



Expansion Strategy Implementation for SMEs

Karaoulanis Andreas, MBA, MsEng

Alpha Bank A.E., 40 Stadiou str., 10252 Athens, Greece

andrekaroul@gmail.com

ABSTRACT

The aim of this paper is to introduce some specific strategies SMEs should implement in order to expand to new markets and grow. The author underlines the importance of the three pillars upon which SMEs should establish a concrete strategy. These pillars are the following: adopt disruptive new technologies, focus more on customers and expand into new markets.

Key words

SMEs; Strategy; strategic business plan; disruptive technologies; customer focus; new markets.

Academic Discipline and Sub- Disciplines

Economics; Strategy; Management

TYPE (METHOD/ APPROACH)

Literary Analysis



Council for Innovative Research

Peer Review Research Publishing System

Journal: Journal of Social Sciences Research

Vol. 9, No.2

jssreditor.cir@gmail.com

www.jssronline.com



1. INTRODUCTION

The main goal of this paper is to stress some main strategic steps a small and medium size enterprise (SME) should take in order to develop its business and expand. According to EU laws and regulations, small enterprises, are the ones which have less than 50 employees and a turnover or a balance sheet total with less than 10 million Euros (ec.europa.eu, n.d.). The author focus on SMEs which address to both price sensitive and performance conscious customers (Best, 2014, p.194)¹ and not to a specific market segment.

2. WHAT STRATEGIES TO IMPLEMENT IN ORDER TO DEVELOP BUSINESSES

2.1. Make a strategic business plan.

A strategic business plan aims to pair the objectives of the company with the needs of the market (Scott S,n.d.) The company, has to initially define its strategic objectives in a way that all the members involved in the business will have a clear perspective of what it struggles to achieve the next years. This will make employees understand the company's priorities and objectives and focus on that direction (Collis and Rukstad, 2008). In accordance to the above mentioned, the first step SMEs should take, in order to expand, is to define their objectives via a strategic business plan. In order to implement such a business plan, SMEs should conduct extensive market research, business trends and competitors analyses. They should have as their strategic objective to emphasize on exports in several other, i.e. European countries and develop a better network and selling platforms for communicating and selling their goods. Overall, must create a marketing² advantage via a positive customer value³.

2.2. Focusing on customers and develop new products.

SMEs, in order to be described as market-oriented, should have the channels needed in order to listen to their customers, understand their needs and develop the products and services needed in order to meet these needs (Dawar, 2013, p.103). Developing new products in order to satisfy their customers' needs, should be the critical success factor⁴ which SMEs should pursue in order to achieve a better market orientation and sell in bigger volumes (Mindtools, n.d.). SMEs should decide the purpose of their communication with their customers, which can be, i.e. to advertise their products, learn their customers' habits and preferences, or getting their feedback about potential aspects that may arise. Getting a feedback from their customers, is very important as it is the sender's "receipt", that the whole communication was successful (Tonquist, 2008). Communication with customers can be achieved, by establishing an online interactive platform and by selling products online as well, and not only via distributing points. In that way, SMEs will increase sells and will have a more intimate interaction with their clients in order to communicate with them more effectively.

In today's competitive world, customers tend to be less brand-loyal, to expect more from companies and products and of course they have much more choices (Best, 2014), so in order to create loyal customers and attract new ones, SMEs is imperative to be more customer focused. It is important to develop an online center for managing dissatisfied customers, because dissatisfied customers can damage profitability and they usually are very willing to share their dissatisfaction with others (Best, 2014). In order to develop a successful brand, SMEs should build a community around their business (Beesley, 2013). They can achieve this target via certain online platforms, such as, communicating via their site or via online social platforms, such as facebook, twitter etc. Also, they can participate in many activities like in local events in their home country or abroad, such as big festivals, having certain philanthropic activities etc.

2.3. Customers' market access-awareness.

Customer awareness of the company's products is a very crucial paragon. Without customer awareness of the products and access to them via certain channels, the company will have a reduced opportunity for selling (Best, 2014, p.169). SMEs, usually access markets via small distribution points, such as grocery stores, mall stores etc. This could be a problem in order to expand their market share in the future, so they should expand their distribution web in order to create more customer awareness, accessibility and better selling opportunities. This can be achieved via the collaboration with other bigger distribution points which can attract more potential customers, i.e. small supermarket chains, in order to have reduced costs and achieve a better publicity thus more customers' market access-awareness. Customer awareness can also be achieved by promoting their products in a more agile way, i.e. not only via tv or radio channels, due to the expenses needed, but via digital marketing, such as mobile messaging and internet by using e-mails and MSP platforms such as Google, Yahoo, or social media. In this way, SMEs can build their brand image, create interest in their products, and motivate customers to act (Best, 2014, p.319).

2.4. Reach of new markets.

¹ Price-sensitive customers are attracted by a lower purchase price, while performance-conscious are attracted by superior performance and are ready to pay a premium price for it (Best, 2014, p.194).

² "Businesses that can create a superior customer value with high levels of market share and brand awareness, along with broad product lines and highly effective distribution systems, have a marketing advantage" (Best, 2014, p.195).

³ We have a positive customer value, when the cost of purchase does not exceed the performance benefits (Best, 2014).

⁴ With the term "critical success factor" we mean areas of activities that should receive constant and careful attention from management, according to Mindtools.com (n.d.).



Another strategic step for SMEs, should be to start exporting into new markets, especially when their home markets are small or saturated. Before entering in new markets, SMEs should investigate each one of them in order to understand the current needs of the market, its orientation, and their potential competitors. They should also determine in which specific local market segment they should address their products, to define this target market segment and develop their policies and products accordingly (Best, 2014, pp.161,210, 218). In order to proceed in such a step, SMEs should increase their personnel, equipment and facilities, which inevitably leads to more expenses. This is why it is very important to be able to have access to monetary funding, i.e. via several commercial banks, which handle specific EU financing programs, such as JEREMIE for SMEs etc. in order to increase personnel, equipment and facilities due to their expansion.

2.5. Find Partners or joint ventures.

It might be helpful for SMEs to find one or more partners in the same industry, because partners can add capital, or knowledge, or both, in order to proceed to their expansion plans with success. Help can be useful in terms of administrating, technology development and personnel. This collaboration can be a kind of agreement between partners, in terms of service offerings, combination of marketing lists, package deals on both businesses etc. In that way, SMEs can keep their autonomy and still having the help of another company, which has both familiarity and expertise in the same field (morebusiness.com, 2010).

On the other hand, collaborations cannot be achieved without rules. Partners have to converge in their strategic goals, the size of their market power must be modest compared with industry leaders, each partner must have to learn something from the other while restricting access to its proprietary skills (Hamel et al., 1989, p.135). As a way to infiltrate in new countries-markets, SMEs should seek collaboration with native companies of the specific country, something which could be very crucial for their first steps in this new market. It is important here to notice that collaborations can take the form of co-branding, which takes advantage of the potential synergy of two brands that share the same market space (Best, 2014, p.258).

2.6. Digital disruption-customer relationship orientation and use of MSPs.

SMEs, in order to communicate more effectively with their customers and earn more money, should enhance their digital presence with a more attractive and customer friendly online site. They should create an online buying platform inside the site and cooperate with one or more MSPs⁵ (Managed Service Provider), such as Visa, Mastercard, Paypal etc. or to create a better platform (do-it-yourself approach) in order to avoid being holdup by MSPs (Hagiu and Yoffie, 2009). Building this kind of digital bridge or relationship with their customers is not a very costly thing to do, and the price for doing that is keep on falling (McQuivey, 2013). Small businesses usually are slower than big businesses in adopting new Information and communication technologies (ICTs). So in order to achieve a competitive advantage, SMEs can adopt ICTs, via a well arranged and developed internet network (OECD, 2004). As technology evolves rapidly, SMEs can adopt disruptive technologies, such as:

- **Social media.** Customers nowadays, can be influencers of even thousands of people. As Wilson et al. (2011) indicated, a bank customer who was qualified under normal situations for the lowest level of service had about 100,000 followers on twitter. This example underlines the importance of social media, such as Facebook, Twitter, LinkedIn, YouTube, blogs etc., which can also build individualized and responsive relationships with customers (Best, 2014, p.309). It will be useful for SMEs to open account in social media platforms, and with the right strategy (i.e. target customers, create groups etc.) to be able to demonstrate their products and influence their potential customers. In that way they can also listen to their current or potential customers comments (Wilson et al., 2011, p.23) and gain insight into improving services and products (Best, 2014, p.312). Social media marketing includes social networks, content sharing, rating sites, and location-based services (Best, 2014, p.311).
- **Use of innovative platforms,** such as the NCR's new "SILVER POS" which enables small business owners taking payments and managing their entire business with one POS (point of sale) solution. This platform operates on Apple devices such as iPad, iPhone and iPod Touch (Duluth, n.d.). If SMEs will be able to adopt such innovative and disruptive technologies, could bring a real revolution to their operational status, as the owners could manage their companies while they are on transit or even from home.

2.7. Successful strategy implementation.

Equally, if not more important with strategic decision taking, is the successful strategy execution. Although a company can make an impressive entrance in a new market, or get a bigger share in an existing one due to a brilliant strategic decision, only a solid thus successful execution can keep it there (Neilson et al., 2008). If SMEs want to implement the above mentioned strategic steps in order to expand and get a better market share, is absolutely imperative to follow a continuous monitoring and a re-evaluation of their strategy in order to ensure that is keeping processing towards their predefined aims (Mindtools, n.d.)

3. CONCLUSIONS

⁵ Managed Services is the proactive management of an IT (Information Technology) asset or object, by a third party typically known as a MSP, on behalf of a customer. The operative distinction that sets apart a MSP is the proactive delivery of their service, as compared to reactive IT services, which have been around for decades (MSP Alliance, 2012).



SMEs nowadays, have to adopt certain strategic steps in order to expand and claim a bigger market share in the future. One way to achieve such a goal is to restructure their whole business model in order to do the above mentioned strategic steps, something which must be done systematically and with patience. Patience is the secret sauce of success, as Johnson et al. (2008, 59) indicated. It is the author's prevalent idea that SMEs should strive to adopt disruptive new technologies, focus more on their customers and expand into new markets in order to succeed.

REFERENCES

- [1] Best, Roger, 2014, Market-based Management. 6th ed. Pearson new international edition USA: Pearson Education Limited
- [2] Beesley, Caron, 2013. 10 Tips to help you build and grow a stand-out small business brand. Sba.gov.[blog]2013. Available at : <<http://www.sba.gov/community/blogs/10-tips-help-you-build-and-grow-stand-out-small-business-brand>> [Accessed 04 April 2014]
- [3] Collis, J.Davis&Rukstad, G.Michael, 2008.Can you say what your strategy is? Harvard Business Review,86(4), pp.82-90.
- [4] Dawar N, 2013. When marketing is strategy. Harvard Business Review,91(12),pp.100-108.
- [5] Duluth, Ga. n.d. NCR web site[on line]. Available at :<<http://www.ncr.com/newsroom/resources/silver-launch>> [Accessed 30 April 2014].
- [6] Ec.europa.eu. (n.d.).What is a SME[online].Available at:<http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm>[Accesses 01 May 2014]
- [7] Hagiu,Andrei and Yoffie,B. David,(2009) What's your google strategy? Harvard Business Review,87(4), p.74 -81.
- [8] Hamel, Gary; Doz, L.Yves; Prahalad, C.K.(1989)Collaborate with your competitors and win. Harvard Business Review, 67(1), pp.133-139.
- Investingreece.gov.gr.(n.d.).Food and beverage. Anatural growth industry[online] .Available at:<<http://www.investingreece.gov.gr/default.asp?pid=36§orID=40&la=1>> [Accessed 01 May 2014]
- [9] Johnson,W.Mark; Christenses ,M.Clayton;Kagermann, Henning.(2008) Harvard Business Review,86(12), pp.51 -59.
- [10] McQuivey, L.James, 2013. CMOs: Build digital relationships or die.Blogs.hbr.org [blog],5 June. Available at:<<http://www.blogs.hbr.org/2013/06/cm-os-build-digital-relationships-or-die/>>[accessed 23 April 2014]
- [11] Mindtools, n.d. Critical success factors.Identifying the things that really matter for success.[online]. Available at:<http://www.mindtools.com/pages/article/newLDR_80.htm> [Accessed 01 May 2014]
- [12] Morebusiness.com.(2010). 5Small business growth strategy tips[online].Available at :<<http://www.morebusiness.com/business-development-strategies>>[Accessed 01 May 2014].
- [13] MSPAlliance, (2012). Definition of Managed Services [online]. Available at: <<http://www.msppalliance.com/blog/definition-of-managed-services/>> [Accessed 13 October 2015].
- [14] Neilson, L.Gary; Martin, L.Karla, Powers, Elizabeth.(2008)The secrets to successful strategy execution. Harvard Business Review, 86(6), pp. 60-70.
- [15] OECD (2004), ICT, E-Business and Small and Medium Enterprises,[pdf] *OECD Digital Economy Papers*, No. 86,OECD Publishing. Available at:<<http://dx.doi.org/10.1787/232556551425>> [Accessed 30 April 2014]
- [16] OvidijusJurevicius.(n.d.) What is vertical integration.Strategicmanagementinsight.com [online].Available at:<<http://www.strategicmanagementinsight.com/topics/vertical-integration.html>> [Accessed 01 May 2014]
- [17] Scott, Sherrie, n.d. What is a strategic business plan. Strategicmanagementinsight.com.[online]. Available at :<<http://www.strategicmanagementinsight.com/topics/vertical-integration.html>> [Accessed 04 May 2014].
- [18] Tonnquist Bo, 2008, Project Management. Sweden: SanomaUtbildning.
- [19] Wilson, H.James; Guinan, PJ; Parise, Salvatore; Weinberg,D.Bruce. What's your social media strategy? Harvard Business Review,89(7/8), pp.23-25.



Andreas Karaoulanis, MBA, MsEng is currently working in the banking sector in Greece. He has an MBA degree in Industrial Management and Economics from Blekinge Institute of Technology Sweden and a MSc in Engineering from Aristotle University of Thessaloniki. He is very experienced after 25 years of working in several industries like engineering, banking, retail and consulting. He is a Linked In blogger with many managerial posts.