



THE DOMESTIC GROWTH PROCESS OF A MICRO /SMALL COMPANY

Lappeenranta–Lahti University of Technology LUT

Master's programme in International Business and Entrepreneurship, master's thesis

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Elina Leppä

Examiners: Associate Professor Mikko Pynnönen

Post-Doctoral Researcher Hannes Velt

ABSTRACT

Lappeenranta–Lahti University of Technology LUT

LUT School of Business and Management

Business Administration

Elina Leppä

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Keywords: Organic growth process, micro & small company growth, domestic growth

SME companies hold an important position in countries' economies and create jobs. Alone in Finland, micro firms count approximately 94% of all companies. Company growth vital part of firm's life cycle and increase the possibilities of existence. Many earlier studies focus on the small firm growth in theoretical level or growth by internationalizing. Internationalizing however is not always relevant and domestic growth can be better for a small company.

Firms have different strategies in growth. External growth means growth via partnerships or mergers and acquisition. This thesis studies only at the organic growth which occurs by increasing operations such as expanding into another market or location. More specifically, this thesis looks at the organic growth which occurs domestically.

This thesis aimed at finding out the common process which occurs when micro and small companies are growing domestically. The aim was to create a comprehensive and practical process chart of most common events in the growth process. The chart describes different stages, events and challenges of organic growth into another location. The chart may contribute to the entrepreneurship community by giving information and example in where and how to start the growth process. The growth in micro and small firms can only occur when entrepreneurs desire and possess entrepreneurial orientation towards growth and opportunities.

This master's study is conducted as a qualitative case study. A qualitative interview was held to entrepreneurs who already have experienced and completed a successful domestic market growth. The interviewees are SME companies which are operating in Finland, operate in business-to-consumers market, and have at least two domestic locations.

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Pk-yrityksillä on tärkeä asema maiden talouksissa ja ne luovat työpaikkoja. Yksin Suomessa mikroyrityksiä on noin 94 % kaikista yrityksistä. Yrityksen kasvu tärkeä osa yrityksen elinkaarta ja lisää olemassaolon mahdollisuuksia. Monet aiemmat tutkimukset keskittyvät pienyritysten kasvuun teoreettisella tasolla tai kasvuun kansainvälistymällä. Kansainvälistyminen ei kuitenkaan aina ole mahdollista ja kotimainen kasvu voi olla pienelle yritykselle parempi.

Yrityksillä on erilaisia kasvustrategioita. Ulkoinen kasvu tarkoittaa kasvua kumppanuuksien tai fuusioiden ja yritysostojen kautta. Tässä opinnäytetyössä tarkastellaan vain orgaanista kasvua, joka syntyy toiminnan lisäämisestä, kuten laajentumisesta toiseen lokaatioon. Tarkemmin sanottuna tässä opinnäytetyössä tarkastellaan kotimaassa tapahtuvaa orgaanista kasvua.

Tämän opinnäytetyön tavoitteena oli selvittää yleinen prosessi, joka tapahtuu mikro- ja pienyritysten kasvaessa kotimaassa. Tavoitteena oli luoda kattava ja käytännöllinen prosessikaavio kasvun yleisimmistä tapahtumista. Kaaviossa kuvataan orgaanisen kasvun eri vaiheita, tapahtumia ja haasteita. Kaavio voi auttaa yrittäjyhteisöä antamalla tietoa ja esimerkkejä siitä, mistä ja miten kasvuprosessi kannattaa aloittaa. Mikro- ja pienyritysten kasvu voi tapahtua vain, jos se on yrittäjät lähtöistä.

Tämä maisteritutkimus tehtiin laadullisena tapaustutkimuksena ja sisälsi haastatteluja yrittäjien kanssa, jotka ovat jo kokeneet uuden toimipaikan kasvun kotimarkkinoilla. Haastateltavat ovat Suomessa toimivia pk-yrityksiä, jotka toimivat kuluttajamarkkinoilla ja joilla on vähintään kaksi kotimaista toimipaikkaa.

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1 Introduction

In 2021 out of all Finnish companies, 94,9% were micro companies. However, those companies created only 18,4% of total revenue created by Finnish companies (Statistics Finland, 2023). Small and new firms hold an important position in creating new jobs (Wiklund, 1998, 1). Especially the growth of small firms has been seen to positively affect the unemployment. (Dobbs & Hamilton, 2007)

Many young firms fail to find successful operations or profitable business in their early years. According to statistics, in 2016 every other young small firm in Finland shut down their firm within five years of starting business. Many of them were shut down due to bankruptcy. (Statistics Finland, 2017) Young small companies which experience growth have twice the possibility to stay in business compared to those small young companies which do not grow (Philips & Kirchoff, 1989) Small and micro companies are more like to benefit from domestic growth rather than internationalization. This domestic growth could result beneficially to the total created revenue by micro companies as well as to the survival of the company itself.

Academic research has already some amount of research made concerning the growth of SME companies, internationalization and the selected growth strategies, modes as well as motivation and reasoning behind the growth. However, as Tunberg & Anderson (2020) also stated, this type of domestic growth process is still missing from the academic small firm growth literature. Sandberg (2014) also stated that the detailed store opening process, which occur and is needed when companies are growing, is missing from the academic literature.

This master's thesis will look at the micro and small company's organic growth which occurs by expanding into a new domestic market or city. More precisely, this thesis aims to look at the process and stages along the way which occur when small and micro firms are organically growing into new location within its domestic markets. Tunberg & Anderson (2020) claim that future research should focus more on the growth process and understanding the process instead of measuring different growth dimensions.

1.1 Background of the study

When researchers discuss firm growth, they often refer to high technology startups, which need to internationalize their operations to have enough large markets. Leminen & Westerlund (2008) claim the same statement. They state that for many Finnish technology companies' growth means automatically internationalizing their operations. According to them, Finland has too small market size for these kinds of companies to survive. (Leminen & Westerlund, 2008) Most growth studies focus on new ventures and large companies and leave out the small firms (Pasanen, 2007).

However, Finland has many companies which provide local consumer products and services which do not need to internationalize. Small firms hold an important position in local communities and local economies even though these firms would not have the highest growth rates (Pasanen, 2007). For these companies, domestic growth would be more optimal and often internationalization is not even reasonable. According to Varamäki & Tornikoski (2007) many Finnish SME companies neither require nor support growth. Growth research should shift away from the companies which have exceptional and high growth to those companies which growth is more typical and moderate. This is since most firm's do not grow at all or grow much at least. (Tunberg & Anderson, 2020) Organic growth is also seen to create more jobs compared to external growth (Pasanen, 2007).

1.2 Micro and small firms

Company sizes have official measurements based on their number of employees and turnover or balance sheet total. European Union has made an official definition for micro, small and medium sized companies. Micro company is defined as a company which has a less than 2000 000€ turnover or balance sheet total and employs less than 10 people.

Firm size	Number of employees	Turnover & balance sheet total
Micro firm	Less than 10 employees	Less than 2 000 000€
Small Firm	Max 50 employees	Less than 10 000 000€

Table 1 Frame of micro and small firms (European Union, 2015)

Small and Medium Sized (SME) companies are defined as companies who employ maximum of 250 employees and their turnover and balance sheet total are less than 50 000 000€. Among SME companies, small companies are defined as companies which have turnover and balance sheet total less than 10 000 000€ and employs less than 50 people. (European Union, 2015)

1.3 Domestic growth

Domestic means activities, situations, and events which occur in one selected country (Collins, 2023). Domestic growth is a growth which occurs in the company's domestic markets. Domestic growth or expansion into another market can mean expansion within the same city they are operating or to a new city or area. Selecting and expanding to another domestic market is an important decision. New local environment impacts the growth of a small firm and can have a significant influence on the growth success.

1.4 Statement of the problem

New stores are constantly opening in the case of retail stores as well as service stores. Even though academic literature withholds a lot of research based on small business growth, it is lacking the literature on the growth process. Process chart or outline of new store or location opening will not be precisely similar for each company. However, a clear and general process picture of generally occurring events and general timeline can assist and guide entrepreneurs with their expansion events.

Replication strategy and clear process details are important for the process of opening a new store or location. Penetrating existing or new markets needs a lot of attention and a strong project management since it often withholds external as well as internal resources. (Sandberg, 2014)

1.5 Aim of the research and research questions

This master's thesis aims to find and generalise common steps among different companies which have organically grown into new domestic location. The expectation is that the organic domestic growth has similar durations and steps from planning to implementing and running the new location. Even though the industries are different among the interviewees, the expectation is that a commonality is there since all interviewees are operating in the B2C sector.

The aim of this thesis is to increase the awareness and understanding towards micro/small firm's growth in their domestic markets. Many researchers and studies are focusing on the internationalisation of a company or to the growth modes of domestic growth. Instead of focusing and aiming on the larger growth entities, this thesis will discuss the organic growth in the company's domestic markets and the growth's processes and phases. This study aims to give small and micro companies a clear vision of small firm's growth and more importantly, a process or guidelines which to follow in case of possible domestic growth. This study aims to find common phases and steps in domestic growth.

The main research question of this thesis is:

How should domestic market expansion /growth be done by a micro or small company?

Sub-research questions are:

Sub-question 1: How the expansion process starts?

Sub-question 2: What steps are included when expanding into another domestic location?

Sub-question 3: What are common challenges during the expansion process?

With these research questions this thesis should be able to provide an expansion / growth process chart. This process chart can further be used to help micro or small firm's entrepreneurs to grow and expand their business into new locations and to increase their profits or turnover. The process chart will look at the practical side of the expansion and include topics such as selection, planning, preparation, implementation and operation of the new location.

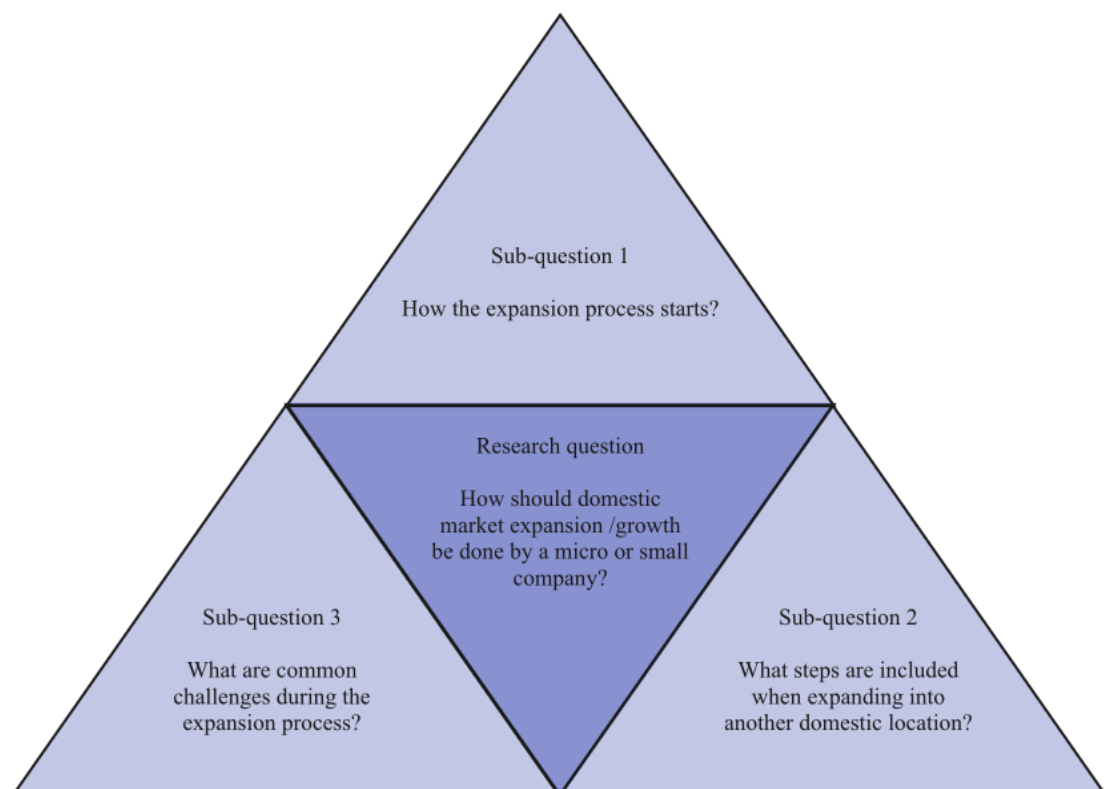


Figure 1 Research questions

This thesis aims to contribute to the SME entrepreneur community by providing information as well as a process chart on the growth process of a micro or small firm. By providing this information and chart, entrepreneurs can better assess their capabilities to grow domestically. This thesis also aims to contribute by providing information which can help an entrepreneur to start their domestic growth process, especially if these entrepreneurs are unconfident or unsure where to start.

1.6 Research methodology

This thesis is a qualitative descriptive case study. This thesis will use academic articles and studies to collect and review literature connected to firm growth and its processes. In addition to literary review this thesis will include a series of interviews to get information from experienced entrepreneurs. The result of the study is to create a process chart of firm growth and its steps. This result will be formed based on the literature review and answers from the interviews.

Case study is a suitable research method for gathering insight and understanding and when answering to research question such as why and how. Case studies are empirical research and use data collection such as interviews. (Farquhar, 2012) The interviews are formed as semi-structured theme interviews. Semi-structured theme interviews held with common chosen interviews themes which are same for each interviewee. Theme interviews enable better understanding of each interviewee's interpretations. (Hirsjärvi & Hurme, 2000, 47 - 48). These interviews are held via online meetings. Interview results are analysed with qualitative content analysis. Qualitative content analysis is a method for analysing and interpreting qualitative interviews and data (Elo et al., 2014).

The interviews are held with Finnish companies. These companies can currently be larger than micro or small company, however during their growth time the companies must have been micro or small size. The interviews are held with the founder, entrepreneur, CEO, or with the person who has been responsible for the growth operations. The interviews are held in Finnish or in English.

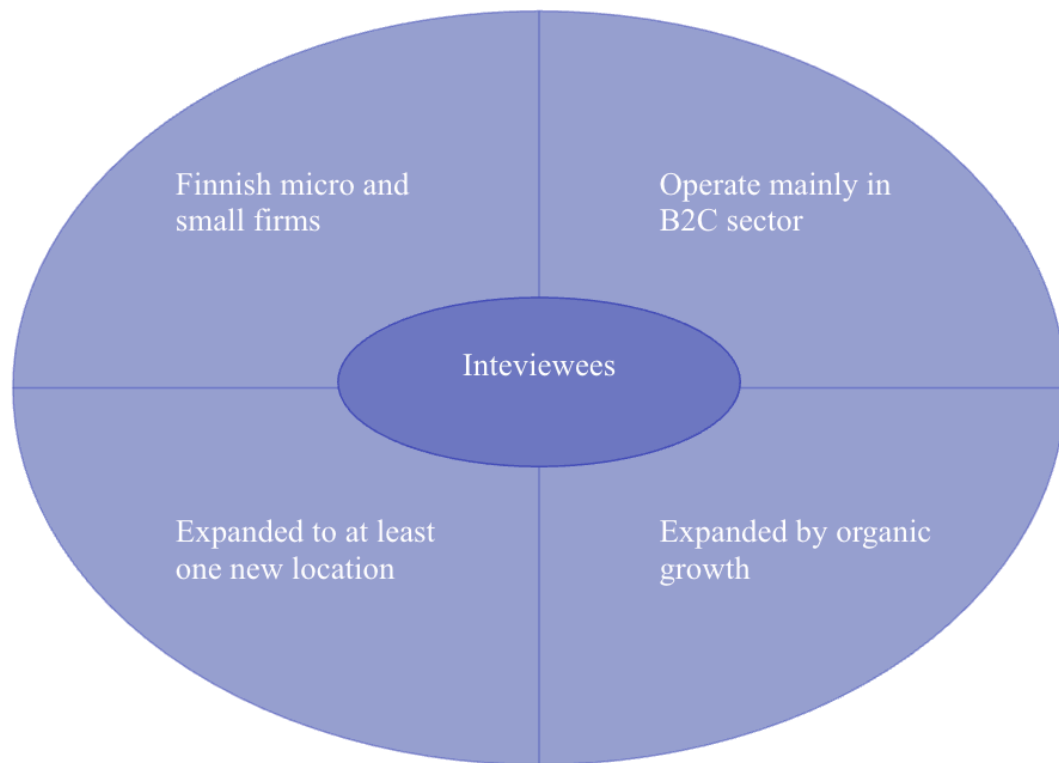


Figure 2 Interviewee requirements

The interview companies must all be mainly operating in the B2C markets. No other industry requirements are set. Possible types of companies which are often expanding to other domestic locations are wellness or beauty salons, gyms, car dealerships, restaurants or cafes, and clothing stores.

1.7 Delimitations

This thesis will focus only on micro and small companies' growth. All the companies studied in this thesis are Finnish companies which have grown at least to one new domestic market or location. The interview companies must be mainly operating in the business-to-consumer markets.

This thesis will only focus on the organic growth of the micro or small companies. It will only study those company expansions which have occurred through opening a new site in a new location within the company's domestic markets. This study will not look at the growth which has occurred via franchising, joint partnership or via company mergers and acquisitions.

1.8 Ethicalness of the study

This thesis includes a series of interviews held to selected entrepreneurs. When conducting and writing the interviews the general data protection regulations need to be remembered and respected. All the interviewee information will be held securely and deleted once the thesis is done. No unnecessary personal information will be collected. All the interviewees will also remain anonyms and their personal information will not be presented in the thesis. This thesis will only present the general information of the interviewee companies in question. The interviewee companies are only asked necessary questions in order to find needed answers based on the research questions. No other unnecessary questions or questions related to personal information will be asked.

1.9 Structure

This master thesis withholds seven chapters. These chapters present the overall introduction to the thesis and its topics, the theoretical part presenting studies of micro and small business growth, empirical part of the study, findings gathered from the interviews and lastly, the results, conclusions and future research.

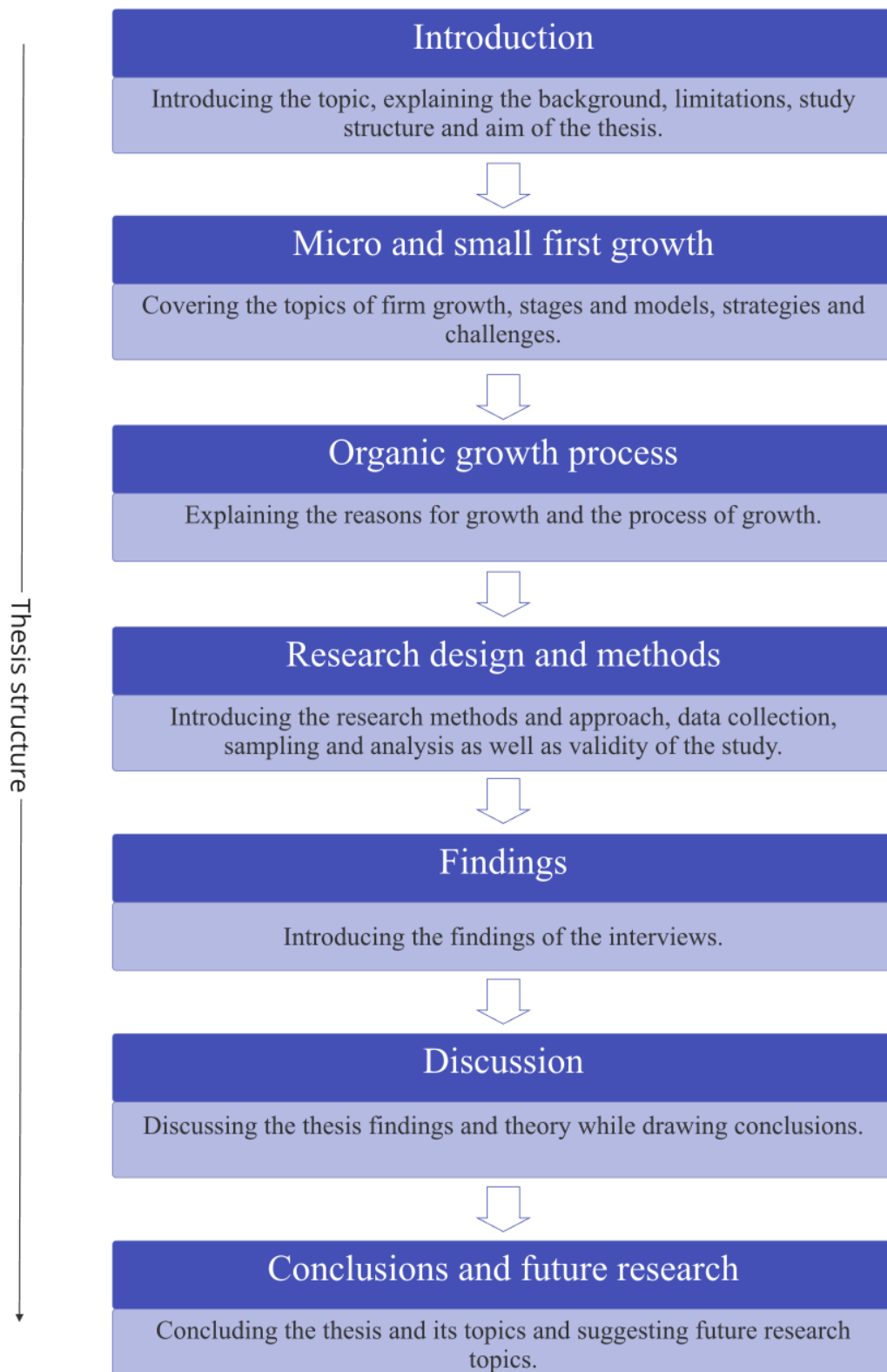


Figure 3 Thesis structure

Figure 3 above illustrates the structure of this thesis. The figure also concludes the main outcomes of each chapter. Introductory chapter introduces the topic in general as well as the reasons behind the study. In order to get a comprehensive and clear picture regarding company growth, the first theoretical chapter includes basic theory and strategies regarding micro and small firms' growth. The second theoretical chapter discusses the reasons and motivations behind growth as well as introduces the process of growth.

After the theoretical chapters, this thesis introduces the chosen research methodology and design. The chapter in question also discusses the data gathering, sampling and analysing as well as the reliability of this study. Once these topics have been covered, the following chapter presents the findings of the interview in a structured manner. These findings are concluded, discussed, and combined with theory in the next chapter. Finally, this thesis concludes in the final chapter while future research topics are introduced.

2 Micro and Small firm growth

Large and old firms have better premises and more competitive advantages for growth compared to small and new firms. This is due to better resources, more experience and knowledge, more comprehensive connections, better access to funding options, and successful experiences from the past. Smaller firms hold difficult position due to the power and competitive advantages of large firms. (Penrose, 2009) Many firms stay small during their whole economic lifecycle even though some growth can occur. Significant growth is rare. (Birley & Westhead, 1990) Small businesses have also more complex and uncertain nature in growth. This is due to the heterogeneous nature and environment of small business activities. (Macpherson & Holt, 2007)

In small firms, the decision making, control of capital and firm ownership is usually behind one person (owner or founder). This person is more capable of steering the firm into the direction that they prefer. In large companies, the decision making is shared among many persons. These decision makers are hired professionals as the ownership and control of the company is separated. In publicly listed companies these professional decision makers are accountable to shareholders. (Glancey, 1998, 19)

2.1 Firm growth

Growth is a diverse concept and companies' growth paths differ from each other. Growth means positive increase in firm's turnover during a timespan. Growth can also be measured or reviewed from the number of employees or changes in profits or balance sheet. (Lappalainen, 2008) Firm growth means increasing and expanding a company's operations into new markets (Leminen & Westerlund, 2008). Growth can include the expansion of current establishments as well as the multiplication of current establishments (Wiklund, 1998, 12). Small companies tend to grow faster compared to larger companies. However, as the small comp any grows their growth speed decreases as their size increases. (Park & Jang, 2010, 370)



Figure 4 Different perceptions of firm growth (Lappalainen, 2008), (Leminen & Westerlund, 2008).

Growth can be seen as result of a process which has increased company size or improved the quality. Growth is a process which happens when the conditions are in favour. The maximum expansion which firms can perform is determined by the amount of resources available. These resources include existing assets and new resources, labour, and current output. The resources are based on the entrepreneur's expectation and control the expansion. (Penrose, 2009) According to Pasanen (2007) growth needs at least one of the following preconditions: growth orientation from the entrepreneur, existing market opportunity, and lastly sufficient firm resources.

Small firm growth is affected by the market it is operating in. Different market types can be divided into three different groups. These different markets are dynamic environment, hostile environment, and environmental heterogeneity. In dynamic environment change is continuous and instable. These market behaviours cause that different growth opportunities arise from social, economic, technological, or political changes. Hostile environments are often not suitable for small firm growth. In hostile environment the rivalry can be very hard or firm's demand decreasing. Lastly, the environmental heterogeneity describes the market's complexity. Heterogeneous markets often include complex market segments which provides

a better segmentation for a small firm. In homogenous markets, specific market niche is hard to find. (Wiklund. et al., 2009)

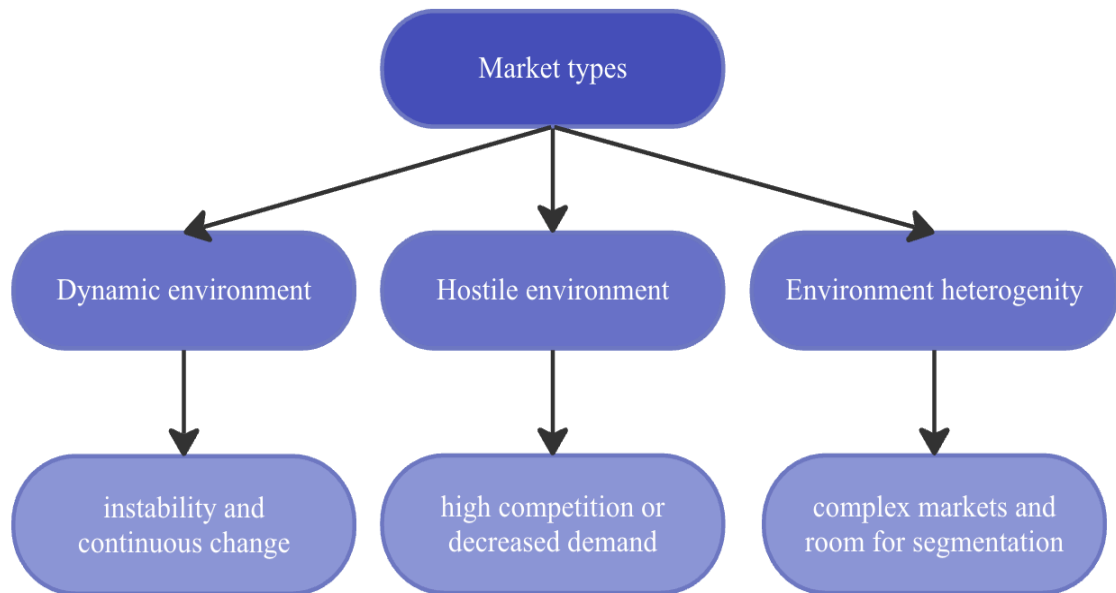


Figure 5 Market types (Wiklund. et al., 2009)

The figure 5 shows the different market types where small firms are competing in. For small firm operations dynamic market environment and heterogenic market environment create the best growth opportunities. (Wiklund. et al., 2009)

2.2 Growth modes

March (1991) discussed two different organisational learning and action models towards growth. These are exploration and exploitation. Exploration means that the organisation is focusing on finding new possibilities such as new products, services or new markets. Exploitation means that the organisation is focusing on enhancing and bringing efficiency into its current operations such as. March claims that the organisation must find balance between these alternatives to enable success. (March 1991) Leminen & Westerlund (2008) describe four different strategies for SME companies. These four strategies are creating new resources, growth of business operations, exploding current resources or decreasing business operations.

SME companies have three different types of growth strategies which are organic, external and hybrid. Organic growth strategy means growth which occurs by selling more, selling new products, or selling into new markets. External growth strategy means growth via firm acquisitions or mergers. (Tornikoski & Varamäki, 2008) Hybrid growth consists of franchising, joint ventures, licensing, and strategic alliances. Hybrid growth combines elements from both, organic and external growth. Hybrid growth has contractual relationships that are binding external actors and firm together and include certain amounts of control and ownership. (McKelvie & Wiklund 2010) Young small companies tend to grow organically more than externally. (Davidsson & Delmar, 1998). According to Wales et al. (2015) study, new market entries (organic growth) are found to improve company performance and are most likely method to gain success.

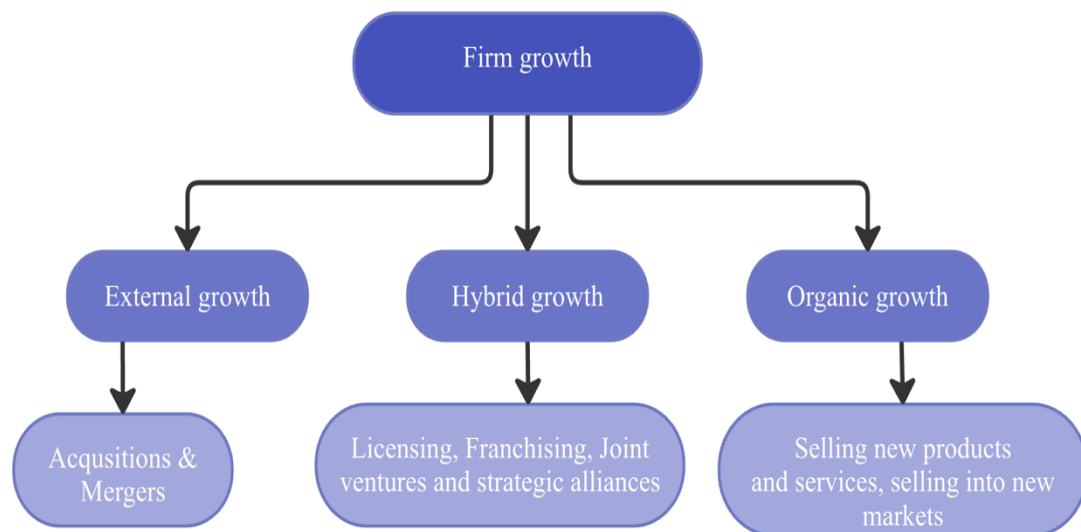


Figure 6 External and internal growth (Tornikoski & Varamäki, 2008) (McKelvie & Wiklund 2010)

Organic and external growth differ from each other based on their growth processes and by the number of resources needed from the company. Entrepreneurial orientation and entrepreneurial resources hold an important position among organic growth. External growth, such as firm acquisitions, need more management and capital resources than organic growth. Small firms tend to grow organically, however at some point they are likely to switch their growth strategy to external and focus more on the acquisitions. (McKelvie et al., 2006)

Growth in small firms is influenced by many different variables around the firm and entrepreneur. According to a study made by Wiklund et al. six different variables have a direct effect on a small firm's growth. These variables are entrepreneurial orientation, current environment, change in the environment, industry, resources, and manager's growth attitude. (Wiklund et al., 2009)

2.3 Growth stages

Vastine (1995) argued that firms have three stages in their lifecycle. These three stages are infancy, youth, and maturity. In infancy stage, firms must focus on enabling their survival. In this stage, the key aspects to consider are what to sacrifice and what to risk. In youth stage, the main focus is on growing the company's reputation, stability and pride. In this stage, the firm's main tasks are managing and organizing operations and people. In maturity stage, the firm's focus is on achieving unique position and adaptability. In this stage, the company must consider the growth and whether to share it. (Vastine, 1995)

Churchill & Lewis (1983) presented that small firms have five growth stages. These stages are existence, survival, success, take-off, and resource maturity. From each step the company proceeds they can also fall back in case the company struggles and fails in the stage. The first stage, existence, the key issues are whether the company can sell to customers, provide the product or service they are offering and manage the starting phases finances. In this stage the company is completely dependent on the owner and the owner does everything. The company does not have any strategies or systems and the goal is to remain viable and in business. Many companies fail in this stage once the start-up finances are spent and the revenues are not enough. (Churchill & Lewis, 1983)

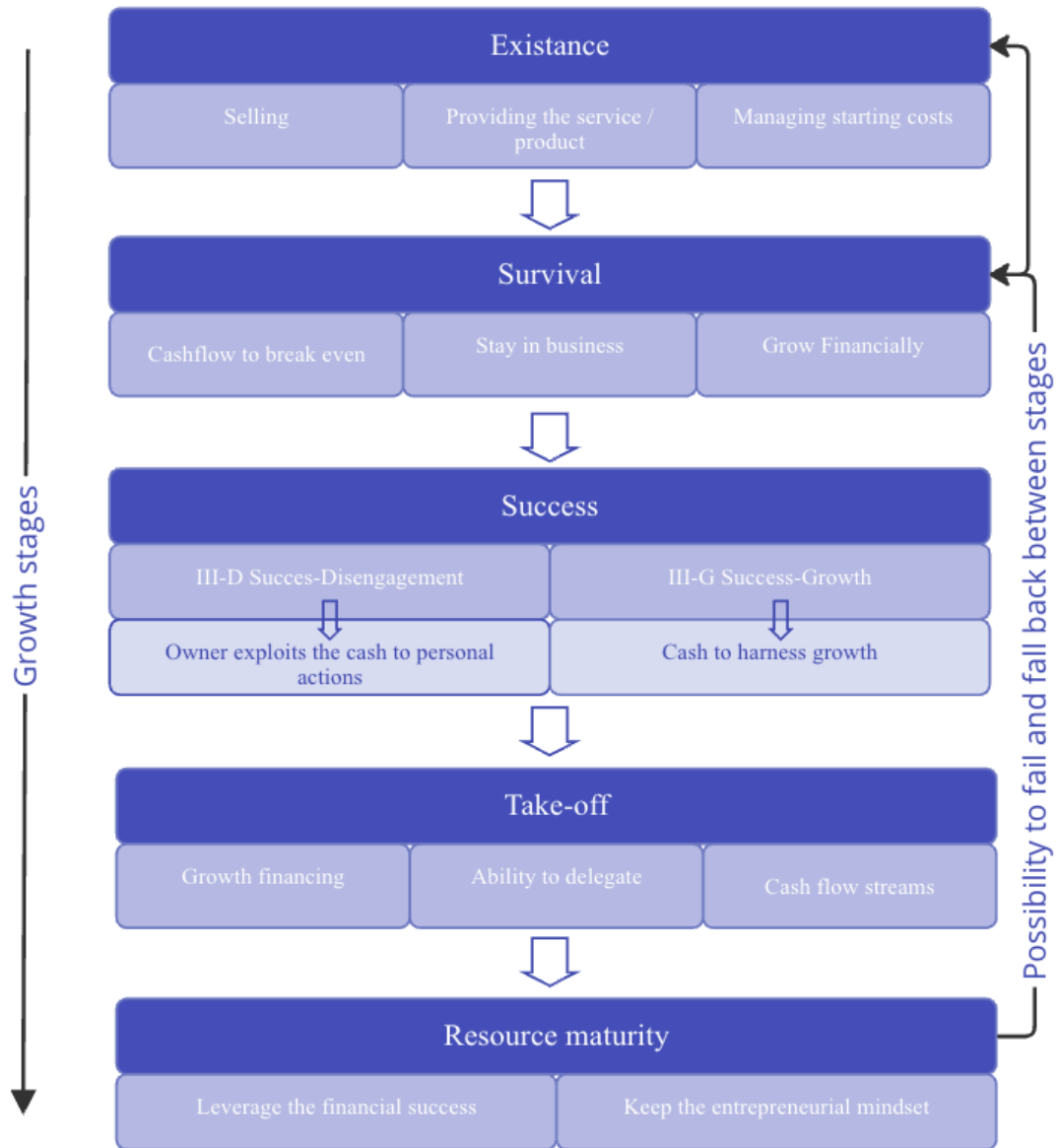


Figure 7 Five stages of growth (Churchill & Lewis, 1983)

The second stage, survival, is when the company has been able to move up from the first stage and is already a business entity. The company has managed to meet customers' needs and gather enough sales. The key focus on this stage is to manage enough cashflow to break-even, stay in business, and grow financially. In this stage, the company is still very simple and aims to survive. Number of employees are limited, and the owner is making all of the decisions. The company does not plan much and development in systems is minimal. The company is able to move to the next stage when it increases its profits and size. (Churchill & Lewis, 1983)

The third stage, success, is when the company is already successful. In this stage, the owner needs to decide whether the company should use its finances to grow or whether the owner should exploit the company's success to their own alternative actions such as hobbies or political career. These two options are called Substage III-D as Success-Disengagement and Substage III-G as Success-Growth. In Success-Disengagement substage, the company is economically healthy and truly successful. The company has employed professionals and managers have taken over some of the owners' duties. In this substage the owner shifts slowly away from the company and exploits the accomplishments in other activities. Some companies may stay in this substage for long periods. In Success-Growth substage, the owner harnesses the company profit for growth. In this substage, the owner must take care that the company's profits stay the same as a lot of money is used for development. If the company succeeds in this stage, it moves to the next stage. (Churchill & Lewis, 1983)

The fourth stage, take-off, is when the company is growing rapidly. The key issues in this stage are the financing of the growth, owners' ability to delegate tasks and sufficient cash flow streams. This is an important stage for the company and an ability to become a big company. In case the growth does not go as planned, the company can often be sold with a good profit at this stage. However, it is also likely that the company fails the growth and returns to stage three. The owner of the company is most likely replaced in this stage, either voluntarily or involuntarily. (Churchill & Lewis, 1983)

The last growth stage, resource maturity, is when the company has managed to create successful growth. The key issues in this stage are the ability to leverage the financial success created by the growth as well as keep the advantages of a flexible, entrepreneurial small company. In this stage, the owner and the company are separated. The company has already talented staff, strategies, budgets, developed systems and financial resources. Once the company has reached resource maturity, it needs to focus on keeping the entrepreneurial spirit to become large success. In case it cannot keep the spirit, the company will fall into the stage ossification. Ossification is a stage where company suffers from lack of development and innovation. In ossification, the companies are often not capable to meet the needs of changing business environment and fall behind on the competition. (Churchill & Lewis, 1983)

2.4 Growth strategies

Small companies have different strategies to use when planning and executing growth. Leminen and Westerlund (2008) state that companies have four main growth strategies which are creating new resources, expanding business operations, exploiting current resources, and lastly decreasing business operations.

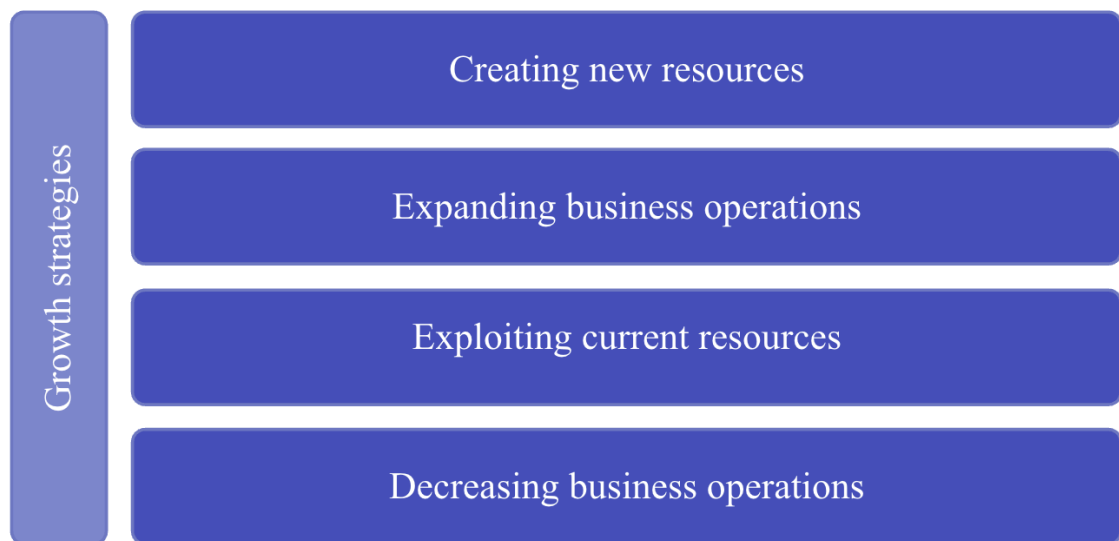


Figure 8 Firm's growth strategies (Leminen & Westerlund, 2008)

Creating new resources means finding and being open to new opportunities to become more competitive company. This can mean focusing on research and development, exploring external financing, boosting innovations and innovativeness, and taking risks. For firms it is important to focus on finding new opportunities and knowledge in their long-term plan. Creating new resources is always riskier since the future benefits and profits from the new resources are unknown and untested. (Leminen & Westerlund, 2008)

Expanding business operations means moving to new markets or to completely new business area of operations. For many high-tech companies, moving to new markets means internationalizing their company. (Leminen & Westerlund, 2008)

Exploiting current resources is a safer way to grow the company. By exploiting the current resources, companies can use and leverage existing resource in better or more efficient way. Results from exploiting the current and existing resources are faster and safer compared to creating new resources. (Leminen & Westerlund, 2008)

Decreasing business operations is when the management or the owners are unwilling to growth the company and its operations. During this process, the management focus on the current operations and holding back the development or growth. By holding the development back, this strategy can lead to decreasing the overall operations of the company. (Leminen & Westerlund, 2008)

2.5 Barriers in growth

Small firms have more issues regarding growth as larger firms have. One of the key issues is the lack of financing or more difficult access to finance. Company growth and expansion needs financing from the company. This financing is much more easily facilitated and accessible for larger companies. Smaller companies may not have the successful past, network, or credibility to access external financing. Smaller companies may not also have the internal capabilities to move capital towards expansion. (Penrose, 2009)

Another barrier is the lack knowledge, skilled labour and managers. (Penrose, 2009) Firms need variety of different knowledge and expertise in their growing stage. Skilled and educated board is important source of talent and knowledge for growing firm. (Tornikoski & Varamäki, 2008)

Traditional and classic way to look at firm's issues in growth is to use Greiner's (1972) model of growth. This matrix looks at the different evolution and revolution steps as the company matures is age as well as grows in size. The evolution steps describe the firm's growing steps as the revolution steps describe the common issues in the growth. Important aspect in the Greiner's matrix is that each of the steps are an effect from the previous step as well as the cause for the next one. (Greiner, 1972)

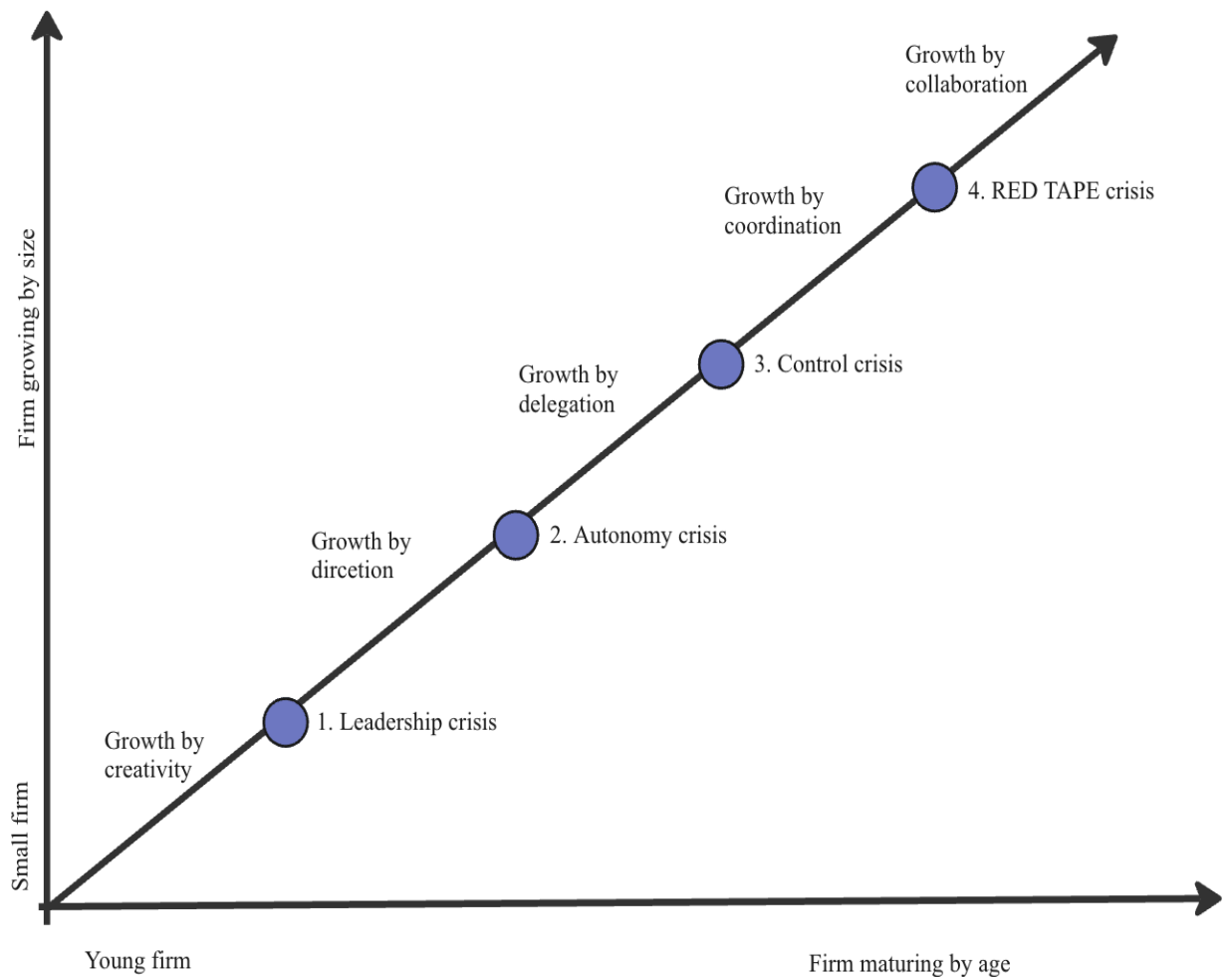


Figure 9 Greiner's phases of growth (Greiner, 1972)

The evolution and revolution curve starts from a small, new firms which is growing with creativity. During this time, the following characteristic are common; the founder is entrepreneurially or technically oriented, energy is going towards producing and selling the product, communication is informal, and actions are forwarded towards customers reactions. These characteristics are needed in the beginning phase of the company; however, they guide the way for the first revolution which is leadership crisis. The crisis is caused by the growth of the firm. The firm cannot be lead as previously and founders may find themselves in a unwanted managerial position. The firm needs a strong manager to handle growing production, more formal communication, new employees and control and capital and finance. (Greiner, 1972)

After the leadership crisis, the firm moves on to the next phase, growth by direction. The firm has solved the issues in leadership and has a strong manager now. The firm has more clear and specialized functions, formal communication and higher hierarchy, accounting systems and budgets and more clear managerial duties. The next revolution phase, autonomy crisis, occurs when the firm grows and the previously gained hierarchy becomes an issue. Centralized hierarchy causes lack of motivation and restriction. The crisis is solved once the top managers learn how to delegate more responsibility towards lower-level managers. (Greiner, 1972)

In the delegation stage growth is gained by succeeding in decentralizing the firm structure. The firm is based in headquarter and field locations, mid and lower-level managers have more responsibility, motivation is led by bonuses, and communication from the highest level of management is infrequent. Revolution, control crisis, follows the successful delegation. In control crisis, the top management is in crisis over losing control. After successful delegation, the field managers have much more autonomy which they do not want to give away. The company succeeds from this revolution once they find a suitable methods and techniques for coordination. (Greiner, 1972)

The coordination phase increases the number of formal systems, administration, and top managements responsibility in the company. The company gains more employees, formal planning, company programs, more official systems and procedures, and product groups from previously decentralized units. The company also becomes more efficient with resource allocation. The revolution that follows this phase is the red-tape crisis. The crisis arises from the amount of bureaucracy and size and complexity of the company. In this crisis both top manager and field managers start to complain about the complexity. (Greiner, 1972)

After the red-tape crisis, the evolution phase, collaboration, begins. This phase attempts to overcome the complexity issues of a large company. The company is led to be more flexible and management to use more behavioural approach. Overall, the formal systems are decreased, headquarter staff is reduced and reassigned, educational programs are created and new company wide practises are encouraged. After this evolution the next revolution will follow. The coming revolution can vary between companies, however it is likely that the revolutions includes structures and psychological saturation. (Greiner, 1972)

As the figure 9 shows these evolution and revolution phases arise as the company matures by age and grows by size. The first two evolution and revolution phases are the most interesting and accurate to consider as this thesis studies micro and small companies. After first phases, the company size and issues are too large and out of the scope of micro and small companies.

3 Organic growth process

Growth process differs among companies depending on their size. In large companies, expansions do not occur in step-by-steps processes. The process is more continuous and occur over longer periods of time. This process includes creating plans, revising already created plans, researching and discussion over several committees or management boards. Large companies have more managers which means that some of the managers can focus only on the expansion and leave the daily operations to others. This allows the planning and executing process to become longer. (Penrose, 2009)

In small firms, expansion processes are managed differently. Small companies have less resources, especially managers. These small company managers need to handle the day-to-day operations which decreases the time they can use to plan and execute expansions. Due to this, expansion process needs to be executed in a spurt. These kinds of spurts and increases of workloads can only be done periodically, not on everyday basis. This makes small companies expansion process much more step-by-step process and quicker. (Penrose, 2009)

3.1 Reason and motivation for the growth process

Generally, with small firms the growth process gets started from the owner's willingness and desire to grow. This desire for growth shifts to potential opportunities for growth following by planning and implementation. (DeMartino et al., 2015) Growth must be perused by taking actions towards it. Simple goal of growth and expansion of the firm is not enough to create growth. (Wiklund et al., 2009) Entrepreneurial activity or entrepreneurial orientation in small firms correlated to firm's performance and growth. Entrepreneurial orientation includes taking risks, seeing market opportunities, innovating, trying out new markets or products and services and being more proactive than competitors. (Wiklund, 1999)

While planning of the expansion, companies must consider whether to use their existing resources which are previously acquired or whether to use resources which are obtained from the market. (Penrose, 2009) Based on a study, small established firms gained benefits from planning (Birkman et al., 2010).

3.2 Processes description

Process can be described and indicated based on the perspective. In general, the meaning of process is quite universal and can be associated as well as applied with many different life events. Despite of that, the most used perspectives of processes are: economic perspective, engineering perspective and management perspective. Economic perspective focuses on the economic methodology and goal orientation, engineering perspective focuses on the process structure, and management perspective focuses on social engineering in a human-centered way. (Vergidis et al., 2008)

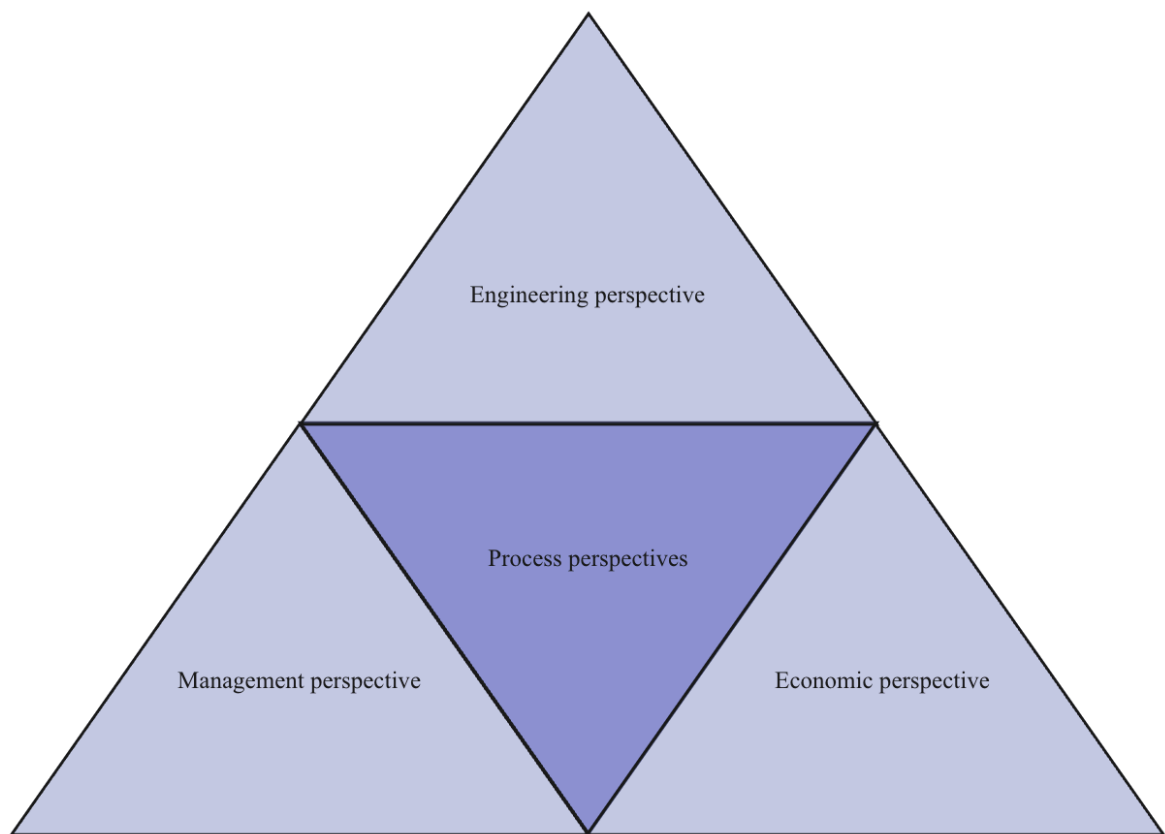


Figure 10 Process perspectives (Vergidis et al., 2008)

Process means period of actions which are repeatably executed in a company. There are many different processes varying from simple to complex. Complex processes inside of an organization can mean several different departments, people and systems involved. Processes describe how goals is reached as well as who are involved and how they need to respond to events. (Brennan, 2009) According to the Cambridge Dictionary, process means

series of different events or actions which are taken in order to achieve a certain goal or to make something. (Cambridge University Press & Assessment, 2023)

In this thesis, the process is seen as the series of actions taken towards growth. This thesis focusses on the growth goal and so on uses the economic perspective of process. This process starts from the organization's / entrepreneur's eagerness to grow and open a new location. This means that the process begins early from the idea and desire of growth. The process ends with achieved growth to new location and the evaluation of the new location.

3.3 Opening process

Rosenblum (2005) discusses a few steps concerning the opening stage of a new store. Opening a store to a new location begins with assessing the local competition, demographics as well as other market characteristics. Based on the previously acquired information, a suitable location as well as the property itself is selected. After selection, the construction and the equipment installation will take place. (Rosenblum, 2005) This description by Rosenblum is a very narrow and alone does not withhold enough process details.

Sandberg (2014) described and studied the opening process much more precisely. According to Sandberg the opening process includes 11 main activities which are somewhat present in all companies. These steps describe the opening and decision journey entirely from pre-decision to opening the new locations as well as to the after opening project evaluation. (Sandberg, 2014) Figure 11 shows the growth process based on Sandberg's (2014) study.

The opening process begins with the location. Finding the possible location opens up the possibility to grow and open a new premises. Finding the location includes two different methods. The company itself can proactively search for a suitable location based on their growth goals and strategy. Another possibility is to be prospected by an external agent. In this situation, an external agent has a suitable location for a certain company and suggests the location for them. (Sandberg, 2014)

After a possible suitable location has been found, the next phase is data collection. Data is gathered to analyze the suitability and profitability of the possible location. Most commonly, the following data is gathered; market information such as competitors, location area in general, details of the demographic, and cost and profit calculations. In addition to these, the firm may have to gather information on possibly needed building licenses. (Sandberg, 2014)

The data gathering is done simultaneously with top management meetings. These meeting withhold formal discussion whether the company should grow to the location or not. The amount and the roles of the people in the management meetings vary between companies. The top management meetings use the data, which is simultaneously gathered, in order to make informed decisions. (Sandberg, 2014)

Once the data is utilized to make informed decision, the company makes a formal decision concerning the growth to the location. If the company decides to grow and use the location the next step will be contract signing. In the phase, a mutual contract is written with the landlord concerning rental agreement, as well as construction, renovation, and future claims on the landlord. (Sandberg, 2014)

After the rental agreement is settled the company chooses a project leader among the staff to supervise the opening process. The project leader holds meeting to start-up the project as well as informs stakeholders like architects and merchandisers. The project leaders may have a formal checklist or standardized procedures which when executing the opening process. (Sandberg, 2014)

While the project leader is named, and they are supervising the process in general, other company departments will also participate in their area of work. The other departments may also have standardized checklists which to follow. This may be for example purchasing department or marketing team which starts to plan the opening campaigns for the new location. (Sandberg, 2014)

Simultaneously, externally from the company, construction crew is doing work in order to get the location ready for opening. Construction work is outsourced by all companies and often the renovation is as well. Many companies aim to use the same contraction crew in all their location, especially if they have a certain concept for the store. After the construction, a formal inspection is held to supervise the work and results. (Sandberg, 2014)

Once the construction and renovations are finished, the next step is to do all installations and preparations what are needed before the opening. Often companies tend to do this step internally among the company's own staff, excluding some outsourcing such as IT-systems which come from external partners. This step is usually done 5-6 weeks before opening and is led and supervised by the project leader. In this step, all of the selling items are stacked and stored in the location as well as the new staff is trained. (Sandberg, 2014)

Finally, the next step is opening the new location. By this point, the store should have marketing campaigns ready and running, store full of goods to sell as well as knowing and trained staff. The store opening can be strategically planned to match a certain time of the month, such as when salaries are typically paid. (Sandberg, 2014)

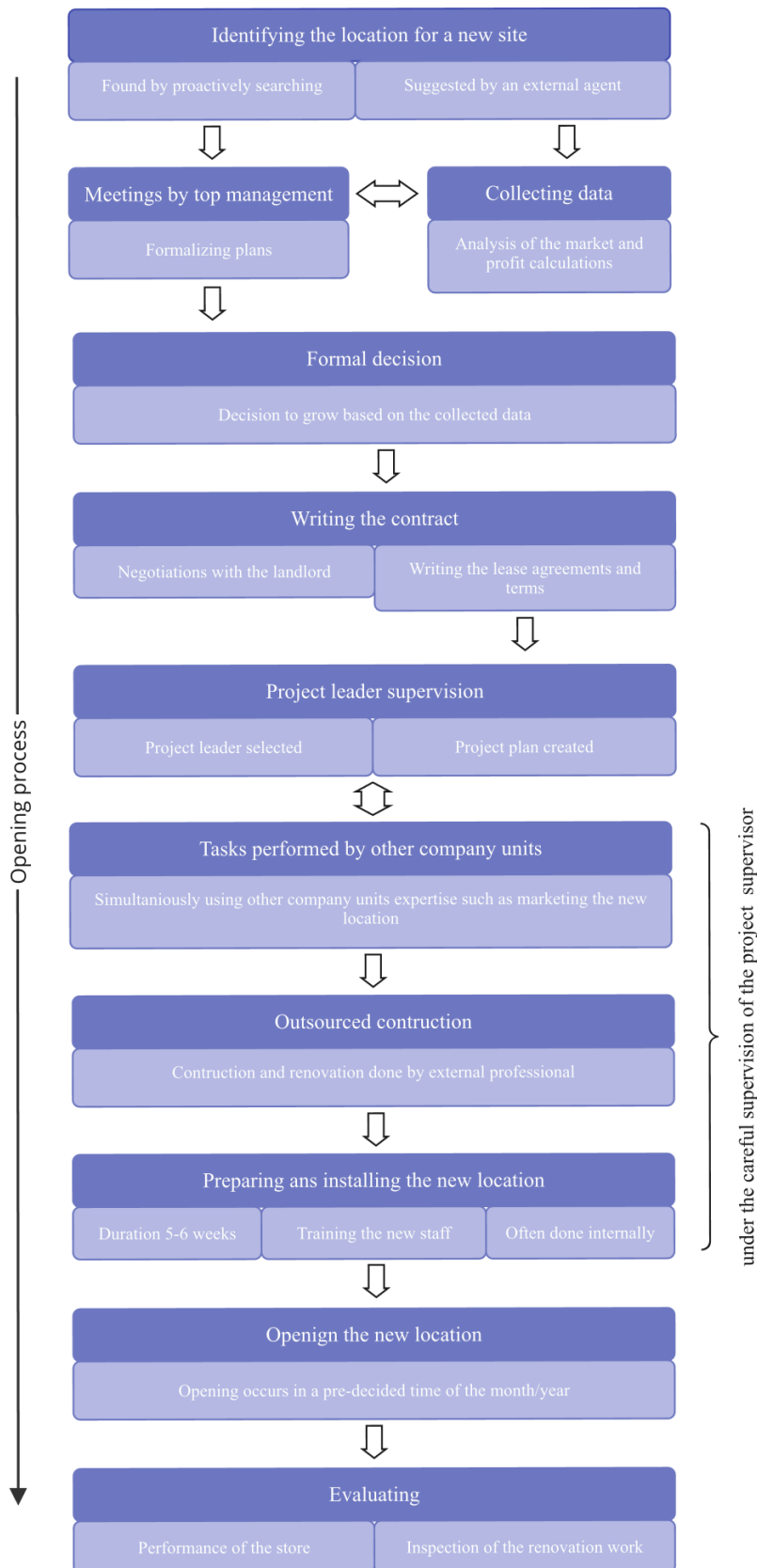


Figure 11 Opening process of a firm's new location (Sandberg, 2014)

Lastly, a while after the store has been running for a certain period of time, the final step is evaluation. During this step, all of the installations and construction work are evaluated and inspected. This step may include certain general standardized checklists or charts from the company. In addition to renovation inspection, the financial performance is also evaluated. (Sandberg, 2014)

4 Research design and methods

This research design and methods chapter discusses the selected research methods as well as the research design in this thesis. In addition, this chapter includes discussion over the topics of data collection and analysis and reliability and validity of this thesis.

Scientific research is research which needs to combine relevant theory to research. It should be able to ask meaningful questions and investigate those questions empirically. Scientific research should also use correct methods to find and study information, generalize as well as replicate findings, and find coherent reasoning for its findings. (Packer, 2011)

When starting to research project planning and designing the research is vital. Research design means the structure of the research. This includes a plan of different information and data needed to answer unbiasedly to the research question. Planning helps the researcher to collect all sorts of data and not only the ones which are in favour of their own opinion. (De Vaus, 2001)

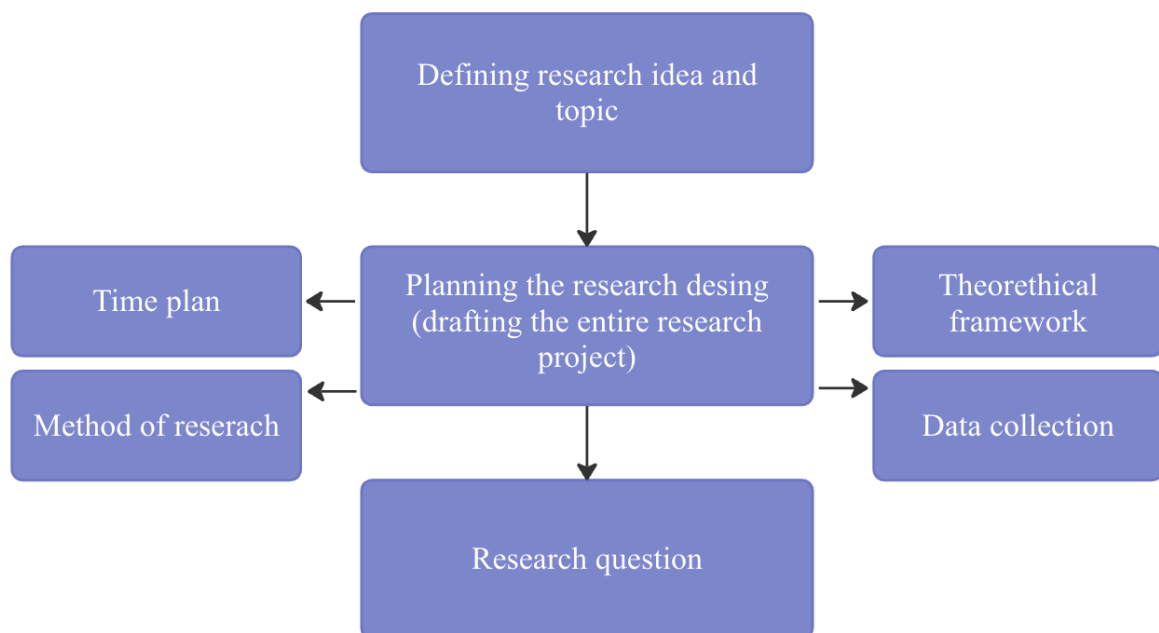


Figure 12 Forming the resarch design (Eriksson & Kovalainen, 2008)

In addition to De Vaus (2001), Yin (2002) and Eriksson & Kovalainen (2008) also argue that research design is important and research project needs to start by planning and outlining

the project. The figure 12 above illustrates how Eriksson & Kovalainen (2008) sees the starting phase in a research project. The project starts by defining the topic. After that, it is very important to think about the research design. This includes mapping out the methods, theoretical framework, and data collection plan. In addition to those, time plan and schedule for the entire research needs to be created. (Eriksson & Kovalainen, 2008)

4.1 Research methods and approach

Qualitative research uses different types of data collection methods which are non-quantitative. This data is gathered by respondents and how they have experienced certain aspects. (Adams et al., 2007) Qualitative study withhold qualitative data. Qualitative data means data and information which cannot be measured or counted numerically. The data expresses ideas, values and qualities which makes the information immeasurable and intangible. By using qualitative data, the researcher aims to expand and explain phenomena's and deconstruct as well as generalize and reassemble information. (Franklin, 2013)

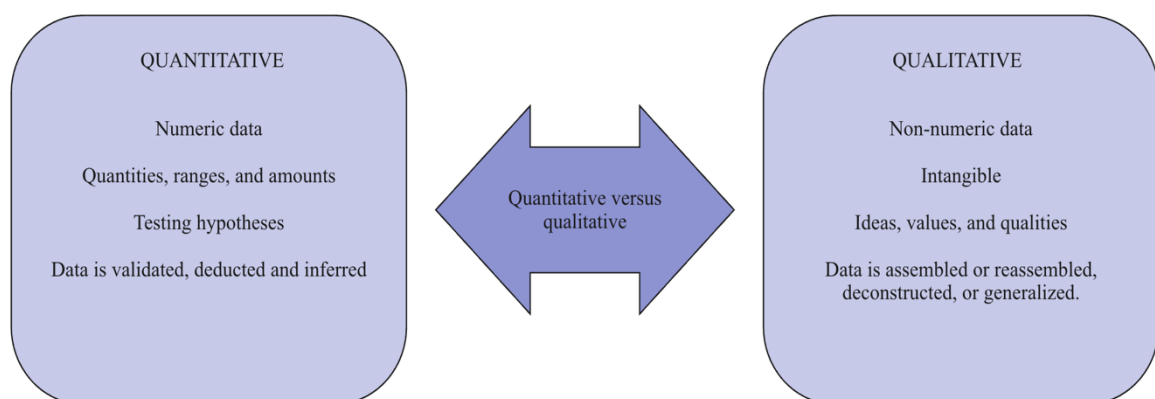


Figure 13 Quantitative versus qualitative research (Franklin, 2013)

This thesis uses qualitative approach on the research. The qualitative approach is the most suitable since the research topic is uses intangible information and it reassembles it to make generalization about the growth process and the process of opening a new location. All of the data received form the data collection is non-numeric and present interviewees experiences of occurred events.

Qualitative research includes three different methods of reasoning. These methods are deductive, inductive, and abductive. Methods of reasoning are important in academic research. Reasoning enables making, defending, and evaluating conclusions that are made in by the researcher. (Mantere and Ketokivi, 2013) Deductive method, uses hypotheses of already existing theories and phenomena's and aims to test them in a theory-driven manner. Deductive method aims to make different interpretations and conclusions. Inductive reasoning method aims to identify different themes and patterns and does so by utilizing collecting and gathering evidence and analysing data. Abductive method can be seen as something in the middle of inductive and deductive methods as its not driven by hypotheses or data. (Saunders, 2016)

Methods of reasoning	When typically used	Suitable for this study
Deductive	Uses hypotheses to test existing theories in a data-driven manner.	No
Inductive	Uses data to generalize and build frameworks based on found themes and patterns	Yes
Abductive	Generalizes data in order to test it and modify or create new theories.	No

Table 2 Different methods of reasoning (Saunders, 2016)

The following methods; deductive, inductive and abductive are all compared in table 2. As seen from the table 2, this thesis uses the inductive method of reasoning. The thesis is inductive since it generalizes specific data and aims find patterns which can then be used and built as conceptual frameworks.

4.2 Data collection

This thesis uses primary and secondary data sources. Primary data source means data, which is collected by the researcher, for example by conducting surveys. Secondary data source is data which is already collected by others and can be accessed by reading studies and academic papers. (Adams et al., 2007)

Qualitative studies with interviews often have semi-structured interviews and contain open-ended questions which are previously set. During the interview additional questions can be emerging to further question something. The interview is often recorded and transcribed, with interviewees consent, in order to better analyse the content. The interviews may also be operated in unstructured form. This interview style is preferred for interviewing life narratives or other in-depth topics thoroughly. (Denny & Weckesser, 2022)

Another possible data collection alternative in qualitative study can be group interviews and observation. Group interviews are facilitated and guided by the researcher. In group interviews, the data is collected by common discussion over the topics as well as interactions. The group interviews are often used as additional data gathering to extend the information received by another method of data collection, however group interview can also be the only form of data collection. Observation means following and gathering data from a real-world scene. In this form, the researcher follow what people are doing rather than wat they are claiming to do. The researcher observing the situation can either be involved in the event or situation, so being participant observation, or observe the situation only from the side, so being non-participant. (Denny & Weckesser, 2022)

Method of data collection	When typically used	Suitable for this study
Semi-Structured interview	Most typical in all qualitative studies	Yes
Unstructured interview	Used in life narratives and other such in-depth topics	No
Group interview	Used often additionally to some other form of data collection in order to get more extended data	No
Observation	Used when real-life situation are wanted and to see what people actually do instead of claiming to do	No

Table 3 Methods of data collection (Denny & Weckesser, 2022)

The data collection in this thesis is done with interviewing Finnish company representatives who have been participating on the growth process. Based on the table 3 above, this data collection is done through semi-structured interview with open-ended questions. This method has been selected for the interviewees to be able to describe the process in their own words, however still containing a set of pre-decided questions in order to get all needed information. This method has been selected based on the structure, scope, and timeline of this study. Other forms of data collection would either exceed the timeline of this study or result unstructured answers and information which could not be used similarly to gather commonalities and create a process chart. The semi-structured questions which are used in the interview are made based on the writer's previous knowledge and academic research concerning the organic growth and the process of opening a new location.

Forming the questions is important in order to get successful information out of the interviews. Interview questions should be simple and easy to answer. Instead of asking one complex question, the interviewer should ask multiple simple questions. The interview questions can be divided into two categories: primary and secondary questions. Primary questions are the main questions and secondary questions are asked when the answer or theme needs more specification. The questions should also be neutral and non-leading. This means that the interviewer should not indicate the wanted response. (Eriksson & Kovalainen,

2008) In this thesis, the questions are formed to be as neutral as possible. None of the questions are aimed to be leading or biased. The questions are divided into primary and secondary questions, latter ones added to the interview in order to elaborate some topics. The questions are also aimed to be rather easy than complex to answer.

4.3 Sampling

Sample is the focus of the research and research question (May, 2002, p. 123). Sampling means selecting a sample to illustrate and describe characteristics or parameters of the entire population. At the beginning of a study, it is important to think what size of a sample is needed in order to be statistically justified as well as what type of sampling method should be used. Sampling techniques can be divided into two categories which are probability sampling and non-probability sampling. Probability sample means a sample where the entire population has an equal opportunity to be selected and participate. Non-probability sample means the sample which are selected by the researcher's personal judgement. (Adams et al., 2007)

According to Denny & Weckesser (2022) sampling in qualitative studies are often purposive and samples are found on the basis of convenience, relevant experience towards the research topic or by using the networks of other interviewees. Due to time and size restrictions, this thesis uses the non-probability sampling technique where the sample is selected by the authors personal judgement. The selected interviewee companies were found on the basis of the writer's own knowledge and network as well as with the help of search engines. The interviewees were approached by using social media as well as contact information found online. None of the interviewees were offered any gifts or promises of gratitude and they all participated on the basis of their willingness. All interviewee companies were aware of the fact that they and their companies would stay anonyms in this thesis.

Company	A	B	C
Industry	Beauty care services	Wellness services	Hair saloon
Area of operation	Helsinki + multiple cities	Helsinki	Helsinki
Founding year	2014	2015	2015
Number of locations	9	2	2
Locations grown organically	6	2	2
Year of first expansion	2018	2019	2017

Table 4 Interview companies

The table 4 above illustrated the different companies interviewed for this thesis. All of the companies are operating at least in Helsinki and have been established for several years, however less than ten years. The companies are all Finnish and are providing consumer services. The services that these companies are providing can be seen as luxurious services which are consumed by choice and are not necessary in everyday life. Due to that, these services are easily affected by changes in economy such as inflation. All companies have also grown organically to at least one new location.

The company A has already several locations that they had been expanding. In order to have all of the companies in the same growth stage and maturity, company A was only interviewed for their first growth process. Company A started their growth process in 2018 by expanding the company with two new locations simultaneously. Company B expanded their operations into a new location in 2019 and company C in 2017.

Company	Interviewee title(s)	Nationality
A	CEO & Founder	Finnish
B	CEO & Founder	Finnish
C	CEO & Founder	Finnish

Table 5 Interviewee's roles in the companies

As seen from the table 5, all of the interviewee's are the founders as well as the current CEO's of the companies. Based on their position in the company, the interviewees were able to answer comprehensively to all interview questions as well as describe the growth process which was occurring during the growth. The interviewees were also able to describe the motivation and reasoning behind the decisions, since they have been experiencing them. All of the interviews were held in Finnish due to the nationality of entrepreneurs.

4.4 Data analysis

Data analysis is a vital part of doing research. Data analysis is done in order to understand, describe and interpret the topic and phenomena which is being researched. In qualitative study, the researcher themselves are a part of the information gathering and collecting. Researcher's information and knowledge of the topic affect automatically to the data collection and analysis. Due to this, the researcher should be aware of their knowledge on the research topic and how it may affect. The quality of data analysis depends on the researcher's ability to understand and interpret the phenomena in question. Qualitative data can be hard to analyse with methods and standards accepted in academic research. This is due to the reason that the qualitative data can be described as nuanced and rich. (Puusa et al., 2020)

The data collected in this thesis is analysed by using the qualitative content analysis method. Data analyses in qualitative study needs to be done carefully and transparently. Qualitative content analysis is a method, which focuses on the context and the subject in general and finds similarities and differences by using codes and characteristics. (Graneheim & Lundman, 2004) Krippendorff (1980) describes content analysis method as a way of describing as well as quantifying phenomena or appearance in objective and systematic manner. The main idea in content analysis is that different words in the text are divided into separate classified content categories (Weber, 1990). Content analysis divides into three phases which are preparation, organizing and reporting (Elo & Kyngäs, 2008).

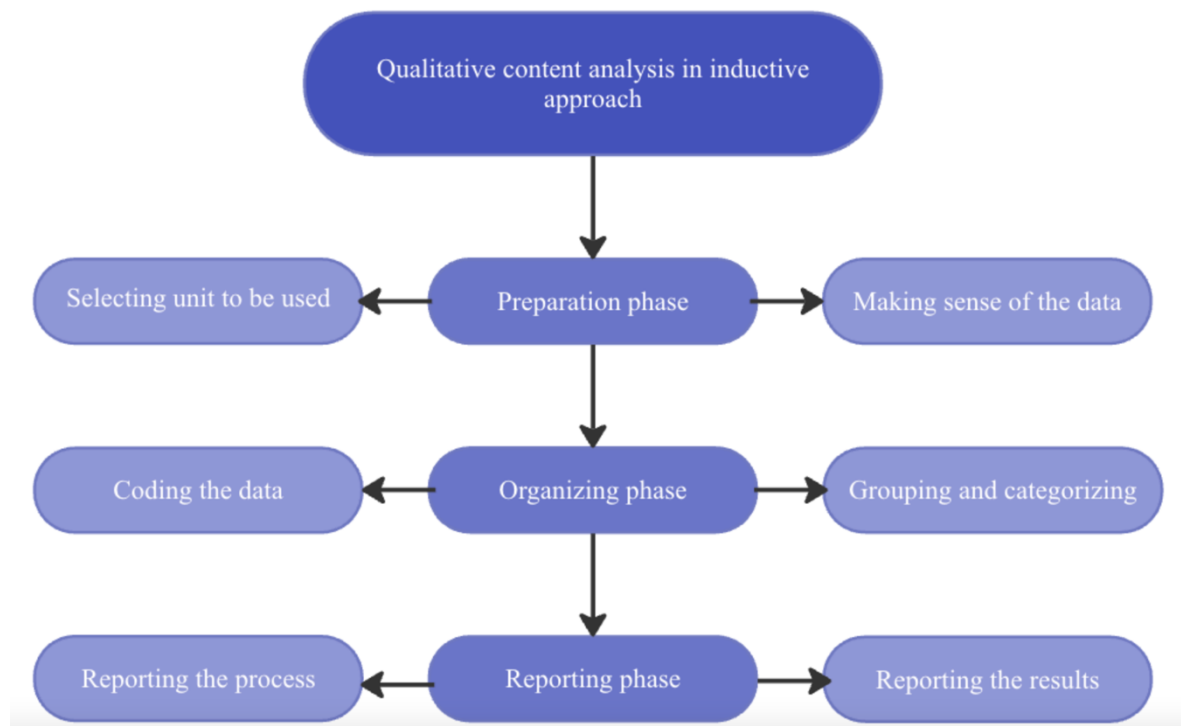


Figure 14 Qualitative content analysis in inductive approach (Elo & Kyngäs, 2008)

The figure 14 above, illustrates the qualitative content analysis process in general. In inductive study, such as this master thesis, the content analysis begins by preparing the analysis. This means selecting the unit which will be used for the analysis such as a word or theme as well as generally making sense of the data in question. Next is the organizing phase. This step includes coding the data and grouping the coded data into categories. Finally, the

last phase is reporting, which includes the entire process and its results. (Elo & Kyngäs, 2008)

In this master's thesis, the analysis begun with clearing the transcription from writing errors and filler words such as well and yes. All of the interview recordings were rewatched as well as the clean and clear transcription was read multiple times again. After rereading it multiple times, the transcription was color coded based on the themes and words during the interview. The interview had several themes, according to the growth process, which were then divided into multiple interview modules. These were divided separately, and color coded each with their own color.

These main colors were then again color coded to sub colors in orders to separate and code all of the individual topics of the growth process. This way, all of the growth processes modules had their own main colors to help the writer separate which module and part of the process was occurring. All of the modules have also own sub colors in order to see which smaller part of them module was occurring and to which questions it answered and covered.

4.5 Reliability and validity

Qualitative research can be seen as subjective since the decision and implication made in the studies are based on the researcher's own subjective choices. Even though the research can be seen subjective, objectivity is one of the key values in research. This means that the researcher needs to be able to divide and separate their own assumptions and personal opinions from the research. (Puusa et al., 2020)

Validity means that the research includes the topics and phenomena it promises to study. Reliability means that the research is so reliable that it can be redone or copied with the same result. (Tuomi & Sarajärvi, 2018) All studies suffer from some degree of lack of validity since no study can be monitored or controlled perfectly. Reliability of the research depends on the researcher's ability to compare findings and draw conclusions based on those findings. (Kirk & Miller, 1986) The amount of information gathered, and the methods used to gather and process the information influence strongly to the ability to generalize findings as well as to the overall validity and reliability of a study. (Adams et al., 2007)

The validity and reliability of the study are also dependent on the sample, since generalization are made based on the sample which is seen to illustrate the whole population.

(May, 2002). Qualitative study should be conducted with such intel and accuracy that the generalizations of the study can be reliable. This means that the researcher should dive into the topic and really understand and study the entire topic phenomena. (Puusa et al., 2020)

There are pros and cons with researcher's familiarity of the topic or sample organization. Familiarity increases the chances of getting information and interviewees for the research. Familiarity however decreases the ability to be critical, analytical and see the view from outside perspective. For the sake of reliability and validity, the researcher should try to minimize their own normative beliefs towards the topic and reflect critically their own reassumptions. (Eriksson & Kovalainen, 2008)

As referred in chapter 1, several research's state that there are noticeable lacking concerning the academic research on small firm's organic growth, growth process and the implementation methods. The lack of academic literature regarding the process of growth effects on the validity and reliability of this thesis. The writer aims to draw clear conclusions from the academic papers and materials which have been available for this thesis. All of the data is analysed as consistently and transparently as possible. However, the lack of theory in this thesis may influence on the reliability.

As the interviewee companies are all operating in the Finnish market, there are also limitations to how entrepreneurs from other countries could use or implicate the possible similarities which occur in results. However, the possible results can be used within Finland and within similar countries such as other Nordic or European countries.

5 Findings

This chapter presents the empirical findings from the interviews and concludes the interview commonalities as well as differing's. All of the interviewees were asked the same questions. Detailed questions can be found from Appendix 1 however, the figure 15 below, presents the themes of the interview.

The interview was divided into seven different modules. These modules were background, planning of the growth, preparing the growth, executing the growth, ready growth, challenges, and finally future growth. In the beginning of the interview, the reasoning and aim of the interview was told as well as a quick interview to the topic in general.

The modules planning the growth, preparing the growth, executing the growth, and ready growth were the most important. The modules were created and presented in order to get as specific explanation of the process as possible. All of the interviewee's understood the modules and their reasoning.

Planning of the growth module beings from the early stages of growth. The growth starts either from the entrepreneur's idea to want to grow and expand the business into another location or from finding the possible growth location and starting to plan the growth from there. This module includes all the steps in the growth process until the location's rental agreement has been agreed and signed.

Next module, preparing the growth includes everything that needs to be done in between once the rental agreement had been signed and before the renovations and constructions begins in the new location.

The module, executing the growth, includes all of the construction, renovations, decoration and inventories that are done before the store can open. It includes everything that is done between the module preparing for growth and opening the store for customers.

Finally, the module ready growth means opening the business for customers. In this module, interviewees were specifically asked about post-opening assessments and calculations and whether these were made.



Figure 15 Interview themes

The last modules, challenges, and future growth were much smaller and included to have more clear idea of how the entire process went and what kind of future outlook does these companies have.

5.1 Background

After the thesis topic introduction, a set of background questions were asked in order to get basic information from the interviewees and their companies. In this background module, the interviewees were also asked about the interviewee's role in the company as well as their role during the growth. All of the interviewees were the founder's and CEO's of their companies and had been leading the executing the growth project.

After these questions, all interviewees were presented and explained three different market types (presented in figure 5). The interviewees were asked to choose the market type which best describes the market that they are operating in. All of the interviewees saw themselves operating in heterogeneous markets. Heterogeneous markets mean markets which are complex and competed, however possess a space for segmentation (Wiklund. et al., 2009).

5.2 Planning the growth

Company A had already expanded their operation by moving their first location into a bigger one. Before they decided to open another location, they expanded their business by finding a bigger location. Company A did not plan on growing to multiple locations. Finally, the growth to other locations started from two employees hope to develop their careers. The company A did not have any development possibilities for them. They decided to open two new locations simultaneously, where these two would serve as location managers.

I noticed that we have some people in the team who would like to advance in their career. I have nothing to offer them. My business was not yet at that point where we had a decently large organization, where one is the development director, and one is the operational director. There hasn't been a certain kind of progress at that point yet. I then had a conversation with these two employees, and they were of the opinion that they would like to expand the business with me. – Company A

From the three interview companies, Companies B and C had growth plans from the beginning of their operations.

It was quite clear for a long time that we wanted to grow. Now, I didn't necessarily think of making this a lifelong career. In a small company, not in practice, although you can theoretically calculate a price for companies, no one will pay any reasonable sums to get my job and my salary. That's why the turnover needs to be increased to about 3 million. Then someone might be a little interested in it.

Our business is also very simple, and with one location, you can reach the maximum pretty quickly. We were already so full back then in 2018. You knew that others would notice how full we are now. If we don't grow, someone else will. – Company B

All of the interviewee's growth plans started from the high demand of their services and need to get more space. Their current space could not meet the high customer demand and growth was not possible without adding a new location.

Our growth started with a need. The first two of us were working, then the third came, then the fourth started working. I suddenly realized that I don't have any space to work myself. We clearly needed it. Now customers come in and suddenly I'm sitting at home because I couldn't fit in work. – Company C

From all the interviewee companies, none of them had or used any growth strategies during their first expansion.

It really wasn't. I made my first strategy in 2019. Before that, I must have heard the word strategy and thought that that kind of thing doesn't belong in our business. – Company A

All of the interviewees specifically mentioned using intuition as a guiding tool during the process of selection growth locations.

I am still such an intuitive type and this is a lifestyle company after all. Even if everything can't be justified with numbers, this is my business and I get to do it. – Company B

It felt like this was meant to be. We were a bit intuitive at that point, yes, but this is how it went. – Company C

Beside intuition, all of the companies used some type of other methods of analysing the new location, mostly analysing the area specific competition. Companies A and B found their new locations by actively searching for one.

Person X was walking home from work one day and walked past that store and there was a note in the window saying that it was for rent, so that's how she found it. – Company A

Company C found their new locations with the help of their current landlord. The landlord know that they have hopes for growth and suggested couple locations.

In fact, it happened that the landlord offered me a smaller business space and we went to see it. That house was actually still under construction when they were buying that commercial space. I said it's too small. Then we went to look, there was another one next to it that was bigger, and I got it. – Company C

The answers concerning the duration of rental agreement negotiations had a bit of variation. Companies A and B stated that their rental agreement negotiations took about a month.

It didn't last terribly long. It was a pretty simple deal. When we make it so that they do not participate in the renovation in any way. It wasn't a negotiation process after all. It took about a month. – Company B

About a week. It went quite fast because there was a big need. – Company C

Company C claimed that their negotiations only took about a week. However, company C had the benefit of having the same landlord as in their first location.

5.3 Preparing the growth

External funding was applied and handled during the preparing module. Differing from others, company A signed a pre-rental agreement first. They needed to wait for the bank's approval before signing the official agreement. Company A was also differing from other interview companies by starting their recruitment already during this module.

In the loan, I was sensible that I would never have put my name on the lease before the loan. Get a loan first. So we had already negotiated a pre-rent agreement, but after that we applied for a loan in order to know how much we need money. Different locations have slightly different rental guarantees. The loan was taken out first, and then the lease agreement was written after that. Then the recruitment started. – Company A

Company B was also careful first with their rental agreement. This was due to the specific need that they had concerning the location and preparing the renovation.

The structure of the contract was quite simple. We had a couple of months' notice in the contract at the beginning. We had to make sure that the space was definitely suitable for us, that the pipes could be pulled from it, and that the floor structures of the old building would last. It costs thousands of euros to find out everything like this. You don't really want to start doing that until the contract is already made. Applying for a loan pretty much went hand in hand with writing the lease. – Company B

All of the companies used external funding, two of them using a bank loan and one using a family member provided loan.

We negotiated what makes the most sense. My family member put this initial capital into it as a loan. This was done in connection with the same week that the lease was written. In practice, it went so that just before writing, I confirmed that OK, let's go with this. – Company C

Preparing the growth module's length differed between the interview companies. Company B had the most issues with official documents for the renovations as well as with other permits.

It included the design process, contractors and looking for contractors. The joint designs and the plans they made and everything else to get the renovation started. It took a long time. It includes processes which are annoying and which are not in one's own hands. It took two months with the board of the housing company to sort out the permits to be able to do it. Then we got permission to start building the day before the summer holidays from the building control. This meant that we could not get the contractors until it was

known from the building control whether we will start the building in July or sometime in September. There are a lot of those processes, so you just must wait, which is really frustrating when things are not in my hands. – Company B

Company A did not need to apply for such permits and company C's location was in a building which was still under construction. For Company B, this permit application period took a long time and also shifted their schedule and budget for the renovation. After closing the final rental agreement details, sorting out situation for financing and handling permits, this module was finalized.

5.4 Executing the growth

Company C's executing the growth module differed quite much from the Company A's and Company B's modules. This is mainly because company C's rental location was acquired while the entire building was still under construction. All of the renovations and modifications were decided before the building's rooms and other insides such as pipes were built and installed. This meant, that the Company C did not need to do or plan any of the renovations themselves.

We didn't have to do anything since it was a new building. So it was a concrete platform when I went to see it. I got to choose the materials here already during construction. We were also able to pull the pipes, while still in the construction phase. In other words, we got all the washing places and where we wanted them. We agreed on all of this before I wrote the lease. We agreed that landlord would pull the pipe locations there, and then it turned out that we would be able to pull to the place where I wanted. The only thing that was outsourced was the interior designer. In practice, we got an interior plan from them and it was quite easy to implement by ourselves. Only outside help there came from friends and children. – Company C

The same scenario did not occur with Company A and Company B. As mentioned before, Company A was opening two new locations simultaneously. In other location, they managed to get their landlord to pay for the entire renovation. In this case everything of the renovation work was outsourced. In their other location, they did almost everything by themselves.

We did all the renovations ourselves. Well, we were able to negotiate for that other business space of ours so that the landlord paid for the renovation, which means that the renovation was outsourced. An outside person came to build the treatment room in that other space, but everything else was done by us. I have pictures of how much we have piled up all the stuff there and gone shopping ourselves to many places. There were no interior design concepts and intuition was used. We ordered all the products ourselves and attached the shelves to the walls ourselves. – Company A

Company B outsourced a lot; however, they still had many own employees and partners working on the renovation of the new location. Also, all of the interior decorations were done by the company itself.

All designers were outsourced. In this expansion, I used a lot of outsourced labour for construction. Our first office was built with my father practically alone. More workers were outsourced here, so the renovation became a much more expensive job than the first one. Also because of the delay, the renovation became more expensive because of the delays. The renovation had to be done, but we wanted to have the new location open before the Christmas market, because December is our season. When the process stretches from one end (the beginning), then you had to spend money on the other end. We needed to speed up that construction project and then get an outside employee. I was a bit like a project manager and of course then we had our own people all the time. One partner was building there all the time and then one other employee as well. About 2-4 of my own people were just building. I did the interior and decoration. An architect was used, but the architect's plans were pretty bad last time. Then I did the interior myself. – Company B

During this time, all of the companies started their marketing operations for the new location. None of the companies did anything planned or major concerning the new location. All of the companies used their existing company social media and word of mouth marketing to promote the new location and inform people.

After recruitment. It was by no means planned marketing that we did. It was just for that, hey, we're opening a new office here. No one even possibly knew what to get there. We were just told that it is there and that you can book appointments there. – Company A

Same type of marketing was done by Company B and Company C. Both used social media for building a small hype and telling a story around the location.

Marketing was started right from the beginning of the renovation. We tried to create the same kind of buzz and tried to get some renovation photos of the space and that we are growing. – Company B

We had that first location, so through that we started to convey the message that we are opening a new space. In our field, we don't really do that kind of big marketing. It's more word of mouth marketing and a little action in local Facebook groups. – Company C

As mentioned above, company A started their recruitment before the renovation started. Company B did not have to do additional recruitment, since they already had a very high need for the new place and new employee ready to start there.

The need was strong, and we had an employee coming, so then it was a little built on top of that. The first location was already operating, and in practice my customers moved to this new location from there. The work situation was good, and the employees were known, so the actual recruitment never had to be done. One who wanted to come was already known. Apart from them, we didn't go looking any further. It was decided that when they were all booked, we will be recruiting more. This is how it has been done even after that. That is, when the current ones have a good job situation, only then we will recruit more. – Company C

Company B did the recruitment during the end of the renovation process. Their recruitment was quick, and employees were easy to find.

We opened in November, so the recruitment was sometime at the end of September. Of course, the employees here were not trained very well before.

The employees can be trained after opening. That time was so tight that there was hardly any time for anything at all. – Company B

5.5 Ready growth

The entire growth process took between year to half year among all companies. Fastest process was Company C's process, however this may be influenced by renting from the same locations, as well as the growth process only starting from the landlord's suggestion. Company C states that the process was extremely fast, however the need was also strong.

Money and similar budgeting could have been a little clearer and sticking to it could have been a little more reasonable than going headfirst into the tree. In retrospect, it came a bit quickly. However, I still feel that the need was so great. My life would be easier if I had stayed in that one shop, but it could also be a bit boring. – Company C

For Company C, the entire growth process took only approximately 3 months. This duration is shorter, since the process started from the already existing good location offer which did not need renovation since it was still in construction.

For Company B, the entire process took approximately a year. This started from the idea of wanting to growth and included search for different options, long permit process and large renovation. The process was quite long, however the interviewee themselves said that the process went overtime due to many issues with permits.

I went to see the space, that is now our new office, for the first time in 2018, sometime in December. We opened the new location November 2019.

For Company A, the process took about 5 months. During the time, they were opening simultaneously two new locations. According to the interviewee they were looking for both locations in January. One of them opened at the beginning of May and other one at the beginning of June. With one of the locations, landlord agreed to do all of the renovations, which meant that they got to focus their time to the other place. This could have made this process go a little faster.

It was decided to start expanding in January 2018, all sorts of different rent negotiations have been held during that time. X opened in early May and then X opened in early June.

None of the companies did any specific post-opening evaluation or calculation. All of the companies stated to focus on getting sales and new customers, instead of analysing how the expansion went or how is the location doing now.

We didn't analyse much; in our field it is such that at 3 years you would be able to know if it is profitable. – Company C

Well, it opened and then we received the number of customers that started coming there. We didn't have any marketing strategies and we didn't have anything like calculations about what kind of customer flow would come there – Company A

Nothing that professional. It was just that we needed quickly to start marketing and positions were filled and new employees entered. It went significantly over budget, and it was analysed. Making more detailed analyses in a situation where there were no alternatives seemed a bit pointless. The budget was exceeded in any case and now we just had to get customers. – Company B

As seen from them answers, no clear or organized analysis were made. All of the companies focused on getting new customers to the locations. All of the companies answered similarly to the questions of how the growth project went.

There was a deadline and it was kind of like rushing through it, that's the process. – Company A

The whole work was project-like, it had to be finished as quickly as possible. – Company B

We didn't think much or slow down. We rushed through to get it opened. – Company C

All interviewees stated that the growth project in general was handled and executed quickly and main focus was to get the new place running instead of preparing the second place slowly while working on the first place.

5.6 Challenges during the growth

All the companies had similar as well as differing challenges during the growth process. All of the interviewees were in an owner and CEO position and responsible for executing the growth. All of them answered that the growth process affected seriously to their mental health or health in general. Also, long working hours and no day offs were mentioned in the interviews.

Me and the other partner had been working for months without days off. At the end of the project, I started to feel quite tired. Probably already the last two to three months before we opened, I worked 7 days a week, 12 hours a day, every day. I didn't have time for anything other than what I had to do. It required a lot of work. I myself had a lot of renovations to do and the employees ran the first place then. – Company B

So it was really hard mentally to sort of get things in place – Company C

I had driven myself to burnout in 2016 from that business expansion. So I had by no means recovered from it and recognized that such a state of burnout even existed. There have been many challenges in management, both from my own side and from the side of others. – Company A

All interview companies had other challenges during the growth as well. Company A recognized leadership, project management and dividing and stating areas of responsibilities as their challenge. Company B's problems were more connected to construction and time schedules, even though some sort of leadership or management problems arose.

With everything. Management brought the biggest problems. Responsibilities and areas of responsibility and personnel management. You have 2 new managers who have never managed anything. This was totally the ingredients of a disaster and even though we are now at this point with the business, there are a million things I would have done differently. And because of that, for example precisely because of all the bad sales management and making budgets, we have had massive financial problems. There have been many challenges in management, both from my own side and from the side of others. – Company A

The money ran out even at the stage when it was being built, and there was especially no time. Things will work out if there's time or if there's money, but right now, we had neither really. Some problems were experienced during construction. We had to open a little unfinished. All in all, that construction project was a big challenge. Everything else went fine in the end. Then when the other place came, you noticed that the size of the company was a bit surprising and suddenly there were quite a lot of employees and there were a lot of expenses. Suddenly, I noticed that the amount of money in the account must be completely different than before and what I was used to. When suddenly there are two offices, managing the cash register and everything else is more challenging. When there are 2 places, you can't just stretch yourself to both of them, and its flexibility starts to disappear in a certain way. – Company B

Company C did not experience that much other problems. As discussed before, according to them, budgeting and sticking to the budget should have been stricter and more handled better.

5.7 Future growth

All of the companies were also interesting in future growth. As mentioned before, Company A had already fulfilled their growth plans to much larger extent. Currently they have 9 locations (3 are done with franchising). According to the interview Company A has nowadays more clear processes as well as growth strategy to follow. They also make decision based on data and calculations, instead of intuition.

Today, I no longer work with anything but data. I base everything I can these days solely on data. We also have clear growth goals and a growth strategy today. – Company A

Company B has still two locations, however they already have a growth plan and they have hired a new person, operational manager, to handle the future growth. The company has a clear aim now and a drive to grow.

We have a somewhat broader growth strategy in terms of what we want. Now we have hired an operational manager to drive growth and the goal is to grow

in the form of even more locations. We have so many things that could be done even better that we have now accumulated know-how in the company and tried to solve those processes and bottlenecks. A growth strategy to some degree already exists now. – Company B

Company C is also still interested in growing; however, the drive is not as strong as with Company A and Company B. Company C does not have a clear growth plan, even though they have been thinking of certain areas.

The hope is to still grow at some point. I would like to get one location on the other side of the city or look at something else in the vicinity. Now we are really close. These current locations here are a 10-minute bus ride away from each other and that has made quite a lot possible. We have been planning to expand to Espoo for a couple of years now. I want our company's economy to be in such condition that it would be at least a little more reasonable. – Company C

6 Discussion

This chapter discusses the findings presented above in chapter five and concludes the most relevant topics among them. This chapter also reviews the findings together with theoretical framework in order to find relevant commonalities and differences. This chapter combines all of the above mentioned and presents a process model of domestic market expansion based on the theoretical framework and entrepreneurs' experiences found from the interviews.

The aim of this thesis was to find out "how should domestic market expansion /growth be done by a micro or small company?". This chapter answers to this research question with the help of sub questions: How the expansion process starts, What steps are included when expanding into another domestic location and what are the challenges during the expansion process. Together by analysing the findings from these questions, a process model is presented in order to illustrate the process occurred in organic growth by micro/small firm expanding into another domestic location.

After these topics are covered and presented, the final part of this chapter analyses and discusses the reliability of this thesis. This includes discussing the limitations of this thesis as well as the methodological considerations.

6.1 SQ 1 How the expansion process starts?

In order to illustrate the growth process, one must understand the beginning of the process. The motivation and reason for growing a business by expanding into a new domestic location is important information to know. When asked, all of the interview companies claimed to operate in heterogeneous environment. Heterogeneous markets are complex markets which offer room for segmentation. Heterogeneous markets offer growth opportunities for small firms. (Wiklund. et al., 2009) All of them were aware of the high competition, however according to the interview, they have all differentiated from the competitors.

Small firm growth begins with owner's desire to grow (DeMartino et al., 2015). Small firm growth is also created by entrepreneurial orientation. This can mean for example entrepreneur's ability to be more proactive than competitors or seeing and seizing market opportunities. (Wiklund, 1999) All interview companies wanted to grow their business due

to high demand. This can be seen as entrepreneurial orientation to act before competitors and seize the opportunities offered by the market. Glancey stated (1998) that in small firms' decision making is behind one person, who usually is the founder and/or the owner. These was also seen during the interview, as all of the companies expanded from the owner's willingness, and they were the only ones deciding on that.

6.2 SQ 2 What steps are included when expanding into another domestic location?

According to Rosenblum (2005) the growth process starts by assessing the local competition and market characteristics. All of the interview companies said they didn't too much assessing and information gathering about the location. However, all of the companies assessed the situation with local competition before deciding to grow. All three companies also claimed lean on their own intuition during while deciding on the growth location. In addition to using intuition as an assessment tool, all interviewees similarly did not have or use any growth strategy.

After deciding on wanting to grow and where, the growth process started with finding the location. According to Sandberg (2014) company growth begins either from finding the new location or by being offered a suitable location. From the three companies, two of them searched actively for a new location to grow. This occurred after had already they decided to open a new location. One company was offered a new location, which started their active growth process. However, that company had already stated their growth wishes for the landlord previously, which led to the landlord offering the new location. None of the companies compared multiple different locations when deciding where to grow.

From three companies, two stated that their rental negotiation process took approximately one month. One company said that their rental agreement signing took only one week. The quick rental agreement process was due to familiar landlord and easy negotiations concerning the renovations. From those, whose agreement process took about a month, one of the companies wrote a pre rental agreement. This pre-agreement was then signed to an actual agreement once they got a firm loan offer from their bank. Another one of the companies agreed on two-month trial, in order to make sure that the space could be modified

to match their needs. Sandberg (2014) states that in the rental agreement stage, a mutual contract is signed agreeing on construction and renovation.

After, and simultaneously with, signing the agreement all companies negotiated external funding for the growth. One of the companies had a family member loaning the money and other two had a bank loan. According to Sandberg (2014) after signing the contract, companies decide on the project manager to lead the expansion process. Sandbergs model suits better for larger companies. As Wiklund (2009), DeMartino et al. (2015), and Glancey (1998) all state that in small firms' entrepreneurs' actions and entrepreneurial orientation cause growth and entrepreneurs are often personally responsible for executing the growth. None of the companies had any other project leaders, except the entrepreneur themselves. For one company, this stage also included handling legal work such as building permits.

Once the contracts have been agreed, loans have been secured and legal permits have been received, construction and renovation stage can start. Sandberg (2014) studied that most companies outsource the construction work and most of the renovation work as well, however companies tend to do the last installations internally with their own employees. All three companies both outsourced and internally performed tasks for the renovation. All companies mentioned that during their company's first location, they did almost everything by themselves. During the expansion, all companies outsourced at least some parts of the renovation. However, all companies also performed tasks by themselves. Two companies used outsourced interior designer with helping to plan how the best use the space. All companies did the final room setups, installations, and decorations by themselves which also agrees with Sandberg's theory.

All of the companies started marketing their new location during the constructions stage. None of the interview companies had any marketing strategy or clearer plan how to market the new location. All companies used the company's existing social media platforms and word of mouth marketing with existing customers from the first location. All marketing was done internally and none of the companies had any internal marketing specialist.

The staff recruitment was handled differently among all companies. One company started their staffing before the renovation stage and once the renovation started, they already had new staff ready. One of the companies hired new staff members very late during the construction. They said that they didn't have enough time to train them during the

construction. The last one had already employees ready, and they did not need to any external staffing. None of the companies had any major training done with the new employees.

Once the new location opened, none of the companies used any methods of analyzing the location's success or break-even points. According to the interview's all of the companies focused on getting the sales up for the new location. All interviewees also mentioned that the mentality was not that professional, that they would have realized to calculate those kinds of things. Sandberg (2014) stated that companies can be planned to open during a specific time. One of the companies, planned that they must be able to open before Christmas season begins, since they always have a major spike in their sales during the season.

6.3 SQ 3 What are common challenges during the expansion process?

Finding out the challenges during the growth process is also important. By being aware of the common challenges, it is easier to solve or evade them. All the interview companies stated that they had also challenges during the growth.

Small firms grow faster than larger ones (Park & Jang, 2010, 370). Smaller companies have also much faster growth processes as larger ones, since small firms have less managers and other resources. Smaller firms need to grow faster, more in step-by-step process, in order to execute the expansion. During these growth periods, workload also increases. (Penrose, 2009) All of the interview companies stated that their growth process was done very quickly, in order to open the new location. The existing location was managed simultaneously, and owners were responsible executing the growth. All of the interviewees also said, that during the growth process, their workload increased massively.

As stated above, during the growth process in small firms, workloads can increase. This caused challenges among all interview companies. All of the companies suffered issues with their mental health of wellbeing during the growth process due to long working hours and heavy workloads.

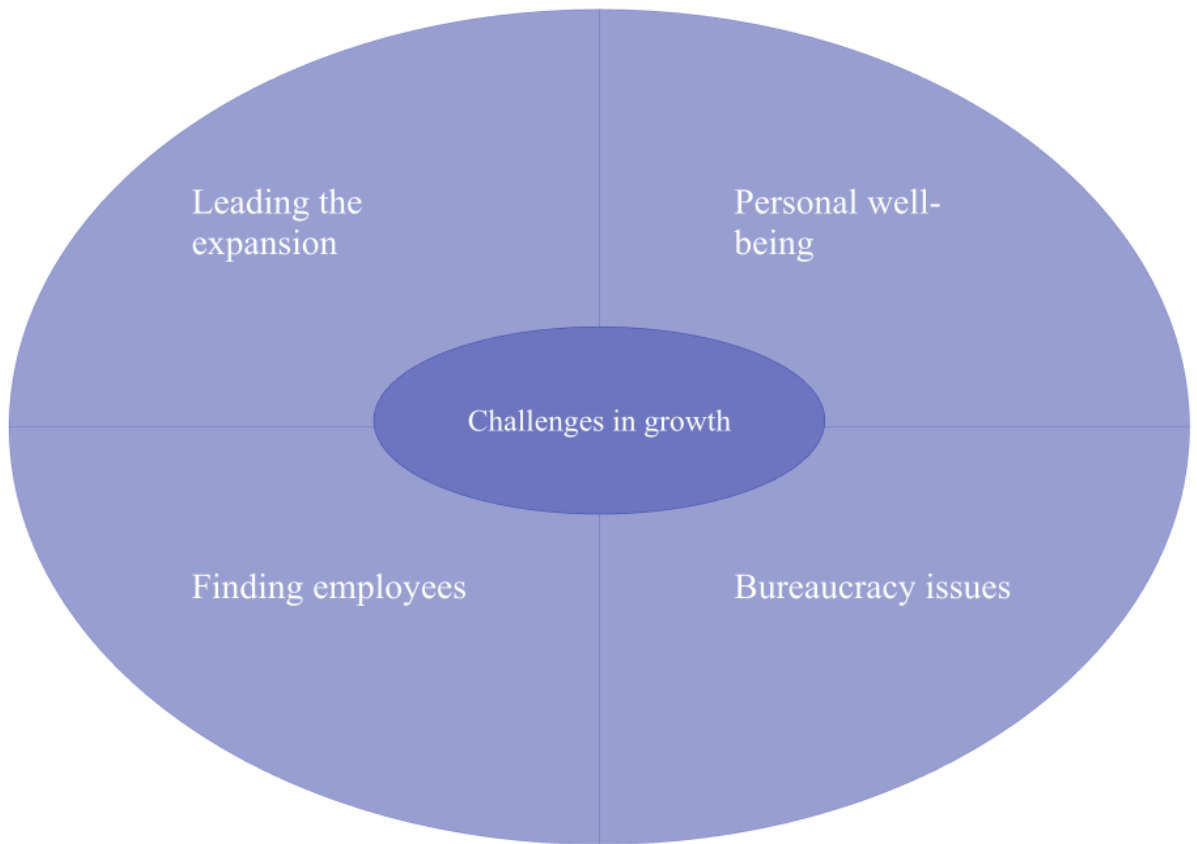


Figure 16 Common challenges during growth

Figure 16 illustrates the commonly found issues during growth process. Greiner (1972) argued that small firm's first challenges arise from growth since growth brings increased managerial needs, new employees, and more need of financial control. This type of challenges was also seen from the interviewee's answers. One company stated that growth surprised them, since suddenly, they had a lot more employees which also meant a lot more costs. The entrepreneur felt loss of control since they could not be in two places simultaneously. Loss of control was also increased since they constantly needed to have more money and better sales in order to meet the raised costs. Another interviewee stated that once they grew, they had issues with managing employees as well as managing sales and budgeting. This also caused them financial issues in a longer time period.

6.4 Domestic market expansion process model

The following micro/small firm growth process was drawn from the interviewee's answers as well as from the academic literature. The figure illustrates the process which occurs when micro and small companies are organically expanding their business to another location in their domestic markets.

The figure 17 illustrates the entire process from the beginning, when the idea arises or entrepreneur decides to act on it, all the way to the new location opening, and beyond. The process begins by the entrepreneur actively searching for location, or one being offered to them. This is the starting phase of the growth process, which need entrepreneurial orientation in order to occur.

After this, entrepreneur need to research the location and local competition, search for external funding and negotiate on the rental agreements. Rental agreement can be modified based on the company's need. Once the final contract is signed, entrepreneur can start planning for the location's renovation. This may also include applying for building permits.

The renovation is often, at least partly, outsourced. Around or while renovating, the companies start their recruitment process for the new staff as well as marketing for the new location. During this time of the process, entrepreneurs often struggle with long working days and issues with well-being. The final installations and decoration are often done internally; however, an outsourced professional might help with planning the interior setups.

Finally, the new location is ready to be opened. This may be scheduled to occur during specific time of month or year, depending on sale spikes. Small companies rarely do specific after opening evaluations such as break-even point calculations. Companies may be challenges with larger staff, increased costs and increased need of leadership and management. This whole process is being led by the entrepreneur.

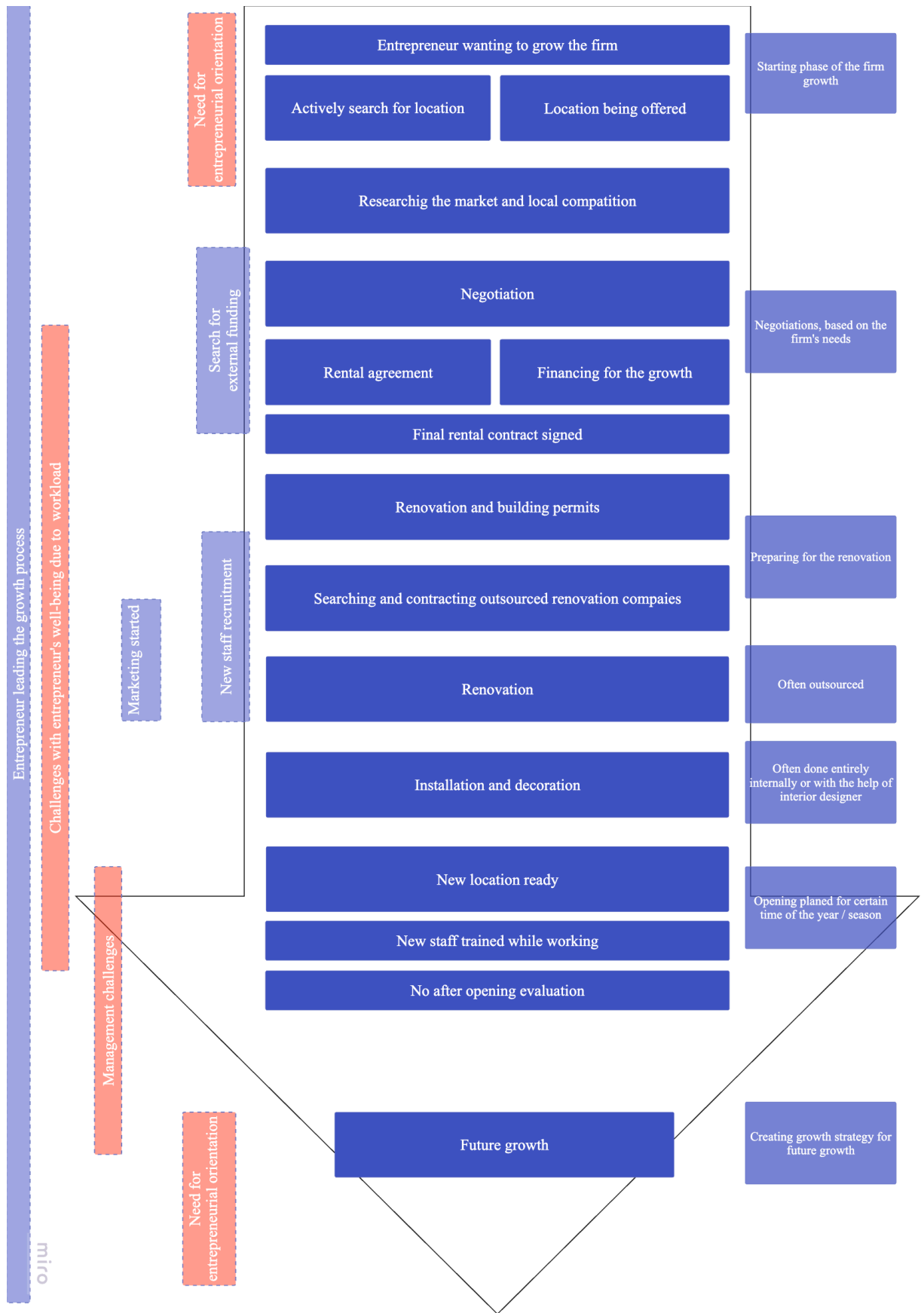


Figure 17 Micro and Small firm organic domestic growth process

In case companies still want to continue growing, they need entrepreneurial orientation again, in order to start the process. As the companies grow more in size, growth strategies can come more needed and used. The bigger these companies get; more steps are outsourced from the growth process.

6.5 Future growth

From the interview companies, all three were interested in future growth as seen from the table 6. Two of the companies were more organized towards growth. They also currently owned a more specific growth strategy to assist with the growth. These two companies had clear plans for the growth, amount of the growth as well as the durations of the growth. Company B had already hired operational manager to lead the growth.

Company	A	B	C
Used a growth strategy during the first expansion	no	no	no
Want to continue growing	yes	yes	yes
Currently have a growth strategy	yes	yes	no

Table 6 Interview companies' future growth

From the three companies, one was more unsure of their future growth. Even though the entrepreneur wanted to grow, they had unsure about the wanted growth timetable as well as location. The company also wanted to stabilize their economy more, in order to have more stable growth. They have not created a growth strategy for the company.

6.6 Generalizations and reliability of the growth process

The reliability is important to take into consideration when reading the results of this study. The reliability of any research depends on the researcher's ability to draw conclusions and compare the findings. (Kirk & Miller, 1986) This reliability and generalizability of this study are only somewhat accurate. The generalizability of this study is limited due to the limitation this thesis has with time and resources. This master thesis has only conducted interviews with three companies. This means that this study and the process it generates as a result are heavily leaning on the answers these three companies gave.

Some generalization can be drawn from the answers; however, the interview companies gave only their own experience from the growth, and it can vary between different companies and industries. Due to having only three interview companies, some of their experiences or events during the growth process may only be based on a luck, timing, or coincident and so on does not represent actual average process of small firm growth. However, during the interview this is impossible to separate.

As noticeable from the information in previous chapters, these expansions occurred already several years ago. Even though most of the answers were easy to answer to the entrepreneurs, it is always possible that the interviewees misremembered something due to time between the interview and expansion. Due to the longer period in between, it is also possible that the time has changed or shaped the image or memory of a certain event during the expansion.

The reliability and validity of study also depend on its sample, since the sample is treated as a reflection of the whole population and when generalization is drawn, the sample reflects on those. (May, 2002) The sample in this thesis illustrated Finnish micro and small companies. More specifically, this sample represents micro and small companies which operate in Helsinki area and are producing consumer services. These services are used to pamper the customer and are often used, when having additional money left from necessary costs. So on, this sample represents and generalizes best these types of companies. It may cause that service company in other field or in other part of Finland cannot find these findings as useful as others.

As said, this sample represents best the companies that are offering beauty and wellness services. Often in this field of work, employees are individual entrepreneurs working for the company. This is often seen for example in beauty salons or hairdressers. This may also influence on the generalizability of the study. A certain service company in a different industry may not be able to grow their business due to higher employment costs.

The interviewee entrepreneurs' personalities may also influence this study. Some of them were more eager to talk and tell their growth story than others. Even though all the interviewees were asked the same primary questions, some of the interviewees were less verbose and needed to be asked more secondary questions in order to get the same amount information. Some of their style of speaking was also more direct and formal compared to others who were more informal and descriptive in their interview.

7 Conclusions and future research

This final chapter concludes this master thesis. This chapter includes the conclusions made from the previous chapters and answer to the primary research question. This chapter also includes both theoretical and managerial implications of this study as well as the future research topics among the area of micro and small firm's domestic growth.

7.1 Answer to the primary research question

This master thesis studied the topic of micro and small firm domestic growth, more specifically the process which occur during the growth. This thesis aimed to study and answer to the primary researcher question:

How should domestic market expansion /growth be done by a micro or small company?

The following figure 19 illustrates and concludes the process of how domestic market expansion should be done entrepreneurs running a micro or small companies.

Micro and small firms hold an important position in Finland. Almost 95% of all Finnish companies are micro sized. However, micro and small companies struggle with finances and growing their business. Young small companies tend to go bankruptcy within their first five years of existence. Those small companies which manage to grow, have a better possibility to survive. Domestic growth plays a vital role for these companies, since internationalization is often unlikely or unsuitable due to the size of the small companies.

Growth can mean several different things. Growth can be increases in turnover, sales, number of employees or markets. However, in this thesis, the focus is on the organic growth which occurs via opening new domestic locations. Organic growth means that it is operated with company's own or borrowed finances without having any external partners, mergers, or acquisitions. Domestic growth means in the growth is occurring in the company's home markets.

Micro and small firm growth success depends on the entrepreneur themselves. Several studies state that small firm growth need entrepreneurial orientation and the growth itself starts from the entrepreneur's desire. The entrepreneurs need to take a calculated risk with finding good locations, however one which does not yet have too much competition.

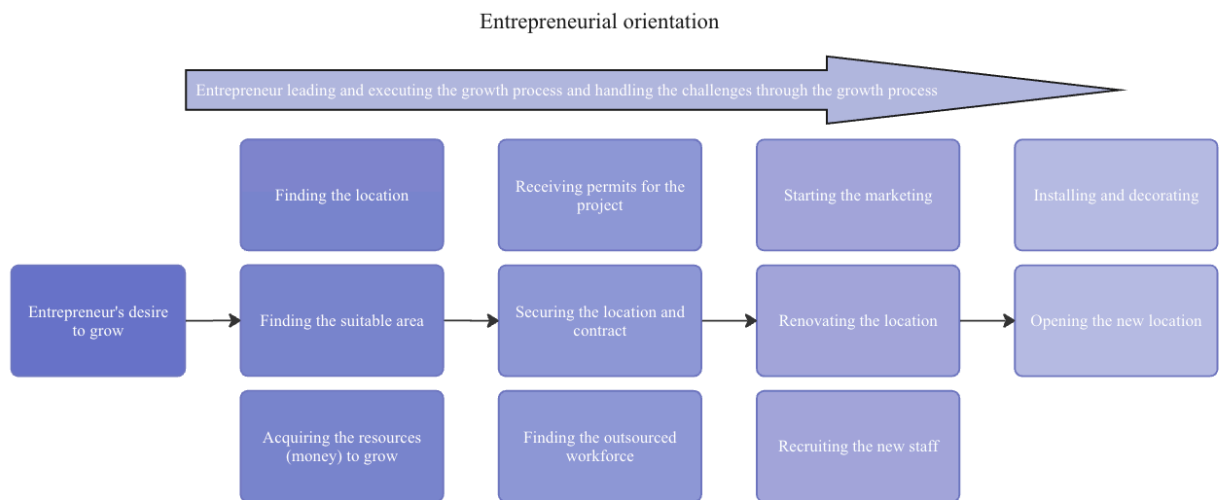


Figure 18 Conclusion of the main research question

The figure 18 concludes the chapter six's growth process chart. The growth begins from the entrepreneur and need the entrepreneurs' actions, executions and leadership throughout the whole process. In order to grow, the entrepreneur needs to find a suitable location from a good area. They need to see the opportunities from a certain area before the competitors and unveil the potential. The entrepreneurs also need to acquire capital for the growth project.

Once the location has been secured, the entrepreneurs need to find internal or external workforce to renovate the location to be suitable on and on brand. In addition to renovation, all the equipments and furniture needs to be installed. While doing this, the entrepreneurs also need to take care of new locations staff recruitment and marketing. Once all of these have been fulfilled, the new location can be opened.

At the same time, the entrepreneurs need to face the challenges which are coming with the expansion. These are often related to wellbeing and heavy workload as well as management issues with expanded staff and expenses.

7.2 Theoretical and managerial implications

This master thesis has both, theoretical and managerial implications. As stated before, the academic literature is noticeably missing a more concrete side of micro and small firm growth. The growth and growth strategies and models are studied in more theoretical and general level; however, the execution level is missing from the academia. This master thesis brings a small context and insight of the micro and small firm's executional side of the growth and how that growth process should and could include. This thesis also constructs more understanding and takeaways on what could be studied more among the topic of small firm growth.

Even more from the theoretical implications, this master thesis has more significant managerial contribution. This thesis provides the entrepreneurial community, among micro and small firms, a process model of what steps the domestic growth process includes. This thesis also helps by showing the common challenges during the growth process. By familiarizing with the process and with the common challenges, entrepreneurs can better prepare, plan, and execute their growth aspirations and execute the growth in much more efficient and controlled way. Entrepreneurs can also better face and prepare the challenges among the way, since this thesis makes the common challenges more visible.

This master thesis can also inspire and help the entrepreneurial community by showing the processes of how other have done and setting an example to those entrepreneurs who are only dreaming of the growth plans. This thesis can also encourage some entrepreneurs by giving them a guideline, academic literature concerning the topic and real-life examples to follow and familiarize.

7.3 Future research

As mentioned in the introductory chapter of this thesis, micro and small firm's domestic growth process is very little researched topic and only small number of academic literatures cover the topic. Even though small firm's growth in more general level is highly researched topic, the more practical side of the growth is missing from the academia.

The sample of this thesis focused mainly on the micro and small companies operating in Helsinki area and focusing on the beauty and wellness services. For the future studies, a

broader sample of micro and small firms around the entire country and operating in different fields of consumer services would be important and interesting to see.

This thesis only sided a little about the duration of these expansion processes. Since all the processes in this these were in very different durations, any conclusions could not be drawn from these. A larger study concerning mainly to the duration of domestic expansions would be valuable both to the academia as well as to the entrepreneur community.

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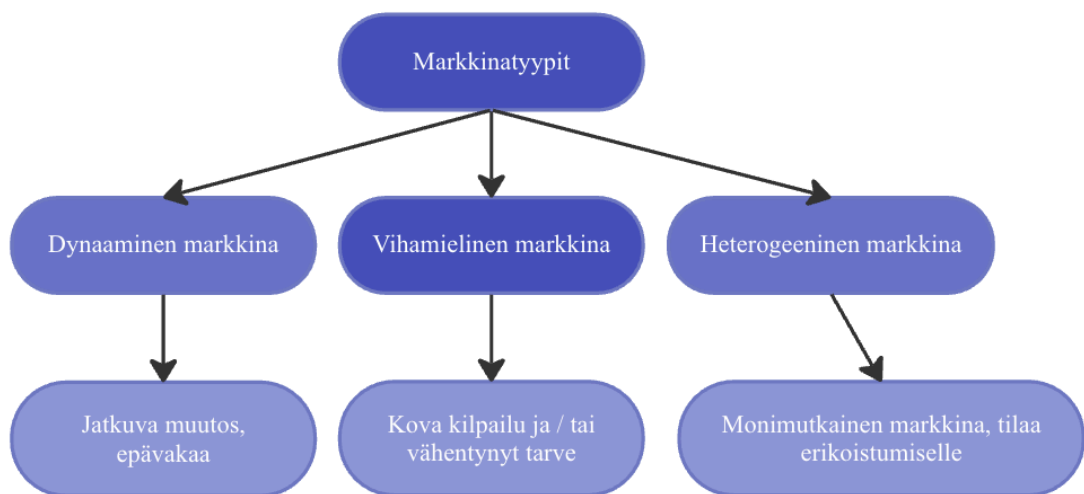
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Appendix 1. Primary interview questions in Finnish

Saahan tämän keskustelun Nauhoittaa ja tallentaa? Tallenne poistetaan gradun valmistuttua.

Taustatietoa

- Yrityksen taustatiedot (koko, liikevaihto, toimiala)
- Haastateltavan rooli organisaatiossa sekä kansalaisuus
- Rooli kasvussa
- Minkäläisessä markkinatyypissä yritys toimii



Kasvun suunnittelu (ennen uuden lokaation varmistumista)

- Milloin ja mistä kasvuprosessi / kasvuhallukkuus alkoi.
(Tuliko ensin halu kasvaa vai potentiaalinen kasvupaikka?)
- Oliko yrityksellä kasvustrategiaa miettitty ennen uutta toimipaikkaa?
 - jos kyllä niin minkälainen se oli
- Oliko mahdollisia liiketiloja monta?
 - Jos kyllä, miten päätettiin mihin lokaatioon mennä?
- Kuinka paljon ja minkälaista selvitystyötä tehtiin ennen uuden paikan lukkoonlyömistä?
- Kauan uuden lokaation vuokraneuvottelut kestivät

Kasvun valmistelu (Uuden lokaation valmistelua ja suunnittelua)

- Mitä suunnitteluvaihe sisälsi?
- Mitä piti tehdä, kun paperit oli kirjoitettu ja ennen kuin voitiin alkaa remontoimaan / rakentamaan?
- Tarvittiinko ottaa ulkopuolista lainaa ennen rakentamista?
- Tarvittiinko hoitaa lupa-asioita (esim rakennuslupa) ennen kuin aloitettiin rakentamaan?
- Kauan tämä vaihe kesti?

Kasvun toteuttaminen (Remontointi, rakentaminen, somistaminen)

- Mitä kaikkea ulkoistettiin ja mitä tehtiin itse?
- Kauan valmistelut kesti?

- Mitä kaikkea piti tehdä, ennen kuin liike saatiin avattua ja missä järjestyksessä?
- Missä vaiheessa aloitettiin rekryt (ellei tästä ole kerrottu jo)?
- Missä vaiheessa aloitettiin markkinointi (ellei tästä ole kerrottu jo)?

Kasvun toimiminen (uusi lokaatio valmis ja käynnissä)

- Onko ollut jotain jälkiarviointeja / tai laskelmia siitä miten kannattava uusi liike on?
- Tehtiinkö koko kasvuprosessi enemmän projektimaisesti (selkeä deadline ja selkeät tavoitteet) vai muun liiketoiminnan ohessa (hitaammalla tahdilla)?

Ongelmat kasvussa

- Koettiin kasvussa jotain ongelmia?

Tuleva kasvu

- Onko vielä toiveita kasvaa uusiin toimipisteisiin?
- Onko uuteen kasvuun suunniteltu kasvustrategiaa?