

Keep your head up! - Tackling the unexpected with strategic resilience

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Abstract

During turbulent times and conditions, companies are encountering more challenges in addition to increasingly tightening competition. Resilience is on its way to become a trend in management and business discussions because of the concept's ability to explain why some companies outperform the others in challenging circumstances. In this thesis, the main area of interest is the strategic aspect of resilience. Why these outperforming and successful companies are better than their competitors and how are they adjusting to external conditions and events without significant declines in performance?

Literature regarding resilience is overviewed in the study. Theoretical framework based on this existing theory is used as a foundation for multiple case study. From the list of Finnish hidden champions from the year 2014, 9 publicly exchanged companies were selected for the study. These companies were analyzed both individually and in comparison with each other under the period from the year 2008 to 2014.

The findings of the study suggests that resilient companies have pursued aggressive growth. The growth has been continuous target and chased both organically as well as through acquisitions. Companies that have succeeded to achieve profitable growth have mastered governance strategy in line with market captures. In order to achieve resilience through relative smallness or dominance, the company must control and effectively integrate e.g. acquired units or new market segments as a part of the overall management of the company. This governance has proven to be essential when the companies have reached so called right size where profitable and aggressive growth opportunities have not been in sight. Further, the companies have not developed and changed due to external circumstances but rather driven by opportunities and future growth. This proactivity and certain opportunism proved to be common factor within the case companies. Strong brand and position of technological pioneer were enhanced through market disrupting innovations and continuous launches of new products regardless of prevailing external uncertainties.

Resilient companies were not relying on past success but rather pushed themselves and the industry forward. Strong focus on core-competence as well as controlled expansion outside the comfort-zone provided novel opportunities even for traditional organizations and business. Further, close co-operation with customers and strong presence in selected key markets explained the success. Strategically resilient companies proved to be able to think global and act local at the same time.

Keywords Resilience, strategic resilience, organization, strategy, growth

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Tiivistelmä

Epävarmojen taloudellisten aikojen ja vaihtelevien olosuhteiden aikana yritykset kohtaavat aiempaa enemmän haasteita jatkuvasti tiukentuvan kilpailutilanteen lisäksi. Resilienssistä on tulossa uusi trendi johtamisessa ja liike-elämässä, koska konseptin tarjoaa mahdollisuuden selittää miksi tietyt yritykset suoriutuvat haastavissa olosuhteissa paremmin kuin toiset. Tämä tutkimus tarkastelee erityisesti strategista resilienssiä. Miksi nämä tietyt menestyvät yritykset ovat parempia kuin kilpailijansa ja miten ne pystyvät sopeutumaan ulkoisiin olosuhteisiin ja muutoksiin ilman merkittävää muutosta suorituskyvyssä?

Tutkimuksessa käydään läpi kirjallisuutta ja teoriaa liittyen resilienssiin. Aikaisempaan teoriaan ja kirjallisuuteen pohjautuva teoreettinen viitekehys toimii perustana yhdeksän eri yrityksen analyysille. Yritykset valittiin Suomen salaiset menestyjät –listalta. Näitä yrityksiä tutkittiin ensin yksittäistapauksina ja sen jälkeen vertailevana tutkimuksena. Tutkimuksessa otettiin huomioon ajanjakso vuodesta 2008 vuoteen 2014.

Tutkimuksesta kävi ilmi, että resilienssit yritykset ovat tavoitelleet kasvua hyvin aggressiivisesti. Kasvu on ollut jatkuvasti tavoiteltua ja sitä on haettu niin sisäisesti kuin hankintojenkin kautta. Kannattavaa kasvua on saavutettu valtaamalla uusia markkinoita sekä hallinnoimalla niin vanhoja kuin uusiakin markkina-alueita tehokkaasti eri strategioiden avulla. Tietyissä pisteissä osa yrityksistä saavutti näköpiirissä olevat kasvumahdollisuudet, jolloin aggressiivisen kasvun sijaan yritysten huomion painopiste kiinnittyi hallussa olevien markkinoiden tehokkaaseen hallintaan sekä sisäisten kyvykkyyksien ja toimintojen jatkuvaan kehittämiseen. Resilienssien yritysten kasvu ja sisäiset muutokset eivät olleet niinkään ulkoisten tekijöiden vaikutuksen alaisina tapahtuneita. Sen sijaan niitä tavoiteltiin kasvun ja uusien mahdollisuuksien ajamina. Tämän kaltainen ennakoiminen ja tietynlainen opportunisti osoittautuvat yhteneväksi piirteeksi tutkimuksessa tarkasteltujen yritysten kesken. Lisäksi jatkuvilla innovaatioilla ja uusien tuotteiden kehittämisellä yritykset onnistuivat vahvistamaan brändiään ja asemaansa alansa pioneereina.

Tutkimus osoitti, että resilienssit yritykset eivät tukeutuneet aikaisempaan menestykseen vaan pyrkivät jatkuvaan kehittymiseen. Vahva keskittyminen ydinosaamiseen yhdistettynä kontrolloituun mukavuusalueen ulkopuolelle laajentamiseen mahdollisti myös vahvat traditiot omaavien yritysten jatkuvan kehittymisen ja uusiutumisen. Case- yrityksille oli yhteistä myös läheinen yhteistyö asiakkaiden kanssa sekä vahva läsnäolo valituilla markkinoilla. Strategisesta resilienssiä omaavat yritykset onnistuivat ajattelemaan globaalisti, mutta samalla myös toimimaan paikallisesti.

Avainsanat Resilienssi, strateginen resilienssi, organisaatio, strategia, kasvu

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1. Introduction

Somewhere in the middle of nowhere. I have been waiting for the entire night. It has been almost eight hours since my car ran out of gas on the highway and I was forced to pull over. The tow truck still have not showed up. A hundred miles ago I saw a sign of a gas station, 150 miles ago a warning light told me I was about to run out of gas. I should have known better. If you cannot notice the hint, at least take it seriously when there is a concrete warning. Take the chance. Because there is always a warning. So keep your head up!

Sometimes there is a warning to react to, but it is not always that obvious or easy. Besides, if we are in a car race, everyone will or at least should be able to see the signs of gas running low. Reactive measures are something you just have to take in order to stay in the race, but it is not really a way of getting advantage over competitors. When I was a child and played ice hockey, my father always kept telling me a story why Wayne Gretzky was better than anyone else in the sport. It was because he did not go where the puck was at the moment, but where the puck was going to be next.

Resilience is an emerging concept in management research and literature and it has been an interest-provoking topic within the business world (Coutu, 2002; Luthans & Youssef, 2007). Traditionally resilience has been studied from different aspects including psychological, ecological, organizational, systems engineering and strategic. The aspect of strategic resilience is still a quite novel area of research and it is the main interest of this thesis. If not already, resilience is on its way to becoming a management trend, but the term is often and traditionally used to describe the challenges of managing a firm in the presence of so called hard times (Maythorne & Shaw, 2013). However, resilience can also be source of competitive advantage (Reeves & Deimler, 2009). Through strategic resilience a company can go where opportunities will be next instead of just surviving.

The competitive business environment has become turbulent and rapidly changing (Hamel & Valikangas, 2003). Organizations have different ways and strategies for responding to events occurring in their business environment. Anticipating and forecasting the future is challenging and companies are easily forced into a defensive position against external forces and events. The success of an organization is no longer about momentum, and it has become dependent of resilience (Hamel & Valikangas, 2003). It is a constant process of anticipating and adjusting. Some organizations are ready when environmental change occurs and they adapt fast and cleanly, whereas others fall from the first traumatic event they face (Aldrich, 1999).

The majority of earlier studies about resilience deal with bouncing back from crises, setbacks and unexpected events. In those studies the resilience of a company is determined by looking back after crisis and gauging if the company survived well or not (Winnard et al., 2014), or by viewing the organization's performance after crises (Smallbone et al., 2012).

In situations like described above, it can be difficult to determine if the survival has been due to resilience or coincidence. Bouncing back may not have anything to do with resilience and it can be a result of e.g. enormous financial resources (Smallbone et al., 2012). This thesis aims to achieve predetermined research objectives by looking into companies that have maintained performance regardless of difficult times and find out the reasons contributing the strategic resilience of the case companies.

In this study, strategic resilience is examined through nine case companies. During the period under review, these organizations were operating in challenging external circumstances and thus it is particularly interesting to examine why they have been able to successfully change as well as anticipate the future and adjust to changing conditions in their business environment. Further, resilience can be learned and developed (Coutu, 2002; Valikangas & Romme, 2012; Weick & Sutcliffe, 2011; Cruz et al., 2015) and resilience capacity in the organization can be built (Beck & Lengnick-Hall, 2005). Thus, the findings can ground future research areas regarding strategic resilience as well.

1.1 Research problem and questions

Unsecure, unpredictable and turbulent circumstances emphasize the need for resilience. Resilient organizations in extreme circumstances have no other option but to function reliably (Perrow, 2011; Weick & Sutcliffe, 2011). Because organizations can learn resilience from other organizations (Cruz et al., 2015; Weick & Sutcliffe, 2011), it is important to study why in challenging circumstances some companies do better than others.

This thesis aims to improve the understanding of the strategic aspect of resilience which is regarded close to the definition of strategic resilience by Hamel and Valikangas (2003), who describe it as the ability of an organization to change and renew without high level of trauma. In addition, strategic resilience empowers the organization to learn about emerging changes early enough and develop appropriate responses before it needs to recover (Valikangas & Romme, 2012). Organizations are

operating in close interaction with their external environment, including unexpected events and different level of change (Beck & Lengnick-Hall, 2005) and the organizations' performance follows the phases of pre-disaster, collapse and recovery (Linnenluecke & Griffiths, 2013). Further, the organizations have different approaches to achieve high performance in currently prevailing external circumstances (Beck & Lengnick-Hall, 2005). Additionally, the organizations can pursue growth through different resilience strategies, including capture and governance (Carmeli & Markman, 2011). The objective of this thesis is to analyse companies that have managed to change, grow and succeed in challenging conditions as well as similarities in their strategies and performances. Building on theory and empirical findings this thesis aims to contribute to the research field of strategic resilience through explaining why some companies are more resilient than others in certain contexts.

The companies analysed in this thesis are Finnish SMEs. More specifically the so called Finnish hidden champions, which are market leaders with above average profitability within their industries. Not all industries are equally challenging, but the general economic situation in the world is influencing companies and their strategies as well as competition in the markets across industries. Thus, e.g. recession creates contradictory tendencies and some companies are achieving their aims while others do not (Smallbone et al., 2012).

This thesis aims to answer the following research question:

1. How Finnish SMEs have been able to succeed, change and adjust in challenging circumstances?

The research question breaks down to the following objectives:

- 1. Examine how and why the case companies have changed and renewed*
- 2. Find out the contributing factors for resilience regarding the case companies*
- 3. Define a framework for identifying strategic resilience*

1.2 Structure of the thesis

This thesis is divided into six main sections: 1. Introduction; 2. Resilience; 3. Competitive environment; 4. Methodology; 5. Empirical findings and discussion; 6. Conclusions.

After the introduction chapter I start reviewing the literature. The first chapter of the literature review is about resilience (Chapter 2). It is divided in two parts of which in the first one I review the aspect of organizational resilience (Section 2.1) and the second part is about strategic resilience (Section

2.2). Another main chapter of the literature review is about competitive environment of an organization (Chapter 3). It is divided into three sections including resilience strategies and changes, followed by the theoretical framework of the thesis involving relevant theory and literature.

This is followed by the methodology chapter where methodological choices regarding the research are introduced and justified. In addition, research context of the thesis is described. After this, empirical part of the study is reviewed including the empirical findings and discussion. Finally, conclusions of the thesis are presented.

2. Resilience

As a term, resilience has roots in ecological sciences and disaster management where survival has a central role (Maythorne & Shaw, 2011). Resilience as survival is shaped by more traditional responses to dealing with threats and by managerial or technical solutions to problems based on risk reduction strategies (Maythorne & Shaw, 2011). Today, resilience is also an increasingly desirable characteristic or ability regarding organizations.

Resilient organization can be described as anticipatory and adaptive. All organizations would like to think they are resilient (Gulati, 2013), which is something to pursue. Organizations manage, maintain and operate the infrastructure, create economy and contribute to society (Dalziell & MacManus, 2004). Thus, the organizations' ability to maintain performance in the face of adversity has a wide impact (Dalziell & MacManus, 2004). A resilient company is managing the unexpected and uncertain future or at least aims to make the unexpected controllable. It continuously anticipates and evaluates realistically and objectively possible future changes in its operational environment, and the influence of those changes on its own actions.

Psychological aspect for resilience sees it as a human resource. It is a positive capacity that have an impact on job performance and work attitude (Luthans & Youssef, 2007). According to Coutu (2002), resilience consists of three characteristics: acceptance of reality, searching meanings and meaningfulness in life as well as an ability to improvise and innovate. In the face of adversity, resilience recognizes the need for proactive as well as reactive measures (Luthans & Youssef, 2007). Resilience capacity recognizes the possible impact of a setback or other overwhelming event and allows the individual to recover and return to stability (Luthans & Youssef, 2007). In addition to this reactive action, resilience allows proactive learning and growth through overcoming challenges (Luthans & Youssef, 2007). Sutcliffe and Vogus (2003) also look at resilience from the psychological point of view, but in a more organizational or social context. When an organization encounters a setback, resilience is detected (Sutcliffe & Vogus, 2003). Thus resilience is seen as a latent capacity which reactively activates when needed. The proactive form of resilience concerning the definition of Sutcliffe and Vogus (2003) is building and constructing resilience into the organization through social relationships between people. Individual resilience can be developed through encouraging the expression of emotions by building a time and space for individuals to do this (Stephens et al., 2013). Stephens et al. (2013) emphasize building an organization and teams which have close interpersonal relationships between members and mutual openness and trust.

The ecological aspect of resilience can be dealing for example with ecological crises (Berkes et al., 2002) which are closely associated with disasters and emergency management like forest fires (Linnenluecke & Griffiths, 2013). Some organizations and also communities are existing or living in special circumstances where accidents or unexpected events are likely to happen: like the case of Fukushima (Perrow, 2011). Even though ecological and emergency management aspect of resilience is very context-related, the definition of resilience is quite general. In the context of emergency management, Linnenluecke and Griffiths (2013) regard resilience as the continuing capacity to recover from disturbances and also to rebound from adversity in a strengthened and more resourceful way. Further, resilience is strengthened by both proactive risk mitigation activities before the unexpected event or disaster and reactive response activities during the event (Linnenluecke & Griffiths, 2013). The importance of improving emergency management capacities and modifying organizational responses by developing capabilities for learning and emphasizing longer-term innovations are crucial in emergency management context, because the ability to respond to the impacts of one disaster does not guarantee the preparedness for future disasters (Linnenluecke & Griffiths, 2013).

System engineering aspect of resilience emphasizes system quality and how the organization functions, responds, monitors, learns and anticipates (Hollnagel et al., 2007). Additionally, Winnard et al. (2014) looked resilience as quality of systems and stated that it enables the reliable achieving of goals regardless of circumstances. Hollnagel et al. (2007) states that resilience from this aspect is essential ability of an organization to maintain dynamically stable, which allows it continue operations in the presence of continuous stress. System engineering is close to high-reliability organizations and organizational aspect of resilience and both assume presence of stress as prevailing circumstance. Weick and Sutcliffe (2011) recognized organization as a social construct, whose resilience capacity is about keeping errors small and improvising workarounds that ensures the system keeps functioning. Business world today is an environment of limited resources and turbulent circumstances and safety regarding organizations is created through proactive resilience processes (Hollnagel et al., 2007). Thus, companies should not just react with defensive approach and measures to unexpected events. According to Hollnagel et al. (2007) organizations should move to a more proactive direction by maintaining performance and operations during challenging circumstances and avoiding accidents. This procedure generates safety of systems in the organization and reduces risks and the possibility of errors and hazards (Hollnagel et al., 2007).

2.1 Organizational resilience

Many aspects of resilience are related to an organizational context. The topic has been emerging in research concerning the world of business (Coutu, 2002). During recent years resilience has evoked broad interest among the press and academic research and it has been increasingly seen as a desirable characteristic for organizations (Linnenluecke & Griffiths, 2013). Similar to other aspects of resilience, organizational resilience recognizes reactive and proactive measures (Beck & Lengenick-Hall, 2005) and dealing with disturbances (Linnenluecke & Griffiths, 2013).

Weick and Sutcliffe (2011) are concentrating on arranging organizational structures mindfully. They also present so called high-reliability organizations, which can act as an example to learn from for other organizations. Like resilience in general, organizational resilience is concerned with unexpected events. Building mindful infrastructure is a proactive measure. Weick & Sutcliffe (2011) argue that an organization failing to function mindfully is likely to face increased damage produced by unexpected events as well as impaired reliable performance. One essential characteristic of mindful structure is resilience, the capability to recover and bounce back. According to Weick and Sutcliffe (2011) resilience is developed in the organization from broad repertoire of action and experience, the ability to draw novel responses from past experiences, emotional control, respectful interaction and knowledge of how the system functions.

High-reliability organizations are distinctive, because they are preoccupied with failure (Weick & Sutcliffe, 2011). Further, Perrow (2011) present the concept of normal accidents which occur regardless of the measures taken in order to avoid them. For example nuclear plant is a context related to high-reliability organizations and normal accidents. High reliability organizations follow the principles of mindfulness.

1. They track small failures

High-reliability organizations has to treat any error or suspicion as a symptom that something could be wrong in the system and because of the possible consequences, it is not possible to take a risk of several small coincided errors (Weick & Sutcliffe, 2011).

2. They resist oversimplification

Success in coordinated activities of any kind requires certain simplification in order to keep people focused on key issues, but according to Weick and Sutcliffe (2011) less simplification allows for broader point of view and seeing things. Regarding high-reliability organizations this is especially important, because they see the reality as complex, unstable, unknowable and unpredictable (Weick & Sutcliffe, 2011). Thus they have to manage the unexpected through seeing as much and as wide as possible.

3. They are sensitive to operations

High-reliability organizations are interested and observant of the so called front line, where the actual work is done (Weick & Sutcliffe, 2011). From this follows that compared to most of the other organizations, high-reliability organizations are more situational and less strategic (Weick & Sutcliffe, 2011).

4. They maintain capabilities for resilience

High-reliability organizations are committed to resilience because of the presence of a continuous stress (Weick & Sutcliffe, 2011). They need to maintain dynamically stable state and continue operations even if a major mishap or damage occurs, but also develop anticipatory activities like learning from failures (Weick & Sutcliffe, 2011).

5. They have deference to expertise

In high-reliability organizations experts and their knowledge, learning and intuition are valued high (Weick & Sutcliffe, 2011).

Linnenluecke and Griffiths (2013) present a resilience model with three different phases: pre-disaster, collapse and recovery. An organization's performance is reactive to these phases. It is at the stable or normal level before the disaster, but collapses when something unexpected and negative happens. Weick and Sutcliffe (2011) stated that unexpected events audit the resilience, but it is also a useful concept in order to understand how organizations can achieve their desired outcomes in the middle of adversity and challenging circumstances (Linnenluecke & Griffiths, 2013).

Organizational resilience entails not just recovering from setbacks, but also the capacity to bounce back in a strengthened and more resourceful way (Linnenluecke & Griffiths, 2013). Thus, in the phase of recovery, an organization's performance should increase strongly. Even after the successful recovery, the environment is likely to remain uncertain which means that lessons the organization has learned during the collapse or setback should be institutionalized in the organization for the future (Reeves & Deimler, 2009).

According to Beck and Lengnick-Hall (2005), organizational resilience is achieved through cognitive, behavioural and contextual factors. It is a capacity in the organization that activates when required. Three components of resilience capacity are defined as follows (Beck & Lengnick-Hall, 2005):

Cognitive resilience: A conceptual orientation that enables an organization to notice, interpret, analyse and formulate responses in ways that go beyond simply surviving an ordeal. Firms with cognitive resilience encourage ingenuity and look for opportunities to develop new skills rather than emphasize standardization and need for control.

Behavioural resilience: Is the engine that moves an organization forward. Resource allocation towards policies encouraging risk-taking and innovativeness are characteristics of behavioural resilience.

Contextual resilience: Provides the setting for integrating and using cognitive resilience and behavioural resilience. Contextual resilience is composed of connections and resources. Deep social capital and a broad resource network are the organizational characteristics required to create contextual resilience.

Resilience training should happen throughout the entire company from sales people to executives (Valikangas & Romme, 2012). This is supported by Beck and Lengnick-Hall (2005) who address that organizations can build their resilience capacity, which can be seen as a multidimensional construct in the organization including collective behaviours and attitudes. Building resilience capacity encourages a firm to develop a broad and varied set of routines and processes in order to respond to uncertainty and complexity (Beck & Lengnick-Hall, 2005). It also encourages a firm to pay attention to certain types of experiences and hone particular capabilities that expand the action options available.

Learning is one way to build and develop resilience. Powley (2009) mentions that learning in general deals with the ability of an organization to adapt over time to stress and challenges, and that such

organizations with that particular ability can learn from their past and experiences. Learning from experiences makes it possible to adapt to future challenges (Powley, 2009). When the organization is capable of learning and develops practices and structures in order to support that learning, the organization can also orientate itself for change (Valikangas & Romme, 2012). Further, in order to increase resilience, an organization must practice its preparedness for change (Valikangas & Romme, 2012).

Organizations can learn resilience from other organizations such as high-reliability organizations (Weick & Sutcliffe, 2011). These organizations have to be resilient and able to function in highly challenging circumstances (Weick & Sutcliffe, 2011) which makes them good objects to learn from. Cruz et al. (2015) studied organizations in extreme operating environments. They talked about institutional resilience which is the ability of institutions to recover after a major disruption. Cruz et al. (2015) found that in challenging circumstances other resilient organizations can actually enable more vulnerable organizations to build their resilience capabilities. In turbulent, unsecure and unpredictable circumstances, learning from resilient organizations happens through their established processes proven to be effective in these particular conditions (Weick & Sutcliffe, 2011).

Resilience centralizes on the perspective of learning in crises as an adaptive process rather than learning from crises, learning for crises, and learning as crises (Smith & Elliott, 2007). Previously, resilience research has been quite strongly associated with crisis management and organizational learning is assumed to follow the crisis (Elliott & Smith, 2007).

2.2 Strategic resilience

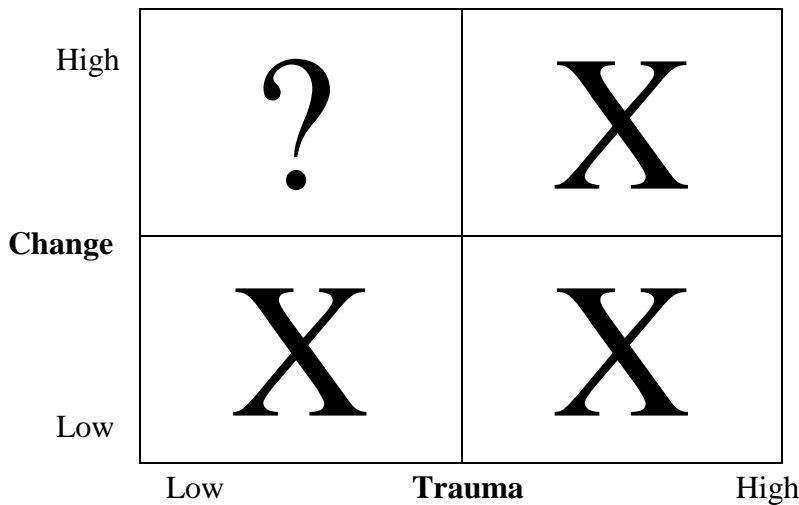


Figure 2-1: Strategic resilience (adopted from Hamel & Valikangas, 2003)

In Figure 2-1 there are two factors, change and trauma, which can be either high or low. This thesis is not interested in companies that have changed a lot, but at the same time have experienced a high level of trauma. Neither is the objective to examine organizations or companies that have had low level of change, but high trauma. In the lower-left there can be found very old and successful companies, which throughout their history have had low levels of both change and trauma, but these are not the objects of interest either. This study aims to find and study organizations that would fit in the upper left quadrant in the figure, strategically resilient organizations that have been able to change and grow without the high level of trauma (Hamel & Valikangas, 2003).

Hamel and Valikangas (2003) define strategic resilience as the ability to change without high level of trauma, supported by Reeves and Deimler (2009) who describe the resilience as the ongoing ability to anticipate and adjust to critical strategic shifts. When considering what an organization's strategic resilience means, it must be realized that high-velocity and hypercompetitive markets are the prevailing operating environment for many companies, which requires them to maintain intimate connection with the business environment (Beck & Lengnick-Hall, 2005). However, even resilient companies cannot necessarily change the unpredictable nature of their environment. It is also difficult to accommodate every possible disruption influencing strategic thinking and solve all unsustainability issues at the same time, which is a strategic impossibility because the issues are large and interconnected (Winnard et al., 2014). However, organizations may be able to develop strategies and organize their practices in a way that builds ability to act proactively, decrease the significance of the unexpected and increase the organizations strategic resilience.

Hamel and Valikangas (2003) present different challenges an organization must overcome in order to become truly resilient:

Cognitive challenge: A company must become completely free of denial, nostalgia and arrogance. It must have consciousness of what is changing and constantly considering how changes could affect its current success.

Strategic challenge: Alternatives as well as awareness. Ability to create multitude of options as compelling alternatives to dying strategies.

Political challenge: An organization must be able to direct resources from yesterday's products and programmes to tomorrow's. It is about building an ability to support a broad portfolio or breakout experiments directed with necessary capital and talent.

Ideological challenge: From situational and crisis-driven to continuous and opportunity-driven renewal. Optimizing a business model that is possibly becoming irrelevant is not the way to secure the future.

Coutu's (2002) more psychological three resilient attributes (acceptance of reality, meaningfulness, improvising/innovating) were required to be possessed in order to be truly resilient. The three attributes have some similarities with Hamel and Valikangas' (2003) organizational challenges and as Coutu (2002) mentions, the three attributes fit both for people and organizations.

The four strategic challenges are a way to build resilience (Hamel & Valikangas, 2003) and organizations are always seeking strategies that are resilient, in order to respond to challenges from unpredictable and competitive business environment (Winnard et al., 2014). But does having resilient strategy equal a strategically resilient organization? According to Winnard et al. (2014) the difference between strategically resilient systems (organizations) and others is adaptive capacity. Adaptive capacity enables firms to move beyond survival and actually prosper in complex, uncertain and threatening circumstances (Beck & Lengnick-Hall, 2005). Sutcliffe and Vogus (2003) add that resilience as adaptive process includes broader information processing, loosening of control and utilization of slack capabilities. Recognizing the strategy decay and being realistic about strategies (Hamel & Valikangas, 2003) is essential to being flexible and remaining successful in the future. But there is no any particular strategy that fits all situations and all organizations (Smallbone et al., 2012). Further, considering the adaptive capacity, there is no particular strategy that was successful yesterday and is guaranteed to be successful tomorrow, as there is no guarantees that strategy working for one company is going to work well for others as well (Smallbone et al., 2012).

Firms are continuously under pressure from markets and environment they are operating in (Smallbone et al., 2012). Circumstances are changing and anticipating those changes are the question regarding strategic resilience. It requires flexibility and foresight (Valikangas & Romme, 2012), but the ability to identify threats and opportunities the changes might post tells little about how firms are actually adapting to changes and what are the consequences of these actions (Smallbone et al., 2012).

Adaptive capacity comes from strategic resilience (Winnard et al., 2014). From adaptive capacity comes sustainability, an increasingly strategic issue for firms seeking competitive advantage in complex and dynamic conditions that require constant ability to adjust (Winnard et al., 2014). Firms cannot just rely on their reactive operational resilience and ability to bounce back. Even if survival strategies can buy some time, they are not likely to foster any sustainable competitive advantage (Reeves & Deimler, 2009). Successful and flourishing organizations need both resilience and sustainability (Winnard et al., 2014). Operational resilience is a short-term option for continuous and long-term strategic resilience (Winnard et al., 2014) and the former is needed to deliver short-term sustainability, the latter for long-term sustainability. According to Winnard et al. (2014), flourishing organizations need a proactively managed mix of these both.

Even though all aspects of resilience deal with surviving, bouncing back, recovery, disasters and setbacks, organizations are beginning to realize that resilience could also be an essential factor in creating and gaining competitive advantage (Reeves & Deimler, 2009). Resilience makes it possible for an organization to better navigate the challenges it encounters. Resilient organizations are also more able to discover both opportunities and risks as well as respond to them fast and effectively (Reeves & Deimler, 2009). Thus, these kinds of organizations can be regarded as flexible and foreseeing, but also as capable of shaping the competitive environment (Reeves & Deimler, 2009). These combined with the ability of being able to react or absorb decisively to occurring events, are essential ingredients for strategic resilience (Reeves & Deimler, 2009).

The key for becoming a successful actor in challenging conditions and being strategically resilient is moving from reactive to proactive (Hollnagel et al., 2007) - from defence and survival to offence and exploring. Regarding strategic resilience, opportunism is not a negative feature, but can rather be regarded as virtue of a successful organization.

3. Competitive environment

Increasing competition in the business environment today is bringing in challenges for companies. The world is becoming turbulent and firms need to keep up (Hamel & Valikangas, 2003). This means that organizations continue to encounter crises (Powley, 2013) and they have to cope with unexpected events and situations as well as handle the uncertainty in general. Reeves and Deimler (2009) suggest that after the eventual economic recovery, heightened uncertainty and volatility will remain permanent features of the business environment and the post-crisis strategic and operating environment will almost certainly be quite different. Thus, because of the volatility of post-crisis environments, organizations' ability to respond to changes in their external environment is essential for retaining their competitive advantage (Smallbone et al., 2012). This means also that anticipating and predicting the future has become more difficult. One source of unpredictability is the unsustainability of the environmental, economic and/or social effects of commerce and the limitations they impose on businesses and their approaches (Winnard et al., 2014).

3.1 Resilience strategies

The competitive environment and strategy of an organization are closely linked together. According to Beck and Lengenick-Hall (2005), an organization's interaction with the environment is a strategic choice. They present three different concepts:

Unstable fit:

Strategy is defensive and aims to reduce the company's interaction with its environment. Organizational design is mechanistic. The unstable fit leaves organizations vulnerable to external events and relying on buffers to protect themselves from consequences of environmental change.

Neutral fit:

Strategy is proactive including forecasting and preventive adjustment. Organizational structure is organic. Neutral fit reflects an effective match between the firm's resources and its ability to exploit them through innovative actions. Neutral fit is required in highly complex environments, where organizations seek to reduce their vulnerability to change by anticipating and utilizing external shifts.

Adaptive fit:

Builds on several assumptions. First, the environment shifts from equilibrium to equilibrium, when the focus is to adjust company's internal activities to accommodate the new equilibrium conditions in the external environment. Second, efficiency requires optimal balance between creative activities (exploring new opportunities) and productive activities (exploiting current capabilities). Third, the company's mix of strategic posture (defensive, reactive, proactive) and organizational arrangements (mechanistic, bureaucratic, organic) yields a specific type of adaptive fit. Fourth, once a given level of adaptive fit is achieved and a firm is able to compete effectively, it generates slack resources. These slack resources should be used in developing the resources and organization structure required to move to a higher fitness level. At each successive level from unstable to stable to neutral fit, an organization achieves higher immunity from environmental fluctuations.

Carmeli and Markman (2011) present two strategies, capture and governance. The interaction of these two strategies have an impact on resilience, focus and vulnerability of an organization (Carmeli & Markman, 2011). Capture strategy is about growing and expanding while governance deals with issues like product integration, culture harmonization, general cross-organizational synergies or business ethics (Carmeli & Markman, 2011). Firms that expand and grow rapidly but ignore governance issues will eventually face severe setbacks (Carmeli & Markman, 2011). Further, expansion makes sense but captured segments need to be managed and dominated by effective governance including integration and synergies (Carmeli & Markman, 2011).

Capture	Exists	Unstable resilience Focus: Rapid, raw growth Vulnerability: Internal inefficiency Main tactics: Isolating, weakening and forward outposts	Resilience through dominance Focus: Balanced growth Vulnerability: Complexity and bigness Main tactics: Saving power, stronghold base, isolating, weakening and forward outposts
	Doesn't exist	Unsustainable resilience Focus: Unclear... Vulnerability: Internal strife and external threats Tactics: Without strategy...	Resilience through smallness Focus: Organic growth Vulnerability: Larger, expanding players Main tactics: Stronghold base
		Doesn't exist	Exists
		Governance	

Figure 3-1: Capture & Governance strategies (Carmeli & Markman, 2011)

As it appears from Figure 3-1, without governance strategy resilience is left either unstable or unsustainable. With governance strategy, resilience can be generated through smallness or dominance, depending on the capture strategy. Further, governance strategy should exist no matter what in order to generate resilience in the organization, because it deals with controlling and managing business areas where the company operates. The same applies to e.g. acquisitions, after which the acquired company or part of it needs to be successfully merged within the acquiring organization.

Capture and governance strategies have a shared and interactive contribution on an organization's resilience and thus they need to be regarded as completely interdependent (Carmeli & Markman, 2011). In addition, when these strategies are synchronized they strengthen each other (Carmeli & Markman, 2011). Further, resilience of an organization is not about managing crisis or executing turnarounds but rather proactive implementing of capture and governance strategies (Carmeli & Markman, 2011).

3.2 Changes

“No matter how good your foresight or how agile your company, there will be events – both external and internal – that will take you by surprise” (Reeves & Deimler, 2009, p. 16).

In many situations the meaning of unexpected is contextual (Weick & Sutcliffe, 2011). As noted, all aspects of resilience somehow deals with the unexpected. Thus, regarding resilience the context actually is assumed to be uncertain and unpredictable. Crises may form from various sources and regardless of their severity and intensity, the challenges crises bring in front of organizations requires varying approaches to deal with them (Powley, 2013). Crises and unexpected events can vary along a spectrum of intentionality, predictability and the degree to which they are caused by nature (Chewning et al., 2012).

All the time firms make strategic decisions about their products and services, markets, production, prices and customers (Smallbone et al., 2012). Even though these are decisions and strategies applied during normal times as well as during unsecure and hard times, unexpected situations like economic downturns compels firms to come up with some sort of response (Smallbone et al., 2012).

As a consequence of an unexpected event or crisis can be that organization is left “damaged”. Damage should start a process of healing which requires the presence of both resilience and growth (Powley, 2013). This is supported by Cifre et al. (2012) who defines health regarding organizations as organizations ability to maintain, improve and focus on its effectiveness, survival and future development.

After the unexpected event, organization’s performance will show if the organization or company is either vulnerable or resilient (Smallbone et al., 2012). According to Hamel and Valikangas (2003), organizational resilience can be described as a quest that requires bravery and it is about an organization to constantly remaking and shaping its own future, instead of living in and thinking about the past. In addition, Cifre et al. (2012) argue that in order to become resilient an organization needs to overcome the crises, turbulence or abrupt changes it keeps encountering in its environment.

Then again, organizations keep encountering unexpected events all the time which raises the question: Why are some organization more capable than the others in maintaining their functions and structures in the face of a drastic change? How do they bounce back stronger than before, more able to tackle the future challenges (Weick & Sutcliffe, 2011)? According to Beck and Lengnick-Hall (2005) organizations facing environmental change, uncertainty and complexity can either prosper or be

unsuccessful which is determined by whether they can implement routines that are consistent with the conditions they face. Strategically resilient organizations have the required structure and resilience capacity allowing them to change before circumstances force them to (Hamel & Valikangas, 2003).

Resilience capacity stimulates an organization's reaction to uncertainty and environmental change in two ways (Beck & Lengenick-Hall, 2005):

1. Resilience capacity encourages to develop a broad set of routines for responding to uncertainty and complexity.

Resilience capacity necessitates a firm to pay attention to certain experiences and refine particular capabilities that expand the action options available which in turn helps a firm to develop routines that ensure both complexity reduction and complexity absorption are viable options (Beck & Lengenick-Hall, 2005).

2. Resilience capacity encourages to think about the environment in ways that improve an organization's ability to determine the content and the duration of change.

Resilience capacity provides a foundation for gathering information from varied sources which helps a firm to decide whether the adaptive fit or a robust transformation is the most effective option (Beck & Lengenick-Hall, 2005). When the environmental conditions go through a change that is either temporary or continuous, robust transformation is the most influential reaction (Beck & Lengenick-Hall, 2005). Further, when realizing that the organization fits poorly with the current environmental conditions, routines more fit with complexity are required (Beck & Lengenick-Hall, 2005). When the environmental conditions are shifting from equilibrium to equilibrium, there is a new environmental balance when the conditions eventually stabilize. Additionally, this new equilibrium acts as a direction towards which the organization can adapt (Beck & Lengenick-Hall, 2005). However, when the change is either very temporary or continuous, the conditions require a more fluid and transformational approach because there is no new equilibrium state that can be anticipated and matched (Beck & Lengenick-Hall, 2005). Figure 3-2 illustrates the relationship of performance and organizational & environmental conditions.

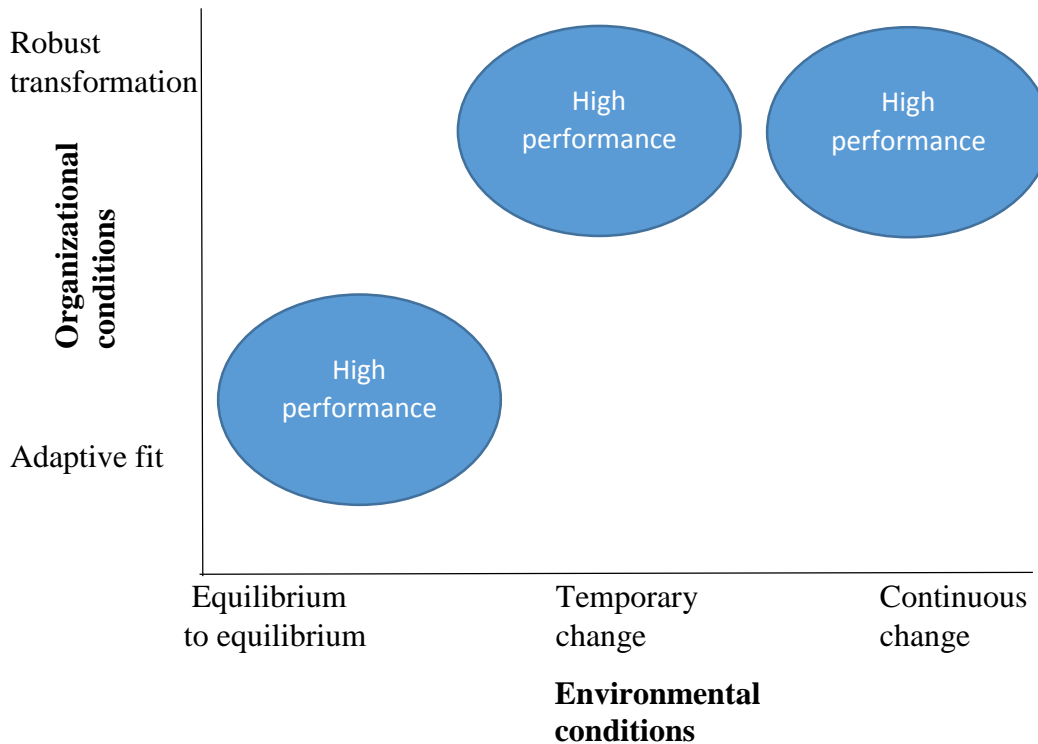


Figure 3-2: High performance -map (Beck & Lengnick-Hall, 2005)

3.3 Theoretical framework

The theoretical framework of this study builds on previously presented resilience theories. According to Hamel and Valikangas (2003), an organization needs to overcome four challenges in order to become truly resilient: cognitive, strategic, political and ideological. In addition, the company cannot avoid changes in external environment. Beck and Lengnick-Hall (2005) introduced a model to define ways for high performance in currently prevailing external conditions. When the conditions change from equilibrium to equilibrium, an adaptive fit leads to high performance but when the change is either temporary or continuous, robust transformation is required. Carmeli and Markman (2011) presented a model of capture and governance strategies which lead to a resilience through dominance or smallness depending on the use of capture strategy.

These three models form the theoretical framework for this study which aims to find out reasons to why the selected case companies have been resilient and able to grow during challenging external circumstances as well as managed to outperform their competitors. In addition, pre-disaster, collapse and recovery theory (Linnenluecke & Griffiths, 2013) is used to analyse the financial performance of the case companies during the period under review.

4. Methodology

This chapter presents the methodological approach that has been selected for this thesis. First, the research context is described and the empirical research approach and method are discussed and justified. This is followed by an introduction to case selection, data collection and data analysis.

4.1 Research context

The research context for this thesis is Finnish SMEs that are successful and leading companies in their industries. Kauppalehti (2014) searched for “hidden champions” amongst Finnish companies. The criteria to make the list were: profitable companies with strong balance-sheets, low debt, above average growth, increasing size of workforce and above average profitability. In addition, their revenue had to be between 5 – 1000 million euros, at least half of which came from export. A leading position in their own industry was required. A total of 76 companies made it to the list.

The term “hidden champions” is originally from Germany where successful national export has been recognized to be dependent on specialized SMEs and family businesses (Simon, 2009). Furthermore, hidden world market leader SMEs can be found everywhere, but majority of them in Germany-Scandinavian countries (Simon, 2009). Similarly, in small economies like Finland the only sustainable way for SMEs to grow is by establishing and expanding sales in foreign markets (Angdal & Chetty, 2007). According to a definition by Simon (2009), these companies are top three in their global markets and number one on their continents, have a revenue below 4 million dollars and a low level of public awareness.

Successful strategies and management are more likely to be found amongst the hidden champions than in large corporations (Simon, 2009). According to Simon (2009), hidden champions can be regarded as “normal” companies which have reached the position of a market leader. Thus they are also suitable examples, or benchmarks, for other companies to follow and it is possible to learn from them (Simon, 2009). Since resilience can be learned from other organizations too (Cruz et al., 2015; Weick & Sutcliffe, 2011), they are fit for this study where we aim to identify characteristics of resilient enterprises.

4.2 Qualitative research

The decision concerning research methods should be based on the research problem and what the study is trying to resolve (Silverman, 2000). Qualitative research is suitable when aiming to answer complex research questions (Eriksson & Kovalainen, 2008). In addition, research questions and objectives of the thesis aspire to gain a more profound understanding of a phenomenon which is the resilience of Finnish SMEs and family businesses through changing and adjusting to challenging circumstances. Qualitative research is useful because it aims for understanding a particular phenomenon and producing new information and knowledge regarding business life (Eriksson & Kovalainen, 2008).

Review of previous literature and research is used in this thesis, constituting an important part of any qualitative research (Eriksson & Kovalainen, 2008). This thesis draws earlier literature and complements the theory with data and material collected from selected cases. The objective is to end up with answers to the research question and conclusions regarding other objectives. These conclusions often emerge via comparison with existing concepts and theories (Grbich, 2007).

Qualitative methods in resilience research have been used for example in psychological context when studying individuals (Ungar, 2003) and in an organizational context, but limited to one organization (Somers, 2009; Valikangas & Romme, 2012) in the form of a case study. The research field is lacking a qualitative study where successful companies are compared with each other based on literature and theory concerning resilience and its strategic aspect.

This thesis aims to find the factors that contribute to resilience regarding the case companies that have performed admirably despite challenging economic and market conditions. The context of this study is limited to Finnish SMEs and family businesses and more specifically to match the criteria of hidden champions as described before.

4.3 Multiple case study

According to Eisenhardt (1989), a case study is a valid method for business studies. The case study is suitable when answering questions like “how” and “why” (Yin, 2013). This thesis aims to explain a phenomenon behind success and the ability to change and adjust, recognizable within the case companies. In case study research multiple cases can be selected (Yin, 2013) and it is the more suitable method for this thesis. Examining multiple cases instead of single case analysis enables more extensive research (Eriksson & Kovalainen, 2008). The objectives of the thesis presented in the

introduction section including examining commonalities, reasons and meanings behind the success and resilience of the case companies. The first two objectives aim to study certain common patterns in the cases and the aim of the third objective is to define a framework based on these commonalities. Thus, extensivity and generalizability are important as well as studying and finding patterns common to cases and theory which is encouraged in the multiple-case method (Eisenhardt, 1989).

This thesis is not specifically directed to any particular industry and the number of primary cases is large. Furthermore, this thesis aims to describe and understand a phenomenon that is general and large. Thus, single-case analysis would not provide the required generalizability or validity, making multiple-case analysis a justified approach. Additionally, the period under review in this thesis is from 2008 to 2014 and e. g in order to deepen the understanding of changes in a firm from a period this long, it would be beneficial to find stakeholders who have been involved with decision-making regarding different events concerning an organization.

All 76 companies on the hidden champions –list are unique and specialize in their own areas of business. Intensive case study research would enable deeper understanding why one particular company has been so successful, renewing and able to adjust as a unique case. However, drilling down to a very detailed analysis of a firm would either limit the sample or explode the scope of this paper. Two thirds of the Finnish hidden champions are production and manufacturing companies. They also share several other similarities as mentioned earlier when introducing the context of the study. Thus, in line with principles of extensive case study, this thesis uses several cases as subjects in the study (Eriksson & Kovalainen, 2008). Additionally, in comparison to single-case analysis, studying multiple cases emphasizes breadth instead of depth, comparison instead of description and generalizability instead of uniqueness (Fletcher & Plakoyiannaki 2011).

According to Eisenhardt (1989), in a multiple-case approach the number of cases should be limited to the point when additional cases do not add more relevant information to the study. Next I will discuss the ongoing process of selecting cases and sample for this thesis.

4.4 Selection of cases

A case study is not just a method, but also a strategy for research aiming to understand the dynamics in the certain settings (Eisenhardt, 1989) and it also emphasizes the importance of selecting cases. It was difficult to find companies that could justifiably be argued to have strategic resilience in any objective setting. Resilience in general includes adapting to changing circumstances and operating in

uncertain environments (Maythorne & Shaw, 2011). The definition of an uncertain environment is context-specific and highly subjective. Thus, it needs to be established what is meant by such uncertainty in this thesis.

As stated in the Finnish Ministry of Finance's economic survey for spring 2015, the Finnish economy is facing severe difficulties and current downturn has lasted for a while already. Finland is also a small and open economy (Benito et al., 2002), where SMEs are important for economic growth of the country (Angdal & Chetty, 2007). Thus, Finnish SMEs and family businesses were selected for this study. During recessions some companies still achieve their objectives while others do not (Smallbone et al., 2012) and strategic resilience is not just about surviving in challenging conditions but also flourishing (Winnard et al., 2014), the list of 76 Finnish hidden champions is a sample of companies that exactly fits the needs of this research.

In this thesis I did not predetermine any specific criteria for selection of case companies. The initial aim was to search and select companies which has the potential to extend and replicate theory (Eisenhardt, 1989). The list of hidden champions had its own criteria that provided foundation as good financial performance and growth.

The selection of Finnish SMEs and family businesses (herein hidden champions) is also based on assumption that these case companies are similar enough to either generate new theory or verify existing theory (Eriksson & Kovalainen, 2008). In addition, it is assumed that they are similar enough to achieve research objectives and answer the research question. They all operate in the same economic setting that is Finland, so the connection in the context of resilience is one for all.

The list of 76 companies was described as a set of primary cases. In order to gain more depth in the study the list needed to be narrowed. This sort of procedure of narrowing down the cases of the sample is based on theory building from case study (Eisenhardt, 1989) because it is about the selection of cases relevant and suitable for the research.

4.5 Sample and Data collection

Total amount of hidden champions (76) is too large for one multiple case study. Because the criteria regarding hidden champions is an appropriate framing for this thesis, accessibility was emphasized when narrowing down the sample. Accessibility and availability of information were highlighted also because as explained earlier, all 76 companies are suitable concerning the objectives of this thesis.

Availability of data is a vital factor concerning this thesis. Nine of the 76 companies are publicly exchanged that release annual reports which are a source of both qualitative and quantitative data. From annual shareholder reports, relevant information regarding the objectives of the thesis was collected. In addition, most companies have informative websites from where it is possible to get information about the structure of the organization, strategy, investments and investments in research and development (R&D). This information was utilized to analyse the selected case companies. Further, annual reports are a good source of data for this thesis because they include information about business environment, risks, strategy and for example future visions (Eriksson & Kovalainen, 2008), coming directly from top management.

A set of questions and indicators was constructed based on which the case companies are explored. Because this thesis is examining a general phenomenon, it is appropriate to approach several companies with a unified set of questions. Moreover, the research process and data analysis in this thesis is comparative and by comparing different cases and data, the aim is to end up with conclusions (Marschan-Piekkari & Welch 2004).

I am searching for explaining factors regarding the research objectives of the thesis and within the theoretical framework of the thesis concerning external environment of the companies, resilience indicators as well as strategies. These are broad questions which shows what kind of external threats the case companies encounter and what kind of actions they undertake to answer these threats. These questions are based on **resilience challenges** (Hamel & Valikangas, 2003), **interaction with environment and high performance map** (Beck & Lengnick-Hall, 2005) as well as **capture and governance strategies** (Carmeli & Markman, 2011). I am also exploring what kind of changes and renewal the companies have experienced. Success of the changes is evaluated on the one hand based on performance and on the other on reasons behind the changes. This thesis also utilizes quantitative data in the form of turnover, investments and profitability which can complement the qualitative nature of case studies (Eriksson & Kovalainen, 2008). More specific questions will be included as well as illustrative quantitative indicators like for example investments in R&D percentage per revenue.

4.6 Plan of analysis

When analysing the data it is essential to keep the analysis inside the literature reviewed in the thesis and consider the limitations of the theoretical framework. The first task was to get familiar with the data including reading and re-reading carefully the annual reports and other possible available sources regarding the case companies. These are sources already in textual form.

After collecting the data, it was written in a story form viewing each of the case companies as separate subjects. Additionally, financial indicators were determined and compared. Thematic analysis was implemented when analysing the data. It was a suitable approach regarding this thesis because it aims to identify, analyse and report patterns within data (Braun & Clarke, 2006). These patterns or themes capture something important about the data regarding the research question and objectives (Braun & Clarke, 2006). Thus, theoretical thematic analysis driven by the researcher's analytical interest is suitable for this thesis (Braun & Clarke, 2006). It provides less rich description of the overall data and detailed analysis of some particular aspects of the data (Braun & Clarke, 2006). As a researcher, I was required to determine themes and construct codes that have the potential to support the objectives of this thesis. Determination of themes was based on theoretical framework of the study. In order to achieve research objectives, themes based on this framework were used in order to identify relevant information and achieve the research objectives. The themes were: change (external), impact of the change, measures (maintain/improve performance, reasons for success) and growth (use of capture strategy). Theoretical approach is also supported by the research question, which acts as a guideline when analysing the data (Braun & Clarke, 2006).

Thematic analysis involves the searching and analysing across the entire data set in order to find repeated patterns of meaning (Braun & Clarke, 2006). This can overlap with cross-case analysis which is also a relevant part of multiple-case research (Eriksson & Kovalainen, 2008). Thus, after examining each case individually the findings are compared in cross-case analysis, because this thesis aims to approach an extensive collection of case companies with similar questions and find similarities within the context and data that can be adapted to theoretical framework of the thesis. Thematic analysis was used to analyse cases individually before the cross-case analysis.

In thematic analysis of the data writing is a simultaneous process with analysing (Braun & Clarke, 2006). In thematic analysis writing must provide enough examples of the data in order to demonstrate the prevalence and significance of the theme represented (Braun & Clarke, 2006). Unnecessary complexity is avoided by coding and capturing the relevant parts of the data. Research question and objectives as well as the theoretical framework are used to ensure this.

5. Empirical findings and discussion

In this chapter I will introduce the empirical part of the study. I begin by briefly introducing the case companies. Hidden champions and selected Finnish SMEs and family businesses have already been defined in the methodology chapter regarding the context of the study, including the criteria that all companies fulfilled to make the list. In addition, the industry of each company is introduced in this chapter in order to avoid obscurity regarding certain terms occurring in the text. Introduction of the case companies is followed by a story of each of the case companies as well as financial key figures. This is followed by cross-case analysis including the quantitative financial indicators as well as qualitative analysis.

The empirical part of the study is structured according to the theoretical framework of the study. In the end this section, discussion and findings are presented. Finally, the chapter is concluded by revisiting the research objectives of the thesis.

5.1 Case companies

Table 5-1: Case companies: Industry introduction

Case	Introduction
Ponsse	Ponsse is one of the world's leading manufacturers of forest machines for the cut-to-length method, and its customer-oriented operations are still guided by the wishes and needs of forest machine entrepreneurs. Ponsse products cover the diverse requirements of efficient harvesting faced by machine entrepreneurs around the world. Tree species vary from old pine to eucalyptus, and the machines have to endure tropical heat and arctic cold, travel without destroying the terrain and briskly climb the steepest slopes.
Exel Composites	Exel Composites is a composite technology company that designs, manufactures and markets composites products and solutions.
Vacon	Vacon's strategy is based on a 100% focus on AC drives. The brand promise of the company is:

	Vacon has a passionate attitude towards developing AC drives and bringing dynamics into the business. Vacon is the most reliable and most service-oriented supplier in the business
Teleste	Teleste is an international technology company that develops and offers video and broadband technologies and related services. Our core business is video - video and data processing, transfer and management
PKC Group	A trusted and acknowledged partner in global commercial vehicle industry. Our vision is to be by 2020 the preferred supplier in electrical distribution systems for the transportation industry globally. The key element enabling this is PKC's Managing the Complexity approach supported by Group's strategic initiatives. PKC has two business areas: Wiring Systems and Electronics.
Okmetic	Okmetic is a company that provides silicon solutions. They manufacture wafers for demanding sensor and semiconductor applications. The company describes its two main business areas as follows: Sensor wafers: Okmetic is the world's leading supplier of silicon wafers for MEMS manufacturing. The widest product selection on the market and comprehensive service produce solutions to boost our customers' competitiveness throughout the life cycle of their products. Semiconductor wafers: Crystal growth technology is at the very core of Okmetic's expertise. It provides the foundation also for our highly doped, low-resistivity wafers that enable extremely high performing power semiconductors.
Rapala VMC	Rapala VMC Corporation is one of four global players in recreational fishing. We have the biggest distribution network, global manufacturing resources and the most desired brands. The Rapala Group has an outstanding record of expanding to new territories and business areas. We have helped millions of fishermen to catch more fish.

Elecster	A manufacturer of complete UHT dairy plants: milk processing, sterilizing and aseptic packaging machines. The shelf-life of the packed milk, flavored milk drinks or juices can be selected from few weeks up to three months without use of refrigeration. Elecster has its own packaging material production lines in Finland, China and Russia. The company has developed the packaging machines and packaging materials side by side.
Vaisala	Vaisala's core business is environmental measurement, especially weather measurement and chosen industrial measurements. Business is conducted by two business areas: Weather and Controlled Environment

Ponsse

2008:

Ponsse. (2009). *2008 annual report of Ponsse*. Retrieved from <http://www.ponsse.com/fi/media-arkisto/muut-julkaisut/vuosikertomukset/2008>

The period of rapid growth stopped in 2008. High demand, disruptions in availability of raw materials and components as well as strong increase in costs resulted as challenging financial situation and the economic slowdown began to show during the second quarter of the year. Because of the uncertain market situation, Ponsse was forced to adjust its functions and production in order to reveal the actual market situation and to increase responsiveness. Ponsse were about to encounter major challenges e.g. rapid decrease in demand, a slowdown especially in exports and increasing operating costs regarding both Ponsse and its customers.

While the financial performance of the company were not yet dropped significantly, Ponsse started measures in order to survive the uncertainty regarding the future. Outlook for the next years were extremely challenging. Order book and order flow were likely to be very weak and recovery of exports were acknowledged to be essential for the company. Adjustment measures began immediately in consequence of decreasing volume of orders. First, efforts for cost reduction was taken. Further, the capacity was reduced by slowing the production. Second step was co-determination negotiations. The aim of these negotiations was to restore the operational efficiency of the company during the

next year. Another objective of the adjustments was to prepare to increased demand when global economic situation improves. In addition, Ponsse emphasized that investments in R&D would continue regardless of the challenges in business environment. Further, Cut-to-length method in logging was anticipated to continue its long-term growth and Ponsse's service business increased from the previous year. These two business areas were objectives for further investments even during the recession.

2009:

Ponsse. (2010). *2009 annual report of Ponsse*. Retrieved from <http://www.ponsse.com/fi/media-arkisto/muut-julkaisut/vuosikertomukset/2009>

During the 2009, Ponsse's performance collapsed. Anticipating the future of the markets was extremely challenging and prevailing situation in the markets was uncertain. For these reasons, the company focused on developing the organization in order to ensure the ability to react for changes and all possible scenarios.

Regardless of the challenging conditions, the implemented organizational changes concerning the product development department had remarkable influence on Ponsse's business. The changes enabled the company to successfully launch two novel 8-wheeler harvesters in the markets. Further, Ponsse still continued investing heavily in product development regardless of the challenging market situation and product range was directed more towards products suitable for Cut-to-length logging method.

2010:

Ponsse. (2011). *2010 annual report of Ponsse*. Retrieved from <http://www.ponsse.com/fi/media-arkisto/muut-julkaisut/vuosikertomukset/2010>

During 2009, Ponsse was affected by rough recession and the company was forced to execute adjusting measures, which influenced the company still in the early 2010. Ponsse reacted to global economic downturn by reforming its organizational structure and renewing its operations. These changes turned out to be successful during 2010. Adapting and surviving was enabled by rapid actions, focusing on right functions and returning to traditional set of values.

Ponsse continued its strategy of launching new products to the markets even during the downturn. Launching of new 8-wheeler harvesters was successful. During the challenging economic and financial period, Ponsse made the decision to continue launching new products and bringing them

rapidly to markets. Already in 2010, the new harvester models formed remarkable part of company's order book and they replaced broadly the older models.

Ponsse managed to increase its production capacity because of the rapid recovery of the main market areas and increasing sales. In the end of 2008, Ponsse was forced to begin lay-offs but the company was able to cancel them in the early 2010. When the production stabilized, Ponsse was able to recruit new employees and the year was concluded by the highest order book in the history of the company.

As mentioned, investments in 8-wheeler harvesters and services can be seen as vital reasons regarding the Ponsse's recovery and bounce back. During the 2010, novel 8-wheelers were broadly introduced and marketed for different market segments and reception was very good. During 2010, the 8-wheelers already constituted a remarkable part of the order book of the company. In addition, emphasizing product development and services remained as the key area of interest even during the challenging and unsecure times. Combined with right choices concerning the changes in approaches and structures of the organization, these investments were proved profitable during the 2010. During the recession Ponsse launched remarkable novel products and because of the adjustment measures, the company was able to answer the demand when the global economic situation began to improve.

Ponsse recognized the prevailing period of change regarding the logging business. Continuous investments in R&D was a key when seeking ways to answer these changes in the business area. New products launched during 2009 were forming a significant part of Ponsse's orders already a year after the launch. Two other novel 8-wheelers were launched in 2010 encouraged by the success of previous launches.

The importance of maintenance services were anticipated to continue increasing. Investments in these services continued during 2010 and prevailing Vice President- organization structure was renewed. The old structure separated market segments to different management areas. The renewed structure set up subsidiaries and their management as responsible of leading the functions at certain market areas. Though this change local customers were enabled to have linear and immediate connection and interaction with the local factory or subsidiary.

During 2010, Ponsse advanced significantly in Russian markets. Ponsse established new office at St. Petersburg and invested in improving logistics of the spare parts within the entire market area in Russia. Overall, 2010 was a period of strong growth in Russian markets and developing local services further remains essential concerning the strategy of this particular market segment.

2011:

Ponsse. (2012). *2011 annual report of Ponsse*. Retrieved from <http://www.ponsse.com/fi/media-arkisto/muut-julkaisut/vuosikertomukset/2011>

In the beginning of the year 2011, Ponsse's order book was highest in history of the company. The European debt crisis began to influence the company in the end of the year when uncertainty in the markets increased. However, because of the high volume of orders in the first half of the year, Ponsse was able to maintain full production capacity throughout the entire year. Measured by turnover the result was highest in the company's history.

The growth regarding services was also convincing and investments in product development continued normally. Various new products were launched in the markets and the market situation continued to develop in favour of the 8-wheeler models. In 2011, approximately 70 % of Ponsse's production were 8-wheelers. As mentioned earlier, the logging business had been under a continuous change and the customers' needs had changed because of the more challenging conditions in timber harvesting. 8-wheeler harvesters have been the answer for this demand. Ponsse clearly anticipated this change well in advance and did not bargain of investments in development of new 8-wheeler products even during the difficult financial times. This anticipation also enabled Ponsse to launch new products at the right time. On the other hand, when the demand changed and on the other when the global economic situation as well as customers' financial position improved.

The strategy of continuously developing maintenance services remained as a key area of interest for Ponsse during 2011. One the most visible outcomes regarding Ponsse's investments in services and adjusting those to answer local demand in different marker segments has been the buoyant sales and results in Russian markets. In Russia, the emphasis has been in improving the service standards and quality as well as offering training services.

In its main business area, Ponsse anticipated the direction from manual harvesting solutions towards Cut-to-length harvesting. During 2011, Cut-to-length method's share of the world's timber harvesting was approximately only 20%. However, Ponsse had already specialized in Cut-to-lenght solutions and the company had become a pioneer in that particular field.

2012:

Ponsse. (2013). *2012 annual report of Ponsse*. Retrieved from <http://www.ponsse.com/fi/media-arkisto/muut-julkaisut/vuosikertomukset/2012>

The year can be described with uncertainty and unpredictability in the markets. Even though Ponsse's customers had decent work situation, general uncertainty showed as slowed down investment decisions. Regardless of the external challenges the year was successful for Ponsse and the main reasons for that were rapidly renewing product portfolio as well as services corresponding to customer needs.

In the beginning of the year, the order book was strong and factory was running with full capacity. Capacity reduction and co-determination negotiations became relevant towards the end of the year. Co-determination negotiations did not concern the personnel in sales, services or R&D, which was crucial to ensure maintaining competitive. In addition, investments in product development and services continued steadily and in the markets the trend continued to move in favour of 8-wheeler harvesters and Cut-to-length solutions.

In Finnish markets, the slowdown proceeded more slowly than expected but the atmosphere at the markets was clearly worse than previous year. However, Ponsse achieved a record high market share in Finland. Further, Ponsse became a market leader regarding the sales of Cut-to-length machinery in Russia. Different factors in the company's environment and in their customers' businesses caused significant increase in demand of maintenance services. Ponsse's investments in these services have continued even during the difficult times and in 2012 during another setback in the markets, Ponsse managed to conclude a number of long-term cooperation contracts concerning maintenance services. Customers increasingly outsourced the maintenance of the machines for Ponsse and training of the drivers was forming a remarkable business for Ponsse. During 2012, Ponsse invested in improving its service business and established new service centers in Finland and Russia. Additionally, in 2012 approximately 70 % of the production was 8-wheeler harvesters.

2013:

Ponsse. (2014). *2013 annual report of Ponsse*. Retrieved from <http://www.ponsse.com/fi/media-arkisto/muut-julkaisut/vuosikertomukset/2013>

Year 2013 began with low order volume and adjustment measures were required. Towards the end of the year, demand increased and the order book exceeded the previous year. Renewed and competitive product portfolio and service offering still remained as key areas of business. During the 2013, Ponsse strengthened its position as a technological pioneer in developing 8-wheeler harvesters. Significant launch in that particular field was Ponsse Scorpion, which received extremely good reception in the markets exceeding all expectations. Ponsse Scorpion was described as a harvester of the next generation which has been developed in co-operation with Ponsse and its customers.

Investments in 2013 continued and the emphasis was in product development and services. The revenue of services still continued to grow. Finishing the development of Ponsse Scorpion continued towards the end of the year and serial production was aimed to begin in the early 2014. Planned volume of production regarding Ponsse Scorpion was sold out already beforehand in 2013.

2014:

Ponsse. (2015). *2014 annual report of Ponsse*. Retrieved from <http://www.ponsse.com/fi/media-arkisto/muut-julkaisut/vuosikertomukset/2014>

The growth during 2014 was strong. First time in history of the company, export exceeded 75 % of the revenue. The year was remarkable for Ponsse. Demand of its products have never been as high and the company launched more new products to the markets than ever before.

Regardless of the uncertain climate in Russia, it was one the most important market segments for Ponsse. Delivery of machines to Russia continued as planned and local functions was further developed. The main reasons for this success were the achieved market leader position in Cut-to-length machines as well as local training and service networks. Services continued to increase its share of the revenue. In 2014, Ponsse's international service network included over 150 maintenance and spare part centers.

The year was also remarkable regarding launching new products. Serial production of Ponsse Scorpion started. As a product, it was a major forerunner and 80 % of the product technology was completely novel. Ponsse Scorpion was an initial step concerning full-scale renewing of the product portfolio followed by entirely new Ponsse 2015 collection.

Key figures

Ponsse	2008	2009	2010	2011	2012	2013	2014
R&D investments %/Revenue	2,60 %	3,30 %	2,20 %	2,70 %	2,90 %	2,80 %	2,60 %
Revenue M€	293	146,7	262,4	328,2	314,8	312,8	390,8
Operating result M€	13,6	-15,7	21,7	28,8	24,5	22,5	41,7
Result for the accounting period M€	4,4	-20,3	23,3	14,8	13,9	9,1	29,8
Current ratio	1,7	1,8	1,8	1,8	1,7	1,6	1,6
Equity ratio %	38,40 %	41,30 %	46,90 %	45,20 %	45,10 %	36,50 %	42,00 %

The pre-disaster phase took place in 2008 when the financial performance was still decent. The collapse occurred during the next year realizing as a drop in performance and heavy adjustment measures. However, the downturn was also a start for the era of development. In the middle of

recession, Ponsse launched 8-wheeler harvesters and invested highest percentage of revenue in R&D regarding the period under review. Another major strategic choice was the continuous development and investments in services including maintenance and training.

Collapse in 2009 was shown as a heavy drop regarding all key figures of the company. However, when difficult external circumstances and uncertainty occurred again in 2012, only the stock of orders dropped significantly while other figures dropped very slightly. Volume of orders is difficult to influence through any measures taken by the company if the general economic and financial situation in the markets is uncertain. Ponsse's order book consists of machine orders which dropped because the customers were not willing to invest in new capacity while the market situation is unpredictable and economic downturn is prevailing. The slight drop in other key figures during the collapse phase in 2012 can be seen to be a consequence of strategic investments in maintenance and training services, which in comparison with the previous collapse in 2009 now enabled Ponsse to maintain better financial performance.

In addition to reactive measures, Ponsse took also proactive steps most importantly by investing in product development and services. These steps were later proven to have been correct and future success is still build on this foundation created during the downturn. More specifically the influence of these actions showed during the next collapse a couple of years later. Challenges in operating environment did not affect Ponsse as strongly than during 2009. Further, when the conditions in external environment improved, Ponsse was ready to immediately bounce back. After the collapse in 2009 Ponsse bounced back stronger and was more adaptive. In addition, timing and anticipating have been crucial. Ponsse did not reduce investments in product development during the collapses as well as it did not seek to decrease costs during pre-disaster phase at the expense of investments. Ponsse recognized early the change in the markets towards Cut-to-length solutions and 8-wheeler harvesters. During 2011, only 20 % of the timber harvesting was done by using Cut-to-length solutions but at the same time 8-wheelers suitable for that particular method constituted 70 % of Ponsse's production. This ensured that when after the difficult financial period the demand increased, Ponsse was able to rapidly answer its customers' needs.

Ponsse emphasizes that it does not seek to expand into market areas where it is not able to guarantee comprehensive service for its customers. The company has focused on production of Cut-to-length machinery and achieved a market leader position in that particular area. The company does not pursue growth at the expense of its products, services or customers. This is reflected in investments on localized maintenance and training services as well as in renewing the Vice President- structure in 2010. This resilience through smallness approach provides Ponsse the potential to pursue organic

growth. While continuously launching novel products and solutions to the markets and maintaining the pioneer status in producing Cut-to-length solutions and 8-wheeler harvesters, investments in services become concrete as long-term contracts concerning product orders, maintenance services and user training.

Exel Composites

Exel Composites has gone through multiple changes throughout its history. There has been a clear movement from sports business towards focusing on composite industry. The major strategic turn took place in 2001 when Exel Composites acquired a pultrusion business (pultrusion: continuous process of manufacturing composite products). This particular acquisition was an important initial development phase towards consolidation of the pultrusion sector within Europe. As it appears from latter acquisitions, this consolidation has been continuous and strong strategic direction of Exel Composites:

2001: Acquisition of Menzolit-Fibron GmbH's pultrusion business

2004: Acquisition of Bekaert's pultrusion business

2005: Acquisition of Faserprofil GmbH's pultrusion business

2006: Acquisition of Pacific Composites Pty. Ltd's shares

2008:

Exel Composites. (2009). *2008 annual report of Exel Composites*. Retrieved from http://www.exelcomposites.com/Portals/154/documents/IR/publications/exel_engl_LR.pdf

In 2008, Exel composites was considered as the largest pultrusion company in the world having manufacturing operations in seven different countries. The company was divided into two segments: Exel Composites and Exel Sports Brands. Ten years earlier 64 % of net sales consisted of Exel Sports Brands, but the direction was strongly towards focusing on composites. In 2008, Exel Composites accounted for 90 % of the revenue. During 2008, majority of the sports business was sold and only floorball products were retained.

In 2008, the industry was scattered including approximately a few hundreds of composite manufacturers. In comparison with its competitors, the strength of Exel Composites was broad range of composite solutions offered to various different market segments. The company involved its customers in product design and development as well as invested in customer-specific and custom-made products. 2008 was a year of structural change for Exel Composites. The outdoor business of

Exel Sports Brands was sold and focus on composites was strengthened. The remaining floorball business was distinguished to a separate section of Exel Group, but the sports business' results and profitability remained weak.

During 2008, the global financial situation declined rapidly. Net sales for Exel Composites decreased as a result of difficulties and changes in certain market segments (wind energy, transportation and construction). In addition, internal sales to sports section declined during the year. As mentioned, the main strength of Exel Composites was the wide offering covering many different market segments. During the general challenges in the markets, in turn e.g. energy and telecommunication segments were strong in 2008 following the launch of novel applications to markets. One of the influential challenges was the increase in raw material costs. Exel Composites was able to cover a part of the increase by raising product prices.

As a consequence of measures taken Exel Composites were able to focus on further developing its composite business. The objective of Exel Composites was to grow faster than the markets and maintain decent profitability. The company had targets for organic growth but acquisitions could also be considered to strengthen Exel Composites' market position either globally or locally. However, the market outlook for 2009 looked uncertain and the company anticipated the weakening situation to continue and further adjustment measures were likely to be implemented.

2009:

Exel Composites. (2010). *2009 annual report of Exel Composites*. Retrieved from http://www.exelcomposites.com/Portals/154/exel_ar_FINAL_web2009.pdf

In 2009, Exel Composites remained as the world's largest global pultrusion company. The recession still influenced the markets and Exel Composite's sales decreased in all geographical markets. Actions needed to be taken in order to remain competitiveness and Exel Composite's main objectives during the continued downturn was to ensure long-term stability of the business. Focus on composite business was reinforced and Exel Sports Brands' floorball business was sold in early 2009.

During the economic downturn, Exel managed to maintain its position in the markets and in comparison with its competitors, Exel even improved its competitiveness and strengthened market leadership. During these challenging times, Exel Composite's strategy was renewed and emphasis was directed towards finding ways to exploit the downturn in order to create and ensure future success. One of the actions in the case of Exel Composites has been highly focused business portfolio based on future growth, profitability and strength of the company. This focused portfolio has been

created through prioritized business segments. This direction of focusing in certain segments were continuous strategic decision supported by resource allocation. In addition, more resources were allocated on developing sales.

2010:

Exel Composites. (2011). *2010 annual report of Exel Composites*. Retrieved from http://www.exelcomposites.com/Portals/154/documents/IR/publications/exel_vk2010_EN_web.pdf

Signs of recovery regarding general economic situation in the markets appeared in the beginning of 2010 and the trend continued throughout the year. However, the global recession still influenced the pultrusion markets during 2010. The beginning of the year was challenging for Exel Composites and its sales decreased in all market segments and geographical areas. The company continued to improve its cost efficiency and productivity. Investments in sales and applications development involving customers were continued throughout the challenging times. These investments started to concretize when the markets began to recover.

During the second half of the year, the sales started to increase. The trend continued towards the end of the year in almost all segments except the building and construction industries which still struggled with weak demand. However, these underachieving segments had promising prospects and growing interest in new materials because of the new energy regulations concerning the industries. As a material, composite continued to increase its market share. Exel Composites remained as the world's leading composite manufacturer holding 11 % of the markets. In 2010, the industry were still relatively fragmented with approximately 350 composite manufacturers worldwide. Exel Composites regarded itself as one of the few consolidators of the industry, referring to number of acquisitions of smaller companies and building one large actor. In 2010, Exel Composite aimed for above industry average organic growth, but the company also included growth through acquisitions as a part of its strategy.

2011:

Exel Composites. (2012). *2011 annual report of Exel Composites*. Retrieved from http://www.exelcomposites.com/Portals/154/documents/IR/publications/exel_annual-report_2011_web.pdf

Product development in close cooperation with customers enabled Exel Composites to sell various novel products in 2011. Considering Exel Composites' market segments in general, the demand was at decent level during 2011. However, raw material costs increased and influenced the margins of the

company. Adjustment measures were needed in order to respond e.g. the pressure in costs influenced by European Commission's anti-dumping tariffs of imported Chinese raw materials. Exel Composites was forced to increase the prices of its products as well as invest more in its Chinese operations in order to increase production and reduce the impacts of the tariffs. During 2011, the trend of price increase was estimated to continue further.

Year 2011 was good for Exel Composites based on financial performance. Room for improvement was noticed regarding internal processes and the project aiming for improving the organization-wide co-operation was launched. Throughout the year, Exel Composites continued investments in sales and customer-driven product development.

2012:

Exel Composites. (2013). *2012 annual report of Exel Composites*. Retrieved from http://www.exelcomposites.com/Portals/154/documents/ir/publications/exel_vuosikertomus_12_ENG_LR.pdf

In 2012, the financial performance of the company dropped again with the downturn occurred in the markets. Main customers in various market segments struggled during the year which influenced straightforward for sales of the company's products. However, regardless the decrease in sales the company managed to develop various novel products as well as was successful in acquiring new customers. These positive events during otherwise disappointing year were essential concerning the future when the expected market recovery would take place. Further, this was the main reason Exel Composites were still considered to hold strong position at the markets. In addition, same areas of emphasis were still invested and developed including sales and customer-driven product development. These investments were important in compensating the weak sales volume of key customers.

2013:

Exel Composites. (2014). *2013 annual report of Exel Composites*. Retrieved from http://www.exelcomposites.com/Portals/154/documents/ir/publications/Exel_Composites_Annual_Report2013_web.pdf

During 2013, the development of the organization was continued. Especially the sales organization was the target of further development and investments. Growth opportunities were explored and Exel Composites decided to invest in new laminate product segment. The production was directed in

Mäntyharju factory and it aimed for extending the range of market segments and enable new areas of growth for the company.

2014:

Exel Composites. (2015). *2014 annual report of Exel Composites*. Retrieved from http://www.exelcomposites.com/Portals/154/documents/ir/publications/Exel_Composites_Annual_Report_2014_web.pdf

Year 2014 was regarded as a major success for Exel Composites in both financially and strategically. Growth and profitability were high and the organization as well as its strategy were strengthened and renewed. Both sales and operating profit improved throughout the year and previous measures taken in order to develop more coherent and better functioning global organization began to show in the performance of the company. Increased sales and improved cost efficiency realized as profits.

Developments in the organization continued to direct the structure towards the requirements of a global actor. Especially sales and R&D were reinforced. Regarding future growth, more emphasis was planned to be allocated to acquisitions in order to cover some existing gaps in markets and technology.

Key figures

Exel Composites	2008	2009	2010	2011	2012	2013	2014
R&D investments %/Revenue	2,00 %	2,00 %	1,80 %	1,90 %	2,10 %	2,20 %	2,30 %
Revenue M€	84,9	70	72,9	85,1	76	69,3	79,3
Operating result M€	8,6	8	9,4	11,1	5,9	5,5	9,4
Result for the accounting period M€	4	5,9	6,8	8,1	2	3,1	5,7
Current ratio	1,7	2,1	2,3	2,4	2,5	0,8	1,7
Equity ratio %	28,20 %	44,60 %	57,40 %	61,60 %	61,00 %	47,20 %	56,90 %

As it appears from the figures, Exel Composites has kept the investments in R&D at stable level regardless of the variations in financial performance. Throughout the years from 2008 to 2014 Exel Composites has remained as leading player in global composite markets and after selling unprofitable outdoor and sports business, its financial performance has not significantly dropped even during the challenging times in global markets. Exel Composites has continued its aggressive growth strategy including captures of smaller pultrusion and composite businesses, which has supported the company's vision of being a global leader in the composite markets as well as pioneering the consolidation of the markets. Exel Composite's aggressive capture strategy has provided certain

hedge for the company against the varying and weaker economic situation in the global markets. Geographical decentralization decreases the risk marginally but because of the strong focus on core competence, acquiring large customers from various industries has been more crucial regarding Exel Composites' capture policy. In global composite markets the general economic situation has more or less influence in all geographical areas but still some industries remain more profitable for Exel regardless the possible global economic challenges. Further, when the markets begin to recover, some industries recover very rapidly while others suffer longer from the effects of e.g. recession, which evens the influence of customers' financial situation to Exel Composites' performance.

Vacon:

2008:

Vacon. (2009). *2008 annual report of Vacon*. Retrieved from http://www.vacon.com/imagevaultfiles/id_2357/cf_2/vacon-annual-report-2008-en.pdf

In 2008, Vacon had already achieved a position in the markets where it could be considered as a global company and measured by revenue, Vacon was the largest company in the world completely focused on AC drives. During 2008, Vacon developed its organization according to its strategic directions and future objectives e.g. achieving above average growth within the industry. These development measures included geographical expansion, launching novel products in the markets and developing sales organization. Product development as well as new production facilities were expanded geographically through acquisition of US-based AC drives business. In addition, sales network were expanded through establishments of subsidiaries in new market areas.

One of the essential source of competitiveness regarding Vacon has always been product leadership which has remained a strategic priority. According to Vacon's visions of the future, continuous launches of new products as well as investing in R&D have potential to generate advantage for the company during the challenging times estimated to prevail in the following years.

The strategy of Vacon consist of continuous and strong investments in R&D and international expansion in order to maintain systematic growth. According to Vacon, most of the future growth is likely to be organic but the possibility of further acquisitions is not excluded. During 2008, Vacon's position regarding important market areas remained strong. However, due to a global financial situation the future development of markets were difficult to anticipate and various uncertainties were present in the end of 2008. In comparison with the year 2008, the AC drives markets were forecasted to slow down during 2009 but Vacon were still determined to continue developing the company. The

objective were to remain profitable with the support of renewing product range and low market share of approximately 4 % which was seen as a positive fact with still 96% of the market open for the company to capture.

Vacon was already considered to have one the most extensive product portfolios regarding the AC drives markets which was seen as good foundation for future challenges. Multiple sales channels and utilization of them as well as acquiring new customers were to play increasing role in achieving the growth and profitability objectives through the challenging times. Regardless of the financial difficulties in the markets, Vacon's future looked decent. Strategic choices that had guided the company so far, were concretizing in the face of adversity when the global sales network, renewing product portfolio and flexible organization were providing hedge and adaptation capability for the company.

2009:

Vacon. (2010). *2009 annual report of Vacon*. Retrieved from http://www.vacon.com/imagevaultfiles/id_2356/cf_2/vacon-annual-report-2009-en.pdf

In 2009, Vacon remained as the largest company in the world focused solely on AC drives (7th largest manufacturer of AC drives in the world). The global economic downturn was influencing the markets in the beginning of 2009, but Vacon expected the certain global megatrends e.g. investments in energy-efficiency to provide a boost for the company. However, these anticipations failed to be correct and the global markets of AC drives declined faster than expected. Vacon was forced to readjust its growth objectives but because of the anticipation that the markets will recover in the future, Vacon wanted to be ready when that happens and not reduce its operations too much. In addition, during the challenging times the company was able to acquire novel customers through its broad sales channels.

In general, during the 2009 the global economic downturn influenced Vacon more than anticipated, but regardless of the decrease in revenues, the company maintained its leading position in the markets and was able to increase its market share. During the recession in 2009, Vacon started to direct its focus more towards new customer acquisition, the Asian markets and renewable energy. Energy-efficiency and several other megatrends in the world were still providing opportunities for AC drives markets. Further, AC drives are purchased globally in various industry segments which provides Vacon a possibility to hedge the company by spreading also the risk between various market segments. In addition, the company has developed its operations in every continent and selected market areas, which enables the company to provide excellent service to its customers in all segments.

During 2009 Vacon continued strong investments in R&D and the company already has its sight in next generation products and recovery of the markets. Especially the development of the products using renewable energy was emphasized. Further, the company established a novel green factory in USA.

During 2009, Vacon already began to prepare for next year with hopes of the market recovery. One of the objectives for following year was to renew majority of the product portfolio which has been developed throughout the year 2009. The so called next generation products were more competitive and Vacon's strategic aim for 2010 was to continue strengthening its product leadership in the AC drives markets.

2010:

Vacon. (2011). *2010 annual report of Vacon.* Retrieved from http://www.vacon.com/imagevaultfiles/id_2331/cf_2/vacon-annual-report-2010-en.pdf

The year 2010 began with continuing downturn and uncertainty, but already during the second quarter of the year the markets started to show signs of recovery. Eventually this recovery appeared to be even faster than Vacon expected and during the third quarter of the year, Vacon achieved the highest order volume in its history.

Vacon's production was organized and sized in order to achieve continuous growth in the future. In addition, even during the recent challenging era, the company has not been eager to adjust its production capacity too much in line with the decline in financial performance. Further, the production capacity has rather been developed and even expanded. Vacon anticipated that the AC drives markets have the potential for strong growth in the near future due to global megatrends e.g. sufficiency of energy and concerns of environmental state. In addition, the company expected that the growth would concentrate on strongly growing areas e.g. Asia. The production of the AC drives was already shifting towards low cost countries as companies searched competitive advantage from lower production costs.

2011:

Vacon. (2012). *2011 annual report of Vacon.* Retrieved from http://www.vacon.com/imagevaultfiles/id_2319/cf_2/vacon-annual-report-2011-en.pdf

The first half of 2011 for Vacon ended with the best six-month financial performance in history of the company. However, during the second half of the year the wind power investments in China decreased rapidly due to new regulations. Vacon anticipated that China would continue heavy investments in the production of renewable energy but the timing of these investments remained unknown. As mentioned, Vacon has certain hedge against challenging times through its wide segments of customers in various industries meaning as well that the market risk is divided. During 2011, it seemed that strong demand of products for motor control would compensate the weak demand regarding wind power products, but towards end of the year the European financial crisis was influencing heavily to investments in Eurozone and Vacon's order flow practically stopped. As a consequence of this rapid slowdown in orders, Vacon was forced to start planning adjustment measures in order to ensure profitability and effectiveness in the future.

Vacon's strategic priorities have remained in product leadership, focus solely on AC drives, multi-channel sales and global presence. In addition, the growth in AC drives markets has been strengthened alongside with the megatrends in the world. However, Vacon sees various uncertainties influencing the growth of AC drives markets and the company anticipates that challenges especially in Europe as well as in wind power industry are likely to continue in 2012. In order to compensate these anticipated challenges Vacon had plans to launch several novel products designed for other industries and segments to maintain competitiveness.

2012:

Vacon. (2013). *2012 annual report of Vacon*. Retrieved from http://www.vacon.com/imagevaultfiles/id_4864/cf_2/vacon_annual_report_2012.pdf

In the beginning of 2012, the concern regarding Vacon's business was still the uncertainty regarding the demand of products designed for renewable energy. In 2012, these uncertainties in certain customer segments were compensated by introducing new generation of products for other segments. New products were received well and Vacon regarded these products as an important foundation for future success.

New generation products were characterized among others by improved cost efficiency for customers and in order to utilize benefits of these products, Vacon took another important strategic step during 2012 when the company moved component and parts procurement into countries with low cost level. Vacon acknowledged that it is primarily a product company and its long-term growth is based on continuous development of its product portfolio.

The year 2012 was challenging but Vacon managed to grow regardless of the difficult global economic situation. Again, weak demand concerning products designed for certain industries was compensated by strong demand in others. Further, Vacon succeeded to increase revenues in majority of its customer segments, except the renewable energy industries.

2013:

Vacon. (2014). *2013 annual report of Vacon*. Retrieved from http://www.vacon.com/imagevaultfiles/id_6318/cf_2/vacon-plc-annual-report-2013.pdf

Year 2013 was once again a year of novel products. In addition, Vacon expanded its maintenance operations which are essential in order to maintain and improve the company's presence in all key markets. This global presence has been one of the strategic priorities of the company and it is supported both by the actual presence (multi-channel sales, maintenance) and broad product portfolio with shared product platform.

Vacon is still looking for expanding into new customer segments in order to manage the risk from uncertainties occurring in other segments. This expansion is executed by both industry-wide and geographically. The focus of geographical expansion will be on countries with strong market growth.

In general, growth in the AC drives markets were slow during 2013 but Vacon managed to increase its revenues and profits. This was mainly due to improvement in profitability from moving the material sourcing to countries with lower cost level. The markets for AC drives were anticipated to grow in the future contributed by the megatrends including e.g. urbanization, industrial automation and energy efficiency. In addition, developing markets were estimated to boost the demand for AC drives. During the previous years, Vacon renewed and broadened its product portfolio which provides the company a strong potential to grow above the average regarding the markets of AC drives. In addition, cost efficiency is likely to play increasing role in the future.

2014:

Vacon. (2015). *2014 annual report of Vacon*. Retrieved from http://www.vacon.com/imagevaultfiles/id_7233/cf_2/vacon-plc-annualreport2014.pdf

During 2014, the market conditions remained challenging but Vacon's financial performance was overall very good. For Vacon, year 2014 can be described as a year with great changes. The most significant change started when a company called Danfoss made a bid regarding the acquisition of all Vacon's shares. This public bid was recommended and supported by Vacon's board of directors. According to Vacon, these news were surprising for personnel as well as for customers, shareholders

and partners. Reactions for changes were positive regardless the prevailing uncertainty. Vacon and Danfoss were competitors who decided to integrate two successful businesses. In addition, intensifying competition was as well a reason for acquisition.

According to Danfoss' tender offer document:

“The background for the Tender Offer is Danfoss’s strategic focus on creating profitable growth. Vacon is a good match to this ambition. It is Danfoss’s clear view, that the best way to meet the future AC Drives market challenges is to combine the AC Drives businesses of Vacon and Danfoss, a combination that will secure a strong player in the AC Drives market with unique capabilities and extensive product offering that will secure continued profitable growth and innovation. Danfoss believes that a combination of the businesses of Vacon and Danfoss will build a very strong foundation. Jointly Danfoss and Vacon will:

- *Become a globally oriented important player for AC Drives*
- *Improve the original equipment manufacturer (OEM) and contractors sales channels*
- *Improve geographical presence in China, APAC and the US*
- *Strengthen R&D capabilities through scale and joint competences*
- *Combine forces to reach critical size”*

Further, the document regarding the acquisition suggests that the markets are going to continuously develop at least for the next 5-10 years and geographical center of gravity is moving strongly towards Asian markets. In addition, large players in the business continue to drive their strategies of pursuing strong presence in all product segments, which is intensifying the competition even more. Thus, Vacon and Danfoss need to generate growth also into new markets in order to compete with larger players in the business.

Key figures

Vacon	2008	2009	2010	2011	2012	2013	2014
R&D investments %/Revenue	5,80 %	6,50 %	6,20 %	6,60 %	6,50 %	6,80 %	7,50 %
Revenue M€	293,2	272	338	380,9	388,4	403	409,4
Operating result M€	34,6	22,5	28,6	24,7	37,7	40,6	39,7
Result for the accounting period M€	23,9	16	19,1	17,7	26,6	28,7	31,1
Current ratio	1,7	1,9	1,5	1,7	1,8	1,9	1,6
Equity ratio %	56,50 %	51,10 %	46,00 %	50,00 %	53,00 %	55,00 %	55,50 %

Vacon's financial performance has been good regardless of the fact that company has operated in environment where the future has been unpredictable and global economic situation challenging. However, from the year of foundation, Vacon has focuses solely on AC drives which has been growing industry with global megatrends boosting the growth especially in developing geographical areas. These alongside with the global presence through multi-channel sales network and broad

product portfolio have been cornerstones for the success and growth of Vacon. In addition, as it appears from the financial figures, investments in R&D have remained at high level regardless of the challenges and uncertainties. Further, AC drives are purchased in several industries and Vacon has continuously expanded to new customer segments which compensates the influence of downturn concerning some industries.

Teleste

2008:

Teleste. (2009). *2008 annual report of Teleste*. Retrieved from https://www.teleste.com/sites/default/files/attachments/teleste_vuoskert_08_fin_screen.pdf

During the year 2008, Teleste encountered influences from the challenges in global economy. Uncertainty in the markets, strong fluctuations in currency exchange rates and the financial crisis occurred as a decline in Teleste's financial performance. Main reason for weaker performance were decreased investments of Teleste's customers.

During the challenging year Teleste managed to launch novel solutions to the markets and investments in product development were to continue throughout the year. Main reason for this was the eagerness to expand into new customer sectors. Early in 2008 Teleste grew also through acquisitions when it purchased a Finnish software company. Acquisitions continued in turn of the year when Teleste acquired three companies based in Germany. These acquisitions enabled Teleste to achieve a position of one the leading companies in the largest cable network markets in Europe.

In 2008, Teleste's core business was very sensitive to economic fluctuations. Due to this, the company took a strategic step and started to increasingly invest in less sensitive service business. Another reason for this step was that Teleste anticipated that in the future large operators are increasingly outsourcing their technical services. Aggressive expansion of service business started with the acquisitions of the three German companies and Teleste was directing the strategic direction more towards the growth in services. Next year was estimated to be unpredictable and challenging but Teleste anticipated that investments in services begin to realize already in 2009 and compensate the cyclicity concerning the demand of products and applications.

During 2008 Teleste developed its organization internally as well. The efficiency of production was developed and organized into more focused direction. In addition, the company started to implement lean approach in order to achieve better quality and cost efficiency. Teleste were still vulnerable for rapidly changing market fluctuations and it needed to start adjustment measures in order to improve

cost efficiency and viability. Further, co-determination negotiations began in the end of the year and depending on the market situation next year, the negotiations could continue.

2009:

Teleste. (2010). *2009 annual report of Teleste*. Retrieved from https://www.teleste.com/sites/default/files/attachments/teleste_vuosikertomus_09_fin.pdf

Investments in service business turned out to be viable already in 2009. Increase in revenues was mainly a consequence of these investments. On the other hand, Teleste's financial performance was influenced by extensive downturn. Because of decrease in demand, Teleste was forced to implement various cost saving measures which were focused on the entire personnel. During the year, Teleste continued its strategic organizational restructuring through acquisitions and mergers.

Through acquisitions, Teleste achieved leading position in German markets, but overall the year 2009 turned out to be challenging. Global economic downturn influenced to existing orders and Teleste's customers postponed further investments.

2010:

Teleste. (2011). *2010 annual report of Teleste*. Retrieved from https://www.teleste.com/sites/default/files/attachments/teleste_2010_fi.pdf

Acquisitions during 2009 and 2010 influenced the organizational structure of Teleste and in 2010, the company had two equal businesses when network services –business grew into a level of video and broadband solutions. Global economic situation showed signs of recovery, which began to reflect also in investments of Teleste's customers. However, the company continued its internal adjustment measures concerning e.g. material purchases and the need of labour. Teleste's financial performance in 2010 was decent. Acquisitions were continued during 2010 when Teleste expanded its business by acquiring service companies from Switzerland and Poland.

2011:

Teleste. (2012). *2011 annual report of Teleste*. Retrieved from https://www.teleste.com/sites/default/files/attachments/teleste_2011_fi_secure.pdf

Year 2011 was positive for Teleste. The company succeeded to exceed its growth aims and profitability improved in comparison to recent years. Overall, the year was excellent for Teleste and during final quarter of the year the company achieved the highest revenue in its history. After few challenging years, during 2011 both products and applications as well as service business improved.

The success was also a consequence of previous measures taken in order to improve efficiency and cost control. Those adjustment actions implemented during challenging times remained in operations and turned out as sustainable and improved efficiency.

Throughout the history of Teleste, technical innovations haven been a cornerstone of success. Investments in R&D have been around of 10% of revenues and through investments the company has been able to develop broad product portfolio.

During 2011, Teleste reviewed and reconstructed its strategy. New strategic objectives were set in order to achieve profitable growth in the future. The most important objective was to develop and improve the viability of service businesses. Other objectives were e.g. focusing on developing strategic sales for key customers. Naturally, Teleste emphasized as well the need for exploring possibilities for expanding into new growth areas.

The investments of Teleste's customers increased moderately during 2011. The company received new orders from existing customers but achieved also a breakthrough in Russia where Teleste was selected as a supplier for a large Russian based mobile operator. In addition, Teleste launched new technology and applications which were well received at the markets and improved Teleste's competitiveness in both current and new potential market segments.

2012:

Teleste. (2013). *2012 annual report of Teleste*. Retrieved from https://www.teleste.com/sites/default/files/attachments/teleste_vsk12_fi_secured.pdf

Uncertain global market situation were still present in 2012 especially in Teleste's industry which is sensitive for seasonal fluctuations. Despite the external circumstances, Teleste succeeded to grow according to its aims mainly because of the large orders from its key customers. In addition, Teleste's global presence began to realize as competitive advantage due to a strong customer relationships and broad partner network.

2013:

Teleste. (2014). *2013 annual report of Teleste*. Retrieved from https://www.teleste.com/sites/default/files/attachments/teleste_2013_fi_secured_1.pdf

The recovery of global economy remained relatively slow but for Teleste and its customers the year 2013 was successful. Digital transition continued strongly and the financial performance of Teleste's customers was strong which influenced positively in Teleste's performance as well. Global

megatrends including increasing utilization of video and data, rapid technological development and increasing need for safety and surveillance solutions were supporting Teleste's growth strategy. Teleste were already holding a strong market position especially in Europe and now the company focused more on seeking growth as well from developing markets in Asia, Middle-East and South America.

2014:

Teleste. (2015). *2014 annual report of Teleste*. Retrieved from https://www.teleste.com/sites/default/files/attachments/teleste_ar_fr_fi_14_sec.pdf

The demand of Teleste's products and services improved in 2014. However, at the same time price competition at the markets intensified. Demand increased in products and solutions but was slower than expected in services which have been an area of emphasis for Teleste during the recent years. Teleste believes that demand continues the positive development and the company still sees potential in service business. Global megatrends concerning digitalization boost the growth objectives of the company in the future as well. Teleste has also a strong foothold in surveillance and safety solutions e.g. video surveillance solutions after terrorist attack in Paris proved its functionality. During the recent years, the clientele of Teleste has consolidated and larger actors have formed within the business field. Customers increasingly concentrate their purchases and Teleste's future is looking bright regarding this prevailing trend due to its ability to offer overall solutions that are especially suitable for European markets.

Key figures

Teleste	2008	2009	2010	2011	2012	2013	2014
R&D investments %/Revenue	12,40 %	7,60 %	6,10 %	6,30 %	5,80 %	5,20 %	5,20 %
Revenue M€	108,7	141,7	167,8	183,6	193,9	192,8	197,2
Operating result M€	5,6	2,5	7,4	9,4	10,9	11	11,1
Result for the accounting period M€	5,5	0,4	4,8	6,3	6,7	8,1	8,5
Current ratio	1,8	1,4	1,4	1,4	1,3	1,4	1,4
Equity ratio %	61,70 %	43,60 %	43,60 %	41,60 %	50,50 %	52,70 %	53,40 %

Interestingly, Teleste's order volume and revenue have developed positively during the period under review. Profitability dropped slightly in 2009 but have been increasing since. R&D investments of the company were at very high level in the beginning of the period under review but has dropped heavily since. These investments have still remained over 5% of the revenue which can be considered as high share even for a technology company and the drop can be explained by the fact that Teleste

has actively acquired new technology and know-how through acquisitions which has decreased the need for internal investments in R&D. On the other hand, as a pioneer within its field, Teleste has been concentrating more on further developing of its products, applications and solutions instead of launching entirely novel technology. In addition, during the period under review the company have increasingly invested in service businesses which became a new strategic direction early during the period under review.

PKC Group

2008:

PKC Group. (2009). *2008 annual report of PKC Group*. Retrieved from <http://www.pkcgroup.com/media/english/investors/annual-report/pkc-annual-report-2008.pdf>

The year 2008 was a year filled with change for PKC Group. During the year, global financial crisis influenced the profitability of the company even though demand of its products increased. However, since influences of the downturn began to show during the latter half of the year, PKC Group achieved decent financial results and position. In addition, the future looked uncertain as the financial crisis increasingly affected for the demand of trucks, which meant that PKC Group was expecting the following year to begin with exceptionally low order volumes.

In general, electronics industry in the world has moved towards Asia and this required actions from PKC Group as well. The company reacted to this trend by opening a factory and product development unit in China which was considered as a major measure regarding the expansion of PKC Groups business. Further, the most important strategic expansion measure in 2008 was the PKC Groups acquisition of wiring harness business in Poland. This acquisition brought along a long-term supply contract with MAN Group which was considered as a major deal in order to reduce risks of small individual customers. In addition, the expansion to Poland was believed to provide opportunities in expanding the company's customer base in European markets.

As the events during 2008 were associated with expansion and growth, the company was also forced to launch a cost-cutting programme. The programme included replacing matrix organization by conventional line organization, reorganizing operations and layoffs. Cost reduction and development of operations were planned to be continued in order to achieve improved efficiency through which the customer expectations would be better met. In addition, the globalization and operation outsourcing remained as continuing trends within the business of PKC Group, which partially

affected the decision of the company to transfer its production and product development in the low-cost countries.

2009:

PKC Group. (2010). *2009 annual report of PKC Group*. Retrieved from <http://www.pkcgroup.com/media/english/investors/annual-report/pkc-annual-report-2009.pdf>

The global economic downturn occurred in the business of PKC Group as both challenges and opportunities. The company recovered relatively fast from the challenges encountered during previous year and in the latter part of 2009, the company turned profitable again. Cost-cutting actions, reorganization of the group structure and geographical expansion to Poland and China among other things were now proving to be successful strategic decisions made during difficult and uncertain period of time.

Despite the positive facts, the orders received by the company remained at low level because of the demand of commercial trucks. This was followed by adjustment measures implemented throughout the group. These measures were in line with previous cost-cutting and efficiency programmes as well as strengthening the expertise across the group followed by the expansion to China and acquired unit from Poland. Profitable growth maintained as key aim in the strategy of PKC Group and this growth was planned to be achieved through existing customer base and expanding customer base within the current customers as well as to novel segments. Geographical position was regarded important aim of development and strengthening was targeted especially to Central Europe, South America and Asia. In addition, the company stated intend of further geographical expansion if the right opportunity arises.

Core strengths and competitive advantages of PKC Group were regarded as follows:

- Close co-operation with customers
- Long-term customer relationships
- Comprehensive design and manufacturing package
- Innovative product development operations
- Services improving quality and cost-effectiveness
- Worldwide expertise and extensive operating in lower cost countries
- A cost-effective and flexible production network
- An organization able to rapidly adapt to customer expectations as well as to changes in operating environment

2010:

PKC Group. (2011). *2010 annual report of PKC Group*. Retrieved from <http://www.pkcgroup.com/media/english/investors/annual-report/pkc-annual-report-2010.pdf>

In 2010 the markets started to increasingly recover and the net sales of PKC Groups began to grow after few quiet years. The financial results of both business areas of the company were described as excellent. Rapid increase after challenging years provided challenges as well, and the company needed to increase its production capacity in order to answer the growing demand. Along with the contribution of increased sales volume, the measures aimed for cost reduction during previous years realized during 2010 as improved profitability.

The restructure of the organization and other renewal measures were aimed to shift the focus of profit responsibility to business units located abroad instead of the head quarter in Finland. According to the company, the key element of lowering the costs and break-even points was the reduction of operations in Finland and consolidating the foreign production facilities into actual business units. As the global economy started to recover and was followed by increased sales regarding PKC Groups both business areas, the company stated that during the following years it would continue to pursue market growth as well as growth through acquisitions.

2011:

PKC Group. (2012). *2011 annual report of PKC Group*. Retrieved from <http://www.pkcgroup.com/media/english/investors/annual-report/pkc-annual-report-2011.pdf>

In 2011 PKC Group achieved a leading market position amongst electrical distribution systems manufacturer for trucks. The position of global market leader was achieved through acquisitions. Earlier acquisition of the AEES companies added with the SEGU companies in Central Europe were playing a major part since those strategic acquisitions expanded the product and services provided by PKC Group as well as strengthened the market position especially in North America and Central Europe.

As mentioned, PKC Group has two different business areas, the wiring systems and electronics. In 2011 the difference in the growth between the two areas started to be more significant. Sales volume of the wiring systems grew but the net sales of electronics business equalled the previous year. Further, profitability of the wiring systems was at a decent level but profitability of the electronics turned to a decline compared with the previous year.

The growth in the net sales regarding the entire group was an outcome of restructuring the organization and acquisitions of foreign production units which started already in 2002. The original goal was to invest relatively heavily into these foreign units and eventually shift work into foreign units. The results of this strategy began to realize when the markets recovered and era of growth continued. PKC Group has managed to create a highly competitive cost level for its business as well as ensure the ability to respond both the competition and customer needs in the future.

2012:

PKC Group. (2013). *2012 annual report of PKC Group*. Retrieved from <http://www.pkcgroup.com/media/english/investors/annual-report/pkc-annual-report-2012.pdf>

Through the acquisitions the PKC Group had achieved a position where it possessed a global product and service network which ensured the company's ability to be present where the customers and future opportunities are.

During 2012 PKC Group finalized the integration on previous acquisitions. The company announced that it has become more and more interesting amongst the global clientele. Similar to the previous year, the net sales of the wiring systems business area grew due to acquisitions as well as continuing market recovery. However, the electronics business area decreased once again. Profitability regarding both business areas followed similar trend during 2012.

The acquisition of AEES companies in 2011 was a successful strategic decision which began to prove its value for the company. The integration of the acquisition was completed quickly and successfully and provided synergy benefits and new opportunities through cross-sales and global partnerships.

In 2012 PKC Groups announced its strategic focus points as follows:

- The company's uniqueness
- Further expanding the business operations in Asia
- Development of expertise
- Profitable growth through strengthening market position

2013:

PKC Group. (2014). *2013 annual report of PKC Group*. Retrieved from <http://www.pkcgroup.com/media/english/investors/annual-report/pkc-annual-report-2013.pdf>

The 2000s has been an era of growth through acquisitions and international expansions for PKC Group. In 2013, the company announced a new growth strategy the center of which was the

uniqueness of PKC Group. International expansion continued in the form of strategic co-operation established with Chinese leading truck manufacturer.

New strategy was created in order to gain an improved ability to adjust changing conditions in operating environment. Until 2013 and after the acquisitions and expansions PKC Group was considered to be a new company built on growth. It possessed a strong market position in western world. The new strategy concentrated on growth through the company's internal strengths. The growth strategy announced in 2013 included following principles:

- The development of PKC Groups uniqueness
- Maximizing the current market position
- Expansion into Asia and the Pacific
- Expansion broader within the transportation industry

In 2013 the operating environment turned more challenging in comparison to few previous years of profitable growth. PKC Group encountered these challenges especially in their main markets in North America and Europe. Predictions regarding the production volumes of heavy-duty trucks in North America turned out to be incorrect and the production level remained low due to an uncertain financial future sights. In European markets the continuing economic uncertainty influenced the truck markets and was shown as low production levels.

2014:

PKC Group. (2015). *2014 annual report of PKC Group*. Retrieved from <http://www.pkcgroup.com/media/english/investors/annual-report/pkc-annual-report-2014.pdf>

The year 2014 saw the establishments of new factories in Serbia, Lithuania and China. However, in Europe the factories in Poland and Estonia were closed. In addition, factories in Mexico and Brazil were closed. In 2014, company was implementing reorganizations and program transfers which partly influenced for weakened profitability and result. Further, due to a low production rates in global truck markets PKC Groups utilization rates decreased in comparison to previous years. The company also suffered losses in Brazil.

The market position of the company maintained strong throughout the year but revenue decreased mainly due to production volume of trucks in Europe and Brazil. On the other hand, truck markets in North America developed positively but PKC Group's sales volume in North American markets remained at the level of previous year. Profitability of the company was not good in 2014. This was

followed by major losses in Brazil and investments concerning strategy implementation measures which were addressed for the financial year in question.

Key figures

PKC Group	2008	2009	2010	2011	2012	2013	2014
R&D investments %/Revenue	1,90 %	2,70 %	1,80 %	1,30 %	0,90 %	1 %	1,00 %
Revenue M€	311,7	201,8	316,1	550,2	928,2	884	829,2
Operating result M€	21	0,7	29,7	34,5	43,5	30,5	-6,7
Result for the accounting period M€	5,6	2,3	19,7	23,5	24	13,9	-29,1
Current ratio	1,9	2,2	2,4	1,9	1,5	2,3	1,9
Equity ratio %	33,90 %	30,00 %	56,50 %	30,00 %	33,90 %	42,70 %	34,70 %

R&D investments have remained at certain level. The percentage of the investments have dropped by half but the revenue has increased in the same proportion. As it appears from the figures, PKC Group have encountered relatively significant fluctuations in revenues and profitability. However, the variations in cash flows have not significantly influenced the liquidity of the company which has been at least satisfactory during the period under review. In addition, the equity ratio has been either good or excellent which have given the company more cover regarding the fluctuations in the markets as well as ability to adjust to changes in market environment.

The strategy of PKC Group was to pursue both organic growth and geographical expansion. This expansion was mainly accomplished through acquisitions and co-operations. Geographical expansion is one way to distribute market risk and also essential for a company as PKC Group because of the markets (commercial truck manufacturers and electronics) which have spread globally. Further, the manufacturing of heavy-duty trucks have been moving increasingly into low-cost countries. In order to remain close to their customers, PKC Groups has to follow this trend.

Okmetic

2008:

Okmetic. (2009). *2008 annual report of Okmetic*. Retrieved from <http://okmetic2008.annual.fi/en/>

Okmetic's strategic choices at 2008 concluded focusing on developing and supplying core products of the company (sensor and power-semiconductor wafers). In addition, the company was selling its technological expertise to its customers.

During the 2008 the organization was developed and reformed in order to achieve improved ability to achieve the assigned strategic objectives. Further, the company continued investing in its product

development and cost-efficiency. In 2008, Okmetic succeeded in acquiring various important customers from Asia and USA but due to a significant drop in market demand the company did not achieve its financial objectives. However, the financial year was considered decent and Okmetic managed to increase its market share. Global demand dropped more heavily when closing the last quarter of the year which left Okmetic with major uncertainties concerning the following year.

2009:

Okmetic. (2010). *2009 annual report of Okmetic*. Retrieved from <http://okmetic2009.annual.fi/en/>

The markets were more fluctuating in 2008 but towards the end of the year they settled at the previous year level. Despite the uncertainties Okmetic launched new products and its productivity reached the highest level in history of the company. In addition, few major sales contracts were agreed regarding next year. However, because of the global downturn Okmetic was also forced to adjustment measures including cost adjustments as well as the personnel reductions.

Despite the general uncertain situation in Okmetic's global market segments the strategy of the company proved to be successful in turbulent environmental circumstances. Total sales of Okmetic's products (wafers) decreased because of the difficult financial situation of their customers, but this was compensated by the growth in sales of technology services and expertise.

2010:

Okmetic. (2011). *2010 annual report of Okmetic*. Retrieved from <http://okmetic2010.annual.fi/en>

In silicon wafer industry the markets recovered rapidly in 2010. During the latter part of the year, the markets overheated. However, Okmetic succeeded in keeping up with growth and the net sales of the company reached record level. In addition, the company reached targeted profitability. In heated markets the silicon wafers were forming a major part of the net sales of the company unlike in the recent difficult years when technology sales were driving the company. One of the reasons for Okmetic's success at heated markets in 2010 was the ability to answer the demand through highly effective supply-chain management which was shown in subcontractor volume which was heavily increasing in comparison with the previous years.

2011:

Okmetic. (2012). *2011 annual report of Okmetic*. Retrieved from <http://www.okmetic.com/annualreport2011/>

Okmetic encountered strong demand throughout the 2011. However, regarding some essential target industry segments of the company there were signs of downturn again. On the other hand, e.g. sales of sensor wafers and technology services were estimated to maintain at decent level through the following year. Okmetic made a significant investments in production of new wafers targeted in certain markets.

2012:

Okmetic. (2013). *2012 annual report of Okmetic*. Retrieved from http://www.okmetic.com/www/page/annual_and_interim_reports

Market situation in general continued difficult and uncertain as was estimated. However, Okmetic succeeded well in these circumstances and significantly better than its competitors. Further, Okmetic achieved the highest market share in its history.

During 2012, Okmetic encountered difficulties as well. In price sensitive wafer industries the prices decreased which was shown in profitability of the company. In addition, one of the wafer segments faced more significant decline in demand forcing Okmetic to shut down production for a while.

In the near future the company estimated its technology sales to drop heavily. Further, Okmetic stated that the future growth is more based on silicon wafers. The company also estimated that in the near future the silicon wafer industry is facing consolidation due to a tightened price competition and turbulent years in the markets in general.

2013:

Okmetic. (2014). *2013 annual report of Okmetic*. Retrieved from http://www.okmetic.com/www/page/annual_and_interim_reports

In 2013, the demand of Okmetic's products maintained at good level but regarding certain product segments the market prices declined heavily which affected the net sales and profitability of the company. Despite the decreased profitability in segments affected by price variations Okmetic outperformed its competitors in the silicon wafer markets. Through concentrating on high added value wafers the company maintained its positions at the markets.

Difficulties and turbulence in the markets were estimated to continue in 2014 including currency risks and further tightening price competition. Due to these reasons among others, Okmetic was planning to continue directing future growth more towards advanced sensor wafers. According to the company, production of these wafers is going to be increased regardless of the general economic situation.

2014:

Okmetic. (2015). *2014 annual report of Okmetic*. Retrieved from http://www.okmetic.com/www/page/annual_and_interim_reports

In 2014, Okmetic returned to a strong growth. Okmetic grew faster than the rest of the silicon wafer markets. The strategy of focusing advanced and high value added wafers was once again proven to be successful choice. Price competition continued at the markets with 10 % drop in average prices but at the same time Okmetic was able to increase the average prices of its products by 6 %.

Key figures

Okmetic	2008	2009	2010	2011	2012	2013	2014
R&D investments %/Revenue	3,30 %	3,90 %	2,60 %	2,90 %	2,80 %	4,10 %	3,30 %
Revenue M€	67,9	54,4	80,9	83,2	83,2	68,5	74,1
Operating result M€	8,6	0,2	10,4	11,8	8	5	6,4
Result for the accounting period M€	5,8	-0,5	10	10,2	5,1	3,8	4,8
Current ratio	2,2	2,5	2,7	2,8	2,1	2,2	3,5
Equity ratio %	62,80 %	78,90 %	76,60 %	78,90 %	72,20 %	68,20 %	70,50 %

During the period under review, Okmetic's investments in R&D have maintained at certain level. Additionally, revenue of the company have slightly increased even though the sales have dropped occasionally. However, investments in production as well as the successfully allocated adjustment measures have ensured that variations in profitability have not been significant.

Okmetic's business can be considered to be sensible for economic fluctuations but the company has managed to moderate the influence of these fluctuations. The demand has varied significantly in the markets but it has not affected on revenues. Okmetic has been able to adjust its production flexibly and rapidly in the markets which during 2008 – 2014 were rising and falling as well as over-heating. Further, the company invested in services and high value-added products in order to generate sales in challenging and fluctuating era.

Rapala VMC

2008:

Rapala VMC. (2009). *2008 annual report of Rapala VMC*. Retrieved from http://rapalavmc.com/sites/rapalavmc.com/files/rapalavmc/investors/RAPALA_VUOSIKERTOMUS_2008.pdf

In 2008, Rapala VMC continued the executing of its strategy aimed to profitable growth. Investments were also directed into improved efficiency of Rapala's operations. Regardless of the challenging market situation Rapala achieved its objectives and profitability improved.

Sports fishing equipment are sold and consumed globally and being close to customers as well as geographical expansion are essential strategic orientations for Rapala. During 2008 Rapala acquired new businesses and agreed exclusive supply contract with a company based in Taiwan. Through this arrangement Rapala expected rapid increase in revenues within the next 2-3 years. Supply chain was expanded within Europe as well when amongst Rapala's joint distribution companies were added subsidiaries in Czech Republic and Slovakia. In Russia, Rapala established two more distribution centres.

Future sights regarding global fishing equipment markets were challenging regardless of the fact that the industry has previously shown to be resistant against the cyclical nature of economy. As downturn was in progress, Rapala implemented various efficiency improvements as well as approved a strategic decision to expand its product categories by acquiring fishing line business called Sufix. In addition, the company continued to invest in R&D and launched several novel products into markets as well as introduced a large range of innovative products to be launched in the following year.

2009:

Rapala VMC. (2010). *2009 annual report of Rapala VMC*. Retrieved from <http://rapalavmc.com/sites/rapalavmc.com/files/rapalavmc/investors/RAPALA%20VUOSIKERTOMUS%202009.pdf>

Rapala VMC continued according to its strategy in 2009. Special attention was directed towards achieving a positive turn regarding cash flow and renewing the production and operations in China. After the measures concerning production in China, Rapala has four own plants and several subcontractors. This improves the ability to adjust the production according the fluctuations in demand.

Merger negotiations and co-operation projects continued in 2009. Rapala acquired a new brand and concluded a contract regarding commercialization of the brand in global sports fishing markets. In order to strengthen and expand the distribution network, Rapala established new distribution companies in Romania, Iceland and China.

Positive signs concerning the recovery of markets were shown in various geographical market segments in the latter part of the year. On the other hand, general uncertainty concerning the world economy can influence the markets through the increase in unemployment. Despite the slight uncertainty, Rapala developed novel innovations and launched various new products.

2010:

Rapala VMC. (2011). *2010 annual report of Rapala VMC*. Retrieved from http://rapalavmc.com/sites/rapalavmc.com/files/rapalavmc/investors/RAPALA_VUOSIKERTOMUS_2010.pdf

2010 was a record breaking year financially for Rapala VMC. All-time records were achieved regarding sales, operating profit and earnings per share. Remarkable step regarding growth was the acquisition of Dynamite Baits Ltd which strengthened Rapala's position in the fastest growing sports fishing segment in Europe.

Distribution network was further strengthened by completing the establishment of subsidiaries in Iceland and China as well as founding a new one in Belarus. The expansion of distribution network was planned to be continued in 2011 due to its growing strategic significance.

2011:

Rapala VMC. (2012). *2011 annual report of Rapala VMC*. Retrieved from http://rapalavmc.com/sites/rapalavmc.com/files/rapalavmc/investors/Vuosikertomus_Rapala2011FI.pdf

The global presence of Rapala VMC showed its importance during 2011 when weather, natural phenomena and uncertainty in economy characterized the markets. Regardless of the challenges Rapala's revenue grew in comparison with previous year.

Geographical expansion continued in 2011 and Rapala started manufacturing operations in Indonesia and opened purchasing office in Taiwan. Distribution network was expanded by founding new companies in Mexico, Indonesia and Kazakhstan. In Europe, a joint venture with Shimano was established in Great Britain.

2012:

Rapala VMC. (2013). *2012 annual report of Rapala VMC*. Retrieved from http://rapalavmc.com/sites/rapalavmc.com/files/rapalavmc/documents/TP_2012FIN.pdf

In 2012 Rapala had created a solid foundation for future growth though expanded distribution network with units in 35 different countries. In the beginning of 2012 Rapala continued expansion measures. The company accomplished two acquisitions in United States and Sweden as well as agreed supply contract with US based company. These projects helped Rapala to achieve leading position in global ice fishing segment. Distribution networks was strengthened in Latin America by establishing a new company in Chile.

Various new products were once again introduced for the becoming season which has been a continuous trend in Rapalas R&D policy and an important factor in brand loyal markets. In view of the future, the company continued negotiations concerning further acquisitions and expansions.

2013:

Rapala VMC. (2014). *2013 annual report of Rapala VMC*. Retrieved from http://rapalavmc.com/sites/rapalavmc.com/files/rapalavmc/documents/Rapala_TP_WEB_FL_FINALE.pdf

Rapala continued its stable financial performance. Even though total sales of the company decreased slightly, profitability improved. Global economy began once again to show signs of uncertainty and challenges concerning the near future.

Rapala made a decision to close down production in China and transfer operations to plants in Indonesia which have already grew to the largest lure factory in the world. Further negotiations regarding growth and expansion continued. Rapala managed to expand its customer base through several novel products as well as by launching updated versions of successful previous products and models.

2014:

Rapala VMC. (2015). *2014 annual report of Rapala VMC*. Retrieved from http://rapalavmc.com/sites/rapalavmc.com/files/rapalavmc/documents/Rapala_TP_WEB_FL.pdf

Year 2014 was challenging for Rapala. The business was decent within several market segments in Europe, Asia and North America but many of the largest market areas e.g. Russia suffered due to

political and economic uncertainties. In addition, measures regarding moving operations from China to Indonesia influenced the viability of the company.

Key figures

Rapala VMC	2008	2009	2010	2011	2012	2013	2014
R&D investments %/Revenue	0,70 %	0,90 %	0,80 %	0,70 %	0,70 %	0,60 %	0,70 %
Revenue M€	243	234,6	269,4	279,5	290,7	286,6	273,2
Operating result M€	31,3	22,1	31,3	30,7	25,9	26,1	22,9
Result for the accounting period M€	19,2	14,3	20,7	17,2	13,9	16,1	10,2
Current ratio	1,5	1,6	1,5	1,3	2,2	1,6	2,1
Equity ratio %	38,00 %	42,80 %	42,60 %	43,20 %	42,20 %	44,50 %	44,10 %

Rapala VMC has invested relatively small percentage of revenue in R&D but that is explained by the characteristics of the products. Further, the investments in R&D have maintained at the same level between 2008 and 2014. Rapala has not suffered significantly from global economic fluctuations and as mentioned earlier, demand in the industry is not very sensitive to follow general economic situation. However, fluctuations in the sports fishing business is in a matter created through brands and marketing. Thus, it has been essential for Rapala's success that the company has been able to continuously launch new products on time for upcoming fishing season.

Elecster

2008:

Elecster. (2009). *2008 annual report of Elecster*. Retrieved from http://www.elecster.fi/docs/Annual_report_2008.pdf

The operational environment of Elecster turned challenging during 2008. The global situation was uncertain and moreover the milk power scandal in China influenced Elecster's local factory. General financial circumstances affected Elecster's customers and potential customers as a lack of financing which realized as delays of deliveries.

Customer's ability to receive financing was even larger problem than decline regarding demand. In addition, increase in raw material prices provided challenges. Further, this meant uncertainties concerning market shares and prices of products in the markets.

2009:

Elecster. (2010). *2009 annual report of Elecster*. Retrieved from http://www.elecster.fi/docs/Annual_report_2009.pdf

World economy crisis continued to influence on Elecster's business in 2009. Customers were still struggling with the availability of finance which influenced the investment decisions. According to the company, this was a natural state regarding the industry and thus the demand of Elecster's products remained relatively stable, the company regarded its performance for the financial year as decent. Elecster has been investing heavily in marketing which provided results in a form of stable demand even during the challenging times.

During recent years, Elecster had emphasized the importance of marketing. The significance of investments in marketing is rationalized through references that can be gained from opening new markets or acquiring sales in new market segments. Because Elecster is selling investment products, the relevance of these references highlights.

Regarding Elecster's other products the year was difficult because of the increase in raw material prices and decreased volumes in sales. However, Elecster implemented various cost efficiency measures through which the expectations concerning the following year were optimistic. Because of the new references the company managed to strengthen its market position and investments in R&D as well as in marketing were to be continued.

2010:

Elecster. (2011). *2010 annual report of Elecster*. Retrieved from http://www.elecster.fi/docs/Annual_report_2010.pdf

In 2010, the operating environment of Elecster recovered. Customers of the company made more investments because of the availability of financing. Elecster strengthened its market position as well as managed to acquire new customers. However, in certain market segments the raw material costs increased significantly, which influenced the profitability of the company. In addition, increased material costs cannot be immediately transferred into product prices but Elecster was successful in levelling its financial results through launching new products and increasing total sales.

Future expectations in 2010 were cautiously hopeful. Elecster's references guaranteed strong positions regarding industrial products but accelerating price competition and increasing material costs weakened the views of consumer products. Elecster recovered from difficult financial times quickly and were back on a path of growth in 2010. The company estimated this growth trend to continue in 2011.

2011:

Elecster. (2012). *2011 annual report of Elecster*. Retrieved from http://www.elecster.fi/docs/Annual_report_2011.pdf

Elecster continued its strong performance in 2011. The company has reached great reputation worldwide with its total solutions and problem-solving innovations. Further, investments in marketing has proved to be effective and successful. Elecster also strengthened its local presence included in offering of total solutions and after sales services.

2012:

Elecster. (2013). *2012 annual report of Elecster*. Retrieved from http://www.elecster.fi/docs/Annual_report_2012.pdf

Year 2012 was characterized by the European debt crisis which influenced also the world outside Europe. Elecster is strongly focused on developing countries which means the demand is existing but global economic uncertainty influences the investments decisions of Elecster's customers.

Because of the achieved strong market position and illustrious references, Elecster's performance have not suffered in challenging times and circumstances. During uncertain times Elecster continued to develop its products and strengthening its most recent references in order to build foundation for future success.

2013:

Elecster. (2014). *2013 annual report of Elecster*. Retrieved from http://www.elecster.fi/docs/Annual_report_2013.pdf

Financial year 2013 was varied and contradictory. In several markets, the economy showed signs of positive development but on the other hand the unfavourable trend of currencies influenced Elecster's largest markets e.g. Russia and India. However, Elecster was successful in strengthening its market position through its reference plants.

Price competition as well as competition with local providers continued tightening. Elecster's production facilities and machines are from area of Euro currency which means that the company needs to continuously develop its excellence in supply and services in order to maintain its market position.

2014:

Elecster. (2015). *2014 annual report of Elecster*. Retrieved from http://www.elecster.fi/docs/Annual_report_2014.pdf

During 2014, development was positive in most of the Elecster's market areas. However, crisis in Ukraine and decrease in oil prices as well as negative development of Russian currency exchange rate influenced Elecster's business. Regardless of the contradictory market situation, Elecster maintained its strong market position with products used in over 80 different countries.

The company stated it would continue conquering the world. The potential demand is high in developing countries in which Elecster already have a solid position and the company is continuously developing new solutions into developing markets. However, decentralized market focus provide challenges from some market areas as well and e.g. the situation in Russia is likely to influence Elecster's business in the near future.

Key figures

Elecster	2008	2009	2010	2011	2012	2013	2014
R&D investments %/Revenue	2,50 %	2,50 %	2,40 %	2,10 %	2,40 %	2,30 %	2,30 %
Revenue M€	36,9	35,5	39,4	45,4	43,9	45,3	45,8
Operating result M€	2,4	2,3	2,6	3,4	3,4	3,5	4,3
Result for the accounting period M€	1,1	1,1	1,4	2,2	2,2	2,3	2,4
Current ratio	1,7	1,9	1,5	1,9	2,2	2,2	2,2
Equity ratio %	38,50 %	39,30 %	40,90 %	44,80 %	47,60 %	49,70 %	45,70 %

As it can be seen from key figures, the financial performance of Elecster has not suffered from challenging external circumstances during the period under review. Revenues and profitability have remained stable and slightly increased. Investments in R&D have been around 2, 5 % of the revenue and liquidity as well as capital structure of the company have been developing positively.

Elecster's references and reputation can be regarded as explaining factor considering the stable performance in challenging times with economic fluctuations. Elecster is operating in food processing and packaging industry and is especially focused on milk and dairy products. Within this industry, the demand is always existing and references as well as reputation can be an actual competitive advantage. Especially when considering that Elecster is selling solutions via strategic partnership.

Vaisala

2008:

Vaisala. (2009). *2008 annual report of Vaisala*. Retrieved from <http://www.vaisala.fi/fi/investors/reports/annualandinterimreports/2008/Tilinp%C3%A4%C3%A4t%C3%B6s%202008.pdf>

In 2008, Vaisala completed the implementation of new strategy. Organization was renewed towards more market-oriented and future growth was built on customer-orientation and concentration on selected market segments. Previously the company has followed more product-oriented strategy.

Amid challenging circumstances in the markets, Vaisala has been able to maintain its market position. Global market leadership position remains as a target in the future as well. In 2008, Vaisala's revenue increased in comparison with previous year but the costs of remarkable development and renewal projects in the organization contributed to the result of the company.

The company stated that global downturn had no significant influence on its operations in 2008 but the future was difficult to anticipate. However, major part of Vaisala's clientele are public actors and thus the company expected the market situation to continue stable in the near future.

2009:

Vaisala. (2010). *2009 annual report of Vaisala*. Retrieved from <http://www.vaisala.fi/fi/investors/reports/annualandinterimreports/2009/Tilinp%C3%A4%C3%A4t%C3%B6s%202009.pdf>

The year was first for Vaisala after the implementation of a new market-oriented strategy. Thus, the year was characterized by major changes in both culture and approaches. New strategy continues to require resources through which the future growth is built. In general, 2009 was a challenging year and the company did not quite achieve its targeted financial performance. However, it managed to maintain its market share.

The business of Vaisala was influenced by decreased margins and global economic circumstances. Regarding different geographic market segments, sales were highly varied. Profitability of the company was influenced also by tightening competition and acquisition of US based company that provides airport services which was implemented in order to strengthen Vaisala's position in airport weather service markets. Another US based company, Quixote Transportation Technologies Inc. was as well acquired during 2009.

2010:

Vaisala. (2011). *2010 annual report of Vaisala*. Retrieved from <http://www.vaisala.fi/fi/investors/reports/annualandinterimreports/2010/Tilinp%C3%A4%C3%A4t%C3%B6s%202010.pdf>

In 2010, results of new strategy began to show. Regardless of the recession, towards the end of the year Vaisala's performance turned positively even though the challenging times still had an effect on sales. Investments in R&D and services realized as well and during the year Vaisala launched a record amount of new products. Additionally, the revenue of service business increased by 20%.

The revenue of the entire Vaisla Group maintained at the level of previous year because of challenges in certain business areas and increased costs. Thus, the company implemented efficiency measures in order to adjust to prevailing circumstances. These measures included e.g. staff reductions and co-operation with suppliers in order to solve problems regarding availability of components.

2011:

Vaisala. (2012). *2011 annual report of Vaisala*. Retrieved from http://www.vaisala.fi/fi/investors/reports/annualandinterimreports/2011/Vaisala_tilinp%C3%A4t%C3%B6s_2011.pdf

2011 was a decent year for Vaisala when the company got back on growth era. Revenues and viability increased regardless of the fact that many customers under public administration still suffered from limited budgets. During the year, Vaisala also decided to reorganize its businesses by combining Meteorology and Weather Critical Operations business areas in order to focus more on projects and services. This has been a target on emphasis for a while for Vaisala and the company has managed to continuously increase its service business which achieved a share of 15 % of the revenue in 2011.

Vaisala has maintained its position both as a market leader in selected segments and as a technological pioneer. These have created a solid foundation for success and growth. Now the company focused more on market and customer-oriented strategy. Further, global presence close to the customers was increasingly moving towards the centre of the group's strategy. In addition, Vaisala was forced to rethink its customer segments as the global economic uncertainty continued to influence the availability of public funding. Thus, Vaisala began to focus its businesses more into private sector.

2012:

Vaisala. (2013). *2012 annual report of Vaisala*. Retrieved from <http://www.vaisala.fi/fi/investors/reports/annualandinterimreports/2012/Vaisalan%20Tilinp%C3%A4t%C3%B6s%202012.pdf>

Positive trend in Vaisala's performance continued in 2012 regardless of the challenging circumstances in the markets. The general economic uncertainty was still prevailing and it acted as restricting factor regarding growth for Vaisala. In addition, the company noted a changed trend in customers' purchase decisions which began to be smaller and more rapid.

During 2012, Vaisala continued to launch various new products into markets despite the prevailing uncertainty. According to company's target of maintaining technological leadership it is essential to continuously present new innovations to its customers.

2013:

Vaisala. (2014). *2013 annual report of Vaisala*. Retrieved from <http://www.vaisala.fi/fi/investors/reports/annualandinterimreports/2013/Vaisala%20tilinp%C3%A4%C3%B6stiedote%202013.pdf>

2013 was a challenging year for Vaisala. Global economic trend maintained negative and even though received orders increased in comparison with the previous year, total revenue of the company declined. Profitability dropped as well due to a decrease in sales.

Restricted public budgets along with the economic uncertainty influenced negatively on Vaisala's businesses. However, positive signs regarding the economic recovery was perceptible towards the end of the year. Export was negatively influenced through the strengthening of Euro currency. Despite the negative economic atmosphere, Vaisala continued executing its chosen strategic targets and made two acquisitions during the year in order to further strengthen its position in the markets. Additionally, various new products and solutions were launched into markets.

2014:

Vaisala. (2015). *2014 annual report of Vaisala*. Retrieved from <http://www.vaisala.fi/fi/investors/reports/annualandinterimreports/2014/Tilinp%C3%A4%C3%A4t%C3%B6s%202014.pdf>

The year started slow after a difficult previous year but ended with a record revenue in Vaisala's history. Most remarkable increase was in profitability which grew 46 % from previous year despite the fact that Vaisala invested heavily in R&D and integration of two recently acquired businesses.

Vaisala continued to invest in developing its competitiveness and increased R&D investments. The development of competitiveness was especially directed towards growing market segments. Further, Vaisala's Controlled Environment business area started geographical expansion actions and agreed novel supply contracts in over 10 different countries.

In the beginning of 2015 Vaisala made strategic decision to further reorganize its organization. The objective was to achieve improved efficiency and ability to answer customer needs. Another objective was to implement simplification of the organization structure in order to gain more flexible and fast responsive organization.

Key figures

Vaisala	2008	2009	2010	2011	2012	2013	2014
R&D investments %/Revenue	10,10 %	12,30 %	12,40 %	10,20 %	9,50 %	10,60 %	11,30 %
Revenue M€	242,5	231,8	253,2	273,6	293,3	273,2	299,7
Operating result M€	38	12	11,8	16,1	30,2	18,1	26,4
Result for the accounting period M€	28,4	6,9	10,2	10,4	21,7	10,9	23,4
Current ratio	3,6	3,1	2,4	2,4	2,6	2,3	2,4
Equity ratio %	82,40 %	81,50 %	76,00 %	73,70 %	74,90 %	71,60 %	70,6%

Vaisala has been investing relatively large percentage of its annual revenue in R&D which is naturally a lifeline for company that aims for technological leadership. Only in 2012 the percentage was lower than 10 % of the revenue. As it appears from the figures, drop in revenues or profitability have not influenced Vaisala's R&D investments.

Under the period under review Vaisala's revenues have not varied significantly and the company have managed to increase revenues from 2008 to 2014. The investments and implementation of new strategy as well as the restructuring measures in the organization have had an effect on profitability instead. However, the figures show that Vaisala's business is growing and it is likely that the profitability will follow that trend when the implementations and measures begin to realize completely. As it can be seen, Vaisala's liquidity and solvency have declined which can explained by the investments required for growth. However, both financial indicators maintain at excellent level.

5.2 Financial performance

As it appears from the chart representing revenues of the case companies from years 2008 – 2014, it can be stated that revenues have been on the rise or remained stable in majority of the cases. After 2009 the case companies have not had significant drops in revenues even though the challenging circumstances and uncertain atmosphere were still more or less prevailing. Additionally, crises encountered under the period under review concerning Eurozone and Russia did not have significant influence on sales. Simplifying, case companies with relatively low revenues have not suffered during the period under review. However, the revenues of those particular companies have not increased between the years 2008-2014. Companies with larger revenues have suffered more decreases in total sales but noteworthy is that in general the drops have been more significant early in the period under review than later, regardless of the fact that the operational environment of the companies remained more or less challenging during the entire period.

Operating results as well as the results for the accounting period have suffered more from the challenging years. However, because the net sales of the companies have remained much more stable, the drops in results are partly explained by investments in new products as well as growth and expansion measures which have been under implementation regardless of the challenging or uncertain circumstances. Further, majority of the case companies have been able to rapidly recover from low results.

Investments in R&D have remained at stable level during the period under review within the case companies. Teleste is the only company with a downward trend concerning the R&D investments. In general, the investments in R&D do not seem to be affected by external circumstances regarding the case companies.

Liquidity of the companies was measured by current ratio. As it appears from the diagram, Teleste is the only company with longer period of mediocre or passable liquidity. Solvency was measured through equity ratio and the indicator showed that during the years 2008-2014 it can be considered good or excellent within the case companies.

Financial performance follows the model from the research by Linnenluecke & Griffiths (2013):

2008: pre-disaster

2009: collapse

2010: recovery

2011: growth

2012: pre-disaster

2013: collapse

2014: recovery

General future sights remained challenging and uncertain during the period under review. The case companies implemented adjustment measures e.g. cost reduction, capacity adjustments and co-determination negotiations. However, these adjustment measures were generally implemented during pre-disaster stages (Linnenluecke & Griffiths, 2013) and thus the companies showed future awareness by adjusting before the performance dropped. Nonetheless, in collapse phase (Linnenluecke & Griffiths, 2013) the performance dropped regarding various case companies, which could be a sign of lacking resilience and unsuccessful adjustment measures. However, investments in R&D and growth continued through the challenging years and the companies recovered rapidly and returned to the path of growth. Further, despite the weakened market situation, the companies kept investing in future growth areas based on anticipation regarding market recovery. Alongside with ensuring the continuity of operations (adjustment measures, investments in R&D, sales, marketing etc.) this growth pursuit enabled the case companies to be ready to answer recovering demand in the markets.

To conclude:

- Revenues have remained or increased during the period under review. Case companies that experienced drops in 2009 recovered within a year to the level preceding the drop. Further, these particular companies did not receive significant drops in revenue later which is a sign of resilience.
- Regarding profitability, high-performing companies' (mutual ranking of case companies) profitability declined more significantly in comparison with the companies with lower performance.
- Similarly to the trend of revenues, the drops were not as significant later during the period under review showing better anticipation and adaptation ability. PKC Group was an exception after experiencing a continuous decline in profitability starting from 2012.
- Anticipation reason for adjustment measures rather than drop in performance

A vast majority of the companies emphasized the importance of investments in R&D as well as co-operation with customers regarding product development. Additionally, new services besides traditional and existing products were developed to broaden the offerings. Alongside with expansion

to business areas, this shows as increased net sales through improved response to customer expectations.

5.3 Cross case analysis

In this part of the study, I present cross-case analysis and findings from the nine cases in line with the theoretical framework of the study. Cross-case analysis is based on the information from the case companies (annual reports 2008-2014) and the theoretical framework. The analysis is based on themes selected to answer questions regarding strategic resilience of the nine case companies.

Next, I present the findings from cross-case analysis regarding these four challenges. In the analysis, external changes are presented as events and conditions the case companies have acknowledged to be changing and having an impact on the company. In addition, the actual impact is presented. Further, this part of the cross-case analysis is used to evaluate the competitive environment of the case companies consisting the conditions of changes (Equilibrium to equilibrium, temporary or continuous (Beck & Lengnick-Hall, 2005)).

Table 5-2: Cross case analysis - Change and impact

Case / Theme	External change	Influence
Ponsse	<ul style="list-style-type: none"> - Customers' investment capability - Equilibrium to equilibrium 	<ul style="list-style-type: none"> - Decline in core business' order flow
Exel Composites	<ul style="list-style-type: none"> - Consolidation of the industry - Growth in costs - Continuous/Temporary change 	<ul style="list-style-type: none"> - Larger market shares - Decrease in profitability
Vacon	<ul style="list-style-type: none"> - Global megatrends - Market focus towards developing countries - Energy regulations - Continuous change 	<ul style="list-style-type: none"> - Growing sales - Investments in production - Cost increase and profitability decline
Teleste	<ul style="list-style-type: none"> - Economic fluctuations - Increasing outsourcing of customers - Digital transition - Equilibrium to equilibrium/Continuous change 	<ul style="list-style-type: none"> - Decrease in sales - Possibilities

PKC Group	<ul style="list-style-type: none"> - Industry moving to Asia - Globalization and outsourcing as growing trends - Rapid fluctuations in demand - Continuous/temporary change 	<ul style="list-style-type: none"> - Expansion pressure - Fluctuating demand
Okmetic	<ul style="list-style-type: none"> - Strong economic fluctuations - Consolidation of the industry - Equilibrium to equilibrium/Continuous change 	<ul style="list-style-type: none"> - Heavy drops in demand/Over-heated markets - Price-competition
Rapala VMC	<ul style="list-style-type: none"> - Uncertain economy (unemployment) - Natural phenomena and weather - Equilibrium to equilibrium 	<ul style="list-style-type: none"> - Sales fluctuations
Elecster	<ul style="list-style-type: none"> - General economic and financial situation - Increase in raw material prices - Fluctuations in the value of currencies - Equilibrium to equilibrium 	<ul style="list-style-type: none"> - Customers' investing ability - Efficiency and competition pressures
Vaisala	<ul style="list-style-type: none"> - Global economic circumstances - Tightening competition - Availability of components - Temporary change 	<ul style="list-style-type: none"> - Funding difficulties of public sector - Pressure for efficiency and strengthening of market position

General downturn in global economy has an influence on all case companies in different ways. For some companies effects have been more influential than for others. During the period under review, the case companies have been able to recognize the most influential changes in their operating environment as well as the actual effects of those changes. Although the majority of the companies also encountered uncertainty and unpredictability during recent years the companies were able to take measures accordingly.

In the next section of cross-case analysis, measures taken by the companies in order to react previously presented external changes and influences are represented. These actions and measures are used to captivate the most influential actions and events contributing the resilience of the case

companies during the era of uncertainty and changes. Further, these measures are collected from the information available to explain how organizations have overcome the strategic, political and ideological challenges which are associated with actions of the companies.

Table 5-3: Cross-case analysis - Measures contributing to resilience

Case / Theme	Measures contributing resilience
Ponsse	<ul style="list-style-type: none"> - Continuous launching of new products - Investments in service business - 8-wheeler models, Pioneer, Changing the industry – create new demand - Presence close to customer segments
Exel Composites	<ul style="list-style-type: none"> - Strong focus in pultrusion and composites - New products
Vacon	<ul style="list-style-type: none"> - Product leadership, new products - Strong focus with low market share – growth potential with markets available - Global presence and sales network
Teleste	<ul style="list-style-type: none"> - From products to services - New solutions
PKC Group	<ul style="list-style-type: none"> - Strong expansion - Efficiency
Okmetic	<ul style="list-style-type: none"> - New products - Products & services - Continuous investments in production - Subcontractor network - Focus on high value-added products
Rapala VMC	<ul style="list-style-type: none"> - Continuous launching of new products - Brand value - Distribution network - Global presence
Elecster	<ul style="list-style-type: none"> - Reference plants and marketing – reputation and brand - Global presence - Strategic partnerships
Vaisala	<ul style="list-style-type: none"> - New products - Investments in service business - From products to market-orientation (projects and services) - Technological pioneer - Public and private sector customers

Because of the turbulent external conditions, the case companies have been eager to find alternative strategies. Ponsse has invested heavily in services in order to capture new source of revenue during challenging times when its customers' ability to invest influence the orders of its core products. Accordingly, Teleste, Okmetic and Vaisala have also recognized the possibilities in service business. Exel Composites have been aware of the becoming consolidation of the industry. The company started focusing strongly solely in pultrusion and composites and several acquisition were completed and unprofitable sports business was sold.

The challenge of allocating required resources from yesterday's product and service portfolio to tomorrows has been successfully met by the case companies. All of the companies have continuously invested in R&D as well as developing their organizations with various emphasizes e.g. sales, marketing, restructuring etc. Further, the case companies have continuously launched various new products regardless whether times have been difficult or not. Many of the companies have actually changed the industry with these new products based on position of being technological pioneer within the industry and thus created new demand which has partly been the reason why financial performance of the case companies have not significantly dropped during the challenging times.

The companies have also proven to be successful in moving from situational approach to continuous and opportunities. Continuous launching of new products is one example of this. Even during the challenging times with unpredictability in the future, the companies have adjusted with required and flexible measures such as staff reductions and production adjustments, but mostly the measures have been directed towards future opportunities. Companies have invested in operations and distribution networks in order to assure capability to answer demand when the conditions in the markets improve.

According to Beck and Lengnick-Hall (2005) the organization can achieve high performance through either adaptive fit or robust transformation depending on the level of change. Regarding the case companies, the external conditions have appeared at different levels during the period under review. On the other hand, economic fluctuations were more or less encountered by all the case companies during the period under review. Those fluctuations had different influence on each company but those were mainly considered as natural characteristics of the business today. Thus, the changes were considered to change from equilibrium to equilibrium and companies used adjustment measures in order to survive. However, various case companies have encountered temporary and continuous changes within their business environment as well. Thus, the changes have required more permanent measures. As presented when considering the four resilience challenges previously, these changes

have been continuous and opportunity-driven as well as continuous and long-lasting internal transitions.

According to Carmeli and Markman (2011) resilience can be generated through dominance or smallness depending on whether the company pursues growth through strong expansions and acquisitions or focuses on strengthening current position. Basically all case companies implement governance strategies which leads to a conclusion that every company pursues resilience. The table below is the cross-case analysis of these capture strategies at the case companies:

Table 5-4: Cross-case analysis - Growth

Case / Theme	Capture	Resilience
Ponsse	- No specific plans	- Through smallness
Exel Composites	- Acquisitions, consolidator	- Through dominance
Vacon	- New customer segments - Market share - Sales network	- Through dominance
Teleste	- Acquisitions	- Through dominance
PKC Group	- Acquisitions - Geographical expansion	- Through dominance
Okmetic	- No aggressive acquisitions or expansion plans	- Through smallness
Rapala VMC	- Geographical expansion - Distribution network	- Through dominance
Elecster	- Acquisitions - New plants - Strategic partnerships	- Through dominance
Vaisala	- Acquisitions - Geographical expansion - New customer segments	- Through dominance

The table shows that majority of the companies have expansion plans or they have executed aggressive growth and expansion before or during the period under review. Expansion and growth have not been dependent on general economy or situation within the industry. Neither have they been associated with financial performance. Case companies have pursued growth in order to gain a closer presence with the customers as well as to achieve broader geographical presence through distribution network or sales. On the other hand, some of the case companies have moved production units in low cost countries in order to achieve improved efficiency and answer to tightening competition.

5.4 Discussion

This study reviewed nine successful Finnish SMEs. The empirical part of the study was based on resilience theory encompassing the general aspects of resilience and strategic resilience as well as theories concerning resilience and the external environment of an organization. Most important theory regarding this thesis were challenges for strategically resilient organization (Hamel & Valikangas, 2003), high performance map (Beck & Lengenick-Hall, 2005) as well as capture and governance strategies (Carmeli & Markman, 2011). Additionally, pre-disaster, collapse and recovery phases (Linnenluecke & Griffiths, 2013) were used to describe the financial performance. In the process, these theoretical aspects contributed mostly to the findings of this thesis. Thus, these particular theories formed the theoretical framework for the study.

In this section I will first summarize the empirical part of the study under the theoretical framework and discuss the important findings. Secondly, I will revive the research question and objectives in order to evaluate whether were answered and achieved.

5.4.1 Case companies and findings

Ponsse was one of the companies encountering challenging global economy during the years 2008-2014. However, the company successfully maintained its position in the markets and achieved growth. The external changes were familiar for the company. Orders declined when customers' ability to invest suffered. Ponsse implement short-term adjustment measures for these fluctuating changes. At the same time, the company re-structured itself and reshaped its strategy. The most vulnerable to economic fluctuations was Ponsse's core business (products). Ponsse emphasized the importance of service business and maintenance, which on the other hand divided the emphasis of where revenues were gained and on the other hand lengthened the life-cycle of products and thus enabled more stable source of profits. Ponsse has been aware of what is changing and what kind of affects those changes

have on its businesses. As represented, the company has explored and implemented strategic alternatives as well as continuously pursued innovations. Additionally, **the company can be regarded as a disruptor in the markets through continuous launches of new products** (8-wheeler models). This position as a disruptor can be regarded as overcoming of the four challenges (Hamel & Valikangas, 2003): Awareness of changing customer expectations (more developed machines were required in increasingly challenging conditions) was answered by alternative strategy and tomorrow's solutions were developed. Further, this was not implemented incrementally and answering one-time need but rather continuously building the future success on this new innovativeness. Even though the traditional markets of the company have suffered from decline in demand, Ponsse have managed to pursue growth through this disruption. Additionally, the company reached pioneer position in the changing markets (towards cut-to-length method) when the segment concluded approximately 20% of the total markets. Ponsse is one of the companies with wide geographical presence in the world. Capture and governance strategies have been closely linked but for now it seems the company has come to end of an era of aggressive growth. The emphasis lays more strongly in strengthening presence close to customers and in selected market segments as well as in strengthening current market position.

Exel Composites began focusing on pultrusion and composites before the period under review. Range of acquisitions were followed by more during the years 2008-2014. Eventually the company sold its traditional sports business in order to further focus on composites. Consolidation of the industry was a nascent trend during the period under review but Exel Composites clearly anticipated this phenomenon. Larger market shares provided opportunities as well as challenges. In order to answer growing demand as well as struggling against increasing costs, the company encountered pressure for efficiency as well as transformation in order to adapt changes in its operating environment. Characteristics of resilient organization is an ability to continuously anticipate and adjust to critical strategic shifts (Reeves & Deimler, 2009). Exel Composites recognized the consolidation of the pultrusion industry when the markets were still scattered. However, **robust transformation from multi-industry business to strong focus in composites required overcoming all four resilience challenges** (Hamel & Valikangas, 2003). Changes in the future were anticipated (Cognitive challenge) and alternative focus strategy was taken under implementation (Strategic challenge). The company abandoned its traditional sports business (Political challenge) and serial of acquisitions paced transformation of the company (Ideological challenge).

Vacon suffered from global recession but it was not influencing the demand significantly. On the contrary, the global megatrends such as energy efficiency guaranteed existing and growing demand.

Similar to Exel Composites, Vacon has already focused solely on its core competence (AC drives). The company had reached a position of largest solely focused on AC drives company in the world. However, Vacon still possessed relatively low market share, which provided excellent growth opportunities as there exists large markets to capture. As the markets were moving strongly towards developing countries and Vacon had already implemented strong focus strategy, the company was able to concentrate on investing global presence and sales network in order to achieve growth. Large share of international activities are a common factor for all case companies but broad markets act not just as a hedge against fluctuations in demand. In developing markets with large market shares available the **global presence provides opportunities because of the fluctuations in demand. Capture strategy aimed for expansion and growth (New customers, distribution and sales network, acquisitions) alongside with strong governance strategy (strengthening global presence close to customers) enable the company to answer recovering demand and outperform competitors.** This sort of resilience through dominance (Carmeli & Markman, 2011) can be a way to successful growth when used proactively.

Similar to Ponsse, Teleste started to implement strategy directed from products (core-competence, traditional markets) to services. In contrast to Ponsse, which invested in services in order to equalize the contribution of products regarding total sales, Teleste was more driven by future opportunities (Strategic and Political challenge). Digital transition was in progress and in addition, Teleste's customers were increasingly outsourcing their technological operations. The company recognized growth opportunities in this field of business. Further, capture strategy (Carmeli & Markman, 2011) do not necessarily consist only acquisitions or expanding geographically or capturing new market segments. Teleste has used **expansion outside of traditional business not just as a hedge towards e.g. demand fluctuations but as a capture strategy in order to pursue growth.**

PKC Group suffered from rapid fluctuations in demand while trying to fulfil the expansion pressures followed by trends including industry movement to Asia and increasing outsourcing and globalization within the industry. Through aggressive acquisitions the company has managed to heavily increase its revenues but at the same time were forced to shut down production in Brazil. PKC Group continued to execute aggressive capture strategy during the period under review. In contrast to Ponsse, which had already reached critical size in order to answer demand and concentrate on organic growth, PKC Group encountered heavier expansion pressures. Acquisition of AEES **created a leading global supplier with unique customer portfolio and helped PKC Group to reach the critical size. With prevailing unpredictability regarding global economy and lack of industrial investments PKC Group pursued competitive advantage through dominance (Carmeli & Markman, 2011) where**

the company basically transformed by utilizing the external expansion pressures by aiming for new options and capabilities (Beck & Lengnick-Hall, 2005).

Business environment of Okmetic was strongly influenced by economic fluctuations which had affects especially on demand. This was shown as unpredictability and heavy declines as well as over-heating. Additionally, the industry was moving toward consolidation and larger players were forming within the industry which increased price competition. According to revenue, Okmetic was one of the smallest concerning the nine case companies. The company did not have aggressive capture strategy which refers to the fact that the company already has reached suitable size. However, the company hedged itself against challenges by strengthening sub-contractor network in order to manage with over-heating markets after downturns as well as expanded its service business in order to pursue new sources of revenue during low demand. In line with investments in production, Okmetic showed successful adaptive fit with external changes (Beck & Lengnick-Hall, 2005). **Relative smallness provided required flexibility in production concerning both adjusting and improving. Further, the company hedged itself against strong demand fluctuation through focusing on high value-added products which are not vulnerable for demand fluctuations.**

Rapala VMC was different amongst the case companies because its products are sold straight to consumers and the business is not too vulnerable for economic fluctuations but rather the demand varies according to weather and natural phenomena. Naturally, general economic situation can influence Rapala's business as well through e.g. increasing unemployment. Rapala's brand is an important factor concerning the success of the company at Rapala sort of updates its brand by continuously launching new products beforehand the next fishing season. In addition, during the challenging times Rapala has continuously invested and expanded its distribution network through which the company executes its successful capture strategy regarding acquisition of new customers. Worldwide distribution network mainly owned by the company provides broad geographical presence and supply for Rapala VMC and together with focused production in low-cost countries forms a foundation for future success.

Similar to Rapala VMC, Elecster relies on its strong reputation. The company has wide presence in the world regarding the use of its products which it aims to strengthen by pursuing strategic partnerships with its current and potential customers. These measures are attempts to adjust to tightening competition and efficiency pressures due to increase in raw material prices. Additionally, the company's investments in production have required capital in Eurozone, which means that Elecster suffers from fluctuations in the value of currencies. However, the company has built strong reputation through strategic partnerships and strategically selected reference plants which realize as

good reputation and partner among the customers and potential customers. Elecster is also one of the smallest case companies in this study and this **smallness provides the company flexibility concerning strategic decisions and investments during the challenging times**. Thus, instead of concentrating to adjustments measures e.g. production adjustments the company can focus on improving sales network / marketing and strengthening its presence close to its customers.

Vaisala was one of the companies who began to implement change in strategic direction during the period under review. Partly because of the challenging financial situation within its traditional market segments the company started to move from product-orientation towards market-orientation (Services and projects and from public sector to private sector). This was strategic alternative which was not forced by the difficult circumstance but rather an opportunity encountered when investments in general were at low level. Position of technological pioneer within the business provided solid foundation for expansion through acquisitions. Further, **traditional business continued existing (Continuous launching of new products) but has achieved a “right size” and in order to pursue future growth the company needed novel strategic alternatives and directions**. This “right size” means that a company has reached its growth potential regarding certain business or segment and for future growth needs to look elsewhere.

5.4.2 Revisiting the research objectives

The research question of this thesis was:

1. How Finnish SMEs have been able to succeed, change and adjust in challenging circumstances?

The answer for the research question was searched through the following research objectives

- 1. Examine how and why the case companies have changed and renewed*
- 2. Find out the contributing factors for resilience regarding the case companies*
- 3. Define a framework for identifying strategic resilience*

The first objective was accomplished in the empirical part of the study. Changes and renewal in case companies were analysed via contribution of four challenges for an organization willing to become truly resilient (Hamel & Valikangas, 2003). A resilient organization requires reactive adjustment ability as well as proactive and opportunistic renewal. As it appeared from the stories of the companies consisting the years from 2008 to 2014, all of the companies implemented small

adjustment measures when circumstances were challenges. However, those adjustment measures were in line with adaptive fit with the external environment (Beck & Lengnick-Hall, 2005) and implemented during natural changing conditions (equilibrium to equilibrium). More interesting findings were the changes and renewals that were not at the time forced by external factors.

Naturally the case companies implemented several smaller changes and organizational restructure measures during the period under review. However, there were two more significant repeated strategic renewals. Firstly, practically all of the case companies were in a position of technological pioneer in their industries with continuous launches of novel products. Still there was a clear trend amongst the case companies regarding broadening their offering from products to services and solutions. In contrast, another more significant type of renewing was even stronger focus on e.g. high value-added products or one particular industry. In these both situations of renewal, the companies were moving out of their traditional comfort-zone.

The second research objective was to find out how the selected companies have succeeded in turbulent era. The reasons for success were specified in cross-case analysis. All the companies are relatively focused on their core-competences consisting related services and side-products depending on the company in question. This has led to a position of a pioneer. The position is maintained by launching novel products practically every year. In addition, only few of the companies emphasized more aggressive improvement measures regarding sales and marketing but vast majority of the companies recognized the significance of global and close to customer presence.

Third objective was to define framework for identifying strategic resilience. First step was to analyse the financial performance of the companies. Years between 2008 and 2014 were selected because of the prevailing global challenges during the era. As it appeared from the analysis of financial indicators consisting the determinants of hidden champion and financial indicators in the empirical part of the study, the case companies' performance were good or excellent in general. In addition, as it appeared from the stories based on annual reports (2008-2014), every one of the companies achieved or exceeded their own targets for both yearly performance and growth.

In this thesis, a strategically resilient organization was expected to pursue growth and be successful regardless of the external circumstances and changes. In addition to financial performance this was measured by innovations and investments to R&D. The outcome was that new products were continuously launched regardless of financial performance or the external conditions. Many of the companies proved to be disruptors in the markets through innovations and reshaped the demand as well as the markets in general. Further, the external circumstances and influences of those conditions

were examined as well as the reasons for success regarding the case companies. It turned out that success factors had little to do with those influences. Thus, it is possible to conclude that the case companies were aware of challenges and capable of flexibility enabling them to react to small or temporary changes (Equilibrium to equilibrium or temporary change) through relatively small adjustment measures. Further, the opportunism required for strategic resilience (Hamel & Valikangas, 2003) was a characteristic within the case companies as the success factors were not forced by external factors but rather despite of those challenges.

Another theme under examination was the growth of the case companies and how it was pursued. According to Carmeli and Markman (2011) resilience is a function of an ongoing combination of capture and governance strategies which have a completely dependent influence on organization's resilience. Further, organizations are continuously connected with their environments and searching for different levels of fit in order to maintain competitive and less vulnerable to external forces and threats (Beck & Lengenick-Hall, 2005). Strategies as well as resilience can be regarded as ways to answer external forces and reduce the vulnerability to unexpected events. However, the environment provides opportunities as well. Resilience is achieved through dominance or smallness, depending on whether the capture strategy is used or not (Carmeli & Markman, 2011). Majority of the case companies aimed for further capturing new markets, business, customers etc. The growth was pursued through acquisitions of companies and markets or geographically through distribution and sales networks. After the companies reached the right or targeted size, governance strategy was emphasized more. According to the findings, companies pursued resilience through dominance and smallness depending on the opportunities in the markets. The growth through different forms of capture strategies was an aim for majority of the companies regardless that most were already holding a position of a market leader.

To conclude, certain framework for characteristics of strategic resilience can be drawn from the study. Successful financial performance act as a determinant for low trauma (Hamel & Valikangas, 2003) and as a starting point if it is acknowledged that companies have encountered external challenges and threats. Secondly, the ability to disrupt markets and create new demand through innovations regardless of external factors can be seen as characteristics of strategic resilience and opportunism. Additionally, it is a way to influence the markets rather than just reactively follow competitors and markets in general. Further, achieving growth through change is a suitable measurement for changing before conditions forces the change. As it appeared from the empirical part of the study, the companies did not change as forced by external changes and threats but rather because of strategic decisions aiming for profitable growth and new market captures.

6. Conclusions

All companies face changes in their operating environments, be they adverse or positive. Changes in market dynamics or inside the firm may have a substantial impact on the competitive advantage of the firm. Reactive response to such developments may sustain the operations of a company, but it leaves the firm blind to future changes and can seem like putting out fires. Strategic resilience in an enterprise refers to the constant capacity of anticipating changes, accommodating to them and emerging somehow better from the event. In some cases, a firm may leverage a change and turn it into a competitive advantage. Ultimately, the firms that can overcome adverse changes in both their external and internal operating environments are the ones that remain on a trend of sustainable growth.

The aim of this study was to assess strategic resilience in firms through a sample of the nine Finnish SMEs' stories under a time period that was determined to be challenging and uncertain. The companies overcame the different challenges brought on by this time and a majority of them achieved growth during the period. Interestingly, the companies analysed did not regard most of the external challenges as direct threats, but were rather opportunity-driven, pursuing growth through appropriate strategic decisions.

Although resilience can be regarded as a dynamic way of changing and shaping strategies and operations (Hamel & Valikangas, 2003), it is insufficient to view strategies for growth and development as disparate or isolated tools inside the firm. What also needs to be understood, is how these strategies function when circumstances change. Thus events and changes in business environments are important when considering the resilience of a company. By integrating a preparedness for change, a firm is better equipped to execute the aforementioned strategies by being less dependent on changes in its operating environment.

The vast majority of the case companies had expanded their businesses heavily throughout their history. Furthermore, the expansion within the companies in the sample was executed both geographically and within the markets. This mitigates business risk through diversification. From the perspective of strategic resilience, such expansion is a way to reduce dependency on external threats. Coherently, the case companies commonly considered continuous growth as a strategic choice.

The resilient companies analysed in this paper reported relatively heavy investments into R&D, stating that pioneering in select markets are major objectives. Moreover, launching new products and services indicate a high level of preparedness to meet political challenges (Hamel & Valikangas,

2003). As mentioned, major changes were rather offensive than defensive and viewed as opportunities rather than crises or turnarounds, which shows opportunity-driven renewal that is essential regarding the ideological challenge (Hamel & Valikangas, 2003). Thus, case companies in general showed movement into proactive strategies instead of reactive, which is a key factor in order to become a successful actor in challenging circumstances (Hollnagel et al., 2007).

The analysis of financial performance suggests that the case companies have the required ability to adjust. During the period under review the companies implemented several small adjustment measures in order to adapt changing conditions but these did not affect the volume which the companies operate. This shows as stable or growing revenue. Further, combined with capture strategies (growth), the companies showed business continuity (R&D, pioneering) regardless of the financial performance which distinguishes the resilient companies from just successful ones. In addition, as it can be seen from the profitability of the case companies, success is evident until the performance drops. There is a difference between comparison of revenue and profitability. Revenue can indicate success through growth and accomplishing to fulfil the need of customers. However, it is not justified to combine that with resilience. Rapid recoveries demonstrate that the case companies have internal capabilities required to adjust environmental shifts. Furthermore, growth and findings presented earlier shows as well the capability of capitalizing from these shifts.

Using the selected theories as a framework for examining the case companies provided practical contributors for building strategic resilience. The four challenges for becoming strategically resilient (Hamel & Valikangas, 2003) proved to be a premise for resilience. The cases supported the theory and the challenges were accomplished by the case companies within the frames of this study. For strategic resilience, it is noteworthy that paying attention for these challenges should be done proactively and regardless of any adverse event. Furthermore, transformations as well as smaller renewals should be implemented following the opportunities. Additionally, identifying these opportunities positions within the four challenges.

In general, the changes and renewals among the case companies were not forced but rather opportunistic. Thus, the external conditions have an impact on renewal and transformation pressures regarding an organization. Depending on the changing conditions, a company can adapt or transform in order to flourish in new circumstances (Beck & Lengenick-Hall, 2005). During the period under review (2008-2014) the case companies operated in environment where the near future remained uncertain. Thus, continuous adjustment was required. Larger scale transformation processes were manifested as well and they were driven by environmental changes but from the aspect of resilience, it cannot be concluded that either adaptive fit or robust transformation would lead to increased

resilience. However, the cases suggest that recognition of external changes beforehand and transforming or renewing towards utilizing the opportunities provided by future's prevailing circumstances contributes resilience. Furthermore, the cases underpin that these opportunities new captures (e.g. segments, customers, products) for a company.

Pursuing global presence and growth provides both hedge and opportunities because of the fluctuations in demand (External threat). Capture and governance strategies are effectively used by the case companies in order to answer rapid fluctuations in demand. (Spreading the risks as well as achieving capability to rapidly answer recovering demand). Thus, even though the company grows it becomes actually more flexible in today's global markets. Similarly, exploring possibilities and markets outside the traditional comfort-zone, can generate new growth opportunities as well as provide hedge against the fluctuations in demand.

Resilience through dominance (Carmeli & Markman, 2011) is effective during the unpredictable and uncertain times when the company can grow and/or transform through utilizing the external circumstances and pursue new capabilities especially if the company has potential and ability for growth. After reaching a state where growth potential is used, governance strategy (Carmeli & Markman, 2011) is on the center on emphasis and resilience is pursued through smallness and measures aimed for position strengthening. Thus, growth is contributing to resilience but not in a traditional way. Regarding resilience, growth is considered rather an expansion than increasing the size of a company. Thus, in contrast to capture and governance theory, capture strategy can realize as organic growth. Then resilience is pursued through relative smallness and flexibility but capture strategy is still executed by investments in R&D and strengthening other internal capabilities.

6.1 Areas of future research

The world is becoming even more turbulent as recent events have showed and this uncertainty keeps influencing the world of business as well. Resilience is an increasingly interest-provoking subject in business and companies operating in tightening competition are seeking new opportunities. Strategic resilience still requires more research and more practical ways to implement it as a proactive strategy and capability of an organization.

It is difficult to understand business as separate actors because they belong in global economic system which continued to broaden. However, the field of research regarding strategic resilience would benefit from deep single-case study of one selected company or even one particularly chosen change.

Through that sort of research it would be possible to get more perspective about the anticipations and reasons regarding one particular event or decision. That would provide deeper insight of strategic resilience and act as platform for testing achieved hypothesis in order to generalize it across the limits of a single organization or even industry.

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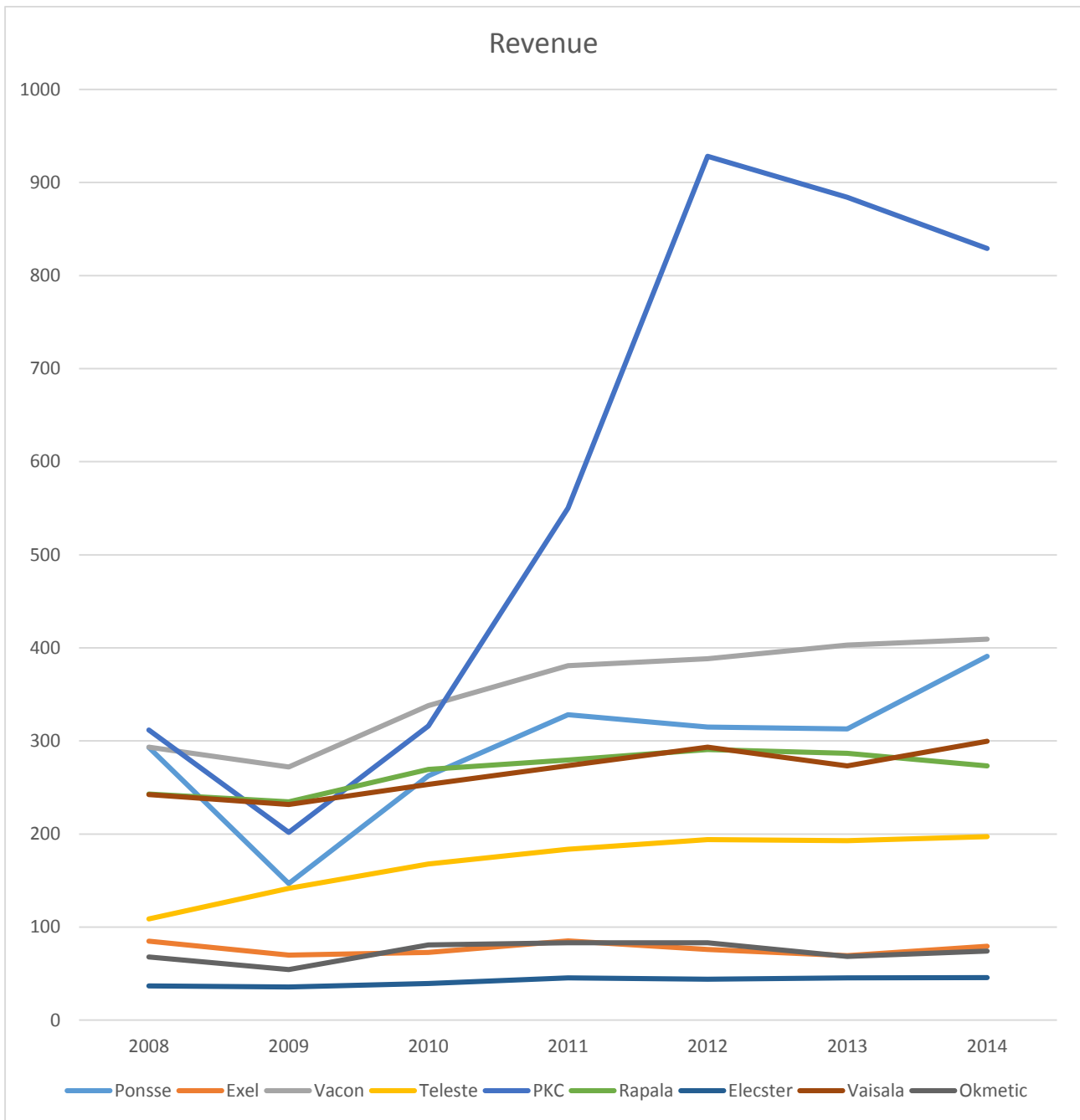
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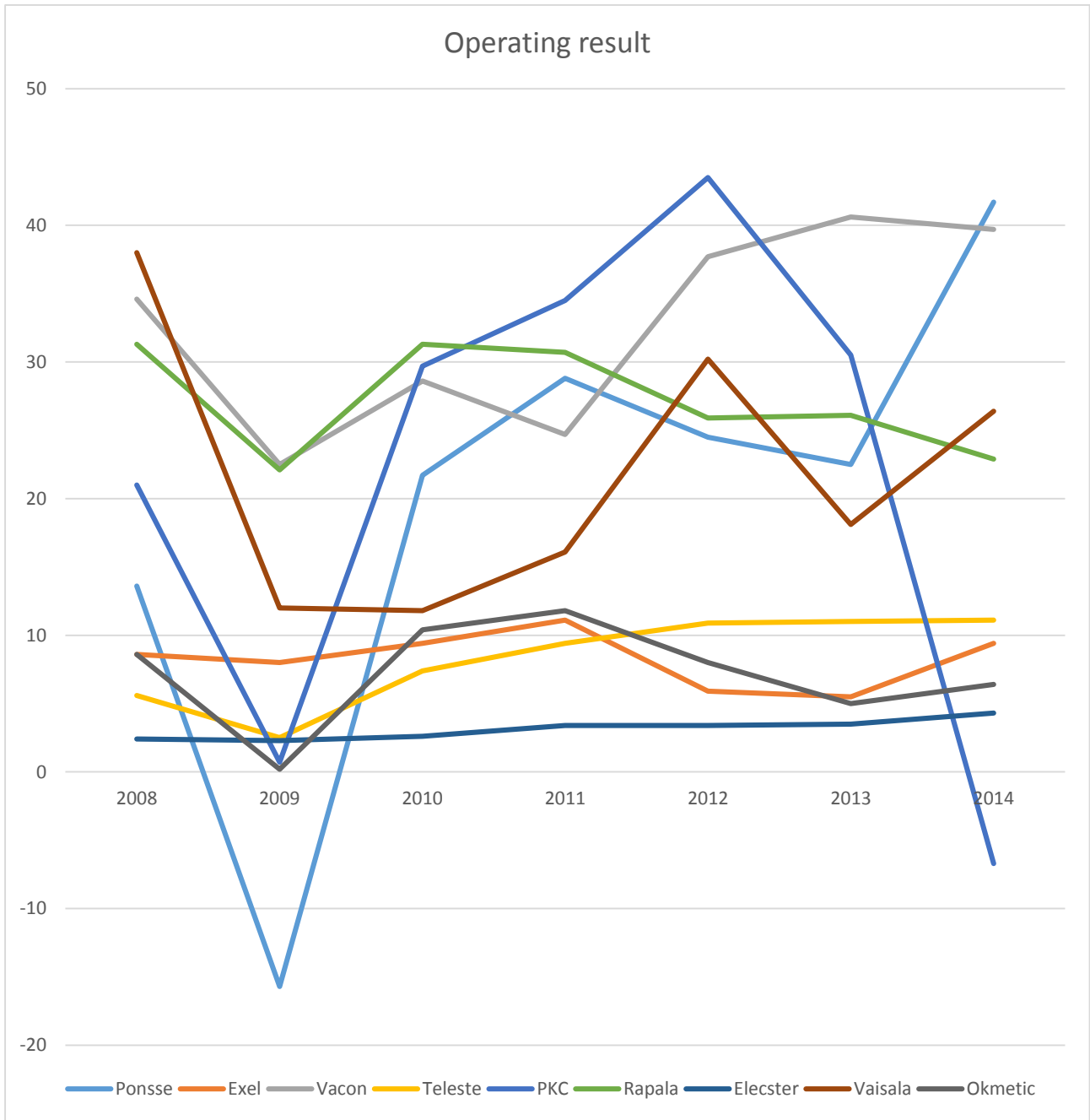
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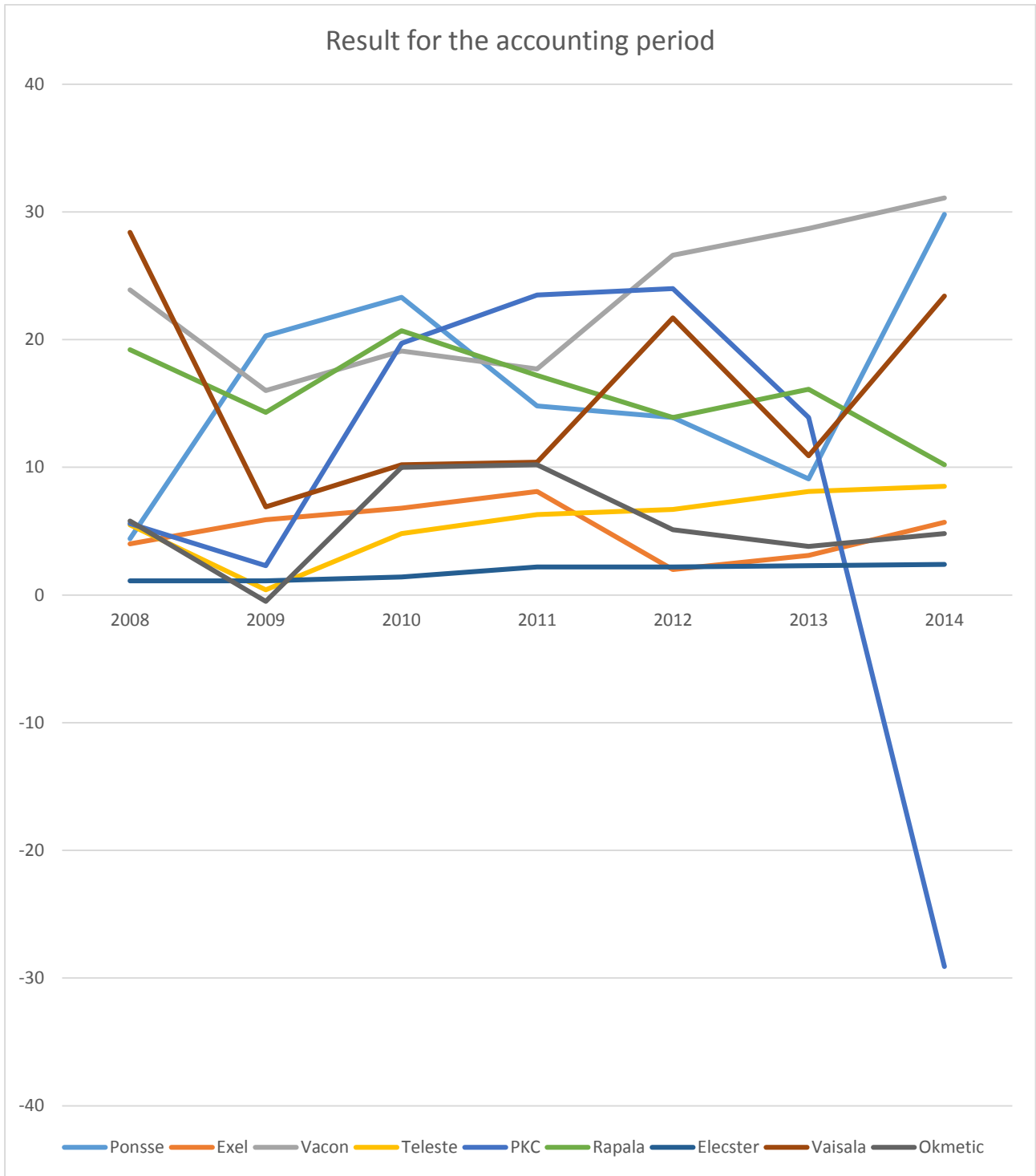
Appendices



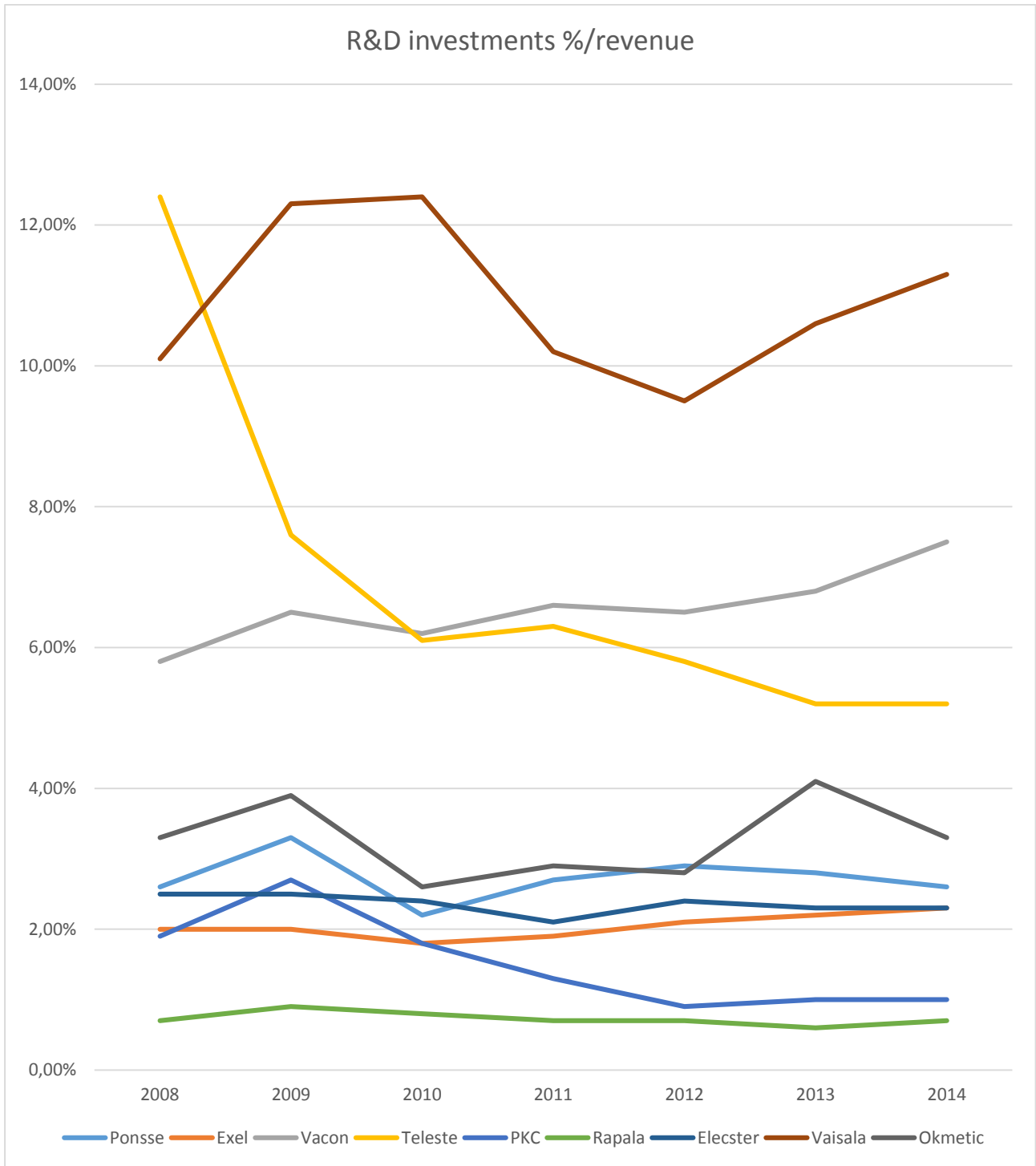
Appendix 1: Revenue



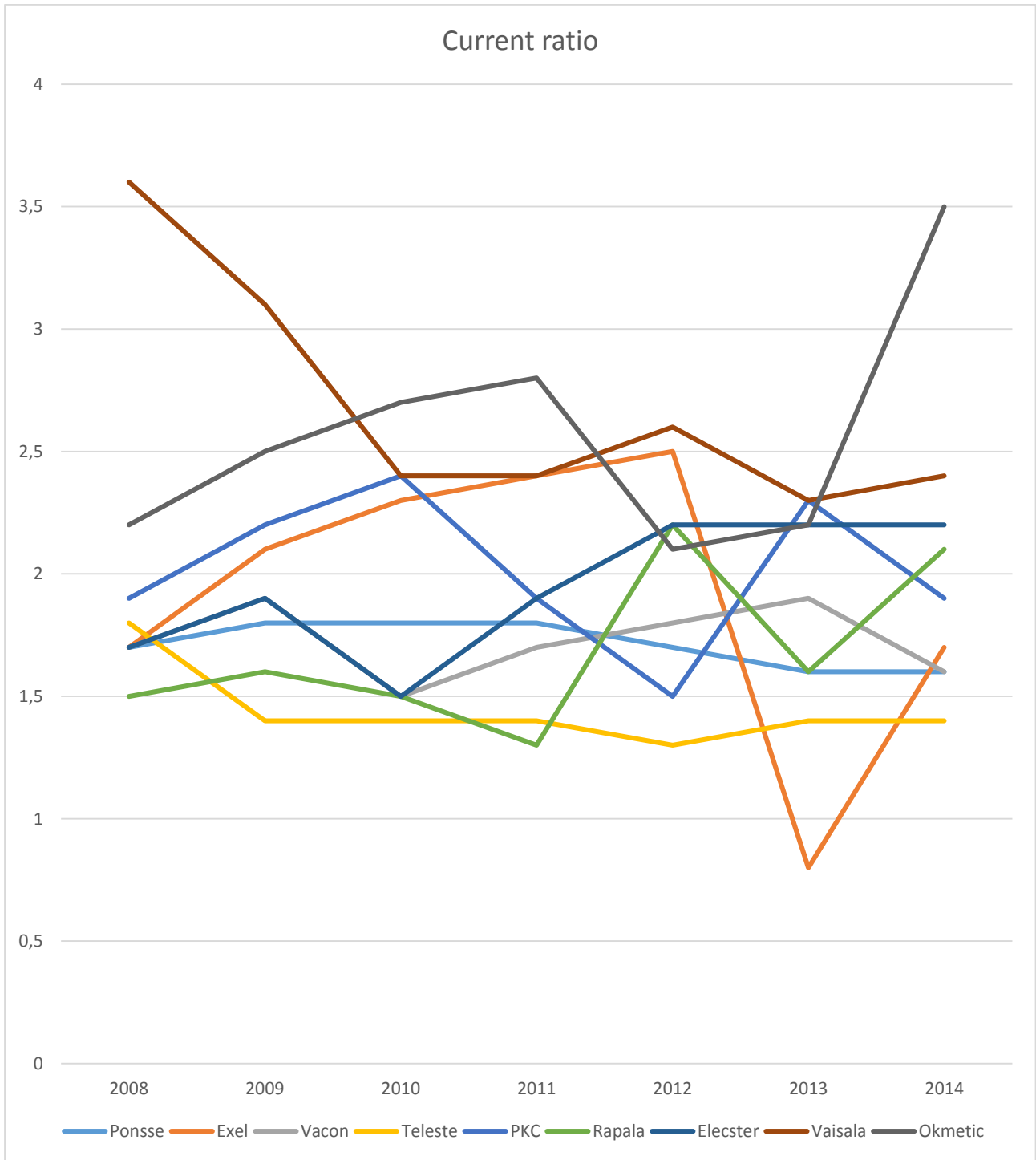
Appendix 2: Operating result



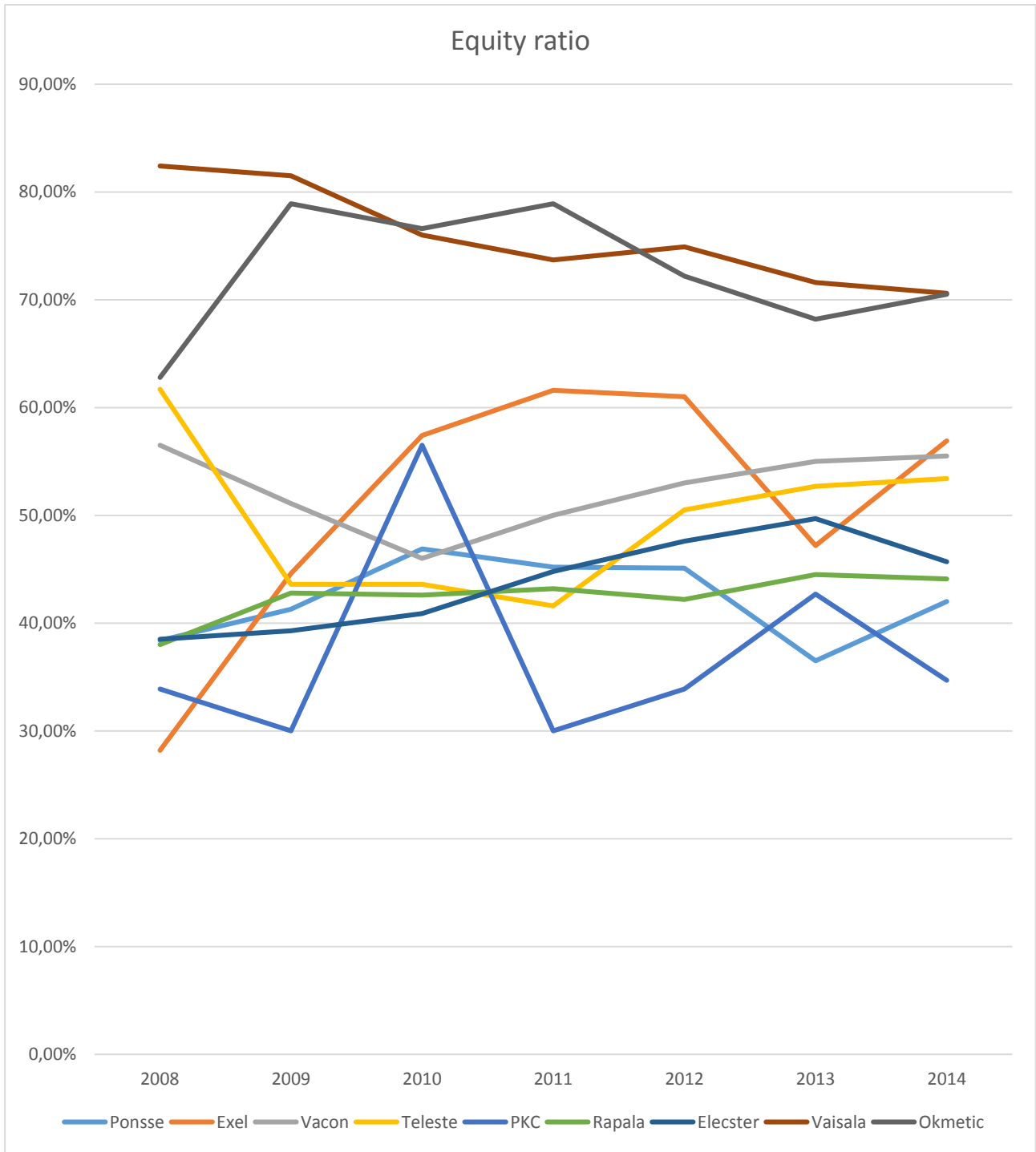
Appendix 3: Result for the accounting period



Appendix 4: R&D investments



Appendix 5: Current ratio



Appendix 6: Equity ratio