

**SWP 68/91 HIGH PERFORMANCE SMEs:
A TWO COUNTRY STUDY**

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1. Introduction
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I. INTRODUCTION

This paper presents the results of a survey of 420 SMEs in Britain (247) and France (173) conducted in July 1991. All the companies were selected from public records data based upon their above average performance as measured by their high return on capital employed (over 40%). They have experienced a range of growth rates for sales turnover over the last 12 months:

<u>Growth rate</u>	<u>Britain</u>	<u>France</u>
Over 20%	11%	15%
10 - 20%	20%	25%
Under 10%	35%	40%
Decrease	34%	20%

Generally, the British companies have fared worse than their French counterparts, however over 30% of companies in each sample have increased turnover ahead of inflation during this recessionary period.

This survey set out to investigate:

- i. How these companies operate and are organised.
- ii. The strategies and tactics they have adopted over the last 12 months and how they were financed.

In particular we set out to explore the different characteristics of French and British SMEs and to explore whether these factors can be associated with their performance or growth.

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II. PREVIOUS RESEARCH

Most SMEs are born to die or stagnate. Their failure rate is high in all countries and there is a substantial "churning effect" as new firms are established. Most SMEs grow only in the first few years after start-up and then stabilise to provide the owner manager with an acceptable, independent life-style. Most owner managers seem satisfied at this "comfort level" and their businesses do not grow beyond it. It is, therefore, little wonder that governments have searched for policies that will help SMEs grow. At the same time researchers have sought to analyse and understand the growth process (eg. O'Farrell and Hitchens, 1988). Often this has focused on the stages of growth of the firm and the predictability of characteristics at each stage (Churchill and Lewis, 1983; Kimberley *et al.*, 1980), although other researchers have cast doubt on the timing and sequence of these stages (Devine, 1979; Taylor and Thrift, 1982). However, what seems certain is that the total set of inputs to the business - internal and external factors - will influence its development.

A number of writers have asserted that there is an association between planning and SME growth and performance (Kudla, 1980). Whilst some have argued that this is a positive relationship (Bamburgh, 1983), this does not seem always to be the case. The relationship can be complex and it has been said that planning does not improve performance in all environments (O'Neil *et al.*, 1987). These plans are generally formulated and implemented by management of the firm, so the extent of delegation of management, the control system and the extent to which planning is built into it can also be factors affecting growth and performance (Gibb and Scott, 1985). The regular forecasting of financial data and production of regular and timely financial statements are also associated with growth (Ray and Hutchinson, 1983).

Strategy is generally closely associated with growth and performance, although time lags are often unclear. It is often asserted that market and product development should be incremental from the familiar to the unfamiliar and that market development is preferable to product development (Perry, 1986). The most common mechanism for growth in SMEs is increasing sales to existing customers (O'Farrell and Hitchens, 1988). However the tactics used to achieve these strategies are generally less researched. Some individual characteristics of SMEs are well documented, such as their tendency not to invest in training (Burns and Grey, 1988), but the link between strategy, tactics and results is not always explicit and often confused. Many studies have demonstrated the heavy reliance of SMEs on internally generated funds but, once established, they tend to operate gearing ratios similar to or higher than large firms and a proportion of short term debt that is higher than large firms (Burns, 1987).

This paper will offer evidence to support most of this previous research. It also underlines some problem areas. It also provides an insight into some differences in approach between British and French companies.

III. INTERNAL ORGANISATION

Some difficulty was experienced in looking at internal organisation because differences in business law etc. can affect company organisation. Some of the survey questions therefore had to be posed in different ways for each country. The two samples are also somewhat different. The British sample tends to include larger companies and a higher proportion of subsidiary companies, which implies a degree of control from head office.

The survey results generally reinforce the existing literature. These high performance SMEs tend to have a high level of internal organisation. This conclusion is true whether or not the companies have experienced high growth. Two significant differences between the French and British companies emerged. Firstly, the British companies tend to place a greater reliance on business planning. Secondly, a higher proportion of British companies had an outsider regularly attending board meetings.

85% of British companies prepare regular business plans compared to 60% of French companies. Only 2% of British companies never prepared business plans compared to 12% of French companies. Approximately 90% of British business plans contained a corporate strategy, objectives and financial budgets compared to 75% of French companies. Most (81% Britain, 74% France) use a two or three year planning horizon. An overwhelming majority of firms involve their management teams in the preparation (95% Britain, 82% France) and the implementation (94% Britain, 76% France) of the business plan.

Most firms (80% Britain, 83% France) prepare financial reports monthly or more frequently and then compare them to budgets (77% Britain, 75% France). Surprisingly, given the nature of the survey sample, two British companies reported that they never prepared financial reports. Further, 9% of British companies and 4% of French companies reported only preparing them annually.

An overwhelming majority of firms (98% Britain, 92% France) reported having regular meetings of their management team. British management teams tend to be larger than their French counterparts (1-5 people: 32% Britain, 47% France; 6-10 people: 47% Britain, 38% France; over 11 people: 11% Britain, 5% France). 39% of British companies reported regularly having outsiders on their board of directors compared to only 5% of French companies, although 32% "sometimes" had outsiders (8% Britain). This may reflect the high proportion of subsidiaries in the British sample, where head office staff may attend board meetings.

IV. STRATEGIES, TACTICS AND FINANCING

The general strategy adopted by sample companies was broadly similar. What is more, the strategies adopted were similar whatever the growth rate experienced by the respondent. The predominant strategy adopted was the cautious, incremental one of reinforcement of existing product ranges (36% Britain, 33% France) followed by the offering of new product or service lines (15% Britain, 16% France) (Appendix 2). However, in the high growth British companies this ranked no higher than any of the remaining strategies.

These cautious strategies may well be appropriate in times of recession and the predominant strategy revealed supports existing research. The surprise is, firstly, that there is little change in the rank ordering when looking at the strategies followed by high and low growth companies (Tables 2.1, 2.2). Secondly, that there was little interest in entering new markets by either high or low growth companies. However, in both countries more firms mentioned entering a new EC market than a new home market, so perhaps 1992 is having some effect. Contrary to existing research, new product development was more popular than the development of new markets.

British companies concentrated most of the effort in marketing and advertising (24% Britain, 16% France), whereas French companies concentrated most of their effort on the development of commercial networks (17% Britain, 26% France). In both countries training of personnel was the second most frequently mentioned area (22% Britain, 19% France) (Appendix 2).

The high growth French companies concentrated more on the development of their commercial networks and marketing and advertising than their low growth counterparts. On the other hand high growth British companies concentrated on training and the recruitment of new personnel. Perhaps surprisingly, research and development was more important for these companies than marketing (Tables 2.1, 2.2).

As you would expect, most firms in both countries used direct investment or expenditure in key areas to achieve these strategies (53% Britain, 56% France). The higher the growth rate the higher the percentage of companies who had taken over other companies in the same sector. Also the lower the growth rate, the higher the percentage of firms using disinvestment of non-core activities to achieve their strategy (Tables 2.1, 2.2).

Most firms in both countries used retained earnings to finance their strategies (67% Britain, 55% France). Borrowing came well behind (23% Britain, 28% France). Finance by equity was very rare, particularly in Britain, reflecting the economic environment (Appendix 2). This remained the case for all groups of French companies, although in Britain the lower the growth rate the greater the recourse to debt financing.

These results were analysed by size of company (turnover and employees), without significant differences emerging. The same was also broadly true when analysed by owner managed/non-owner managed status. The exception was financing. In Britain owner managed firms financed their strategies mainly through retained earnings (77%). In France they relied less on this (51%) than either their British counterparts or French non-owner managed firms (60%). A significant proportion (16%) had even sought equity finance.

V. CLASSIFICATION INTO TYPES OF FIRM

To obtain a classification of firm "types" based upon the strategies they have adopted over the last twelve months, the average linkage within groups was used to group similar firms. This method combines clusters so that the average distance between all cases in the resulting cluster is as small as possible. Thus the distance between two clusters is taken to be the average of the distances between all possible pairs of cases in the resulting cluster. (The distance between two cases is the square root of the sum of the squared differences in values for each variable.)

The grouping procedure was carried out on the 173 French companies and reduced them to six clusters (Table 2.3):

- i. (56 firms) Their main strategy was the offering of new products or services, followed by the reinforcement of existing ones. Their efforts have been concentrated on the development of commercial networks through increasing expenditure in this area. They have financed this through retained profits.
- ii. (48 firms) Their main strategy was the reinforcement of existing products or services. Their efforts have been directed towards the development of a commercial network, towards training and to a certain extent towards advertising and marketing. The main trend was towards divestment of non core business in order to achieve this strategy, and, for a quarter of the firms, to increase direct expenditure. They financed this, therefore, mainly through retained earnings.
- iii. (25 firms) Their main strategy was the reinforcement of existing products or services, followed by restructuring of their product line. They have mainly concentrated their effort on investment in equipment and property through direct expenditure. Their main source of finance was debt followed by retained profit.
- iv. (22 firms) Their main strategy was to continue as previously. Half the group concentrated their efforts on the development on a commercial network. There was no response to questions concerning the means of achieving this strategy and financing methods.
- v. (13 firms) Their main strategy was the reinforcement of existing products or services. Their effort had been concentrated on the development of commercial networks, on training and to a certain extent on marketing and advertising. To achieve this strategy there was a trend towards divestment of non core activities and, for a quarter of the firms, increasing direct expenditure. To achieve this they used retained earnings.
- vi. (9 firms) Their main strategy was to continue as previously. They concentrated on training by increasing direct expenditure. This was financed by retained earnings.

The grouping procedure was also carried out on the 248 British firms and they were similarly reduced to six clusters (Table 2.4):

- i. (79 firms) Their main strategy was the reinforcement of existing products, followed by the offer of new ones. They have concentrated their efforts

on recruitment and the training of personnel, solely by increasing expenditure in these areas. They have used retained profits to do this.

- ii. (49 firms) Their main strategy was also the reinforcement of existing products. They have concentrated their efforts on marketing and advertising, followed by the development of a commercial network. To achieve their strategy they mainly used divestment or acquisition of a firm in the same sector, followed by acquisition of a firm in a different sector (this is the most diversified group in terms of means of achieving its strategy). The main financing method was retained profits.
- iii. (43 firms) Their main strategy was to continue as previously, followed by restructuring their existing product range. They have concentrated their efforts on marketing and advertising. The main means of achieving their strategy were divestment and increased expenditure. The main financing method was debt, closely followed by retained profits.
- iv. (40 firms) Their three main strategies were, jointly, the offer of new products, the restructuring of the existing product range and the reinforcement of existing products. They have concentrated their efforts on training, followed by marketing and R&D, by increasing expenditure in these areas. The main financing method was retained profits.
- v. (20 firms) Their main strategy was the offer of new products, followed by entry into a new market outside the EC. They have concentrated their efforts on marketing and advertising, by increasing expenditure in this area. The main method of financing was retained profits.
- vi. (17 firms) Their main strategy was the reinforcement of existing products, followed by the offer of new ones. Efforts have been concentrated jointly on marketing and equipment and property, followed by R&D, by increasing expenditure in these areas. The main financing method was debt.

Business size (turnover and the number of employees) and the ownership structure (owner-managed or not) were compared between these six types of firm in each country. Two types of statistical analysis were used : the chi-squared test and the non-parametric Kruskal-Wallis test. The results obtained indicate that no statistically significant differences could be observed in any of the analyses. Therefore, there is no relationship between cluster membership and either business size or ownership structure.

Similar tests were carried out on growth status (high vs low growth) and, once again, no statistically significant differences were found. Thus there is no statistical evidence of a relationship between cluster membership and growth. However, scrutiny of the individual results did indicate a certain pattern, in that, for Britain only:

- Cluster 1 was mainly firms with growth of more than 20% over the past 12 months.

Cluster 3 was mainly firms with decreased turnover over the past 12 months.

It would have been extremely convenient to have found that certain clusters contain strategies that could be linked to growth. However, there is no statistical evidence to support this. This could be for a number of reasons:

- i. The linkage between strategies, tactics and performance is subject to time lags. The strategies and tactics of the last 12 months will only feed through into growth figures in the future.
- ii. These companies are all homogeneous in that they are high performers (measured by return on capital) and all these strategies are valid and successful.
- iii. Classification is not possible. This conclusion is consistent with similar research using cluster analysis regarding the strategic profile of SMEs and size and performance. (Birley and Westhead, 1990). The implication of this conclusion is that overall theories of "success" or "failure" are unlikely to be fruitful and researchers should, instead, attempt to explain the development of companies within these clusters.

VI. CONCLUSIONS.

Analysis of the results of the survey allow us to form a number of conclusions:

- i. These high performance companies all tended to have a high level of internal organisation. They produce regular business plans which contain strategy, objectives and financial budgets, drawn up involving their management team. They produce regular, timely financial reports which are compared to budgets. They hold regular meetings of their management team.
- ii. No link was found between internal organisation and growth.
- iii. These high performance companies tended to have an incremental approach to development favouring "reinforcement of existing product ranges".
- iv. New product development was more popular than new market development.
- v. No link was found between strategies and growth.
- vi. These firms mainly used retained earnings to finance their strategies. The use of equity was rare.
- vii. There was no statistical evidence to support a relationship between clusters of firms based on strategies, tactics and financing. However there can be a number of reasons for this.

Regarding the differences between British and French companies:

- i. British companies tended to place a greater reliance on business planning.
- ii. There was a tendency for British management teams to be larger, but this might be explained by size differences.
- iii. British companies tended to have a higher proportion of outsiders regularly on the board, although this might be explained by the high proportion of subsidiaries in the British sample.
- iv. French companies concentrated on the "development of commercial networks" whereas the British companies concentrated on "marketing and advertising".
- v. High growth French companies concentrated their efforts on both the above elements. Surprisingly, high growth British companies concentrated their efforts on training and recruiting personnel. They also concentrated more of their effort on R&D than on marketing.
- vi. French owner managed firms relied more on outside finance, including equity, than British owner managed or French non owner managed firms.

These results are part of a wider series of on-going studies which are being extended to other EC countries. These include a six-monthly survey of business confidence across European SMEs. This survey looked at the internal factors affecting growth and performance and the complete analysis, using other data down-loaded from public records, is not yet complete. The next survey will look at the external factors affecting these firms and will attempt to combine them with the internal factors.

Appendix 1 : Britain

Do you prepare a business plan ?	Replies	Percent
. No	6	2%
. Sometimes	29	12%
. Regularly	212	85%
. N/R	1	0%
Total	248	100%

Does your business plan include ?	No		Yes		No response		Total	
	Replies	Percent	Replies	Percent	Replies	Percent	Replies	Percent
. A corporate strategy	29	12%	205	83%	14	6%	248	100%
. Set objectives	14	6%	222	90%	12	5%	248	100%
. Financial budgets	2	1%	236	95%	10	4%	248	100%

How far do you plan ahead ?	No		Yes		No response		Total	
	Replies	Percent	Replies	Percent	Replies	Percent	Replies	Percent
. One year	195	79%	12	5%	41	17%	248	100%
. Two years	29	12%	89	36%	130	52%	248	100%
. Three years	16	6%	112	45%	120	48%	248	100%
. Five years	0	0%	68	27%	180	73%	248	100%

Do you prepare regular reports on financial performance ?	Replies	Percent
. No	2	1%
. Weekly	57	17%
. Monthly	209	63%
. Quarterly	35	10%
. Annually	31	9%
Total	334	100%

Do you review performance against budget regularly ?	Replies	Percent
. No	2	1%
. Weekly	41	13%
. Monthly	205	64%
. Quarterly	43	13%
. Annually	28	9%
Total	319	100%

Britain (cont.)

Do you have a management team ?	Replies	Percent
. No	3	1%
. Yes	244	98%
. N/R	1	0%
Total	248	100%

How many people do you consider as being part of this team ?	Replies	Percent
. 1 - 5	80	32%
. 6 - 10	117	47%
. 11 - 20	28	11%
. More than 20	14	6%
. N/R	9	4%
Total	248	100%

Do members of your management team participate in the drawing up of the business plan ?	Replies	Percent
. No	3	1%
. Yes	236	95%
. N/R	9	4%
Total	248	100%

Do members of your management team have responsibility for implementing elements of the plan ?	Replies	Percent
. No	6	2%
. Yes	232	94%
. N/R	10	4%
Total	248	100%

Does your Board of Directors include people from outside the firm ?	Replies	Percent
. No	130	52%
. Sometimes	21	8%
. Regularly	96	39%
. N/R	1	0%
Total	248	100%

Appendix I : France

Do you prepare a business plan ?	Replies	Percent
. No	20	12%
. Sometimes	44	25%
. Regularly	104	60%
. N/R	5	3%
Total	173	100%

Does your business plan include ?	No		Yes		No response		Total	
	Replies	Percent	Replies	Percent	Replies	Percent	Replies	Percent
. A corporate strategy	11	6%	128	74%	34	20%	173	100%
. Set objectives	16	9%	125	72%	32	18%	173	100%
. Financial budgets	15	9%	129	75%	29	17%	173	100%

How far do you plan ahead ?	No		Yes		No response		Total	
	Replies	Percent	Replies	Percent	Replies	Percent	Replies	Percent
. One year	131	76%	6	3%	36	21%	173	100%
. Two years	12	7%	60	35%	101	58%	173	100%
. Three years	3	2%	68	39%	102	59%	173	100%
. Five years	1	1%	33	19%	139	80%	173	100%

Do you prepare regular reports on financial performance ?	Replies	Percent
. No	0	0%
. Weekly	60	30%
. Monthly	107	53%
. Quarterly	25	12%
. Annually	9	4%
Total	201	100%

Do you review performance against budget regularly ?	Replies	Percent
. No	4	2%
. Weekly	23	12%
. Monthly	122	63%
. Quarterly	34	18%
. Annually	11	6%
Total	194	100%

France (cont.)

Does your management team meet regularly ?	Replies	Percent
. No	8	5%
. Yes	159	92%
. N/R	6	3%
Total	173	100%

How many people do you consider as being part of this team ?	Replies	Percent
. 1 - 5	81	47%
. 6 - 10	65	38%
. 11 - 20	9	5%
. More than 20	0	0%
. N/R	18	10%
Total	173	100%

Do members of your management team participate in the drawing up of the business plan ?	Replies	Percent
. No	6	3%
. Certain members	79	46%
. All	63	36%
. N/R	25	14%
Total	173	100%

Do members of your management team have responsibility for implementing elements of the plan ?	Replies	Percent
. No	19	11%
. Yes	131	76%
. N/R	23	13%
Total	173	100%

Does your Board of Directors include people from outside the firm ?	Replies	Percent
. No	91	53%
. Sometimes	56	32%
. Regularly	8	5%
. N/R	18	10%
Total	173	100%

Appendix 2

Change in turnover over the past twelve months	France		Britain	
	Replies	Percent	Replies	Percent
. Growth of 20% or more	25	15%	26	11%
. Growth of between 10% and 20%	42	25%	50	20%
. No change or growth of less than 10%	70	41%	87	35%
. Decrease	34	20%	84	34%
Total	171	100%	247	100%

Over the past twelve months,

What strategy did you adopt to further your business ?	France		Britain	
	Replies	Percent	Replies	Percent
. Reinforcing existing products and services	91	33%	166	36%
. Restructuring product or service line	44	16%	69	15%
. Offering new products or services	55	20%	106	23%
. Entering a new home market	19	7%	29	6%
. Entering a new EC market	28	10%	37	8%
. Entering a new market outside the EC	11	4%	24	5%
. Continuing as previously	28	10%	31	7%
Total	276	100%	462	100%

On which areas did you concentrate to achieve this strategy ?	France		Britain	
	Replies	Percent	Replies	Percent
. Equipment and/or property	58	16%	41	9%
. Recruitment of new personnel	44	12%	63	14%
. Training of personnel	71	19%	97	22%
. Marketing and advertising	60	16%	110	24%
. Research and development	36	10%	62	14%
. Development of commercial network	96	26%	78	17%
Total	365	100%	451	100%

Appendix 2 (cont.)

By what means did you achieve this strategy ?	France		Britain	
	Replies	Percent	Replies	Percent
. Direct investment/increased expenditure in key areas	113	56%	147	53%
. Divestment of non-core businesses	39	19%	38	14%
. Acquisition of a company in the same sector	27	13%	35	13%
. Acquisition of a company in a different sector	4	2%	15	5%
. Alliance with an industrial partner	11	5%	15	5%
. Joint-venture	7	3%	24	9%
. Share swaps	2	1%	2	1%
Total	203	100%	276	100%

How did you finance this strategy ?	France		Britain	
	Replies	Percent	Replies	Percent
. Retained profits	118	55%	177	67%
. Borrowing from banks or other institutions	60	28%	60	23%
. Issuing new equity	13	6%	9	3%
. Injection of capital from managers/shareholders	17	8%	13	5%
. Opening of capital to financial investors	6	3%	2	1%
. Opening of capital to industrial investors	1	0%	2	1%
Total	215	100%	263	100%

Table 2.1
Britain - June 91

	Change in turnover over the past twelve months											
	No response		Growth of 20% or more		Growth of between 10% and 20%		No change or growth of less than 10%		Decrease		Total	
	Replies	Percent	Replies	Percent	Replies	Percent	Replies	Percent	Replies	Percent	Replies	Percent
Which strategy did you adopt to further your business ? · Reinforcing existing products or services · Restructuring your product or service line · Offering new products or services · Entering a new home market · Entering a new EC market · Entering a new market outside the EC · Continuing as previously	0	0%	21	37%	41	40%	60	38%	44	31%	166	36%
	0	0%	4	7%	15	15%	25	16%	25	17%	69	15%
	0	0%	14	25%	22	22%	33	21%	37	26%	106	23%
	0	0%	4	7%	5	5%	12	8%	8	6%	29	6%
	0	0%	5	9%	7	7%	11	7%	14	10%	37	8%
	0	0%	4	7%	6	6%	10	6%	4	3%	24	5%
On which areas did you need to concentrate to achieve this strategy ? · Equipment and/or property · Recruitment of new personnel · Training of personnel · Marketing and advertising · Research & development · Development of commercial network	0	0%	57	100%	102	100%	160	100%	143	100%	462	100%
	0	0%	4	9%	6	6%	17	10%	14	11%	41	9%
	0	0%	10	21%	20	20%	21	12%	12	9%	63	14%
	0	0%	11	23%	22	22%	36	21%	28	21%	97	22%
	0	0%	7	15%	29	29%	39	23%	35	26%	110	24%
	0	0%	9	19%	11	11%	25	15%	17	13%	62	14%
By what means did you achieve this strategy ? · Direct investment or increased expenditure in areas above · Divestment of non-core businesses · Acquisition of a company in the same sector · Acquisition of a company in a different sector · Alliance with an industrial partner · Joint-venture · Share swaps	0	0%	47	100%	99	100%	172	100%	133	100%	451	100%
	0	0%	18	58%	32	53%	59	57%	38	47%	147	53%
	0	0%	0	0%	7	12%	15	14%	16	20%	38	14%
	0	0%	7	23%	11	18%	9	9%	8	10%	35	13%
	0	0%	2	6%	2	3%	6	6%	5	6%	15	5%
	0	0%	2	6%	1	2%	7	7%	5	6%	15	5%
How did you finance this strategy ? · Retained profits · Borrowing from banks or other institutions · Issuing new equity · Injection of capital from managers or shareholders · Opening of capital to financial investors · Opening of capital to industrial investors	0	0%	31	100%	60	100%	104	100%	81	100%	276	100%
	0	0%	22	65%	44	80%	65	68%	46	59%	177	67%
	0	0%	5	15%	8	15%	23	24%	24	31%	60	23%
	0	0%	4	12%	1	2%	1	1%	3	4%	9	3%
	0	0%	2	6%	1	2%	6	6%	4	5%	13	5%
	0	0%	0	0%	1	2%	1	1%	0	0%	2	1%
	0	0%	1	3%	0	0%	0	0%	1	1%	2	1%
	0	0%	34	100%	55	100%	96	100%	78	100%	263	100%

Table 2
France - June 91

Table 2.2 France - June 91	Change in turnover over the past twelve months												
	No response		Growth of 20% or more		Growth of between 10% and 20%		No change or growth of less than 10%		Decrease		Total		
	Replies	Percent	Replies	Percent	Replies	Percent	Replies	Percent	Replies	Percent	Replies	Percent	
Which strategy did you adopt to further your business ?													
	Reinforcing existing products or services	1	50%	11	28%	23	35%	41	38%	15	25%	91	33%
	Restructuring your product or service line	0	0%	8	21%	7	11%	16	15%	13	22%	44	16%
	Offering new products or services	1	50%	7	18%	12	18%	23	21%	12	20%	55	20%
	Entering a new home market	0	0%	3	8%	6	9%	5	5%	5	8%	19	7%
	Entering a new EC market	0	0%	5	13%	9	14%	8	7%	6	10%	28	10%
Entering a new market outside the EC	0	0%	3	8%	3	5%	3	3%	2	3%	11	4%	
Continuing as previously	0	0%	2	5%	6	9%	13	12%	7	12%	28	10%	
	2	100%	39	100%	66	100%	109	100%	60	100%	276	100%	
On which areas did you need to concentrate to achieve this strategy ?													
	Equipment and/or property	0	0%	5	10%	16	16%	25	18%	12	18%	58	16%
	Recruitment of new personnel	1	25%	7	14%	14	14%	15	11%	7	10%	44	12%
	Training of personnel	0	0%	7	14%	22	22%	31	22%	11	16%	71	19%
	Marketing and advertising	1	25%	11	22%	18	18%	21	15%	9	13%	60	16%
	Research & development	1	25%	3	6%	11	11%	12	9%	9	13%	36	10%
Development of commercial network	1	25%	17	34%	21	21%	37	26%	20	29%	96	26%	
	4	100%	50	100%	102	100%	141	100%	68	100%	365	100%	
By what means did you achieve this strategy ?													
	Direct investment or increased expenditure in areas above	1	50%	15	39%	30	61%	49	65%	18	46%	113	56%
	Divestment of non-core businesses	0	0%	7	18%	5	10%	13	17%	14	36%	39	19%
	Acquisition of a company in the same sector	1	50%	9	24%	5	10%	10	13%	2	5%	27	13%
	Acquisition of a company in a different sector	0	0%	3	8%	0	0%	1	1%	0	0%	4	2%
	Alliance with an industrial partner	0	0%	1	3%	6	12%	0	0%	4	10%	11	5%
Joint-venture	0	0%	2	5%	3	6%	1	1%	1	3%	7	3%	
Share swaps	0	0%	1	3%	0	0%	1	1%	0	0%	2	1%	
	2	100%	38	100%	49	100%	75	100%	39	100%	203	100%	
How did you finance this strategy ?													
	Retained profits	1	100%	19	56%	31	56%	47	55%	20	50%	118	55%
	Borrowing from banks or other institutions	0	0%	9	26%	14	25%	26	31%	11	28%	60	28%
	Issuing new equity	0	0%	1	3%	5	9%	4	5%	3	8%	13	6%
	Injection of capital from managers or shareholders	0	0%	3	9%	2	4%	6	7%	6	15%	17	8%
	Opening of capital to financial investors	0	0%	2	6%	2	4%	2	2%	0	0%	6	3%
Opening of capital to industrial investors	0	0%	0	0%	1	2%	0	0%	0	0%	1	0%	
	1	100%	34	100%	55	100%	85	100%	40	100%	215	100%	

Cluster 1 (25 firms)		Cluster 2 (56 firms)		Cluster 3 (22 firms)		Cluster 4 (9 firms)		Cluster 5 (13 firms)		Cluster 6 (48 firms)		Total (173 firms)	
Reinforcing existing products or services	44%	24%	25%	0%	0%	0%	0%	20%	20%	44%	61%	91%	33%
Restructuring your product or service line	31%	18%	19%	15%	9%	4%	13%	13%	43%	7%	44%	16%	20%
Offering new products or services	10%	30%	31%	7%	0%	13%	0%	10%	4%	6%	8%	55%	20%
Entering a new home market	3%	8%	8%	7%	0%	3%	10%	10%	5%	7%	19%	19%	7%
Entering a new EC market	1%	1%	2%	0%	0%	3%	10%	10%	5%	7%	19%	19%	7%
Marketing and advertising	13%	24%	18%	8%	13%	4%	10%	23%	18%	23%	16%	60%	16%
Research & development	9%	5%	4%	8%	17%	13%	33%	8%	6%	28%	96%	36%	26%
Development of commercial network	13%	48%	37%	44%	4%	5%	13%	13%	22%	28%	96%	36%	26%
On which areas did you need to concentrate to achieve this strategy ?	24	12	9%	16%	4	4	17%	20%	6	8%	58	58	16%
Equipment and/or property	36%	36%	9%	16%	4	4	17%	20%	6	8%	58	58	16%
Recruitment of new personnel	12%	21	16%	8%	3	3	13%	10%	6	8%	44	44	12%
Training of personnel	16%	21	16%	16%	8	8	35%	15%	21	27%	71	71	19%
Marketing and advertising	13%	24	18%	8%	13%	4%	10%	23%	18%	23%	60	60	16%
Research & development	9%	5	4%	8%	17%	13%	33%	8%	6	28%	96	36%	26%
Development of commercial network	13%	48	37%	44%	4	5	13%	13%	22	28%	96	36%	26%
By what means did you achieve this strategy ?	24	50	69%	44%	8	23	100%	79%	40	100%	365	100%	100%
Direct investment or increased expenditure in areas above	69%	50	69%	44%	8	23	100%	79%	40	100%	365	100%	100%
Investment of non-core businesses	17%	2	3%	25%	0	1	0%	7%	1	7%	26	13	56%
Acquisition of a company in the same sector	6%	14	19%	13%	0	1	10%	7%	1	7%	26	13	56%
Acquisition of a company in a different sector	0%	3	4%	0%	1	1	10%	0%	0	0%	0	0	2%
Alliance with an industrial partner	6%	1	1%	6%	0	0	0%	0%	0	0%	7	11	5%
Joint-venture	3%	2	3%	6%	0	1	0%	7%	2	4%	7	11	5%
Share swaps	0	0	0%	6%	0	0	0%	0%	0	0%	2	2	1%
How did you finance this strategy ?	35	72	100%	16	10	100%	14	100%	56	100%	203	100%	100%
Retained profits	14	51	70%	13%	8	100%	100%	52%	31	62%	118	55%	55%
Borrowing from banks or other institutions	23	10	14%	27%	4	4	31%	43%	9	18%	60	28%	28%
Issuing new equity	2	7	10%	13%	1	1	8%	0%	1	2%	13	6%	6%
Injection of capital from managers or shareholders	2	4	5%	27%	3	4	20%	0%	1	4%	17	8%	8%
Opening of capital to financial investors	0	0	0%	1%	0	0	0%	4%	1	2%	6	3%	3%
Opening of capital to industrial investors	0	0	0%	0%	0	0	0%	0%	1	2%	1	0%	0%

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