



SMEs strategy

Prof. Sofia Lamperti with MTPE&CREA

Sofia Lamperti

PhD student in Sustainability-driven Entrepreneurship

CONTACT DETAILS

 Bureau D401 bis

 sofia.lamperti@umontpellier.fr



Program

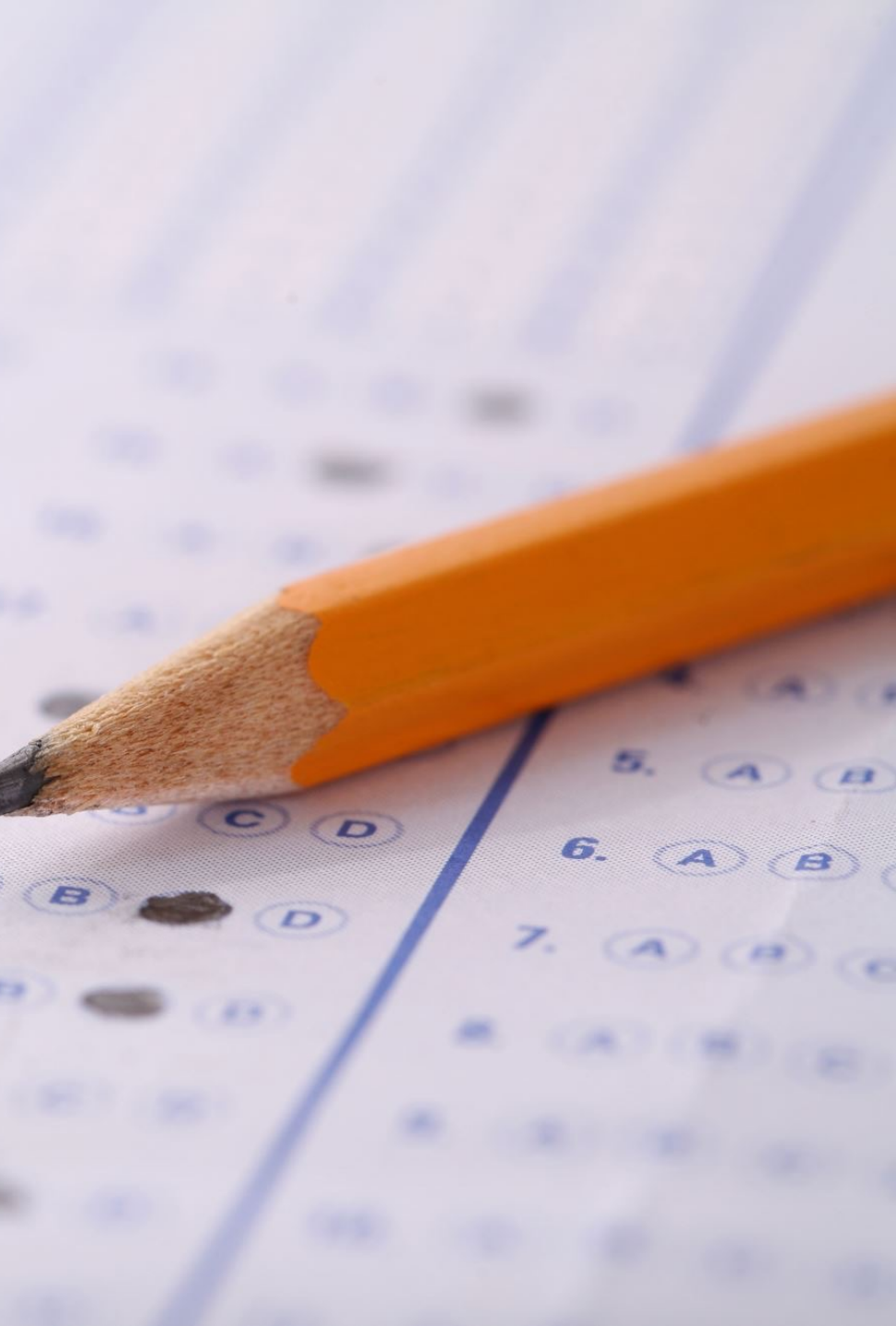
DAY	TIME	TOPIC	STUDENTS
2 NOVEMBER 2021	14h-17h	Introduction and definitions	MTPE&CREA
9 NOVEMBER 2021	14h-17h	Strategy formulation	MTPE&CREA
22 NOVEMBER 2021	14h-17h	TD	MTPE
23 NOVEMBER 2021	9h30-12h30	External and internal analysis strategy analysis	MTPE&CREA
29 NOVEMBER 2021	14h-17h	TD	MTPE
30 NOVEMBER 2021	9h30-12h30	External and internal analysis strategy analysis - Case discussion	MTPE&CREA
6 DECEMBER 2021	14h-17h	TD	MTPE
7 DECEMBER 2021	9h30-12h30	Business Model Design and Innovation - Case discussion	MTPE&CREA
13 DECEMBER 2021	14h-17h	TD-Presentation	MTPE
14 DECEMBER 2021	9h30-12h30	Exam	MTPE&CREA

Course of the lesson

1h15 Explanation

15 minutes Pause

1h15 Explanation, exercise, case-study



Exam

➤ MTPE

50% TD Project

50% Written Exam

➤ CREA

Written Exam

How to fill the written exam sheet:

- The exam will consist of open-ended questions covering all course content (including cases).
- Please answer the questions ONLY in the spaces provided (no additional sheets will be given nor considered), giving COMPLETE but CONCISE responses. To improve readability, writing in CAPITAL LETTERS will be highly appreciated.
- Please use a pen to fill the exam sheet (no pencils nor correctors shall be used: should you need to correct or rewrite parts of your answers, please cancel such parts with a pen and rewrite them).

How the written exam is structured:

- Up to 10 open-ended questions, covering the whole course program.
- Question/s could also refer to short cases (other than those discussed in class).

Woolclap
time !



STRATEGY

What is Strategy?

What is strategy?

Analogy of war

- The concept of strategy originates where the objective is to destroy the enemy
- Today, we see military metaphors used everywhere in business: price “wars”, market share “battles”, marketing “campaigns”, promotional “blitzes”, and even “bullet” points

Definition of strategy

- Etymology
 - “Strategy” comes from the Greek word “στρατηγός” which means generalship, to command, to lead.
- Oxford dictionary

«a plan that is **intended to** achieve a particular purpose.»


Military strategy: definition

The military way of looking at strategy is to view it as the space between policy and tactics:

- **policy** is derived from a purpose or cause
- **strategy** is concerned with how to achieve the policy or goal with the means available
- **tactics** are the particular movements and actions while engaged in battle


What is strategy?

The concept of «strategic decision» and «strategy»



Strategic decision: a decision that

- has long term, significant and non-reversible effects on the final goal of the organisation (decision maker)
- (usually) requires large amounts of resources
- requires top management involvement



Strategy: an integrated, comprehensive plan which

- identifies the scope and the direction of the organisation (decision maker)
- is aimed at obtaining long term performance superior to competitors (in relation to the goal)
- integrates a coherent set of strategic decisions

Business strategy

«What business strategy is all about is, in a word, **competitive advantage**... The sole purpose of strategic planning is to enable a company to gain, as efficiently as possible, a sustainable edge over its competitors. **Corporate strategy thus implies an attempt to alter a company's strength relative to that of its competitors in the most efficient way.**»

Ken Ohmae, The Mind of Strategist, 1983

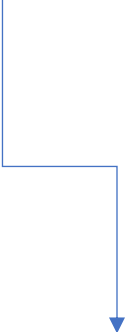
Business strategy

«Strategy is a deliberate **search for a plan of action that will develop a business's competitive advantage and compound it...** The difference between you and your competitors are the basis for your advantage... The objective is to enlarge the scope of your advantage, which can only happen at someone else's expenses..»


Bruce Henderson, The Origin of Strategy, 1989

What is a competitive advantage?

- A competitive advantage is a long term performance higher than competitors.



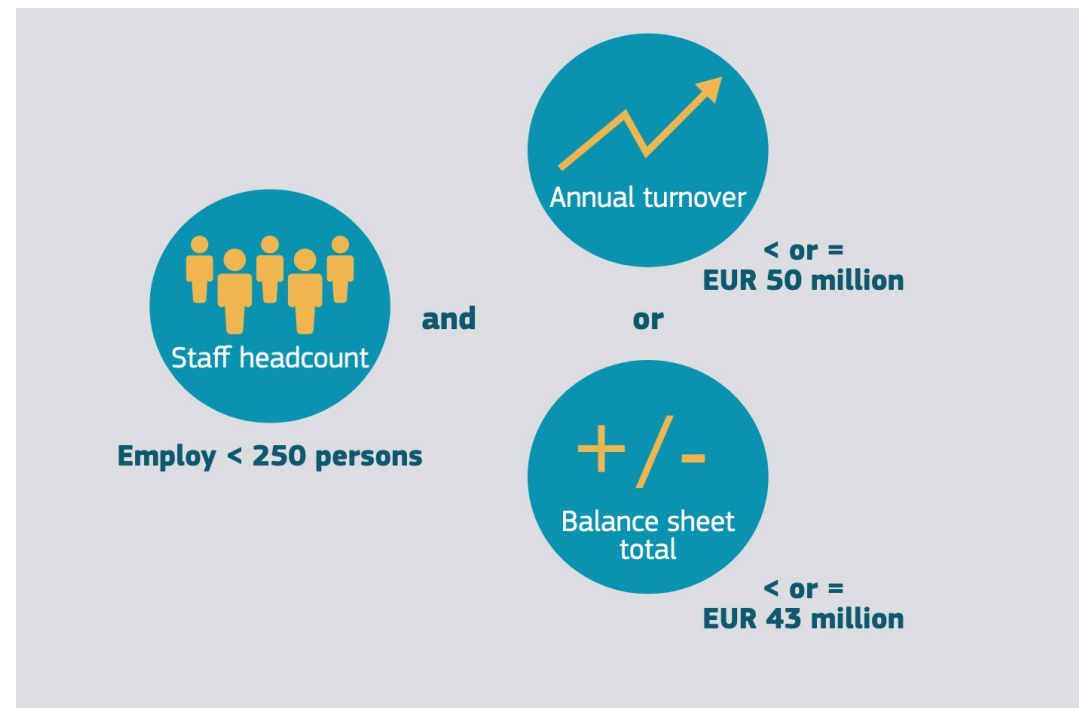
Strategy makes the difference in a market where different players operate



strategy is long term,
tactic is short term

What are Small Medium Enterprises?

Small and medium-sized enterprises consist of enterprises which employ less than 250 persons and either have an annual turnover not exceeding EUR 50 million or a balance sheet total not exceeding EUR 43 million (European Commission).



Enterprise category	Headcount: annual work unit (AWU)	Annual turnover	Annual balance sheet total
Medium-sized	< 250	≤ EUR 50 million	≤ EUR 43 million
Small	< 50	≤ EUR 10 million	≤ EUR 10 million
Micro	< 10	≤ EUR 2 million	≤ EUR 2 million

SMEs in numbers

- The total number of SMEs worldwide amounts to between 420 and 510 million, of which 360–440 million are located in emerging markets (IFC 2010, p. 12).
- France has **approximately 4 million small and medium enterprises** (SME). They account for 99.9% of all enterprises. Among SMEs, micro-firms dominated the business landscape, comprising 97.2% of all firms and 97.4% of SMEs in 2016. (OECD)

Strategy in SMEs

Personalised management: the owner actively participates in all aspects of the management of the business

Little delegation of authority

Severe limitations of resources in terms of management, manpower and money

SMEs are likely to operate in a single market, or a limited range of markets

SMEs are typically more agile, meaning that they react fastly to change

- *“It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change.”*

Charles Darwin

Agility and Resilience makes SMEs Dynamic

- **AGILITY** is the ability of a system to **rapidly respond to change** by adapting its initial stable configuration. In a business context, agility is the ability of an organization to rapidly adapt to market and environmental changes **in productive and cost-effective ways.**
- **RESILIENCE** is the ability to **maintain the functionality of a system when it is distressed**; or the ability to maintain the elements required to renew or reorganize if a disturbance alters the structure or function of a system.

Being dynamic means developing dynamic capabilities

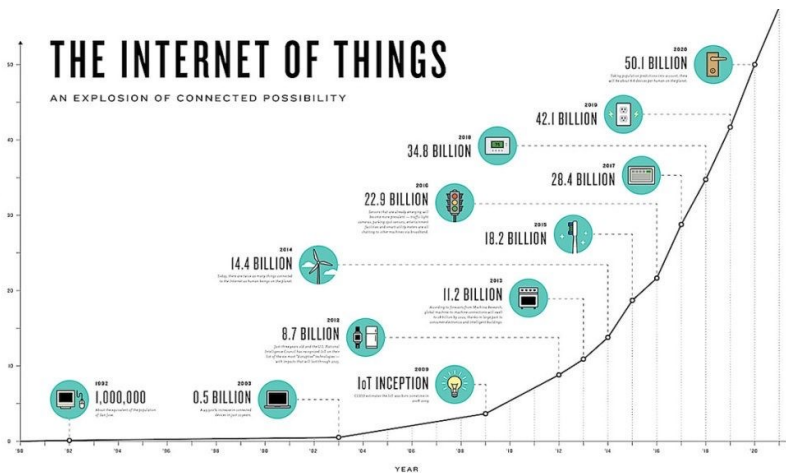
- Dynamic capabilities enable companies to create, deploy and protect the intangible assets that support the superior long-term business performance. (Teece, 2007).



Example of a technological SMEs



Neetra is a SME that was operating in a dead market



Neetra sensed the opportunity in the growing IoT market, where it could apply its technological competences



Neetra transformed its capabilities and now commercialises IoT sensors

M&M's



The market showed the need of chocolate sweets that didn't melt once held in hands



Forrest Mars covered chocolate sweets with a sugar coat: possibility of holding the candy without getting dirty



Commercialization of the product M&M's

How can a SME formulate its business strategy? Logical flow

