match them. The third, and the most demanding strategic alternative of all the ones discussed, is an expansion where a company tries to develop further beyond its current products, markets, industry value chain, and with totally new competencies (Johnson & Scholes, 1999). However, this type of diversification rarely takes place due to its very challenging and uncommon nature.

Tightly related to the discussion about diversification is synergy. A company can take advantage of synergies when "two or more activities or processes complement each other, to the extent that their combined effect is greater than the sum of the parts" (Johnson & Scholes 1999, p. 331). Especially in an acquisition or merger announcement it is widely common for executives to highlight the possible synergies resulting from the strategic move. However, the realization of these synergies is yet another issue.

Finally, there is an alternative that executives also have in their disposal in addition to the ones introduced by Ansoff and Johnson and Scholes – to do nothing. To do nothing can also be a strategic alternative even though it might not take the company that much forward and is therefore rarely selected. However, doing nothing is also an alternative as well as a choice made by executives – either intentionally or unintentionally. It can act as an option against which other alternatives can be mirrored. Be that as it may, in today's rapidly changing and complex markets doing nothing will most likely not be the optimal strategic direction to follow if a company seeks to maintain or gain competitive or sustainable competitive advantage - and higher returns.

Having discussed the directions of strategic alternatives, in the next section I proceed to introduce the methods available to achieve these directions. The direction-method combination is a choice managers have to make when deciding how to grow their businesses and they should be analyzed both separately and together. Still, it is more beneficial to first now the direction before the method – in other words knowing first where to go before figuring out how to get there.

2.3.2. Methods to achieve strategic alternatives

In the previous section a wide range of strategic directions were covered. However, implementation of strategic alternatives also requires a method. Johnson and Scholes (1999) highlight the importance of separating the directions from methods since they are distinct from each other and several different strategic alternatives can be combined from directions and methods. Strategic methods discussed by Johnson and Scholes include internal development, acquisition and joint development. Next, I will discuss these three in more detail.

If the company chooses the method of internal development, it aims to build up its own resource base and competencies to meet the needs of the chosen strategic direction. Especially new growth alternatives that develop the existing core competencies of a company tend to be embraced internally in order to secure adequate or superior advantage. This method could be the least costly, but on the other hand it might take a long time for example to internally develop a technological innovation from the beginning. Still, market development strategy in an unknown geographic arena might end up requiring more capital resources than for example a joint venture or an acquisition. Even though the overall cost of developing new ventures internally might exceed that of an acquisition, the costs are usually spread over a longer period of time. Due to poor financial condition and lack of available capital to invest in an acquisition, internal development can be chosen also solely because it is the only feasible option at a given time.

“Acquisition is where and organization develops its resources and competencies by taking over another organization” (Johnson and Scholes 1999, p. 337). Acquisitions may take different forms. A company can by another one entirely i.e. 100 % of the shares outstanding. It can also acquire only a majority (over 50 %) of the target company to gain control by owning the majority of the votes. The last option in acquisitions is to buy a minority of the other organization. Acquisitions tend to be preferred by large companies due to speed which enables the penetration of new markets compared to internal development. Often large acquisitions are justified by access to a sizable customer base. In addition to markets, companies might acquire specific technology, expertise in research and development, other competencies or market knowledge, for example.

When acquiring a company, firms face the issue of valuation. Profitable and fast growing companies tend to be highly valued, at least in the stock market and why not privately as well. So even though the direction as well as method of a strategic growth alternative would be ideal, the price asked for the most potential acquisition target might water the project. On the other hand, when companies trade at low multiples for instance during economic downturns, lucrative deals can be executed by those with excess capital when valuations plummet. Thus, acquisitions can take a form of friendly or hostile. Lastly, the profitability or rationale behind acquisitions has been widely debated. The general opinion is that acquisitions do not guarantee financial success. Neither are they easy to execute due to cultural misfits or lack of experience from previous acquisitions (Johnson & Scholes, 1999).

Commonly acquisitions are paired with mergers. Mergers are usually done in good spirit since the two companies coming together to create a new single entity are trying to exploit synergistic advantages and to make the new whole greater than the sum of its parts. Mergers are much more uncommon than acquisitions and in a text book example the merging companies would be approximately the same size in order to avoid inferiority or superiority at a cultural level as well as to ease the deal making from a financial point of view.

In the last growth method, joint development, a company agrees to share its resources and activities to pursue a strategy with another company (Johnson & Scholes, 1999). Also strategic alliances fit to the same definition. The rationale behind joint development or a strategic alliance is the combined forces. In today's world companies may feel that they lack the resources and competencies to create the maximal value for their stakeholders. Thus, cooperating with a partner can result in access to markets, materials, competencies and finances that the company could not have gained had it pursued its goals alone (Johnson & Scholes, 1999).

Forms of resource and activity sharing in strategic cooperation are diverse: joint ventures, vertical alliances, horizontal alliances, cross-shareholdings and non-equity partnerships, for example. Johnson and Scholes (1999) provide three attributes based on which strategic joint development can be analyzed: asset management, asset separability and asset appropriability. At the other end of the spectrum there are networks which have become increasingly popular despite the loose relationship and lack of strictly formal arrangements. In networks two or more companies come together without a formal or legal binding to work on a problem or a project together. The other end of the spectrum approaches mergers in nature due to joint management of assets and high risk of appropriation. Similarly to internal development and acquisitions, joint development methods have their own characteristics and should be analyzed thoroughly. Johnson and Scholes (1999, p.

345) maintain that the most successful joint development ventures "appear to be those where partners have positive attitudes to managing and developing the partnership and are concerned to use the alliance to develop their own competencies, rather than simply using the partner to substitute for competencies which they lack".

It is notable to say that in addition to the growth methods, there are at least three different ways through which a withdrawal can be executed: harvesting, divesting and disintegration. But since they are not the focus of this study, I will not review them more thoroughly.

All the three different methods, internal development, acquisitions and joint development, are different when it comes to characteristics such as risk, control and speed. Executives crafting growth alternatives for their organizations should, however, keep the basis, direction and method separate in the decision making process. Furthermore, the different options should be analyzed and no alternative should be favored over another solely based on for example previous strategies. Different stages and times require different directions and methods – thus they should all be kept in the arsenal when generating growth alternatives. Figure 4 illustrates the different bases of choice, strategic growth directions as well as growth methods discussed in this section.

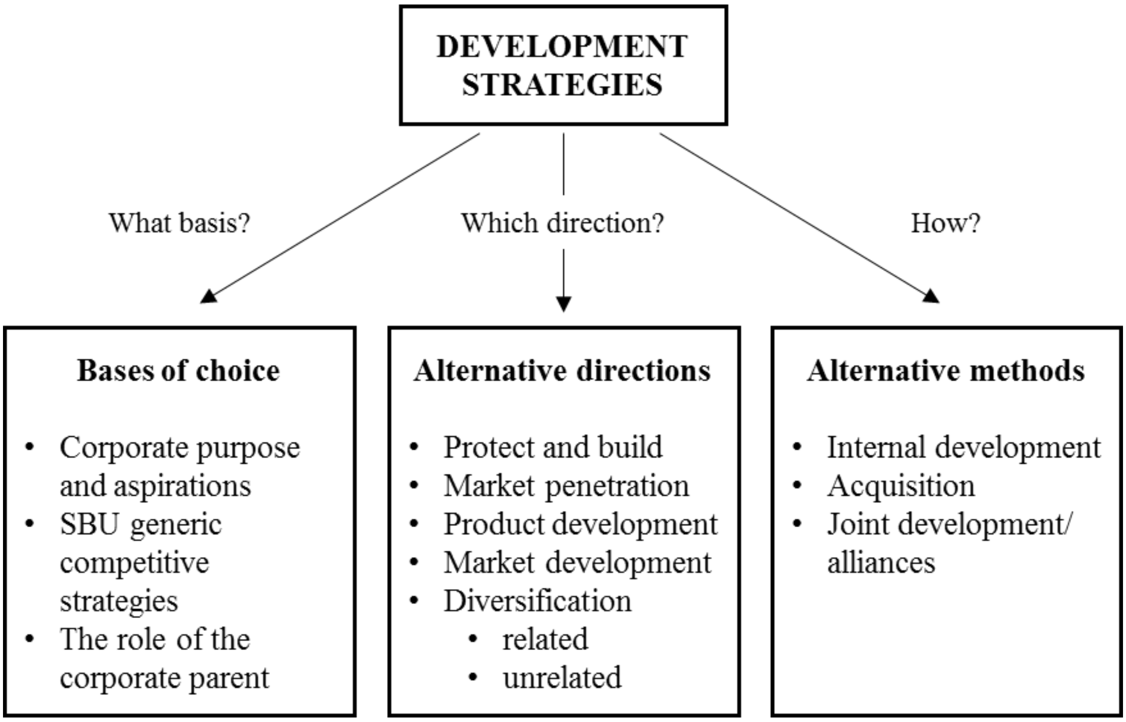

Figure 4. Development strategies (adapted from Johnson and Scholes 1999, p. 260)

The previous sections have described strategy in general, strategic decision making as well as strategic alternatives. The subsequent section concentrates on the generation of strategic growth alternatives – the focus of this thesis.

2.3.3. Generation of strategic growth alternatives

As discussed in the section focusing on effective strategic decision making, the decision making process consists of different parts. On a general level, at least three different stages can be noticed: identification, evaluation and selection. Already in the 1960s Ansoff (1957) argued that effective planning includes the determination of area for search, generation of opportunities within that area, evaluation of these opportunities and finally selection. Figure 5 below illustrates the different stages of the decision making process. There are four phases in the process 1) generation of alternatives, 2) description and quantification of the alternatives, 3) comparison and evaluation of the alternatives against selected criteria and 4) selection of the most suitable alternative to be implemented – the chosen strategy.

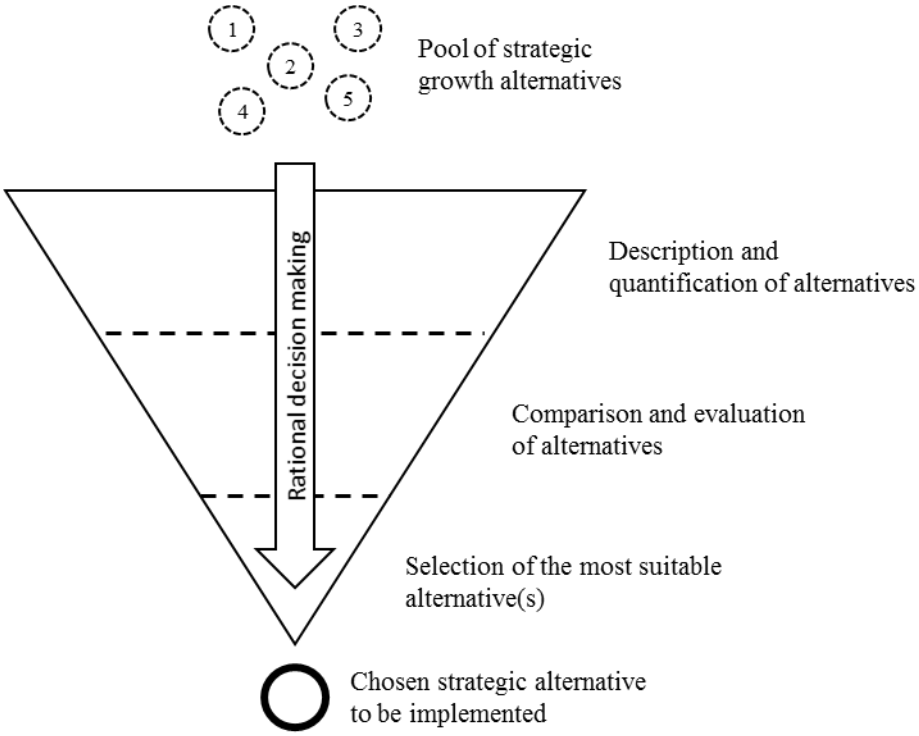

Figure 5. Funnel of strategic decision making

My thesis focuses on the upper part or the front end of the funnel – the generation of strategic growth alternatives. I aim to explore the sources of ideas for different expansion options. In addition I try to find out other critical factors that public Finnish companies take into consideration when creating strategic growth alternatives. Also, I try to shed some light onto the description and quantification of the alternatives. However, I feel it is beneficial to illustrate the underlying framework and how the strategic alternatives link to the overall scholarly view of growth strategy formulation as a process.

The second phase in the process is the description and quantification of the alternatives. In this phase, different alternatives are given both qualitative and quantitative measures in order to support the next phase of comparison and evaluation. In phase two measures such as predicted revenue, predicted profit, predicted investments and fierceness of competition can be introduced. In addition, qualitative attributes such as competence of leaders to implement the chosen alternative or effect on brand image can be added. This is the furthest level which my thesis will touch upon in the given framework. The following stages are only discussed for the purpose of giving the reader a better understanding of the funnel and its different stages.

In the next phase, the described and quantified alternatives are evaluated against chosen criteria. Johnson and Scholes (1999) suggest that the consideration of each alternative should include an analysis of suitability, acceptability and feasibility. They proceed to suggest that these three criteria further divide into more specific analyses in which dedicated frameworks and tools can be implemented.

After the analysis and evaluation has been conducted, the strategic alternatives are ranked in order to illustrate prioritization. Naturally, the highest ranked alternative proceeds to be chosen the strategy that the business will implement. Of course, during the analysis it can decided that certain criterion, such as expected return on investment, is given more emphasis than some other criterion. Still, the reasoning behind the overall process is to improve the decision-making of executives and thus improve the quality of the decision. As argued by Nutt (2004), decisions that are a result of consideration of several alternatives tend to be more successful. Lastly, after the selection of the best alternative, the company proceeds to implementation which again is a subject on itself and will not be discussed in this study.

After having explained the focus of this thesis, I next concentrate on the sources of ideas for growth alternatives – the front end of the decision making funnel. When it comes to the generation of growth options, innovation can be divided into two broad paths: market-driven or competence driven (Johnson & Scholes 1999; O'Sullivan 2012). Alternatively these two can be called "fit" and "stretch", "pull" and "push" or "outside-in" and "inside-out" respectively. Regardless of the exact terms used, the underlying idea of market-driven innovation is to grow on the terms of the customer or the operating environment – to gain insight about the customers' current and future needs and problems, and to develop your company's offering to match those. On the other hand, competence or resource driven growth aims to "stretch" the company's assets and capabilities to create new markets or offerings. As can be seen, these two differ in nature but both of them can be lucrative and feasible approaches and usually companies aim to consider both approaches simultaneously in order to ensure the best possible solution.

In fact, there is wide agreement in the academia concerning the use of both of the approaches described above. As Reid (1989, p. 554) puts it: "It [strategic planning] is portrayed as a dynamic process by which companies identify future opportunities. They then link their appreciation with endeavors to grow or acquire resources so that the business can be positioned to benefit from its strengths." Similarly, the literature often discusses the importance of opportunities and threats arising from the environment or from within the company which subsequently are incorporated into the strategic decision making process and eventually to the implementation plan (Grant, 2003). These combined with the resource-based view or competence driven innovation provide the framework for the generation of strategic growth alternatives.

It has been evident for decades that companies should combine their operating environment with their resources and competencies (Ansoff, 1957; Aaker, 1984; Porter, 1980; Barney, 1991). However, the explicit areas of focus have not been studied as widely. The operating environment as well as the internal factors are both broad terms and should be divided into smaller topics which to analyze thoroughly in order to gain ideas for future growth. Aaker (1957) argued that strategy formulation should be aided by an ongoing analysis of the external environment. He specified customers, competitors, market, environmental trends and events affecting the market as areas of focus. From the other perspective Wernerfelt (1984), Barney (1991) and Prahalad and Hamel (1990) argued for the internal factors as a source of growth generation and sources of competitive advantage over rivals. In Figure 6 below Reid (1989, p. 555) illustrates some of the aspects that companies should incorporate into the process of generating strategic growth alternatives. Alternatively, these inputs can serve as a source for new growth ideas.

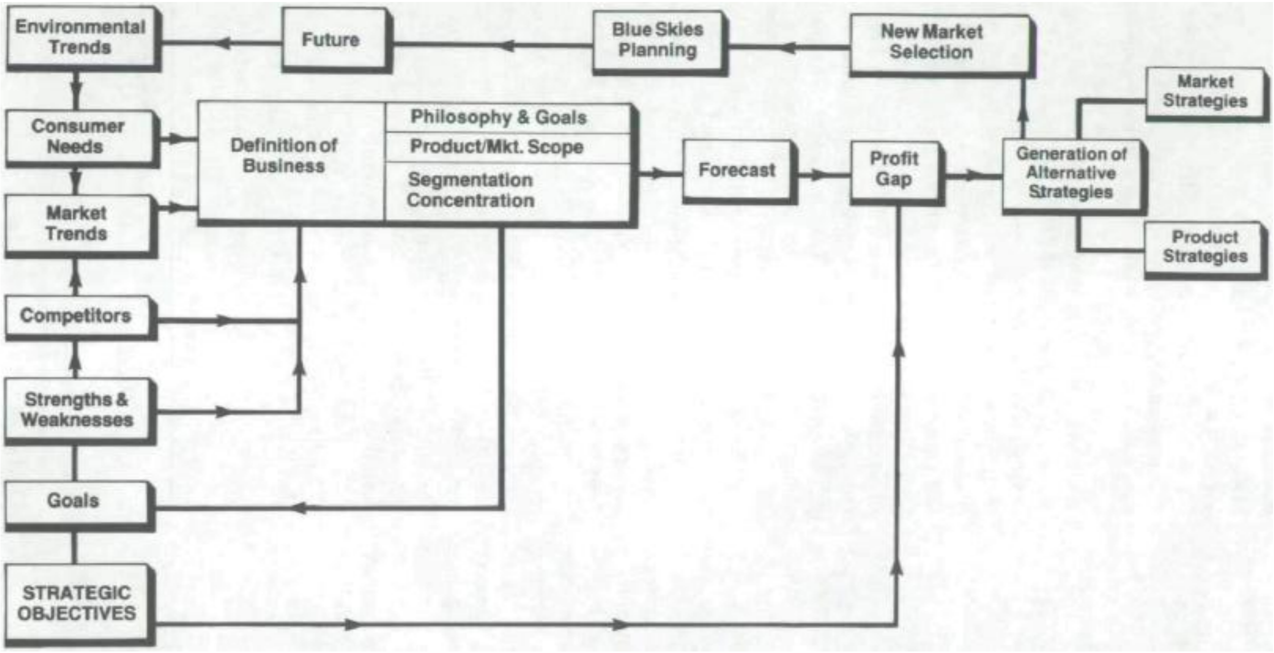

Figure 6. Process of strategic planning and generation of strategic alternatives
(Reid 1989, p. 555)

The external operating environment has an important role in the formulation of strategic alternatives. The "outside-in" or market-based approach highlights the critical role of the customer. Also changes in the macro-level factors such as political, economic, social, technological, ecological or legislative may cause disruptions so enormous that businesses might be facing bankruptcies or on the other hand, new lucrative opportunities might arise. Ways of analyzing the external operating environment are diverse: SWOT, PESTEL, Porter's Five Forces, scenario planning, megatrend analysis, competitor benchmarking, industry analysis, value chain analysis are just some of the methods (O'Sullivan, 2012; Taylor, 2012; Teryima & Aondona, 2014 and Jarratt & Stiles, 2010). Ansoff (1957) maintains that strategic alternatives should be responsive to the external opportunities and threats. Alternatively he argued that options should neutralize emerging threats. Thus, the external environment should be thoroughly and constantly analyzed in order to notice possible opportunities as well as emerging risks.

The internal factors, partly discussed alongside the resource-based view, also have and should have an effect on the generation of strategic growth alternatives. Firms have limited resources and cannot pursue all the strategic alternatives simultaneously. Also, the previous strategy implemented as well as the processes generated to support that strategy influence the formulation of alternatives. Generally, the internal factors are often divided into strengths and weaknesses as in the model introduced by Reid (1989). Similarly in the traditional SWOT analysis the S stands for internal strengths and W for internal weaknesses. However, these strengths as well as weaknesses may take different forms – and some internal factors fall into none of the categories. Internal factors acting as sources of new growth ideas or being factors to take into account when creating growth options are for example both tangible and intangible resources, capabilities, core competencies, competitive advantage, processes and even organizational culture (Taylor, 2012; Wernerfelt 1984; Prahalad & Hamel, 1990; Barney, 1986 and Barney, 1991). The tools used to analyze these internal factors include for instance McKinsey's 7Ss, BCG Matrix, Ansoff matrix, VRIN or VRIO framework, Porter's internal value chain analysis and game metaphors (Jarratt & Stiles, 2010; Barney 1991; Teryima & Aondona, 2014 and O'Sullivan 2012).

The role of different organizational layers in the generation of ideas and innovations has been widely discussed in the literature. Broadly, idea innovation can be separated into bottom-up and top-down approaches both of which may well serve the purpose of creating new growth options. However, I will not stress the organizational level from which a growth idea arises but rather focus on the substance of the idea and the inputs behind it. Still, the bottom-up or top-down approaches may play a role in the generation of new growth options. According to Noda and Bower (1996), managers at different levels of the company react to the previously discussed external and internal issues combined with cognitive, political and organizational consequences. They maintain that the interaction of all these elements "causes two firms, which are facing similar business opportunities and are endowed with virtually the same marketing and technological capabilities, to respond differently - one with escalating and the other with deescalating strategic commitments to the new businesses" (Noda & Bower 1996, p. 188). Thus the way a company organizes the innovation process might substantially affect the generation of strategic growth alternatives. Moreover, these processes combined with the overall organizational culture might play a significant role when a business aims to create growth. Also, the resource allocation between competing new ventures shapes the growth strategy of any firm (Noda & Bower, 1996).

Related to the organizational culture discussed by both Barney (1986), and Noda and Bower (1996) is the level of internal entrepreneurship inherent in an organization. According to Burgelman (1984), there is growing evidence on the importance of internal entrepreneurship when it comes to growth. He states that the "internal entrepreneur, like the external entrepreneur, enacts new opportunities and drives the development of new resource combinations or recombinations" (Burgelman 1984, p. 164). Thus, corporate entrepreneurship or internal corporate venturing are vital in generating innovative activities, engagement and growth within a firm (Burgelman, 1983b). Internal entrepreneurial activity has to be organized thoughtfully in order to avoid major problems and to allow the entrepreneurial minded individuals to blossom with their ideas. In his later paper, Burgelman (1984) proposed that corporate managers should treat internal entrepreneurs as “strategist” - and even let them act like ones - in order to maintain the stability of the special kind of relationship. Both of the parties, the corporate parent as well as the entrepreneurial part of the organization, should feel that they achieve their individual interest which might be different from one another. Furthermore, emerging radical innovations are commonly mirrored against a set of criteria that represents the current strategy of an organization. This, in turn, may lead to a point where lucrative new opportunities are not selected to the implementation phase not because the market would be unattractive but because of imperfect internal selection mechanisms of a firm (Burgelman, 1983a). The selection process needs to be adjusted according to the type of new growth opportunity in order to maximize the exploitation of potential and minimize ignorance of great alternatives.

In addition to traditional internal factors, also the broader mission or purpose of an enterprise can steer the generation of strategic growth alternatives. As covered in the early parts of the review of earlier research, strategy should include a goal or an objective to be pursued. These organizational goals might be in form of a mission or a vision, but they steer all the other activities and sub-strategies conducted within the organization. Corporate level vision should be supported with business unit strategies as well as operational strategies. High-level goals provide boundaries within which strategic alternatives can be formulated and chosen.

Also, the needs of owners of the company influence the strategic alternatives to be considered. For example in a publicly listed company the rate of return required by shareholders might dominate the alternatives to be analyzed. Similarly, the risk level at which the company operates affects for instance the leverage to be used in an acquisition. Also, a history of paying regular dividends might hinder a company from making high-risk strategic moves in order to ensure steady cash flow for shareholders. In a family owned business the legacy of previous generations might play a role in the strategic direction the company chooses to follow. In addition, family ties might affect the decision-making.

Moreover, the needs and aspirations of managers, which may or may not be same as owners, influence the generation of strategic alternatives. Empire building, job security, own well-being and personal compensation may all be factors affecting the choices particular managers choose to advocate. Moreover, politics and conflicting interests among the top executives might have an effect on the generation of strategic growth alternatives. People might be individual rational but not in a group decision making situation and choices might reflect the preferences of strong-minded persons (Eisenhardt & Zbaracki, 1992).

To conclude my review on earlier academic research on the topic, I provide a framework which aims to provide synthesis to my study. The framework below (see Figure 7) focuses the topic of this thesis to the front-end of idea generation and to the front end of strategic decision making. Moreover, this study stresses only the generation of growth alternatives. No other strategic alternatives will be discussed further. Also, this thesis will be limited to the creation of options and will only shortly touch upon the description and visualization of them.

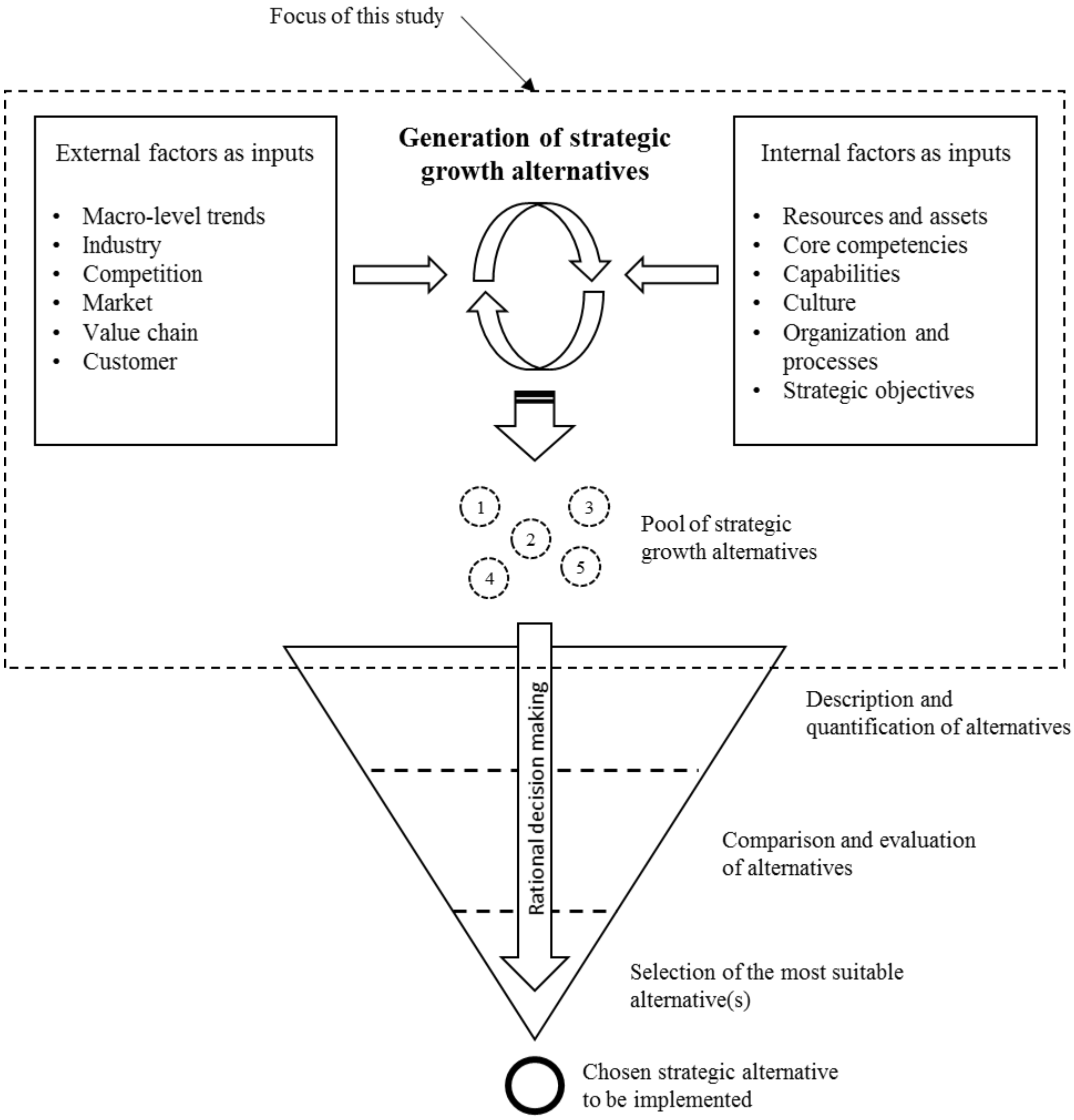

Figure 7. Synthesis framework

By answering the research questions proposed in the introduction, I aim to study the inputs that large companies listed on OMX Helsinki stock exchange take into consideration when generating strategic growth alternatives. The framework above illustrates potential external as well as internal factors that have been discussed in the literature. In my study I seek to observe whether companies actually take these into account and are there some other factors they feel are important to consider in the process. In addition to finding out the inputs or factors, I try research the source of these inputs. Lastly, I slightly touch upon the description or visualization of the strategic growth alternatives by trying to find out the ways in which the alternatives are presented to the decision makers.

This concludes my review on earlier academic research. In the following chapter I will present the methodology of my thesis.

3. METHODOLOGY

In this chapter, I explicate the methodological underpinnings and choices of my study. Firstly, I will go through the research method and the rationale behind it. Secondly, research context and sample are discussed in detail. Thirdly, I will address the issues related to informed consent and confidentiality taken into account when conducting the research. Fourthly, data collection and analysis will be explained in detail. Lastly, I will evaluate the reliability, validity and generalizability of this thesis.

3.1. Research method

The ontological starting point of this research is objectivist. Objectivism "assumes that the social world has existence independently of people and their actions and activities" (Eriksson & Kovalainen 2008, p. 9). Thus, I as a researcher acknowledge that there is a social reality with an autonomous existence outside of me. I chose objectivist ontological starting point for my thesis since it serves better in answering to the research questions of this study: I aim to create knowledge that is objective, not subjective.

Also the epistemological starting point of my thesis is objectivist. This is for the same reasons argued above. As Eriksson and Kovalainen (2008) state, "according to the objective view in epistemology, it is possible that there exists a world that is external and theory neutral". This point of view together with the objectivist ontological principles serve as influential background in my study.

I chose qualitative approach to my research. According to Ghauri and Gronhaug (2005 ref. in Eriksson & Kovalainen 2008, p. 5), "qualitative research is particularly relevant when prior insights about a phenomenon under scrutiny are modest, implying that qualitative research tends to be exploratory and flexible because of 'unstructured' problems (due to modest insights)". As there are no prior insights about the generation of strategic growth alternatives in Finnish companies, qualitative approach should provide excellent means to answer the posed research questions. In contrast to quantitative research which is "prone to structured, standardized, and abstracted modes of collecting and analyzing empirical data", "qualitative research approaches, the collection of data and its analysis are sensitive to the context aiming at a holistic understanding of the issues studied" (Eriksson & Kovalainen 2008, p. 5). My choice of qualitative research over quantitative is supported also by Denzin and Lincoln (2000), who state that "qualitative researchers study things in their natural setting".

The design of my thesis could be considered a thematic research. After familiarizing myself with the earlier literature on the topic, I gathered data for my empirical study through semi-structured interviews. The process of collecting qualitative data is “less structured, more flexible, and inductive” (Guest et al. 2012, p. 6) which furthermore enabled me to better explore the topic in hand. The data, after systematically analyzed, was then reflected against the theoretical framework discussed earlier in this paper. The themes found both from the literature and from the interviews were contrasted in an iterative process. Thus, the design of this thesis relies heavily on the themes which is why thematic analysis best represents the nature of this study.

3.2. Research context and sample

The immediate context of the research is large companies listed on Nasdaq OMX Helsinki. This does not necessarily implicate that the companies would have their headquarters in Finland even though many of them have. The market capitalization of each of the companies researched was more than 250 million euros at the time of the interviews. Large companies listed on Nasdaq OMX Helsinki were chosen for three reasons: 1) large companies should have a more rigorous approach to strategy, 2) I, as the researcher, lived in Finland at the time of the study and thus the ease of conducting interviews with companies having operations in Finland was higher and 3) access to these companies, and especially to the executives in charge of strategy, was possible through the networks of my more senior work colleagues.

The fact that the companies are listed on Nasdaq OMX Helsinki and that the interviews will be conducted during the year of 2015 might affect the study. Firstly, Finland as an economic region is relatively small in the global context. Also, the stock exchange is rather unbalanced with heavy representation of forest and machinery firms and underrepresentation of companies in industries such as healthcare, consumer staples and energy. Moreover, due to the small home market of Finland, majority of the companies are heavily dependent on exporting. Based on the stated reasons I did not choose to focus on one particular industry in this thesis – there simply would not have been enough companies to represent an industry in the Finnish context.

During the recent years Finland has faced a drastic restructuring in its economy as the service sector has taken more and more share from industrial sector. This combined with the aftermath of the financial recession has led to higher unemployment rates, increased indebtedness of the nation and cost cuttings. Also the timing might play a role in the research. In spring 2015 parliamentary elections took place in Finland. As legislation is one of the aspects affecting the operating environment of a business, the elections and their consequences could have an impact for instance on the emphasis companies place on external (in this example legislative) factors.

In order to answer the research questions of this thesis, I interviewed individuals responsible for strategy of their organizations. Usually, big strategic decisions and the setting of strategic direction is the responsibility of the board of directors. However, I will not focus on them but on the top management team instead. This is because of three reasons: 1) top management team is more likely to know the business more thoroughly than the board of directors, 2) top management team is the unit in the organization that is more involved in the strategic analyses and 3) top management team is eventually responsible for implementing the chosen strategy throughout the firm. The members of the board of directors act as guiding individuals in the strategy work, provide their extensive cumulative experience and support the strategic decision-making. It is the top management team, however, which is more deeply involved in the strategic preparation phase – the phase my thesis aims to explore.

Within the top management team of a large enterprise usually the Chief Executive Officer or the Chief Strategy Officer are focusing more on the strategy of the organization than the other members in the team. Alternative titles for individuals responsible for strategy process might include Senior Vice President, Strategy; Director, Business Development or Development Director, for instance. The focus sample of my research will be these individuals because they are supposed to have the best understanding of the strategy process taking place in their organizations. The responsibility of strategy process is by far the most important selection criterion in my study.

Other selection criteria could also be implemented but I see no reason to do so. For example choosing the interviewees based on gender, age or personal background does not add any value to my research since they should not be factors affecting the informants' ability to provide me with insights about their organization's strategy making. Thus, these selection criterions are left out when choosing the informants.

In addition to the criterion of large size, the companies were chosen based on the willingness of informants to participate in the study. Furthermore, the existing personal networks of my work colleagues were used to gain access to the busy individuals. As elaborated in the previous section concerning the research context, I did not focus the study on specific industries.

The studied companies can be considered both homogenous and heterogeneous to some extent. Firstly, they are all listed in the same stock exchange and have operations in Finland. Secondly, majority of them have their headquarters in Finland. Thirdly they are large in size within their respective context. These are all common factors for the firms. On the other hand, the companies operate in different industries, they operate in different geographical regions outside of Finland and their organizational structure may differ from each other.

The sample size of the study was 13. Interviews were conducted up to the point of saturation. In other words, when no new themes, categories or codes rose from the interviews, I decided that the sample size was large enough. The chosen extent of the sample size is also supported by Guest et al. (2006) who studied thematic analysis. Based on their research the data saturation seems to occur after 12 interviews. Table 1 below compiles the interviewed companies.

Company	**Industry/ sector**	**Market capitalization as of 23.4.2015 (million €)**	**Rank out of 123 companies based on market capitalization as of 23.4.2015**
TeliaSonera	Telecommunications	23967	4
Neste Oil	Oil and gas	6564	10
Elisa	Telecommunications	4578	11
Cargotec	Industrial goods and services	2125	20
Valmet	Industrial goods and services	1632	25
Tieto	IT services	1553	26
Sanoma	Media	853	32
Aktia	Banking	735	38
Oriola-KD	Health care	724	39
Basware	Software	590	42
F-Secure	Security and data protection	462	48
Finnair	Airline	384	52
Lemminkäinen	Construction	264	57

Table 1. List of companies

The interviewed individuals and their positions can be found from Table 2 below.

Company	Name	Position
TeliaSonera	Hannu Erälinna	Director, B2B Strategy and Business Development
Neste Oil	Tuomas Hyyryläinen	SVP, Strategy and New Ventures
Elisa	Tapio Turunen	Director, Business Development
Cargotec	Mikael Laine	SVP, Strategy
Valmet	Christer Schönberg	VP, Strategy and M&A
Tieto	Kishore Ghadiyaram	VP, Corporate Operations
Sanoma	Masa Peura	VP, Strategy and Digital Operations
Aktia	Carl Pettersson	Development Director
Oriola-KD	Jukka Mäkelä	VP, Development
Basware	Tuomas Marttila	Head of Strategy
F-Secure	Jyrki Tulokas	VP, Strategy and M&A
Finnair	Jukka Lahtinen	VP, Network Planning
Lemminkäinen	Santtu Mankki	Director, Business Excellence

Table 2. List of interviewees

3.3. Informed consent and confidentiality

Ethical considerations have to be taken into account in all social research (Eriksson & Kovalainen, 2008). I also aimed to consider ethical issues as well as general good conduct as much as possible when doing this research.

All the potential interviewees, including those who chose not to participate in the study, were informed that their participation would be voluntary. In addition, the purpose of the study was explicated beforehand in order to avoid unconsciousness about the use of the results (Eriksson & Kovalainen, 2008). Simultaneously with the request for the interview the interviewees received the interview questions (see Appendix 2). I did this to appear as open and transparent about the research as possible, and to evoke trust among the possible participants (Ahrens & Dent, 1998). In addition to mentioning the purpose of the study, I stated the university at which I study and the management consulting firm at which I work. Furthermore, the fact that I was conducting the thesis for my employer was indicated.

At the beginning of every interview the informants were asked permission to record the interview. I did this before any other questions were asked. Also, the permission to publish the name of the individual as well as the organization at which he worked was asked. I clearly explained that individual comments to be quoted in the study would not be accompanied with name of the person who had said the quote. However, they were told that the list of the participants and their organizations would be attached to the thesis. Only after explaining all the details discussed above and receiving approving signals from the interviewees, I proceeded with the actual questioning.

3.4. Data collection

The empirical primary data for the thesis was gathered by conducting 13 thematic interviews. I chose factual perspective to the interviews over the cultural perspective because of my aim to explore strategy as a process rather than the managers' sense making of strategy. Thus, in this study my starting point is that the information provided by the interviewees reflects the reality. However, I acknowledge that the data gathered from the informants might be distorted and this issue will be discussed together with the overall reliability of the thesis. The objective onto-epistemological starting point is further reflected in the interview approach. I treated informants as sources of knowledge providing insight about the strategy processes in their respective organizations. I made this decision based on my research questions which aim to shed light onto the strategy process as a factual phenomenon rather than a perceived experience.

I chose to use semi-structured interviews in my study. According to Eriksson and Kovalainen (2008) semi-structured interviews are suitable for addressing exploratory research questions, as are the questions of my thesis. In addition, my previous experience in interviewing business managers should support the choice of the interview style, since semi-structured interviews work especially well when the interviewer is skilled and experienced (Eriksson & Kovalainen, 2008). Furthermore, the prearranged outline of topics but flexible sequence of questions allowed me to engage in more in-depth conversations with the interviewees than a structured interview or a survey would have. Still, semi-structured interview approach retains the systematic and comprehensive format of the study which further enables organized data analysis.

Each of the interviewees was interviewed once and on average an interview lasted for 58 minutes. I conducted the interviews between the 4th of June and 18th of August in 2015. The complete list of the interviewees as well as the duration and date of each interview can be found from Appendix 1. From each organization one person responsible for strategy was interviewed. Data triangulation through several sources could have improved the data collection but due to the limited access only interviews were used. Strategic decision-making process is not reported for example in the annual report or on the company website. If companies would have for instance recorder the discussions of members of the top management team, most likely they would not have disclosed them to me due to possibly intimate information.

I used the theoretical framework presented in the review on earlier literature to guide the empirical work. However, I paid great attention to not restrict the empirical data based on previous theory (Vaivio, 2008). In addition, my intention was not to force the empirical findings to fit to the existing frameworks. Furthermore, I tried to conduct the empirical work in a manner that emerging insights were able to rise from the interviews (Dent, 1991).

I formulated the interview questions so that they would be as unambiguous as possible in order to minimize misunderstandings. Also, they were formulated so that they would not be leading or guiding the interviewee to answer in a particular manner or from a particular point of view. In addition, questions that could be answered with a plain “yes” or “no” were left out in order to encourage the participant to speak more freely and unrestrictedly. Also the language used in the questions was kept as simple as possible and unnecessary jargon was emitted. I edited the interview outline as the research progressed as I gained more understanding of issues relevant to my study and especially to my research questions (Eisenhardt, 1989). This helped me to answer my research questions more thoroughly and enhanced the quality of this thesis.

To make the interview setting as natural to the interviewee as probable, the interviews were conducted in the premises of the businesses. (McKinnon, 1988). Furthermore, I tried to keep the situation relaxed and rather informal by casual conversations before the interview in order to diminish the observer-caused threats (McKinnon, 1988). Twelve out of thirteen interviews were conducted in Finnish and one in English. I chose to use the native language of the interviewees to encourage free expression of ideas. Language barriers could hinder the interview situation and valuable insight could be left unsaid or unnoticed. The interviews were tape recorded and afterwards transcribed word-by-word in Finnish and one in English. From the interviews transcribed in Finnish, only the chosen quotes appearing in this thesis were translated into English. Recording the interviews, with the permission of the interviewees, allowed me to fully concentrate on the interview situations and it ensured that no issues were forgotten in the process of taking notes. Still, I simultaneously wrote down some major points from the interview as well as some issues that I wanted to get back to later on in the conversation. Because I am interested only in the insights and facts provided by the informants, I saw no reason to use for example specific linguistic transcription with extremely detailed notes. Transcribing the interviews word-by-word also served in familiarizing myself with the data before proceeding to analysis (Eriksson & Kovalainen, 2008).

3.5. Data analysis

Thematic analysis was chosen as a mean to deal with the empirical data. According to Braun and Clark (2006, p. 6), thematic analysis “is a method for identifying, analysing, and reporting patterns (themes) within data. It minimally organises and describes your data set in (rich) detail. However, it also often goes further than this, and interprets various aspects of the research topic”. Guest et al. (2012, p. 11) argue that thematic analysis is “the most useful in capturing the complexities of meaning within a textual data set”. They also noted the importance of analysis: “It is what you do with qualitative data, and not the methods themselves, that define whether you are engaged in a research endeavor that is interpretive, positivist, or hybrid of the two” (Guest et al. 2012, p. 5). As my research approach is positivist, the systematic thematic analysis is the most suitable for my purposes.

Thematic analysis requires more involvement and interpretation from the researcher because the focus is on “identifying and describing both implicit and explicit ideas within the data, that is, themes” (Guest et al. 2012, p. 10). Braun and Clarke (2006) agree with the interpretative nature of thematic analysis by stating that a number of choices are made throughout the process that are not made explicit. The thematic analysis also affects the presentation of findings as a lot of quotations from interviews are used (Eriksson & Kovalainen, 2008). The researcher, once again, has to choose the most relevant discussions to highlight in his or her report.

The actual process of thematic analysis involves different steps (Guest et al., 2012; Braun & Clarke, 2006). In my analysis I aimed to follow the process introduced by Braun and Clarke. Their analysis includes six steps: 1) familiarizing yourself with the data, 2) generating initial codes, 3) searching for themes, 4), reviewing themes, 5) defining and naming themes and 6) producing the report. As stated previously, transcribing the recorded interviews word-by-word served well in familiarizing myself with the data. When it comes to coding, I used the inductive approach which, according to Braun and Clarke (2006, p.12), is a “process of coding the data *without* trying to fit it into a pre-existing coding frame, or the researcher’s analytic preconceptions”. Thus, even though the theoretical framework and the research questions introduced earlier in this paper were constantly present in the analysis process, my goal was to ensure that neither the data collection nor the data analysis would force the gained insight into existing theories. However, I did think for initial themes even before the first interview took place. I felt that the division between external and internal factors affecting the generation of strategic alternatives would provide structure to the analysis later on. In addition, some sub-themes such as internal resources or external competitors were thought of beforehand. As an iterative process, I developed codes together with themes as I proceeded with the analysis.

In addition to the process introduced by Braun and Clarke, I used coding techniques discussed by Saldaña (2009). According to him code is a “word or short phrase that symbolically assigns a summative, salient, essence-capturing, and/or evocative attribute for a portion of language-based or visual data” (Saldaña 2009, p. 3). He also highlights the interpretative nature of coding: “a code is a researcher-generated construct that symbolizes and thus attributes interpreted meaning to each individual datum for later purposes of pattern detection, categorization, theory building, and other analytic processes” (Saldaña 2009, p. 4). However, coding itself does not constitute the entire analysis – it is only a part of the analysis that helps the researcher to link the data to the underlying ideas.

Following the process I reviewed the themes constantly throughout the analysis process and revised them to better explain the observations. Only after several rounds of edition I defined the ultimate themes which are presented in the findings section. Naturally, the analysis required constant reflection with theory and data, and the process was more iterative than linear. Also, the last phase in the process, writing the report, was an integral part of the analysis (Braun & Clarke, 2006). Braun and Clarke also emphasize that writing should be done simultaneously with coding and analysis.

3.6. Reliability, validity and generalizability of the study

Eriksson and Kovalainen (2008, p. 5) argue that “the three concepts of reliability, validity and generalizability provide a basic framework for the evaluation of research in social sciences as well as in business research”. However, other evaluation criteria such as credibility, transferability, dependability and conformability (introduced by Lincoln and Cuba in 1985) can also be used, but according to Eriksson and Kovalainen these constitutes of “trustworthiness” fit best to the evaluation of constructivist research. Thus, I chose to use the traditional three criteria to assess the quality of this study.

The first one, reliability, refers to the extent to which a procedure would provide the same results on repeated trials (Eriksson & Kovalainen, 2008). Hence, the design of the research should be consistent and enable another researcher to replicate the study and furthermore come up with corresponding results. The rationale behind the selection of the sample participants is discussed in this paper. In addition, the wider research context as well as its possible effects on the study are also presented. Also, almost identical interview questions were used for all the participants in order to maintain consistency. The interview questions can also be found in Appendix 2 for future studies. However, the relationship between me and a particular interviewee might influence the insights provided by the informant. Furthermore, a particular interview setting is extremely challenging to replicate and the researchers can never completely free themselves of their theoretical and personal backgrounds (Braun & Clarke, 2006). Lastly, I was detached from the participant companies as well as the interviewees, which enabled me to enter the interview situations open-mindedly and free of biases that insider researchers could possess.

"In principle, to be able to say that research findings are valid is to say that they are true and certain" (Eriksson & Kovalainen 2008, p. 5). True implicates that the results reflecting the phenomenon are supported by evidence. In my study I aimed to conduct systematic thematic analysis of the gathered empirical data and to not force it into existing frameworks. In addition, the fact that I have work experience in strategy consulting should only have improved the validity of the study, since no theory testing took place. Also, the aim of the study was not to find support for any particular way of conducting strategy work but rather to find real life examples of strategic decision-making in Finnish companies. Unfortunately, only triangulation of theory was possible to improve the validity of this thesis. Triangulation of data was not possible due to the limited access to for instance recordings of board room discussions. Strategic decision-making as a phenomenon, due to its innovative and non-documented nature, is a challenging subject to study. In addition, the fact that triangulation of researchers was not conducted, diminished the problems related to thematic coding done by multiple analysts (Guest et al., 2012).

Generalizability refers to the applicability of the research results in a wider context (Eriksson & Kovalainen, 2008). In qualitative research the generalizability "implies well-grounded and – argued selection of research cases, or people" (Eriksson & Kovalainen 2008, p. 8). As stated previously, the rationale behind the sample choices was made explicit in this thesis. Eriksson and Kovalainen (2008, p. 4) furthermore highlight that "it is the materials obtained from interviews, quality of the interviews and the logic through which the decisions to choose specific interviewees or cases that are more decisive in doing good-quality research". Even though the sample size of my study is rather small, thirteen, the interviewees were selected logically and interviews themselves were conducted in a manner that enabled valuable insights to emerge. However, the ideas gathered from the individuals might only represent their points of view, rather than the whole organization. In addition, based on the onto-epistemological starting points of my thesis, some subjective issues might have been left undiscovered.

This concludes my methodology chapter. In the following chapter I introduce the empirical findings of my study.

4. FINDINGS

In this part of the thesis I introduce the findings of the study. Firstly, the main inputs or aspects taken into consideration when creating strategic growth alternatives are introduced. The inputs or aspects are divided into three different categories: 1) external factors, 2) internal factors and 3) factors related to power of individuals or groups of individuals. These factors are presented in the above mentioned sequence in order to provide structure and logic to the findings. The categories are not presented in order of importance but I rather try to move from the far most external inputs to the closest or most inner ones to any company. Thus, the crucial factors are highlighted at their own respective sections. In addition, the sources of these inputs or aspects are reported.

The second part of this chapter focuses on the ways in which the sample companies communicate, describe or visualize the strategic growth alternatives to the decision makers. This section is separated from the inputs taken into account in the process.

I use quotes extracted from the transcribed interviews to support my findings and to increase the vividness of the study. As mentioned in the methodology chapter, 12 out 13 interviews were conducted in Finnish. After transcription I translated only the quotes I used into English and sought to avoid any loss of meaning while doing so. The translation may not be precisely word-to-word if I felt that there is a superior way of conveying the same message. Furthermore, I added clarifying comments or additions to the quotes when needed. These comments are in square brackets and not written in italics as the quote itself.

4.1. Inputs to the process of generating strategic growth alternatives

This section presents the external factors, internal factors and factors related to power of individuals or groups of individuals that the interviewed companies indicated to take into account when creating strategic growth alternatives. I start the introduction of these factors with the following quote from one of the interviews.

> *"At the corporate level, where we have a business portfolio, we think that with this business portfolio, in this market, with this customer base, with this competitive position: what is possible? What are we able to create in this business environment with our position? And is it enough for us?"*

As can be noticed from this single comment, the inputs or aspects are diverse and the generation of strategic growth alternatives requires a great deal of thorough analysis and seasoned decision making from the management of any company seeking growth.

4.1.1. External factors

External factors refer to the factors considered to be outside of the firm. These include, for instance, weak signals and global megatrends, competitors, industry or market, value chains or networks and customers. The factors or aspects are presented starting from the most far out ones coming closer and closer to a firm. If possible and relevant, the source of the input is also reported.

Weak signals

Based on the answers weak signals are the hardest external factor to monitor systematically. However, they were seen as something that could initiate a great opportunity, given that the right signals were monitored, analyzed and acted upon. Weak signals were mentioned only by couple of companies and out of those only a few had a systematic, or semi-systematic, process set up for this particular function.

> *"Are the right weak signals observed so that we make the right decisions and take them further? And do we do it early enough?"*
>
> *"It is interesting as well as hard to identify the weak signals. We cannot know whether they all will have some effect or not. You should somehow screen and scan what happens in these Slushes and similar events. What are they doing? Is there something that could initiate a possible cooperation or should we buy that kind of a company?"*

Weak signals were also seen as inferior in priority compared to day-to-day business practices. That is why the companies stated that they should be monitored systematically as part of strategy work.

> *"In my opinion one important thing is to have a process for screening weak signals – or to have a habit of doing it regularly with the top most management. Of course you cannot include all the things in the world but the relevant ones. Weak signals can be extremely important but not urgent. That is why you have to have a process for it."*
>
> *"We have done it so that we have delegated it* [screening of weak signals] *to a person. He or she looks for these signals, structures the discussion and brings them, time to time – couple of times a year, to the top management. Then we discuss them. It is semi-structured if that could be the right word."*

It was also noted by one interviewee that the search for new hidden opportunities should be continuous – not just something companies should engage in only when they have growth on their agenda.

> *"When you are in the middle of the Red Ocean* [relating to the Blue Ocean Strategy], *you should constantly look for the Blue Ocean areas. In today's world they can usually be found when something opens."*

Megatrends

Some of the studied companies monitored their external operating environment starting from megatrends. Depending on the industry and company different megatrends were given more or less emphasis based on their perceived relevance. Examples of megatrends monitored by the firms include digitalization with different sub-phenomena, urbanization, climate change and resource scarcity, technological breakthroughs and rising significance of healthcare.

Megatrends were monitored in order to track the major forces driving change both in society and economy. These drivers could thus either create new growth opportunities or act against some of the planned expansion initiatives. However, the monitoring of megatrends was not as common in relation to other external factors and only a few companies engaged in it thoroughly. Some companies even indicated that they do not have a systematic way of scanning the environment for possible drivers. Still, that was considered to be something worthwhile and thus was on the development agenda in the future.

There was variation between the companies regarding the way in which the megatrends were analyzed. Some of the companies had their own internal business intelligence or insight functions at the corporate level or at the strategic business unit level. Other companies had smaller resources invested in the monitoring of the environment, but used outside reports or consultants to better understand the rising trends and their respective opportunities or threats.

> *“Then we of course have, like probably all the big corporations, business intelligence function for environment monitoring. The formal group that conducts it is quite small but it ensures that we constantly screen the external information. I do not believe that anything big would go by without it being brought to attention at the company level.“*

In addition to having internal dedicated functions for screening the major driving forces, many companies reported that the executives or directors are naturally linked to their operating environments and are also responsible for scanning possible opportunities.

> *“It might be a dumb thing to say but I guess it is so that every superior, manager, director is constantly attached to his or her environment.”*

As said, many companies gathered insights from different outside suppliers for the purpose of megatrend monitoring. However, especially in complex and rapidly changing industries it was noted that the final opinion about the current and future state of the world was something that had to be formed based on scattered and often incomplete information.

“You know these research companies, like Supplier X, but in this industry there is this Supplier Y. It is a large international community that conducts research in different segments of our industry. We are a member and receive a certain number of reports. And they are actually really good and especially when it comes to these megatrends. In addition they provide very detail statistics about different things – some of them are even quite sensational and are not visible to the public.”

“We buy industry reports, but you more or less have to combine the data from several sources. Some of the things, such as internet of things, are so new that there is no accurate data available so you have to create your opinion yourself. You have to combine different sources and create scenarios – if this or that would be true, this could be the case. In cases like this scenario methodology is beneficial.”

Three of the interviewed companies reported to have used scenario methodology in gaining understanding about the megatrends or their operating environment in general. Two of them had used external consultants in order to ensure the right use of the approach.

“We did a scenario work out with Outsider Consultant X from which we gained understanding of the megatrends.”

Problems related to the use of megatrends in creating strategic growth alternatives related to the timing. One company reported to have screened the environment systematically, identified a major change and a new driver in the industry, generated a new business initiative build upon that driver but still the opportunity had not realized in full potential. This was because they had overestimated the speed of change and simply acted too early.

”We drew conclusions that okay this thing is going to end really soon and we implement the strategy shortsightedly. It is hard to predict when something is really going to happen. We have, in hindsight, been on the move far too early in many cases.”

PESTLE

When it comes to issues deriving from PESTLE (Political, Economic, Social, Technological, Legal and Environmental) analysis, they were more often seen as constraints instead of enablers when creating strategic growth alternatives. Especially legislative changes or discontinuous work of authorities were considered disadvantageous. Geopolitical conflicts, for example the one between Russia and Ukraine which was named by one of the interviewees, could also destroy development of growth projects even though the project would otherwise be among the top alternatives. Furthermore, the overall depressed economy in Europe and in Finland especially was thought to have an effect on the creation of strategic growth alternatives.

"There are constraints such as concessions that force us to abandon our highest priority alternatives. Even though some alternatives were as appealing as what not, they cannot be implemented."

Regardless of the generally negative attitude towards especially legislation, it has also been used as a platform for growth.

"It [a recent legislative directive] *is a major booster to our business."*

Industry or market

One of the most important factors related to the generation of strategic alternatives was the market or industry in which a company seeks to operate. According to the interviewees, finding growing markets is focal in strategy work. However, as can be concluded based on this section discussing markets combined with the section about competition, a growing market alone is not enough for an ideal strategic growth initiative – you have to be competitive in that market.

"One thing that we need to be careful about is that even though the market is growing it does not necessarily mean that it is attractive to you. If market growth was the only criterion everyone would operate only in India and China today. Even in a local market it is possible to gain market share if your service is competitive."

"We have a good understanding of the market and so the question is how to be competitive in the market or the segment. That is a bigger problem than the identification of demand."

Furthermore, the market you seek to penetrate should be analyzed thoroughly enough so that the genuine underlying condition of that particular market or industry can be determined.

"We did not only look at how the industry in general is growing, but rather how it is growing in this country in this product line."

The companies that participated in this study reported several sources from which they gain knowledge about the market or their industry. Some of the companies have an internal function satisfying their need for industry information whereas others tend to participate in different industry seminars or events to gain insights about the current and future state of the businesses that surround them.

"We have a quite good internal market and competitive intelligence function and we have enough licenses to different data sources."

> *"There are different industry associations that hold meetings constantly – a lot of information is passed on in those. Our top management participates in those meetings regularly."*

> *"I personally try to participate in different kinds of events. There are quite many fora in our industry – international forums, seminars…different events from which you get the industry input."*

Another approach to ensuring adequate or even superior industry knowledge is to use advisers of experienced members in the board of directors. These individuals with extensive background in the specific industry to which a company is aiming to expand can turn out to be invaluable. They know the operating standards in very specific geographical location, industry and product combinations which helps the company in hand in avoiding common pitfalls as well as in accentuating the vital procedures.

> *"Then we have, in our board of directors as well as in advisors, people who have worked in this market and industry for a very long time – they have a lot of knowledge. If we want to go to a new business area I typically make a consultation deal with an experienced person."*

In addition to the above mentioned sources the interviewed companies pointed out that they buy industry reports from external suppliers. However, it was notable that in fast moving industries the industry reports are easily left vague and full of common knowledge rather than containing insightful information about the current trends or upcoming new technologies or applications. Hence, the companies operating in these industries must eventually rely on their own internal sense making. The lack of up to date information from one or two reliable sources drives the companies to seeking scattered data from several different origins in order to gain an understanding about the ongoing business in their industries.

Still, other companies reported that the long lasting operations in the industry followed with a wide spread connection network enabled them to stay abreast of the times. Others said to follow their peers as sources of new ideas for growth. In addition, some companies operating in the digital industries used big data and its analysis to track trends as well as industry events which could then be turned into useful information based on what actions could be taken if attractive opportunities surface.

To some companies the industry itself was considered to be a constraint when it comes to creating new growth options. Long history combined with a cumulated brand image may barricade bold new actions. Moreover, the industry itself might be so conservative and delicate in nature that adventurous moves would not be appreciated by customers and thus these type of growth alternatives cannot even be considered in the first place despite other aspects being favorable.

New entrants

An interesting but relatively minor detail related to new innovative firms in different industries arose from the interview conversations. Couple of the interviewed companies reported to scan new entrants infiltrating into their own or some related market segment. These companies might be miniscule compared to the interviewed companies but what caught their attention is the new disruptive technology they develop and the original business models they use, among others.

These new start-ups were monitored in events such as Slush (an international start-up event combining new ventures and investors - held once a year in Helsinki, Finland) and in areas such as Silicon Valley. Companies scanned the new entrant or start-up scene in order to see the latest trends, gain ideas, find cooperation possibilities or to find acquisitions targets.

> *"We operate in an industry where innovation is really fast. We have this kind of our own rule that you have to which are global challenger start-ups or growth companies in your industry. If you take a business manager of ours, you will hear names* [of companies] *you have never heard of."*

Even the companies that did no engage in monitoring of new small players stated that it is something they should undertake in the future.

> *"We should monitor new entrants even more. What are they doing differently than the incumbents? Even though they would not be considered as rivals, it could be beneficial from a strategic point of view."*

Value chain, network or ecosystem

Value chains, networks or even ecosystems were considered as possible sources of growth by many of the interviewed company directors. On the other hand, changes, and especially fast changes, were seen as threats that could possibly dethrone companies at short notice.

> *"From that point of view it is strategically really important for us to think about the value chain and how, on one hand, can we add value to it and, on the other hand, expand it."*

> *"Because we do not know where the future is, we must go into the ecosystems to learn the things. And related to these new growth alternatives is the risk component – and pretty largely. This is risk minimization and risk control to go and learn in these new value networks. That is why we have to have a portfolio of these alternatives."*

"We also have to understand the [distribution] *channel – what happens there, what could be the possible problems or opportunities."*

Based on the interviews, it is crucial to think about the value chain from the perspective of the customer. Furthermore, analyzing the possible future state of the value chain is considered far reaching strategic thinking which could provide great growth possibilities and ways of dodging hazardous moves. Also a technological breakthrough lower in the value chain could turn growth alternatives accessible and thus the value chain, network or ecosystem should be monitored.

"In the value chain of our customer, if we are here and see that this other block is growing we might go there. The initial position in the value chain might be diminishing. Many parts of the chain can even disappear. In many of these value chains or networks there are a lot of middle men or other steps. You should try to understand where this whole thing is eventually going and what links will remain."

"The final demand depends on regulation or on a technological breakthrough at a lower level in our value chain."

As said, the perspective of the customer is focal in crafting strategic growth alternatives. In addition to thinking about the value creation in your positions in the value network, thinking about the customer from the life-cycle perspective may shed light to the process of finding growth options.

"Because the needs of our customers cannot be fulfilled solely by products, we expanded as a company to cover a larger area of our industry. We feel that you cannot do just one thing because the field is pretty complex. That is why we bought Acquisition X."

The interviewed companies did not specify a systematic way for analyzing the value networks in which they operate. Analysis was more seen as an internal thinking and ideation practice with no rigorous method.

Competition

As shortly discussed in the section considering markets and the importance of growth, competition plays a central role when companies seek to create strategic growth alternatives. Growing markets alone may not be attractive due to fierce rivalry and similarly declining markets can be tempting if your offering is highly competitive. Competitor analysis was also something that few of the companies felt should be conducted more and the possible future moves of the rivals were notably important to sketch in order to prepare and counter them.

"We look at the share we could get from the new market and we prune candidates in which, even with big volumes, the competition is really high and thus it does not make sense to go there."

"If we start to develop something new, we have to understand our own strengths or competitive advantages. In what are you better than your competitor? It is easier to build on your strengths if you already have something that others do not have."

In todays connected world the competition might come from anywhere. Companies operating in the digital industries face rivalry from around the globe which hampers the competitor analysis even more. On the other hand, one company operating in a more traditional industry reported to identify not only the present competitors but also the upcoming ones as well. Some companies used outsider consultants or other suppliers to provide them with information and analysis of competition arising from different industries as their own.

"And then if we start something new, we try to map the competitive field and to find out the niche we are coming to with our new service. We have to understand what there already exists in the market because if we are making something completely new, the whole world might be open. The competitors might be wherever."

"We identify existing competitors and more often than not we identify the upcoming competitors as well. Most of them are identifiable parties. They very rarely come from totally different industries or from totally different competence levels as might happen in the digital world. That is how we quite well understand our own competitive trumps as well as the ones of our competitors. Usually we have strong technology, presence and wide capability – the new ones have significantly lower costs."

Gaining a leadership position in a new market was considered to be a top priority when creating growth alternatives. Hence, competitor analysis not only in your current markets but also in the one you seek to expand to, is crucial and beneficial. Furthermore, both the market growth as well as your competitive positions have to be sustainable. In other words, temporary market leadership or unique offering combined with overall market growth is not adequate – they have to be continuous.

"The one [criterion for seeking growth alternatives] *is wherever we want to accelerate investments for growth, we need to get to a market leadership position."*

The content of competitor analysis seems to be abundant ranging from patent knowledge to financial benchmarking. Industry wide customer satisfaction surveys taking into account several customer values were also used to monitor the performance of rivals.

"We compare pricing, offerings, service channels, customer concepts and that kind of things. Then some general measures such as customer satisfaction surveys that the

players in Industry X can buy. And then of course financial benchmarking – that is clearly one. All this are done in-house."

"At different levels you have to know different things. We know Competitor X's patent applications regarding Product X. It is interesting that we know what disruptive things are being done. In some other areas we do not know that much."

"Every business line had to identify their main competitors, their sizes, their profitability, their growth – through that we derived our market share and relative market position which we use as a basis in our portfolio analysis."

The sources from which the interviewed companies pursue valuable competitor information to use as an input in the generation of strategic growth alternatives are diverse. Many firms have an ongoing internal competitor monitoring. They use public sources to stay up to date on the latest moves of their main rivals that have been identified already earlier. Some companies bought benchmarking information from industry experts or from other suppliers. Tacit information can also be heard from your own customers when it comes to the recent moves of competitors that have not yet disclosed their latest maneuvers to the public.

"Mostly it comes from customers and then of course from the market from public sources. We monitor press releases. Then there are weak signals and informal signals that we hear from customers even though the competitors have not so publicly told these things. Of course they cannot disclose things specified in NDAs [Non-Disclosure Agreements] *but general market information can be gained quite well so we now what is going on and then relate our position to that. And we see where the competitor is active at any given point of time."*

Customers

Absolutely the most important source of growth ideas and alternatives reported by the interviewees was the customer. Getting to know the customer as deeply and widely as possible in order to determine their problems, needs and desires was regarded paramount. Also, close day-to-day interaction and discussion with the customer as well as cooperative business development were critical in the search for new growth opportunities.

"Many times the only thing we need to do is to start listening to the customers. You already get very early warnings of what they are thinking about the future, how we can help them, are we ready for it in what time frame. It gives you enough information to think if you are competitive enough."

"We can gain [ideas] *from day-to-day interaction* [with customers] *in projects or in executive interactions. That is one thing that we have due to our long standing in our*

core markets. We get an open interaction because we are actually sinking or sailing together in these markets. And it happens at all levels, right from CEO to day-to-day projects."

"It starts with customer frustrations and desires – where is a burning problem. I personally like the outcome-based opportunity identification. You find out what the meaning of something for a customer is and how satisfied the customer is with the way he or she receives it. You have a big opportunity if the thing is meaningful for the customer and he or she is not happy with the way he or she receives it."

"We don't just want to follow but to create new. There is evidence that we have created new ways of doing things that have not existed before. But yesterday's Olympic winners are worthless today. We have in our pipeline customer needs that no-one in the world is fulfilling and we aim to tackle them."

A fascinating finding was the nature of methodology used in customer centric development projects. Despite the fact that all of the studied companies are large in size and most of them are also quite mature, they used lean and agile development techniques when working with their customers. Some even reported to use The Lean Startup –book as a handbook and framework. By engaging in continuous and timely feedback loop with the customers, firms learn quickly, observe real customer behavior, focus on metrics that matter and avoid wasting any unnecessary resources. However, it is important to find a customer that is valuable for the development – large enough and a one that is genuinely interested in the product or service being developed. In addition, the customer has to be able to provide sincere, excellent and precise feedback so that the offering can truly be modified to address the needs of not only that particular customer but the others as well.

"For that we work in a lean start-up mode. There we think about what is the problem we are solving, what is the value proposition, what are the alliances we need, have you tested it with the customer, who are the customer that are ready to pilot with us, what kind of investments are needed, what is the release cycle, what is the minimum viable product, how fast can we get it to the market. These internal start-ups are fully optimized in getting the product into the market as fast as possible – everything else is actually separated from them."

"Business development is not something like you make choices and then you go out to sell it and that would be it. Rather you start with something, then you create a feedback loop with the customer. You believe that something like this or that is needed and you start developing it. Then you face the first customer who says that this is not good – you have to do something like this and this. Then you make the modifications. How good you are in this process determines your success."

Related to the creation of strategic growth alternatives from customers' needs is piloting and experimenting. Some companies feel that it is not enough to develop ideas further internally when there is a possibility to test them in real life and kill them if they do not work. Only when you find a good product-market fit you scale the business – until you find the fit together with the customer, you try to spend as little resources as possible. Though, depending on the industry and type of development project piloting might not be possible for instance due to large overhead costs related to the testing.

> *"We do a great deal of piloting. We try out a concept - could this work? If we see that the new concept attracts a lot of customers and the customers get excited about it, we feel that we have listened to our customers. If not, we kill the piloting right away."*
>
> *"What we try to do continuously is to think about what are the new businesses we can start putting our money into, test it and kill it. It is more like how we fail fast than killing an idea before even trying it."*
>
> *"Put in the market, test it and kill it if it is not working – that is something that does not work in our industry."*

Some of the interviewed directors mentioned that their companies have taken concrete and quite significant steps in attempting to get as familiar as possible with the customers' world so to say. They felt that day-to-day interaction and interviews, for example, are a great way of learning about the customers' problems, but in order to get as authentic understanding of the situation they have developed new innovative ways of tracking customer behavior.

> *"Now recently we have gone ever one step further. We have monitored our customers as they do business with us. We have an outside firm that conducts customer journey studies."*
>
> *"We do, in my opinion, modern and pioneering product development innovation in which we try to understand the activities and doings of the customer. For instance, we installed a camera to the helmet of our customer's employee and monitored his or her doings for a week to see how he or she spends or wastes his or her time. It has been quite eye-opening."*

Many firms indicated that they conduct customer segmentation analysis in pursuance of improved targeting of products and services – the current ones along with possible new ones. Segmentation reveals more distinct customer problems, desires and needs which can further be address in the form of new strategic growth initiatives aimed to tackle these opportunities. Yet again, as in competition analysis, it was stated that customer surveys or studies should not be limited to current customers. Instead, the possible new customers should also be researched in order to be able to fulfill or exceed their needs. According to one of the directors surveying only current customers is not adequate even though his company was not targeting new customers in studies.

> *"For that* [a specific and detailed customer segmentation analysis] *we used an outside firm. But we do conduct a lot of customer studies on our own – and continuous monitoring in different channels and after different actions taken."*
>
> *"We use an outsourced service dedicated to us – interview studies. Sample size, for example currently, is 5000 customers around the Europe. Based on that we create a segmentation which is used in many purposes. We aim to do this, at least for consumers, once a year."*

Other companies reported to rely quite heavily on hard data available about the customers and their interactions and behavior. Information was bought from external suppliers or gathered in-house. The data, according to the interviewees, allows largely accurate quantitative comparison of different growth alternatives. However, another director stated that they rely too much on the available data on the expense of proper, realistic customer knowledge.

> *"During the recent years we have invested heavily on tools with which we design, optimize and analyze customer behavior and markets. We have quite good information about global customer behavior – which of course is not possible in any industry. The data is of course historical but we do make future estimates based on it. We can build quantitative models based on the customer data related to their preferences and behavior. This allows us to quantitatively model different alternatives."*
>
> *"Now we trust the* [customer and market] *data too much. The data allows us to do a number of different things, but what of those are something that the customer would actually be willing to pay? That is a different thing. We have get our innovation process more customer-oriented."*

To repeat, customers were seen as the best and most important input for the process of generating strategic growth alternatives.

Partners

In addition to the previous inputs or factors that the interviewed companies reported to take into account when creating growth options, few companies stated that they also get inputs from their partners. Partners include, among others, universities, research centers, vendors, suppliers and strategic partners. Especially technological innovation and new, highly complex growth projects required partnering with other operators. Later on, these partnerships can provide the parent companies with growth opportunities – as they had for a few of the interviewed companies.

”We have continuous cooperation with universities and VTT [Technical Research Centre of Finland] *from which new things arise, in a technological sense.”*

“In truly new things there are usually more than two partners. We notice that we cannot do it, you cannot do it and we two together cannot do it – we develop it then with a little bit bigger group.”

Due to a large network and history of acquisitions some companies get growth ideas from as simple of a source as a single phone call as potential acquisition targets are offered to them.

”Opportunities can walk in – literally. Someone calls that there is this opportunity, through our own contact networks. It happens. It is easiest to think that someone calls and tells that there is this kind of a company for sale.”

To conclude this section addressing the external factors, presented from the most far out to the closets to the company, I highlight three factors: 1) market growth, 2) competitive forces and 3) customers. These three were the most influential ones that the interviewed directors emphasized.

In the following section I present the internal factors that companies take into account when creating strategic growth alternatives.

4.1.2. Internal factors

In this section I present the internal factors or inputs that the interviewed companies reported to consider when creating strategic growth alternatives. Internal factor include, for instance, resources, capabilities and competencies, need for financial return and the effect of previous or ongoing strategy.

Factors related to the power of individuals or groups of individuals will be discussed in a separate section after internal factors.

Resources and assets

Assets and resources refer to anything that can be owned or controlled to be turned into value. They can be tangible or intangible.

Especially financial resources were seen critical to take into account when constructing growth. In majority of the cases lack of financial resources were seen as a pellucid constraint rather than an enabler. Especially growth through acquisitions, which usually require plenty of capital, was considered to be thorny when a company is not in satisfactory health financially. In addition to plain lack of capital to execute strategic acquisitions, poor financial condition might also prune possible strategic growth alternatives that are not profitable very early on after their initiation – regardless of the possible long-term commercial attractiveness.

However, lack of finances might not be the greatest constraint that a company can face. Still, balancing of resources between new growth initiatives and ongoing business is an issue that managers consider continuously. And there seems to be no clear answer, at least not yet.

> *"It is a vexed question. I have not found the final truth about it. We have faced and will face the question of resourcing these* [new growth alternatives] *versus ongoing business operations. How do you find the balance? You cannot put everything in the risky basket but something you have to put in there if you want that something could come out of it."*
>
> "*We understand that we can only execute a limited number, three to five, of growth alternatives due to lack of resources – or that is a realistic number to deal with"*
>
> *"Firm's financial situation and ability to make acquisitions effects immensely to the growth alternatives."*
>
> *"Of course money is always a scarce resource. But I claim that in our case it is not the biggest bottleneck. The idea, and the result, of our last strategy program was to ensure that we are in good financial health."*

Also the size of a possible acquisition compared to the acquiring firm has an effect on the growth alternatives. Humongous international competitors might be in a superior financial situation which allows them to acquire companies with less worry. When these multinationals compete for the same acquisition targets with the smaller firms based in Scandinavia, the game might not always be even-handed.

> *"If you want to fight for the great companies* [to acquire], *the valuations tend to be absurd. That can be the constraint for an acquisition when you think what you could internally with that 20 million. For companies with 5 billion in revenues, throwing 20 million in an acquisition is not that significant – it disappears in the goodwill on the balance sheet."*

In addition to the hard financial resources, some companies emphasized the firm's financial desire to take on new growth alternatives as something to consider in the process of creating new initiatives. Another interesting concept that only one of the companies stated to exploit was opportunity cost. It is highly relevant to keep in mind the other alternatives, and their profits, foregone when deciding upon the ones to implement. As discussed earlier, companies have limited resources which forces them to select only a couple of large strategic spear heads to execute. This, in turn, leaves out other choices that could have returned more capital on the investment. Furthermore, the opportunity cost is also related to the balancing between ongoing business and new actions. If the resources invested in the new project could have been invested in the ongoing business with a better rate of return, the opportunity cost has realized big time.

Customer base and distribution channels were considered to be extremely, if not the most, valuable asset by a large share of the interviewees. When creating new alternatives, and eventually executing some of them, distributing your solution quickly and efficiently through an already established channel is highly treasured. Furthermore, if your new growth initiative is serving your existing customer base the perquisites are even higher. Still, as some companies reported, having a good access to customers only in your domestic market will not help in expansion projects to be undertaken in new geographical areas. That is why customer knowledge and access to them should be developed constantly.

> *”Relatively large and loyal customer base. That sure is the greatest asset that we have - absolutely.”*

> *”We have, for instance, developed customer relationships or built-up sales channels through which we can bring new things to the markets.”*

Distribution network can also act as a moat against rivalry. Even though it would not provide a company with a genuine sustainable competitive advantage, it sure can hinder the competitors when crafting your growth initiatives.

> *“It* [distribution network] *is one of our biggest assets. We have an extensive distribution network worldwide. Every time a new competitor comes in, they envy us. It is a really hard and slow job to do, to expand your distribution network.”*

Analysis your firm’s distribution infrastructure can also serve as an idea generator for future growth, as can be noticed from the following quote.

> *“Our distribution infrastructure that distributes Product X is also suitable for New Product Y. And moreover, the companies that produce Product X also produce Product Y so we have the contacts and we already are a part of their distribution network.”*

To some companies their geographical location or country of origin is also a valuable asset on which they can build new growth opportunities. Both the location and country of origin are something that cannot be replicated or bypassed by competitors and thus they could, at least in theory, be considered as sources of sustainable competitive advantage.

> *“Our geographical location is beneficial in serving those markets. It is hard to take away from us or to replicate. That is a sustainable competitive advantage on which we can build on.”*

A diluted advantage based on location could be a concession that acts as a barrier against attacks from rivals. However, concessions in other locations held by your competitors act against you if you try to penetrate the markets they operate in. Still, they can provide you with temporary protection.

> *"Once you have entered the market* [which requires certain concessions] *it also protects you from competition to some extent. On the other hand, the same concessions constrain us in yet new markets."*

Following the tangible resources, it was interesting that only one company reported to leverage intangible resources in the generation of growth alternatives. Related to the intellectual property rights is legal knowledge. The same company that stated to possibly take advantage of their IPRs noted that legal work is something that goes hand in hand with the growth alternatives and especially with acquisitions. Thus, even though legal capabilities would not be a genuine asset for a company, they are something that can prove to be unquestionably worthwhile.

> *"We have an IPR* [Intellectual Property Right] *related to the solution business and it definitely has its own value. And it is far from its full potential."*
>
> *"They* [Intellectual Property Rights] *are an important part of growth creation so that you can establish a setting, be it contracts with partners or suppliers, that enables the growth seeking in its full potential."*

It can be concluded that a company's assets can surely act as inputs for the process of generating strategic growth alternatives. It might sound plain but analytically identifying new ways of utilizing your assets, tangible or intangible, can unfold growth options never considered had the thinking been only on selling old products to new customers. Above all, the interviewed directors highlighted their company's financial resources as a constraint and customer base combined with good distribution channels as precious facilitators when it comes to the crafting of growth.

Core competencies

Having discussed the resources and assets that the interviewed companies named to build their growth alternatives on, I next introduce the abilities needed to turn those assets into value. I start with core competencies which were also discussed in the literature review. In core competencies I have included only the quotes and inputs that the managers clearly stated to belong to their core competencies – literally. Other capabilities, competencies and abilities are discussed in the section after this one.

Core competencies were named by many of the participants as something they consider thoroughly when generating growth alternatives. Not only are they inputs to the evaluation process of already crafted options but also basis of growth ideas themselves. If a company possesses a competence that it can exploit exceptionally well, for whatever reason, it can be a trump against competition in new battle fields. Even diversification to new customers and products can be considered if the unfamiliar growth venture is built on a core competence of a firm.

Core competencies of the interviewed firms, according to the interviewees, ranged from particular very specific knowledge to project leadership and to the mobility of resources including people. However, even the best genuinely internal competencies might have to be strengthened by recruiting special expertise.

> *"We have to have our own global best practices and in addition really good local knowledge including knowledge about the local culture and way of doing business. We can bring the technical knowhow from Finland but we need local key people in order to be able to perform."*

Regardless of the importance of building growth alternatives on your firm's core competencies, essentially none of the directors indicated their company to have a systematic way to identify their core competencies.

> *"We do not have it* [a systematic way to identify core competencies]. *When you talk to the managers they can name them, but the competencies are not listed somewhere."*

Many of the companies could easily name the capabilities that they excel in, but that knowledge is based mostly on experience, customer feedback and intuition. Some directors paralleled the core competencies to DNA – they are something fundamental and ingrained in any organization.

Yet another compelling finding was the companies' mind set shift from an engineering firm to a customer oriented enterprise. Many of the interviewed firms indicated that transforming the operational mind set to start from the customer was challenging, especially in Finland which has traditionally been regarded highly engineering oriented, but also substantially crucial. Customer orientation was considered to be an aspect that should be a core competence of a firm. Nonetheless, some companies already had succeeded in the transformation previously and considered for instance their service culture to be a core competence, as one director reported.

> *"We have a big project going on, in which try to tweak this company from a basic traditional Finnish engineering lead and product lead company to a customer-oriented firm."*

> *”We are transforming, and already have transformed, from an engineering house to a service house.”*

Subsequently another intriguing observation was the emphasis on culture and its effect on a firm’s ability to grow. Some managers even stated that they had previously been skeptical about the importance of culture but due to experience had to turn back their initial thinking.

> *“Previously I have not leaned too much on culture but now I have noticed it several times that it has an enormous effect on your ability to execute.”*
>
> *“You always have to think about the core competence of the firm – and the culture. We can list our own culture: what can we do technically, what can we sell or what is our channel like. From that perspective you can mirror that whether this kind of new business fits to these things or not”*

When discussing about the core competence of the firm, the interviewees also referred to the concept of competitive advantage. Despite the vast academic discussion about the importance of competitive advantage, and especially sustainable competitive advantage, the interviewed companies had quite opposing views on its existence as well as identification.

> *“I do not really believe in sustainable competitive advantage – it hardly exists nowadays. Anyone can do almost anything up to a certain level. Then there are specific industries and things that are so complicated that there are only a few in the world who can make it – but that is a different thing. At least in our market you cannot rely on having a competitive factor that someone else could not copy or bypass.”*
>
> *“That* [definition of our competitive advantage] *is clearly an area that needs improvement.”*

As can be deduced, seek for sustainable competitive advantage in new growth ventures seems not to be as far-reaching as the academic literature claims it to be. However, it still could be really beneficial for a company to identify and analyze their competitive factors and see if they are continuously triumphing in some particular areas – areas which they could exploit in new growth initiatives.

Capabilities

Similarly to the mentioning of core competencies a great deal of the interviewed directors highlighted the importance of other abilities when seeking growth. In this section I have included all the other capabilities and competencies that were not literally regarded as core competencies. Still, these are the abilities required to turn the assets of the firm to value.

On a general level, the firms reported to mirror the growth opportunities arising from outside to their internal capabilities in order to determine the level of need for development.

> *"On the other hand, when we take an internal perspective in generating growth alternatives, we mirror these opportunities to our internal capabilities and opportunities. Either to build on them or to improve our critical capabilities in areas needed depending on where we are going."*

As stated in the previous quote, depending on the growth alternative the need for capabilities might differ substantially. Usually, the closer the opportunity is to the core of the firm the easier it is to execute. On the other hand, the further the initiative the harder it gets to implement with your current capabilities. When an initiative is not close to your core, you should think about the development projects needed to achieve the level of ability required by that alternative.

> *"The conversation usually starts from the fact that we need something. Then it goes to the conversation that is it* [new growth alternative] *close to us or far from us so whether we should build it on our own or buy."*

> *"The further it* [new growth opportunity] *goes from our core, the harder it usually gets. The more we go into vertical solutions the more we need partners"*

However, some companies can also build expansion projects on capabilities that might not be diffused throughout the organization. A smaller, but highly skilled, group of individuals can also be adequate.

> *"We have a lot of employees and we are an old company so a lot can be found from here. You can build a growth initiative, not necessarily on our core competencies, but on a so called pocket of expertise - that can be adequate."*

Mirroring the importance of culture and people as an asset, many directors reported that the pure capability of employees is something that has to be taken into account when crafting growth alternatives.

> *"People are the resource – they do not tie up that much capital. Our main asset is the capability"*

> *"If you seek growth, it very strongly starts from the right people and from the way you have organized your company around those things."*

One of the directors argued that his company's way of developing new business ventures is a capability that they can exploit in new initiatives. That, of course, is a great capability when it comes to process of creating growth which itself is already challenging and requires great enough attention from the management.

> *”Our way of developing new business is surely beneficial whether you do it domestically or internationally. It can be leveraged.”*

In contrast to the organizational culture or its people as enablers for growth, some interviewees stated that the very matters can also be obstacles for growth. Thus, these have to be taken into the process of generating growth alternatives and analyzed from both perspectives.

> *“In our Business Unit X we have a lot of individuals who want to keep the things the way they have always been. That is somethings the management has to try to tear down constantly. Of course when you work a long time in a similar position your knowledge in that area is strong. But the ability to look things in a new way is really weak. The same applies to more strategic things. A person who has done something his or her whole life cannot necessarily look at different ways of doing things or find new things to do.”*

Related to organizational capability is intelligent questioning of own behavior. As can be seen from the quote above, some companies use clever ways in identifying obstacles – both the real ones and the ones that are just commonly accepted as issues that are not possible to solve. Taking this approach into your process of creating growth ventures might be eye-opening.

> *“In addition to defining our competitive advantage, business lines were to determine the single biggest obstacle to our growth or to that business unit. On one hand you look at the opportunities but on the other hand strategy is also removal of growth barriers. This triggers the conversation on whether the barrier is, in fact, something that we really cannot do anything about or is it something just taken as a fact.”*

Capability and expertise can also be a constraint. For example the limited size, and available labor resources, can be a reason why something cannot be implemented. Alternatively your current operations might tie up all the capabilities that a new growth venture would require. In any case the availability or lack of capabilities has to be considered when thinking about growth.

> *“If you prioritize the alternatives based on two dimensions: the potential and what it takes, it usually gets caught from what it takes. We are a small firm and thus do not have a limitless amount of expertise.”*

Couple of the interviewees stated that the capability or ability to execute any given growth initiative can many times be seen even before the implementation even starts. Experienced managers have distinguished the business units or teams that can perform in new challenging situations better than others. The ability to win, so to say, has been determined by previous cases. On the one end of the spectrum are the ones who beat the course even upwind. On the other end are the ones who spend their time on over-analysis on the expense of action.

The analytical identification of capabilities was also considered to be demanding. The knowledge about your inner strengths seems to be based on experience and intuition rather than on analysis – as was the case with core competencies.

> *”We have a quite good touch on where we succeed well and where not. Our capabilities are easily identifiable but similarly we know the things in which we will not succeed or what things are hard for us. These are in the DNA of certain organizations.”*

> *”We do not have really systematic ways for analyzing or recognizing our internal capabilities. It is based on feeling or knowledge.”*

Existing offering

Interestingly few companies stated to use their existing products as an input or source for creating new business. However, especially industrial companies seemed to benefit from analytical thinking regarding their offering from the perspective of the customer.

> *“Sometimes we see that our offering is a supporting business for a larger business or part of a large solution. But is has market potential on its own as well. Then you can sell them separately but it does not happen if you do not create a sales channel and start to sell.”*

Another way of finding growth ideas based on your existing product range is to look at the segments they serve. One company already had a low-end as well as a high-end product, and saw that there would be demand for a solution positioned between these two extremes.

Few companies also stated to have a unique product or offering with which they can expand to new markets. The uniqueness essentially guarantees high margins and due to the complexity of these offerings their positions should be sustainable also in the future. This kind of differentiation strategy was, however, not common among the responses when it came to expansion ideas. Conversely, one director stated that the uniqueness or perceived product can become, and has become in many examples, obsolete due to competitive moves. Naturally these kind of ultra-aggressive moves shake the battle field thoroughly.

> *”It has now been seen that someone bypasses* [your perceived best product in the market] *by offering everything for free. At that point it does not matter whether or not you have the best product.”*

As stated in the capability section, the engineering mind set is wafted to the product centered growth generation as well – and at least according to one director it is not a great thing.

> *"We are an engineering house and because of that, quite often, our thinking starts from products – far too often."*

Even though existing products were not seen as the primary source of growth alternatives, and even if product-based thinking would not be emphasized, structured or visionary pondering could yield attractive growth options as can be concluded from the quotes above.

Financial return

As natural and self-evident as it is, need for financial return was among the highest ranking inputs that companies reported to consider when crafting growth businesses. Indeed, financial performance and profitability, at least in the long run, are the main goals of enterprises to which this study focuses on.

Albeit the majority of the interviewees mentioned finances as a major player in the game of growth, their thinking did slightly differ. For the majority of the companies the new growth alternative has to be large in both absolute and relative terms: euros (or another currency) and percentages. The large potential was a major criterion when crafting growth options.

> *"We aim, in a time perspective of 3 to 5 years, to businesses with tens of millions. So that it is significant and then it differs from development rising from normal incremental business-as-usual growth."*

The other side of the coin is the profitability. Depending on the available resources and financial situation, some companies could not be able to take on growth initiatives that would weaken their bottom line even temporarily. Then again, other companies had more capital to invest in several growth projects and could endure losses from some operations when others would patch the leaks. Nevertheless, profitable growth – as cliché as it sounds – should be the far-reaching goal of all the growth alternatives according to the interviewed managers.

> *"We, us a company, cannot afford it* [to weaken profitability]. *We have to be really exact when considering the growth alternatives. It is not a problem to get revenue from the market – we have to be very selective."*

The path to profitability differed among the interviewed companies. For some the growth alternative has to fruitful from the very beginning, as stated in the previous quote, whereas others could start from number of customers. The latter approach was applied in digital industries where a large user base would confirm the commercial potential of a new venture. Only after large enough user base the company would start to track revenue. And only after sufficient revenue the focus of monitoring would move to the breakeven point, and when it could be achieved. Eventually, after the breakeven point, the metric to be tracked would be profitability.

In the end, every for-profit company's goal is to create value to their shareholders – that is to increase the bottom line and dividends. Thus, finding profitable growth opportunities is crucial. Based on this study the interviewed companies do share this common objective. However, the route through which this objective is or will be achieved might vary depending on the industry and the situation of the firm in hand.

Previous or ongoing strategy

The last internal input that the interviewees reported to take into account when generating strategic growth alternatives was their previous or ongoing strategy. In many, if not in all, of the cases the steering strategy came from the corporate level. That overarching strategy affects the growth alternatives to be considered in any strategy period. Furthermore, the new initiatives have to fit well to the existing portfolio of products and services. The portfolio approach guides the crafting of growth initiatives and it has to be taken into account, indeed. So called 'cherry picking' of growth projects from here and there might not yield the best, and most cohesive, end result.

> *"We have to be able to construct a cohesive portfolio of products – we cannot cherry pick Service X and Service Y solely based on the fact that Service Y is the second best choice* [after Service X] *and they have nothing to do with each other."*
>
> *"We have the main strategy which steers what we are looking for. We have a systematic process* [for funneling strategic growth alternatives] *which we go through every year."*
>
> *"We have a very strong strategy with clear and quantified KPIs* [key performance indicators]. *Then all the growth ideas, or whatever decisions, are mirrored against these criteria."*
>
> *"One input is our corporate strategy which gives the frame in which we operate and with what logic. It includes businesses close to our core as well as plugins that may be in new areas."*

In addition to the pure strategic fit, companies also considered the cultural fit when creating growth alternatives. Especially growth through acquisitions requires an analysis of the two cultures to be combined. There are numerous examples in the history about the clash of cultures and the resulting failure of a merger or an acquisition – regardless of other factors being favorable. In addition to acquisitions, culture needs to be taken into account from the perspective of the customer. For some companies aggressive or boisterous new openings might not fit well to their current profile.

> *"When you think about development projects you constantly have to consider how well they fit to our current profile. You cannot do enormous break offs without damaging your credibility. They do not fit into this kind of a large and old organization."*

All in all, the current or previous strategy has an important role in the generation of strategic alternatives and feasibility is an essential factor to consider. One company director stated that for example their most recent acquisitions have been results of their previously crafted strategy. Of course, by the time when the strategy was planned, the company did not have specific acquisition targets at sight, but rather proceeded with the palpation within the framework given by the overall strategy. Within the boundaries, then, they generated possible options for growth through acquisitions. Out of the possible alternatives couple were realized as a result of a decision making process.

Having gone through all the external as well as internal factors or inputs that the interviewed companies reported to consider when creating growth options, I next proceed by introducing the factors related to individuals or groups of individuals that also have a say when it comes to growth.

4.1.3. Factors related to power of individuals or groups of individuals

In this section I present the last theme that the studied companies stated to have an effect on the generation of strategic growth alternatives: factors related to the power of individuals or groups of individuals. I have divided them into three categories: shareholders, board of directors and top management.

The order of the categories follow the logic of corporate governance. As said previously, the goal of a business enterprise is to generate profit for its shareholders which have taken a risk in investing in the venture. Thus, their interest are ranked high. Secondly, the board of directors is appointed by the shareholders and their duty is to add value to the shareholders rather than to the managers. Lastly, the top management of the company, under the leadership of the chief executive officer, manages the company according to the guidelines given by the board. The top management team reports to the board and they usually have to ask permission to execute for example major strategic moves such as acquisitions.

Given the setting described above, the intentions and opinions about the future growth of any company may differ at different levels in the chain of command. In some cases an individual can belong to more than one group simultaneously which furthermore might complicate issues. In any case, the opinions and actions from these three groups were seen as inputs to consider in the process of generating strategic growth alternatives.

Shareholders

Because each of the studied companies were listed on a public stock exchange, their shareholder base was larger than that of a private company. Furthermore, the investors that have invested capital into these publicly traded firms are requiring a return on their money. As one interviewee stated, the metrics most important to the shareholders are actually quite simple. They are interested, for instance, in revenue, earnings before interest and tax (EBIT), earnings per share (EPS), return on equity (ROE) and dividends. In private or totally family owned business the need for immediate financial return may not dictate the thinking of shareholders as much as it does in publicly traded companies, and that brings its own flavor to the process of creating growth options.

> *"Of course shareholders are the ones, in the end, that we create value for. And with these strategic choices we have to be able to create value. It is quite a big thing in acquisitions for instance."*

According to the interviewed directors, the shareholders' needs forces a company to focus its efforts on growth alternatives with major enough potential with an adequate rate of return.

> *"It would be easier to find new growth alternatives if the required rate of return would not be as high as it is. It prunes low-margin business opportunities."*

> *"It* [having shareholders and being a public company] *affects very clearly when we consider new growth alternatives. We have been given financials goals when it comes to profitability or return on equity et cetera. The new initiatives should take the wholeness to the right direction. Still, it is hard to calculate every alternative to concrete business cases, for example."*

> *"In a sense anything that does not have big enough potential is not worth doing. It* [shareholders' wants] *prunes 'nice-to-have' development. It forces you to focus and make choices, and to choose the ones with the largest upside."*

Some companies, which had a profile of an open-handed distributor of dividends, found it challenging to balance between dividend payments and long-term strategic growth. The trade-off between growth and profitability was named by many of the directors.

> *"You should constantly be distributing dividends to shareholders. It is hard, with these new things that are long-term and are not making any profit in two-three years, to find the balance."*

Some of the companies did not have a so called traditional ownership base as could be expected from a large publicly traded company. Some of them had large institutions as their owners, some had family-ownership and in some cases particular individuals owned a large share of the company.

> *”Family ownership brings its own aspect, as in our case.”*

Despite being a similar abnormal situation with the ownership base, companies still had differing views on growth. For some, the financial return was crucial but others were willing to sacrifice short-term weakening of profitability in the hope for higher future returns.

> *“We have individuals owning a large share of our company and they think more from the point of view, let us say, of an entrepreneur. Then, profitability has its value so that you can pay dividends.”*
>
> *“We realize that our ownership-base is narrow. However, they look things from the perspective of long-term industrialist and would tolerate short-term weakening of profitability if it allows us to create long-term value. We are not driven by ‘quarter-only thinking’ – our focus is on the long-term.”*

Another small but intriguing aspect which the public trading brings to the process is communication and especially its timeliness and sensitivity. The quote below highlights the importance of action and moreover results that the shareholders expect from a company – and in a short period of time when their capital is in the play.

> *“The problem is that even though you would have an expansive* [growth seeking] *management team, if you tell the markets that you want to grow, you have two quarters time to implement. Usually you talk about them only when you are quite sure that some of your growth initiatives are going to be realized.”*

Board of directors

Only a few interviewees discussed the board of directors as an input or factor to take into account when creating growth. However, they stated that in the board of directors might be members who are representing large shareholders and thus might have a slightly different perspective compared to the other members of the board.

Even though board of directors was not seen as crucial factor as many others, one interesting finding arose from a discussion with an interviewee. Because the role of the board has increasingly been shifted towards risk management, it is natural for the members of the board to be concerned about their duties. Nonetheless, this focus draws attention from growth. As the board is more and more concerned about risks, and their avoidance, growth can become secondary. This is because growth always entails risk taking.

> *"Board of directors is more and more focused on the things they are responsible for – and it leans heavily on the risk side: risk avoidance. It just happens to focus on avoiding risks rather than on growth. It is always less risky to not grow because if you grow you have to invest and you do not know if the investment will pay itself back or not."*

Top management

Top management and especially the CEO are usually in charge of the implementation of strategic growth initiatives. They are also heavily involved in the decision making process and their inputs and opinions weigh a lot. Because the top management is also reporting to the board and eventually to the shareholders, they tend to focus on the short-term numbers.

> *"You know what the top management primarily has to monitor: the profit. It leads to a situation where focus is more on short-term profit than on long-term growth."*

According to one of the interviewees the opinions and visions of the top leaders have an effect on the generation of growth options. This can be the case even though there would be enough resources available, for example. In the end, it is the people in charge who make the decision to implement a certain alternative – not a soulless organization.

As top managers are also only human, their own personalities and abilities are reflected on the growth of a company. Through their own actions managers shape the culture within their companies affecting the way of going forward.

> *"We have had a few CEOs that represented the traditional cost-effective approach. Now we have a CEO and a board that, upon realizing that new growth opportunities have to be found, have turned this upside down. You are allowed to talk about innovations and go out and try things. This is like boosting of internal entrepreneurship – at least mentally and why not in practice as well."*

Similarly the humanity can be seen from the leadership style of professional directors. Combined with the pressure from shareholders it drives managers to lead through the numbers and to focus on the short-term profitability – sometimes even on the expense of long-term growth and greater opportunities.

> *"A professional director who has not been so long in the industry does not know the substance so he or she leads with numbers and of course through people. All the CEOs of publicly traded Finnish companies that I have met have good numerical skills. You cannot really get along if you do not lead through the numbers. Then, after*

a certain point, you cannot have a deeper understanding of the business – it is not possible. Then you evaluate things from a perspective of a professional director. It leads to certain kind of leadership and decisions."

Based on the responses the interviewed directors felt that the top management has more influence on the generation of growth than the board of directors has. Still, the needs of shareholders were the most important factor to consider when crafting expansion projects. As said before, they are the ones to which the company aims create value.

I have now discussed all the factors or inputs that the interviewed companies take into account when generating strategic growth alternatives. These have included several external and internal factors as well as factors related to the power of individuals or groups of individuals. Next, I discuss the ways and tools that the companies use to visualize or flesh out the alternatives they create.

4.2. Communication, description and visualization of growth alternatives

This section presents the tools and visual aids that the companies use to flesh out their growth alternatives. Visualization is used to present the growth ideas in a manner that they are easier to understand, analyze and compare before deciding which ones to execute.

The ways the companies bring the growth alternatives to life varied greatly. Especially the level of standardization was something that the managers disagreed about. In addition, in some companies the growth alternatives are discussed only at the top management meetings whereas others hold start-up –like pitching events to which people from different departments and even outside of the company participate. Furthermore, when it comes to the most disruptive and innovative growth alternatives some managers feel that traditional business analysis is futile. In the following paragraphs I will present points of parity and difference.

Vast majority of the interviewed companies used traditional computer applications to demonstrate their growth alternatives. Namely the main tools were Microsoft PowerPoint, Excel and Word. Usually PowerPoint is used to visualize the growth alternatives to the decision makers and all the financial calculations are done in Excel. In Excel, the investment needs, revenue potential, profit potential and costs are tried to formulate in order to gain an understanding of the financial attractiveness of an alternative. PowerPoint is used for both: writing text and visualization. The following two quotes describe the common situation quite well.

"The main tool is PowerPoint to which the stories are gathered. Numbers are in Excel."

> *"The flexibility in these big tools* [Microsoft Office] *is quite good when you need to change your templates for example yearly. And everyone knows how to use them, you do not need to train people."*

Still, an intriguing point was raised by one of the interviewees relating to the use of applications to present the growth initiatives. In contrast to the traditional and much used PowerPoint and Excel, he said to prefer Word. The logic behind his thinking opens in the quote below.

> *"If you read a PowerPoint-strategy and you read a five to seven page long Word-strategy, the latter opens genuinely more about your thinking and what you are going to do. In Word you have to write full sentences and thus you have to think about the sentences. The cause-effect relations are far clearer. I would recommend Word-based strategies and on top of that facts from graphs et cetera et cetera. Once you have written it on Word you have to go back to it and think about the underlying ideas and assumptions, and their validity. Through that comes iterations. If you make a PowerPoint that kind of iteration does not happen because you never specified it so unambiguously."*

One director reported that their organization uses also some slightly more sophisticated tools to describe the alternatives.

> *"When we think about the comparison of the strategic alternatives, we do calculate different kinds of business cases. Then of course we use tools in valuation of potential acquisition targets. We have a tool for that. Inside of these tools there are Economic Value Added –trees and these kinds of things which you could also call tools."*

Many of the companies stated to craft traditional business cases about the growth alternatives. Usually, the business plan evolves as time passes by and more and more information is gathered from several different sources. The data included in the business cases mirrors all the before discussed factors ranging from competitive field to capabilities and market growth. Also, the customer perspective might be included in the business case as well as the company's own thoughts about the option in hand.

> *"Traditional methods: business cases, business plans. It starts with the market potential and capabilities so that we get a rough understanding of it. The idea becomes more concrete during time by working on it and listening to customers. The business plan becomes more accurate and the focus becomes clearer. So the business plan gets meat on the bones and concrete content to it."*

> *"For bigger growth alternatives we have so called mini-strategies because they are not necessarily strategies. In those we have described the competition field, underlying trends, our own thinking related to the alternative, our different options and opportunities…do we develop in-house, partner with someone, acquire…business case done in Excel but visualized in PowerPoint keeping communication in mind."*

What differed greatly between companies was the level of standardization when it comes to business cases or business plans. The interviewed directors had dissenting opinions about the guidance that should be given to the lower level employees regarding the filling of business plans or cases. Some thought that the guidance should be quite strict in order to ensure as uniform understanding as possible. Especially the cognitive load of the top managers, the decision makers, was considered and thus some aspects were to be presented in an exactly same form from alternative to alternative. Still, even in companies with the strictest guidance there was room left for creativity – but only in some areas.

> *"If you are doing something a bit more significant, then you do a business plan as it is called by us. We have guidance on how to do the business plan. The cognitive load of top management is one thing. We are balancing between how much to give freedom to choose the proper way to present specific content. So that, taken into consideration the background of an individual, he or she is able to present the opportunity well. On the other hand, those who have to listen to it, so Company X's top management which admits financing and resources, has to understand what the opportunity is about. This is why we have agreed that specific things are presented in the same way. In some other things you can be more creative."*

The two views, one from top management and one from the employees creating the business plans, can also be in conflict. In situations like these, one of the interviewees stated that he prefers to go through the particular case together with the presenter. By doing so, he aims to find the best tools to fit to the case, the presenter and the audience.

> *"We even have situations when the management says that we want everything in exactly the same format. On the other hand, the ones preparing the presentations say that 'tell me which template I write my strategy to'. Then I usually want to talk to them about the story they want to tell. Once you understand the substance you can find the right tools – that brings richness."*

A lighter version of strict presentation formats was considered in couple of the interviewed companies. They did not emphasize the appearance of the presentation as long as the content was orthodox. The questions themselves concerned the same issues as the other companies would include in the formal business plan. However, by providing only the questions to be answered, directors hope to evoke great and critical strategic discussion within the team creating the presentation. The form in which the questions are answered was not crucial. In addition, similar to providing the questions and not focusing on the appearance of the presentation, on company wanted all the growth initiatives to be told by following a logical storyline. The last quote below describes the content and sequence of this story-telling approach.

"What we provide is the key questions and the criteria. The templates are something that are not important as long as the questions are answered."

"Next year we will probably do this through a set of questions. These are the questions you should be able to answer in addition to making your plan."

"I am not even sure if anybody would be able to tell you the exact structure. However, it starts from where we are today. How is the world changing? What alternatives do we have? How do the alternatives look mirrored against our key parameters? If the world does not behave the way we think, how sensitive these alternatives are to changes? And what should we do?

Some companies did not have a set of tools or templates to be filled. Neither did they have specific questions to be answered in any form of choice. However, some managers felt that they should introduce some more formality and structure to the visualization of strategic growth alternatives in the future.

"For this round we did not provide a specific template to be filled. This is a lesson learned for the next year. Possibly we will bring in a set of tools – this is how you should [flesh out] *the alternatives."*

"We do not have a sophisticated tool for this. It is very practical – we have workshops in which we iterate the alternatives and dig deeper into them. We have also tried to keep the results as simple as possible, usually what comes out of the workshops is just couple of PowerPoint pages – it is really succinct."

At the other end of the spectrum were the managers who felt that giving strict guidelines on how to present a growth alternative or a business case, serves no purpose. They preferred giving freedom over guidance and felt that it was a way to avoid frustration among employees. Similarly to the managers who assigned questions to be answered, these managers felt that the substance was more important than the appearance.

"I believe that if you give too strict instructions and templates it will result in screaming and frustration. It is better to give people the freedom to do as they feel, and to ensure that the substance is more important than the appearance."

Following the previous comment, one manager with a lot of experience from working with several large companies discussed the spectrum itself. In his opinion, the golden mean would possibly be the best solution when it comes to balancing between creativity and standardization.

"There are examples of big companies in which you receive a big template to fill and to send back to top managers who then review them off-site. Then they ask you some questions and you fill another template and that is it. The other end of the spectrum is where the 'template' is how you can quadruple your business in three years. Then you go there, write a lot of things on the whiteboard and then something comes out of it.

The truth about the repetitive process lies between these two extremes, possibly. If I had to make this into a repetitive process I would make it more like the quadrupling way than the template way – but so that somehow both of them would be taken into consideration."

Lastly, few of the interviewed managers felt that there was no point in crafting detailed business cases, business plans or Excel calculations. This was true, in their opinion, especially with the most innovative and far-reaching growth alternatives that had a time frame of several years or decades before full realization. Initiatives like these require boldness from managers – you cannot predict the future that far ahead and even if you did, the findings of your formal analysis would most likely not be considered attractive by the decision makers providing the funds and other resources. Thus, these growth alternatives crave experienced leaders who push them through regardless of the headwind – and a bit of hope too.

> *"In these kinds of things* [disruptive new technologies and applications] *you just have to believe that it is going to happen. If you start doing systematic analyses such as product development pipelines with gates. If you push this kind of a disruptive thing through a gate process, it will die. At some point someone will ask how big of a market does this have and on what is that estimation based on. And it is guaranteed that the payback time is not sufficient so that you could invest several millions."*

> *"To be very honest, with these new ideas no one has seen tomorrow – forget about what will happen. We take a conscious decision that some of them will fail. So there is no point for these new businesses to have, say, a long-term plan because we will not know what new ideas will survive and what will not survive. It is about having an opinion about the potential – and some rational opinion, what kind of problem are we solving, how is it unique, how long can we sustain this uniqueness. So it is more about rational questions and having a view about how much customers would be willing to spend on this, what will he lose if he does not spend and making a model on how many customers can we really capture rather than building a full-scale profit and loss analysis for the next ten years – I do not think it works. These days it does not even work for the main businesses forget about these new start-ups."*

As has been noted, the views on the visualization of strategic growth alternatives varied largely. Depending on the industry, organizational culture, top management, employees and type of initiative, different directors reported different ways of fleshing out the growth options. In come companies the visualized growth alternatives were presented only to the top management responsible for the decision making as well as resource allocation. In others, there were more entrepreneurial liberties and the presentations were actually 'pitches' to a larger community.

It is also notable to say that majority of the interviewees emphasized the importance of turning the growth initiatives into executable projects with assigned responsibilities and deadlines. However, strategy implementation was not in the focus of this thesis and thus is will not cover it.

I have now introduced all the findings of my study to answer the research questions of my thesis. In the following chapters I will dig deeper into discussion, draw final conclusions and provide recommendations for future research.

5. DISCUSSION

The fifth chapter discusses the findings of this study in the light of previous research and theoretical knowledge. The empirical findings are contrasted against the literature reviewed in the second chapter of this thesis and both supportive and contradicting findings are elaborated.

Based on my findings it is self-evident that the generation of strategic growth alternatives is not a straightforward process. It is a manifold endeavor that requires a lot of attention from the top management. In addition, the information gathered to support the decision making process and to improve the end result is diverse. Both external and internal factors play a key role and neither of them can be excluded. Figure 8 below provides a framework for the generation of strategic growth alternatives based on the findings of this study.

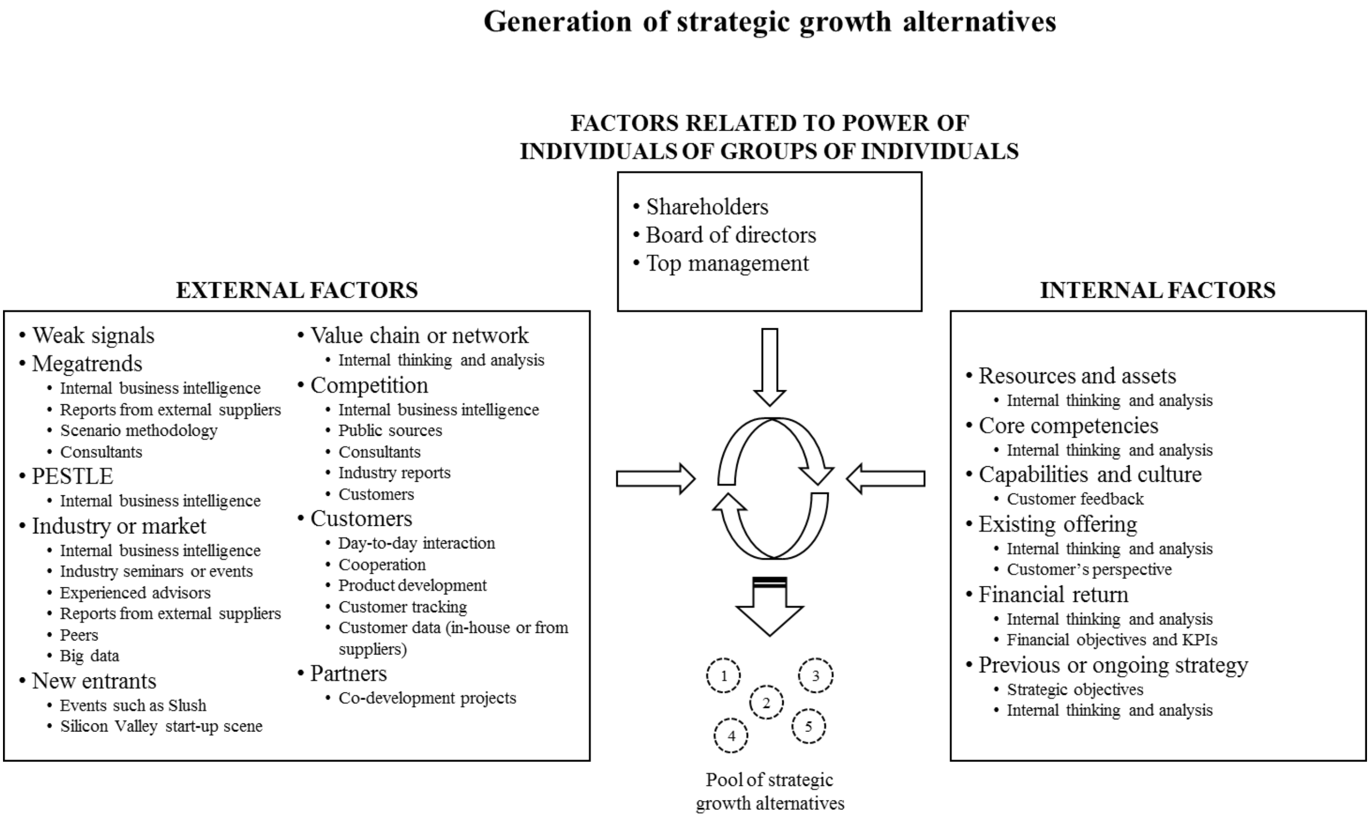

Figure 8. Generation of strategic growth alternatives

The framework presented elaborates the external and internal factors taken into consideration when creating strategic growth alternatives. In addition, the source of these factors are mentioned below each factor as a separate bullet point. Compared to previous research the framework addresses the factors in much more detail and provides concrete examples. As can be seen, the inputs are diverse and are drawn from several separate sources. Adding to previous research, the influence of individuals or groups of individuals are included in the framework. Shareholders, board of directors and top management can all have an effect on the generation of growth options.

Also, the alternatives that executives have in their repertoire are multitudinous (Johnson & Scholes, 1999). When generating growth, especially with a set objective, the executives should not rush to choose the growth direction or method without further analysis. Separating the creation of alternatives, their evaluation and selection was apparent in the interviewed companies. Hence, the sample companies can be said to engage in effective decision making proposed by Eisenhardt (1990, 1999) by clearly identifying the different stages in the decision making process. In addition, the studied companies reported to create multiple alternatives in the process in order to improve the quality of the final decision. This is also in line with the academic knowledge of valuable managerial decision making (Nutt, 2004).

5.1. The importance of the external operating environment

When it comes to the ideas of growth options, the outside-in approach dominates the inside-out approach. The external factors presented in the previous chapter were considered to be of higher priority than the internal factors. As Aaker (1984) argued, the strategy selection should be supported by ongoing analysis of the operating environment of a firm. Clearly, the studied companies engaged in continuous scanning of their external environment. Emerging opportunities for example related to legislative reforms, technological breakthroughs, opportunities in the value network or cooperation possibilities with new entrants were monitored. Also, the overall economic as well as political situation around the world was scanned. On the other hand, also threats arising from the operating environment were scanned to avoid investments in growth alternatives that would be prone to failure even before implementation. Many of the companies had internal business intelligence, market intelligence of other internal functions within the firm with the purpose of scanning the outside environment of the company. For example megatrends, industry and competition were among the top priorities in the agendas of these internal intelligence units. In addition, companies reported to buy different kinds of reports from outside suppliers or used consultants to gain a better understanding of the world around them. Also, some had taken advantage of the scenario methodology in order to stimulate the thinking of employees and to question the status quo of the operating environment.

Out of the external factors the customer was reported to be the most valuable source of ideas for new growth opportunities. Many of the companies said, as easy as it sounds, that all it takes to create new business opportunities is to listen to the customer carefully on a regular basis in every day work. The customer orientation stroke out heavily from the interviews and it is something that Martin (2014) encourages. He states that managers should focus their "energy on the key choices that influence revenue decision makers – that is, customers" (Martin 2014, p. 6). If companies aim to better understand their customers, both existing as well as potential new ones, they are in a superior position to provide the customer with the products and services that genuinely fulfill their needs. Some of the sample companies had even taken the examination of the customer beyond interviews or common interaction. They had derived innovative ideas that enabled them to track in real life, not according to the customer, the problems and needs that could have been left unnoticed had a traditional method been used.

Market growth and competitive forces were prioritized after customers. Growing markets were seen really important but they were highly linked to the level of competition in a specific market-product segment. As was reported by one of the interviewees, if market growth was the only factor to take into account when creating growth alternatives, every company would be operating only in China or India were the growth is far in excess of that in Western countries. Based on the findings, general market growth is not adequate when deciding the future growth investments. Rather, a specific analysis of particular product or segment within a given geographic, or other kind of market segment, is needed. By conducting a thorough analysis on the exact niche the company aims to penetrate it is able to gain a more realistic idea of the underlying business potential than it could gather by focusing only on for instance country level metrics.

There are several different sources from which the companies gathered the industry or market data. Similarly to the megatrends or weak signals, internal business intelligence units conducted research on the topic to be used as an input in the process of generating growth options. Ideas were also brought in from outside suppliers, industry seminars and peers. Interestingly, some companies said to rely on big data analytics also in regard to the development of their relevant markets and industries. The use of big data was common in the digital industries. In addition, the companies relied on experienced industry experts, members of the board or senior advisors when considering new markets to enter. Relying on advisors or counselors is also something that Eisenhardt (1990) strongly suggests. The cumulated experience of advisors improves and accelerates the decision making process as these high caliber individuals are able to exploit the heuristics developed as a result of years of industry exposure (Eisenhardt & Zbaracki, 1992; Eisenhardt, 1999). In addition, their inputs can help the companies in choosing the right growth opportunities or even serve as ideas. On the other hand, they can withdraw hazardous expansion options that could otherwise have been seen as lucrative. Serving a similar role as the more experienced advisors, the operative managers also carry the responsibility of presenting information about the external environment. According to the findings of this study, the top managers, and all other superiors in the company, are responsible for introducing new opportunities and threats regarding their existing strategy and future endeavors as well. In her study, Eisenhardt (1999) also found out that managers of companies play a key role in presenting valuable information about the operating environment.

As stated, the growing market was highly linked to the fierceness of competition in that particular segment. Competition was among the top priorities of executives when it comes to creating growth. Also the positioning strategies of for instance Porter (1980) rely on the mapping of the competitive field and highlight the importance of superiority over rivals. Similarly to Porter, also the other positioning strategies build on the fact that competition is, or most likely will be, present regardless of the growth options chosen (Treacy & Wiersema, 1993; Bowman & Faulkner, 1997). As cliché as it sounds, competition in today's world is increasingly fierce, is not limited to the industry or market a company operates in and emerges faster than ever. Digitalization, for example, disrupts the business models of virtually any enterprise. Also, the size of your competitors is not necessarily an essential factor at all. New miniscule companies from the other side of the world can be your competitors in a new market you aim to penetrate. All this without your company having a slightest knowledge about the state of the situation. Thus, being competitive is not enough – you have to be able to maintain your superior position relative to the rivals. The threats of competition were mentioned by many of the companies. However, competition also forces the firms to innovate, deliver value to customers and grow – it can also be seen as a thrust to move forward.

Competition monitoring was conducted by traditional methods. Valuable information was reported to be gathered from public sources, consultants and industry reports. Benchmarking of key financial metrics, offering and coverage of operations were among the most studied factors. Also, some interviewees reported that customers can also be a source of tacit information about competition. As discussed, being familiar with your competition allows you to mirror your own strengths and weaknesses against the ones of your rivals in a given strategic growth initiative.

5.2. Shift from static positioning to competencies, capabilities and culture

Even though the outside-in approach and especially customers were highlighted in the study, internal factors were also considered to be crucial. Unlike external factors, internal issues were more challenging to determine analytically according to the interviewees. For example the definition of the core competencies or the culture of a company were seen demanding. Also Grant (2003) found out that companies struggle to find a systematic process for assessing their internal capabilities. Still, many companies, both in my study as well as in Grant's, reported to "exploit key strengths" or "leverage core competencies" (Grant 2003, p. 514). None of the interviewed companies stated to apply frameworks such as VRIO (Barney, 1995) or the process introduced by Prahalad and Hamel (1990) to analytically weigh their organization's inherent capabilities or resources. Nevertheless, these internal capabilities were given massive emphasis as a factor to include in the process of generating strategic growth alternatives.

Based on my findings, the previously far-reaching influence of the positioning approach to strategy introduced by Porter (1980) and followed by Treacy and Wiersema (1993), and Bowman (1997) has decreased significantly. Also, in addition to the ability to be competitive in the market a company seeks to expand to, none of the companies highlighted their competitive or sustainable competitive advantages when creating growth. The findings contrast the previous literature which largely focuses on the search for sustainable competitive advantage in the hope of above-average returns (Peters et al, 2011). On the contrary, some of the interviewed executives argued that no competitive advantage is sustainable in today's business world because the situation is never static. Positioning strategies have been criticized particularly for this very reason. The idea of conducting extremely thorough analysis, choosing your position based on that analysis and then expecting superior returns seems to be outdated. This diminishing importance of thorough analysis, positioning and tactics has also been noticed by other researchers (Eisenhardt 1990; Eisenhardt & Zbaracki 1992). When creating growth options, the internal spotlight is on the organizational competencies, capabilities and culture.

People are the organization. They make decision and take action. Therefore, the empowerment of people and the use of them should be in the core of companies. Based on the findings, the trend of today in the generation, and subsequently implementation, of strategic growth alternatives is to organize your company in a way that the right people are predisposed to right stimuli. Furthermore, these individuals and teams have to be provided with the right forums to bring up their growth ideas. Reid (1989) found out that in many of the companies he studied, strategic thinking was not rewarded but quite the contrary – it was seen as irritation. Strategic planning conducted solely in board rooms may not result in the best, most innovative and lucrative growth options. Especially the frontline employees engaging with customers on a daily basis should be able to bring up their ideas fast, efficiently and without thick layers of bureaucracy. If executives want to grow their companies, or at least survive, “more must be done to stimulate strategic thinking among all those capable of making such a contribution” (Reid 1989, p. 566). Also, not all the growth initiatives should be put through an identical set criteria when it comes to the eventual decision making. Supporting the views of Burgelman (1983a), some of the interviewed managers argued that especially the most innovative, disruptive and long-term growth alternatives cannot be paralleled with traditional, usually finance heavy metrics. These kind of ground-breaking options would never make it through the tight criteria and therefore would never be executed possibly leaving tremendous amounts of money on the table.

Some of the companies operating in industries highly dependent on their external environment argued that the dependence had forced them to embrace the outside-in approach when creating growth options. Their internal corporate culture had been shaped to respond to the external environment. As Barney (1986) discussed in his article, corporate culture can act as a source of competitive advantage for some firms. Even though the culture of a firm would not be a source of competitive advantage, the cultures between companies surely do differ. Some of the interviewed executives concluded that for example their ability or competence to generate strategic growth initiatives is definitely a distinct factor compared to other companies. However, if a company is able to modify its culture it can only expect normal financial performance in the long run (Barney, 1986). Barney argues that if one company would be able to modify their culture, others could do it as well and thus sustainable competitive advantage could not be reached as other companies would simply duplicate the culture of the most prosperous firm. Hence, a corporate culture that has been shaped not internally, but externally as was the case in some of the interviewed companies could act as a differentiating factor.

Many of the companies explicated to aim at building new businesses on core competencies (Prahalad & Hamel, 1990). As discussed previously, the identification of these core competencies appears to be a challenging task. Many of the executives stated that the areas in which their organization fare very well are acknowledged but not systematically analyzed or reported somewhere. Rather, they are in the DNA of the companies, as one interviewee put it. In addition to creating expansion alternatives on existing core competencies, the companies studied stated that competencies could also be developed or bought. This was one of the reasons that acquisition as a method for executing growth options was preferred among the executives. Also, even a firm would not regard some of its capabilities as core competencies, the ability to execute was considered to be highly important to take into account when creating growth options. Still, only a small number of individuals could be adequate to pull off a growth alternative as stated by one of the companies.

Based on the findings, the creation of growth cannot be linked to the calendar. It has to be on the agenda constantly. Strategic planning needs to be integrated to the “organizational way of life” (Reid 1989, p. 566) and not considered as a semi-regular must-do activity taking place at the same time each year. The timeframes of strategic planning are also becoming shorter and companies need to be able to modify their strategies if and when new relevant information arises either from external or internal sources – consistent with the findings of Grant (2003). Moreover, the executives interviewed highlighted the importance of keeping the strategy practical and actionable. The generation of strategic growth alternatives is extremely important – but is does not have to be made extremely complicated for the sake of complexity. The creation of growth should well from everyday interactions, constant scanning or operating environment and knowledge of internal competencies. Moreover, the growth ventures created should speak to the executioners, not be declamatory but unfeasible. The process of creating growth should be pragmatic in order to extract as much benefit from the people within the organization as possible (Reid, 1989).

Especially the focus on customers as a source for new growth opportunities should be embraced throughout companies. Many of the companies interviewed said to be shifting their focus from engineering oriented mindset to a customer oriented culture. Some of the companies has already started or even completed this transfer and accentuated its importance but also its difficulties. The way of creating growth alternatives from the perspective of the customers should be integrated to the everyday life of companies. Many of the interviewed executives stated to use the methodologies discussed by Ries (2011) regardless of the fact that his focus is on start-ups. However, the idea of developing new offerings in close interaction and feedback loop with your customers applies also to large companies. The search for product-market fit, experimentation and bringing offerings quickly to the market to gain customer insights were addressed by many of the companies studied. However, already Eisenhardt (1999) discussed the prototyping of decisions and its benefits on the decision making process. Based on earlier research as well as the findings of this study, fast decision making combined with continuous feedback from trusted customers is essential when generating growth alternatives. Strategies and strategic alternatives that take too long to formulate may not be viable in today's operating environment (Eisenhardt, 1990).

5.3. The guidance of current strategy and financials

The findings of my thesis support the previous research and consensus on the guidance of higher level corporate strategy in the generation of strategic growth alternatives. For example Grant (2003) stated that mission, vision, targets for cost reductions and leverage ratios provide a framework within which the growth alternatives are searched. Also the where-to-play and how-to-win decisions taken earlier play a role in strategy formulation (Martin, 2014). The general strategy of an organization set by the top management places both constraints as well as objectives to the generation of strategic growth alternatives. In addition to the metrics discussed by Grant, the interviewed executives addressed for example targets for ROE, EBIT, EBITDA or profitability margins. It is also notable to say that both absolute and relative financials had to be in line. This means that the considered new growth options have to be large enough in size measured in revenue potential for instance. In addition, the alternatives have to be profitable enough. Thus, highly profitable but small ventures were usually not considered. Similarly, alternatives with bulky revenue potential but low profitability were cut off. The corporate strategy accompanied with the strategic objectives, which can be financial or non-financial, guide the generation of strategic alternatives (Aaker, 1984). Expansion options that do not fulfill the larger intent of the organization or do not meet the selected numerical targets are not considered in the decision making process.

The need for financial return was considered to be very important and it should be a critical factor when creating strategic options (Nutt, 2004). But in addition to the pressure for financial performance from the top management and the strategy of a firm, the shareholders were also seen as an internal group to consider in the generation of strategic development options. Especially companies with a reputation as constant dividend payers felt that the financial expectations of shareholders affected the creation of alternatives and mostly cropped options with expected short term unprofitability regardless of long term lucrativeness. Also, the brand or reputation of a company, in the eyes of the shareholders or customers, could have an effect on the kind of development options the company creates. For example traditional and conservative reputation limits the number of radical innovations a company can execute. Being a public company, as all the studied firms are, brings its own element to the creation of growth options. Especially the wide-spread and generally passive owner base with profit expectations implicitly affects the construction of development choices.

Also financial resources, or in most cases the lack or limitless financial resources, plays an integral part in the generation of strategic growth alternatives. Even though some of the companies felt that lack of financial resources was not the biggest constraint, companies in general face the struggle of allocating resources to new growth opportunities. In addition, managers need to balance the resources between new ventures and ongoing businesses. Based on my findings, the resource allocation dilemma is really common among companies. As Noda and Bower (1996) discuss, resource allocation is an internal part of strategy and it relates strongly to new business development. When it comes to the use of capital, an insightful finding emerged from the companies operating in high velocity industries. Currently in the start-up scene, the multiples at which the potential acquisition targets trade are high, even irrational. This in turn inflates the overall market of young innovative companies, of which necessarily none are profitable, making the acquisitions impossible. Given the poor historical performance of acquisitions in "normal" settings in more traditional industries, the sky high valuations of start-ups impose even greater risks for the acquiring companies which in this study are the large publicly traded companies. Furthermore, the studied companies are large in the Finnish context but globally there are humongous competitors with massive financial resources. Given their strong financial position, these giants are able to take on the risk of acquiring potentially highly overvalued smaller companies due to the fact that they spread the risk by investing in several other companies as well. The companies studied in this thesis, on the other hand, do not necessarily have the possibility to spread the risk and thus the risk of betting on the wrong horse rises.

5.4. Differences in the communication of growth alternatives to the decision makers

All the studied companies used some kind of means to communicate the generated strategic alternatives to the decision makers. Also the tools used in the process were almost homogenous as Microsoft Office tools PowerPoint, Excel and Word dominated the arena. Based on my findings, it could be said that the tools used were traditional and did not differ among the studied companies. Using these programs does not require training of staff, collaborates perfectly with earlier documents created in the company and allow flexible modification when needed. On a general level all the companies documented their initiative in some way, which is encouraged also by Reid (1989). He suggests that without written documents no real commitment can be reached.

When it comes to the content and appearance of the presentations of growth options, there were variance among the companies researched. To some extent the variance could be explained by the type of growth alternative. For example larger options were given more emphasis and stricter guidance than small ideas. Also, companies in which a large number of growth ideas were brought to the decision making process, the rules tended to be stricter than in companies with fewer growth suggestions. So, strict control of the appearance as well as content was one end of the spectrum. The other end was far looser with and even argued that there is no need for superfluous and highly detailed business cases written in Excel with profit and loss estimation several years ahead. This approach was especially applied to the most disruptive innovation ideas that looked several years and even decades into the future. Also Martin stated that managers “spend thousands of hours drawing up detailed plans that project revenue far into the future” (Martin 2014, p. 5). He continues that conducting thorough analysis might make the managers feel more comfortable about the uncertainties involved in crafting growth options, but these plans are rarely reflected on the actual performance. There were also methods in between these two extremes that the executives reported to be used in their organizations. Providing key questions to be answered in the business presentation and giving the presenter the freedom to choose the format of the presentation was quite common.

Still, regardless of the approach used, the content communicated to the decision makers basically encapsulates the external and internal inputs discussed previously in this paper. In other words, the inputs are documented in the presentations and then communicated to the decision makers. Still, there were differences between the studied companies regarding the way in which the growth alternatives were presented. In majority of the firms the alternatives were described to a group of high level executives in charge of resource allocation and decision making. Whether this is the optimal arena for decision making or not has been discussed by for example Eisenhardt. She claims that having a heterogeneous group of people increases the quality of decision making process (Eisenhardt et al., 1997). Therefore, if the group of eventual decision makers consist of homogenous individuals, the yielding decision may be weakened. Similarly Nataraajan et al. (2000) argued that when strategic planning is done solely by like-minded people it results in lack of variety. Few of the studied companies had tackled the problem with presenting the strategic growth alternatives not only to the high level decision makers but also to communities representing various backgrounds, functional expertise, educational background and age. Even more, sometimes people outside the company were invited to evaluate the idea.

This ends the discussion chapter. In the next and final chapter of this paper I summarize and conclude my thesis.

6. CONCLUSIONS

After presenting the findings of this thesis and contrasting the empirical evidence against previous theory, the purpose of this final chapter is to conclude the paper. I summarize the study as a whole and provide both theoretical and managerial implications. In addition, I address the limitations of my research. I end the chapter as well as the thesis by proposing topics for further research.

6.1. Research summary and implications

Based on the findings of this study, all the companies created multiple alternatives from which they eventually choose the ones to implement – a sign of effective strategic decision making. The process of generating strategic growth alternatives is multifold and requires several inputs to be considered. Also, these inputs come from several and fragmented sources which makes the process more challenging. Still, it is evident that the external operating environment and especially the customers are the dominant source of opportunities. Similarly, the operating environment poses a variety of threats to companies for example in the form of competition from unusual industries and at incredible speed, or megatrends shaping the whole world. It seems, that organizing your company in a way that the right-minded people are exposed to growth infusing stimuli is essential. In addition, these people should have an arena to bring fourth their new ideas to the decision making process without high levels of bureaucracy.

As the whole growth generation and incremental development, co-operation with customers should be continuous, genuine and practical. Only by understanding the customers as well as possible a company is in a position to create growth initiatives that match the needs and desires of their customers. The customer oriented mindset was something that the studied companies emphasized greatly. Even though some of the companies stated to still be engineering oriented and starting their thinking from within the company, they maintained that the mind set shift towards the customer should and will take place in the future.

Taking new offerings quickly to the market and making fast decisions based on feedback from customers was also emphasized. Experimentation, modification of offering and agile development were seen to be the best practice of today. Also, the internal competencies, which were regarded as challenging to analytically define, were given a lot emphasis. New ventures can be built on existing competencies or new required competencies can be acquired. The emphasis on people was thus evident. Interestingly, there was little weight put on the traditional competitive advantage or sustainable competitive advantage. Naturally, the companies stated that competition plays an integral part in new growth creation, but traditional text book models were not discussed.

Rather, specific competitive forces in a given segment were analyzed and paralleled with the offering and competence of a firm. Similarly, traditional hard assets do not play an important role when it comes to creating growth.

Need for adequate financial return and allocation of resources are also significant when crafting growth ideas. Being a public company constraints the nature of alternatives to be considered and forces the company to aim at making profit for its shareholders. However, the expectations of shareholders might vary from company to company. Due to lack of infinite capital, decision makers need to allocate resources between new growth opportunities and existing business. This task is challenging. The corporate strategy provides a framework within which strategic growth alternatives are searched and also affects the resource allocation.

This study provides managerial implications to a variety of arenas. Firstly, it provides insights to effective strategic decision making. Secondly, the studied inputs and factors should be relevant to any industry – only the relative importance of them fluctuates depending on the given context. Thirdly, the implications are not limited to existing businesses or internal corporate venturing, the same principles can be applied to starting a business from scratch. To summarize, this study should provide valuable insight, at least on some level, to any company seeking growth. However, the issues addressed in this thesis concern only for-profit organizations. In non-profit or public organizations the results of this study do not necessarily apply and hence implications can be different.

6.2. Limitations of the study

The theoretical findings of my thesis are subject to some limitations. The sample size of the study, 13 interviews, was relatively small compared to quantitative studies. The method used allowed me to gain rich understanding about the topic but simultaneously limited the possible number of interviews. Thus, the findings cannot be justified by hard quantitative analysis are subject to interpretation.

Also, from every company only one executive was interviewed. Hence, the view of a particular company was conveyed through a single individual. This, of course, might skew the results as opinions and understanding of single individuals represent the organization as a whole. It cannot be ruled out that having interviewed several executives from one company could have resulted in more thorough insights.

When it comes to the data collection, only semi-structured thematic interviews were used. In order to improve the validity and robustness of this thesis, data triangulation could have been conducted. For example collecting data from company websites, news articles or industry reports could have added to the validity of this thesis. Furthermore, this study aims to make generalizations based on interviews of companies from several different industries. Naturally, the context in which each of the companies operates differs from another and hence generalizations may not apply to every industry. Therefore focusing future research on a specific industry is suggested in the next section of this paper. Similarly, research similar companies in another country could have yielded different results, as the context of Finland might have its own effects on the results of this study.

The very nature of strategy and especially future growth strategies is really sensitive to organizations. Moreover, publicly traded companies recognize that the information they convey to the masses affects for example the share price of their stock. Even though the interviews were very relaxed and open in nature, the interviewees could not disclose precisely their future plans concerning growth. This is of course natural but limits the insights gained from the study.

Lastly, my own background plays a role in all the aspects of this thesis: literature review, methodology, interviews, data analysis and interpretation of the results. Having work in a strategy consulting firm could affect the study both positively and negatively. Positively in a sense that I already had a good understanding of the topic prior to research. Moreover, this experience enhanced the quality of the interviews as the discussion was kept to point and I was able to view the answers of the interviewees from several different perspectives. On the other hand, being an outsider to the interviewed companies is usually beneficial, but my work experience could also limit my search of new emerging insights. The fact that both the interviews and the data analysis was done solely by me raises the effects of this. Having done for example the data analysis with another researcher could have improved the unbiasedness of this study.

6.3. Suggestions for further research

After conducting this study, I noticed several suggestions for topics to be researched further. In this last section of this paper I provide research ideas within the theme discussed in this thesis.

Firstly, it would be a natural continuum to study the phases in the decision making funnel following the generation of strategic growth alternatives. I only slightly discussed the description and visualization of the growth initiatives. This could be studied separately as well. Moreover, the evaluation and selection phases could be fascinating.

Secondly, the process through which new innovations and growth alternatives are brought up in the organizations would provide an interesting area of research. Based on the discussions with the interviewees of this study, there are differences in the innovation process itself. The mechanisms within the companies may play a great role in the generation of strategic alternatives. Especially the customer interface and accumulated customer knowledge should, according to the findings of my thesis, be integrated to the generation of new growth ideas. How this is done in practice could serve as a research topic as well.

Thirdly, linking the robustness of generation of strategic growth alternatives of the companies studied to their performance could yield insightful results. For example financial performance could be mirrored against the strategic decision making regarding growth. This could provide evidence in favor of more thorough strategic decision making regarding growth. Alternatively, research on this topic could prove earlier findings wrong. However, the linkage between performance and decision making process would definitely be a topic to consider.

Fourthly, the same phenomenon could be investigated in another context. Change of country, size of companies or type of companies would enhance the understanding of this topic. Points of parity and difference could be highlighted and reasons behind them could be explored. In addition, limiting the study to a specific industry could provide more thorough understanding of the specific practices preferred or repelled in a particular context. Also, similar research on non-corporate companies could be interesting. For example small and young start-ups could be studied in order to contrast the findings of this thesis.

Lastly, the implementation of strategic growth alternatives could be explored. How, in practice, companies organize their new growth initiatives within the organization would be a compelling focus of research. Topics such as internal entrepreneurship, corporate venturing and ambidexterity are surely closely linked to the implementation phase of growth options. Implementation, eventually, determines the success of the chosen growth alternatives.

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APPENDICES

APPENDIX 1: List of interviews in chronological order

Jukka Lahtinen, Finnair	4.6.2015	65 min
Jyrki Tulokas, F-Secure	8.6.2015	60 min
Tapio Turunen, Elisa	11.6.2015	70 min
Hannu Erälinna, TeliaSonera	12.6.2015	53 min
Santtu Mankki, Lemminkäinen	15.6.2015	66 min
Masa Peura, Sanoma	22.6.2015	51 min
Tuomas Marttila, Basware	22.6.2015	73 min
Jukka Mäkelä, Oriola-KD	23.6.2015	65 min
Carl Pettersson, Aktia	24.6.2015	57 min
Christer Schönberg, Valmet	25.6.2015	72 min
Kishore Ghadiyaram, Tieto	29.6.2015	44 min
Mikael Laine, Cargotec	9.7.2015	45 min
Tuomas Hyyryläinen, Neste Oil	18.8.2015	39 min

APPENDIX 2: Interview questions

1. Can you shortly tell about the overall strategy of your organization?
2. How do you separate the creation of strategic growth alternatives, their evaluation and choice?
3. How do you recognize the growth alternatives?
4. How large or noteworthy are the growth alternatives?
5. What inputs or aspects do you take into consideration when creating strategic growth alternatives?
6. What inputs do you think you should take into consideration when creating strategic growth alternatives?
7. Why are these inputs or aspects important to consider?
8. How are these inputs or aspects included in the creation process of strategic growth alternatives? Where do the inputs come from?
9. How do you analyze the inputs or aspects?
10. Do you use strategy tools or frameworks in the process? If yes, what and how?
11. How do you document and describe the growth alternatives?
12. Based on what factors are the alternatives described?
13. How do you demonstrate or visualize the growth alternatives to the decision makers?