MASTER

Competence development in SME's
extending liquidity management to a strategic perspective

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Competence development in SME’s
Extending liquidity management to a strategic perspective

by
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Preface

This thesis marks the end of my Innovation Management Master at the Technical University of Eindhoven. Writing this thesis has proven to be a tough but very valuable learning experience. I expanded my insights on the field of well performing small medium-sized enterprises in combination to their value-based strategies. With this expertise I hope to become a valuable addition to society. Writing this thesis did not only add to my knowledge on the research topic, it also enabled me to grow as a human being. Working for such a long time on this specialized topic really brought me face to face with my own strength and weaknesses, which is a lesson that will be valuable throughout my life.

I hope reading this report will bring new insight in the strategic literature to SME’s and contributes to the field of strategic management. I owe gratitude to my supervisors and towards some professionals who assisted me in analyzing the data and bringing rich feedback on my work which brought new value to the topic under investigation. What should be noted is the very enthusiastic way how my first supervisor spoke about the companies within the sample. This was a motivating factor that worked positive to my moods in difficult phases.

Special thanks go out to my family, friends and last but not least my girlfriend; Anne with whom I have currently bought a house. They trusted me and gave me moral support along the way. Besides, being employed and finishing a thesis-project is a tough combination which took quite some energy for me and my girlfriend as well. Their positive influences gave me the strength to persist when my moral was at an all time low. So thank you all!!

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Eindhoven, July 2011
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1. Introduction

Context
This thesis report describes how outside influences help increase the internal value creation of a SME company. These value creation and external influences find their roots in liquidity management. Liquidity management refers to the organization of current assets and liabilities and plays an important role in the successful management of a firm. If a firm does not manage its liquidity position well, its current assets may not meet its current liabilities resulting in cash shortages and difficulty in paying obligations. Hence, the firm may have to find external financing due to having trouble in paying its short term debts. Besides this short term dilemma it may also be inefficient for the company in the long run, since without the appropriate investments a company is not able to secure its future. Growth and development play a crucial role in today's competitive market environment and can thus not be achieved. In short, liquidity management is necessary for securing the operational processes of a company and the continuity of the company.

Liquidity management is necessary for all businesses, small, medium or large, however, not every firm is able to find external financing easily when necessary, especially smaller and medium sized enterprises (SME’s) encounter this problem, they are, for instance, seen as less creditworthy than larger companies (Bernanke, 1991). These SME’s play an important role in today’s economy, in developing product and process innovations. 99% of all firms are SME’s and 40 to 50% of the global domestic product is generated by them. Nevertheless, for those firms that are able to find external financing, the cost of borrowing may be expensive (Jose et al., 1996). As a result, liquidity management is vital for ongoing prosperity of SME’s. In order to gain liquidity, the difference between the firm’s costs and revenues needs to be optimized; here a balanced synchronization of the processes in and between each company its resources, is evident. In order to generate revenues, an organization must propose an offering that is perceived as valuable to the customer.

The primary pursuit of business is creating and maintaining value (Conner, 1991). From the firm’s perspective, value creation begins by providing value to customers. Thus, value creation occurs when a firm exceeds its competitors’ ability to provide solutions to customers’ needs, while maintaining or improving its profit margins. Being different and deliberately choosing a different set of activities to deliver a unique mix of value is defined by Porter (1996) as competitive strategy. Treacy & Wiersema (1996) in turn distinguish different sets of values which result in strategic value disciplines each with
its own characteristics. Hence, a focused strategy or value discipline helps in effective value-creation (Porter, 1979). In this report this focus will be called value-based strategy which results in competitive advantage and contributes to increased long-term profit margins of a company (Hoopes, Madsen, & Walker, 2003; Powell, 2001).

**Goal of the research**
It is arguable that besides the monetary flow between companies and financial resources for investments, the development of a company requires other resources as well for developing in core competences to strengthen this value-based strategy. Unfortunately, there is minimal theory explaining “how” companies build up competences to create this value, especially in SME’s (Priem & Butler, 2001). Therefore, this area requires further research to explain the relationship between competence development and value creation. To fully understand this relationship, the external influences on a firm’s internal competences need to be examined which is corroborated by Bettis & Hitt, 1995. To investigate this topic, answers should be given on the research question in the next paragraph.

**Research questions**
- How does a value-based strategy influence the core competence development of a small to medium sized enterprise?
- How do we expect that a core competence influences the characteristics of a business model?
- How can business-relations support in the development of these core competences without a direct monetary reimbursement?

**Research Outline**
This report will start by doing an extensive literature review (Chapter 2). This review include topics as: Value based strategy, competences, business models and business relationships. In this chapter a conceptual model will function as the backbone of the thesis in which the constructs reviewed are embodied. This model provides an answer to research question one. Chapter 3 discusses the expected propositions of how the mechanisms of the business model are expected to align to core competences. In chapter 4 the research methodology and the qualitative data are discussed. The results of the data are examined to provide an answer to the second and third research question. This analysis is made in chapter 5. Chapter 6 sums up a general conclusion with a comprehensive
representation of the findings. It also provides the reader with a discussion and recommendations for further research.
2. Literature review

Introduction
This chapter gives a detailed literature review on the current literature on competence development of SME’s. The goal of this review is to provide more insight into the topic and to form a theoretical framework on the relationship between value creation of a SME and its core competencies. Special attention will go out to the role of external influences on this process. At the end of this chapter, a comprehensive model will be constructed on this relationship which is used to answer the first research question.

In this review the following constructs will be discussed which together form the theoretical framework: Value based strategy, core competences, business-models and business relations. These constructs are expected to have interrelations and are graphically illustrated in a theoretical framework. This framework is shown in figure 1.

![Theoretical framework with involved constructs](image)

This framework indicates that each value based strategy has a certain core competence in which it is expected to excel. These competences affect the business-model design of the company including business relations who generate revenues. These revenues are expected to reinforce the core competences of the company. In this way an iterative loop is configured by which the company is reinforcing itself in its value based strategy. These value based strategies in turn are the starting point from which the other constructs are qualified.
Value-based strategy
In the conceptual model one of the constructs is the value-based strategy. Strategy in the model is mainly based on two from the ten strategy schools (Mintzberg & Lampell, 1999). These are the analytical positioning school and the configuration school. The first school looks at the strategic process from an “ought to be” perspective and is prescriptive in nature. An important authority in this school is Michael Porter who analyses companies by categorizing them in different strategic areas. The second one sees organizations as configurations (coherent clusters of characteristics and behaviors and integrates the claims of the other schools) each configuration in effect in its own place.

Grant (1995) and Jones (2007) define different strategic hierarchical levels: functional level strategy, business level strategy, corporate level strategy and global expansion strategy. The value-based strategy is partly communicated via the mission statement which is a translation of the corporate level strategy. Therefore it is plausible that every company has a certain focus. The business level strategy is also known as business unit strategy and will be the main point of departure within this research because it concerns strategic decisions about choice of products, meeting needs of customers, gaining advantage over competitors, exploiting or creating new opportunities etc. It is expected that companies with one business have significant overlap between these two hierarchical levels.

The chosen strategy schools as paradigm combine positioning of strategy with the perspective of strategy (Mintzberg, 1987). Strategy in the later respect is to the organizations what personality is to the individual. This viewpoint looks inside instead of outside the organization. This view adds certain organizational aspects like leadership, culture and structure necessary to execute...
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For defining the value based strategies in this report, the Competing Value Framework (CVF) is a central theoretical line of thought because this framework combines the internal structure of a firm with the focus of a firm in connection to its goals. The framework (figure 2) is derived from a study on organizational effectiveness (Quinn & Rohrbaugh, 1983) in which 30 criteria based on earlier work (Cambell, 1977) were re-ordered which resulted in three effectiveness dimensions.

The framework differentiates the focus dimension from internal, micro emphasis on the well being and development of people in the organization to an external, macro emphasis on the well-being and development of the organization itself. The organizational structure dimension is differentiated from an emphasis on flexibility or change to an emphasis on control. The third dimension about means and ends is not integrated in this study.

The value based strategies which are used in the conceptual model are; Operational excellence, Product Leadership, Customer Intimacy, and Resource Enrichment. These expressions are derived after an extensive strategy literature review. In order to flourish a company should excel at least in one value based strategy (value discipline) while meeting industry standards in the other two (Treacy & Wiersema, 1992). Also Hardjono (1995) speaks about a strategic orientation in its four-phase model (derived from CVF). He adds the possibility that single firms have characteristics of multiple strategic orientations but should border in the CVF quadrant. A summary of the strategic focus areas is presented in figure 3. The categories which are derived from the review are described in more detail in the next paragraph.
Operational Excellence

This strategic term is derived from Treacy & Wiersema (1992) and is also known as the cost leadership generic strategy (Porter, 1980). This strategic area emphasizes to minimize overhead costs, reduce transaction costs, optimize business processes, eliminate intermediate production steps, and make operations lean and efficient. The emphasis within this focus area is on the process and is in line with the internal process model in which information management and communication leads to stability and control (Quinn & Rohrbaugh, 1983). Organizations with such a strategy should have a structure which emphasizes control and an internal focus. The control function is further translated in Total Quality Management factors in the focus area by Cameron & Quinn, (1999). They emphasize error detection, measurement, process control, applying quality tolls and systematic problem solving. Directive leadership is most appropriate in this area (Schneider, 2007). This leadership style is characterized by the authoritative, conservative, assertive, commanding style. The strategic area is recognized by its hierarchy culture. This culture is characterized by its clear structure,
standardized rules and procedures, strict control and well defined responsibilities (Cameron & Quinn, 1999). The strategy determinants which align to this value based strategy are derived from operational strength and include company’s location, workforce skills and abilities and costs of production/operations (Chin & Pun, 2001).

**Product Leadership**

This strategic term is derived from the value disciplines of Treacy & Wiersema (1992) and is also known as the differentiation generic strategy (Porter, 1980). This strategic area emphasizes state of the art products and services, creativity, quick product launches, business and management processes which are engineered for speed and continuous improvement of new products. The uniqueness of the product or service can be expressed in dimensions like design, image, technology, features, customer service, or dealer network. The characteristics are in line with the open system model in which flexibility and readiness should lead to growth and resource acquisition (Quinn & Rohrbaugh, 1983). This type of organization should emphasize a flexible structure and an external focus. Schneider (2007) further speaks of standard setter leadership which shows the importance of visionary leadership. Hardjono (1995) further emphasizes seeing sales opportunities, risk taking and lateral thinking. The total quality management factors which are part of this area are creating new standards, creative solution finding, continuous improvement, anticipate needs and surprise and delight (Cameron & Quinn, 1999). The culture which fits best in this area is the adhocracy culture. This culture is like a temporary institution, which is dismissed whenever the organizational tasks are ended, and reloaded rapidly whenever new tasks emerge (Cameron & Quinn, 1999; Yu, 2009). According Chin & Pun (2001) this value based strategy aligns with technology strength of which the key components are product and service quality, R&D and innovation capabilities and information technology and systems.

**Customer Intimacy**

This strategic area is characterized by the rational goal model (Quinn & Rohrbaugh, 1983). Planning and goal setting should lead to productivity and effectiveness. This type of organization has an external focus and a structure which emphasizes control. The term is again derived from Treacy & Wiersema (1992). They emphasize customer loyalty, customer lifetime value, the fine definition of a customer segment and the process which is inferior to customer requirements. It can be compared partly with the generic focus strategy (Porter, 1980) because of the scope which is focused on a particular segment. According Hardjono (1995), the management orientation is effectiveness and
emphasizes selling, setting goals and generating revenue. Gerstberger (2007) further explains the area by total solution, the relationship with the customer, high demand for co-involvement and incremental step by step customer relationships. In this area the leadership style should be participative which includes teambuilding, coaching and building trust (Gerstberger, 2007; Schneider, 2007). The total quality management factors which play a dominant role in this area are measuring customer preferences, improving productivity, enhancing competitiveness, involving customers and suppliers and creating partnerships (Cameron & Quinn, 1999). Organizations which are active in this strategic area should have a market culture. This culture focuses on the transactions with the environment outside the organization instead of on the internal management. The organizational goal is to earn profits through market competition (Cameron & Quinn, 1999; Yu, 2009). Also Chin & Pun (2001) define marketing strength as strategy determinant with their key components: accessibility to markets, market positioning and company reputation.

Resource Enrichment
This area is based on the human relations model (Quinn & Rohrbaugh, 1983). In this model cohesion and morale should lead to human resource development. This type of organization has an internal focus and a flexible structure. Products and services are tailored based on specific customer requests. This means that it can be compared to the focus generic strategy (Porter, 1980) with a very narrow market scope. Gerstberger (2007) emphasizes the growth of the customer, fuller realization of potential and further realization of ideals, values which are from a higher order purpose. Hardjono (1995) speaks about a management orientation on flexibility in which redesigning processes and group development are of high importance. The leadership style which fits this area best is a charismatic one, because of the commitment and trust building characteristics (Gerstberger, 2007). The culture which aligns with this area is named a clan culture (Cameron & Quinn, 1999; Yu, 2009). This culture is full of shared values and common goals, an atmosphere of collectivity and mutual help, and an emphasis on empowerment and employee evolvement (Yu, 2009). The strategy determinant which aligns to this strategy is the corporate strength with key components: management commitment, company’s mission and policies and availability of funds and capital.

Now that the value based strategies with its characteristics are identified, the next paragraph will go further into detail regarding the core competences construct of the theoretical framework.
Core competences

According Prahalad & Hamel (1990), a core competence is a specific factor that a business sees as being central to the way it, or its employees, works. It fulfills three criteria;

1. It is not easy for competitors to imitate
2. It can be leveraged widely to many products and markets
3. It must benefit to the customer’s its experienced benefits

This construct is integrated in the model because it includes concepts related to the resource based view on strategy (Grant, 1995). This view differs from the more traditional Industry Structure View (Porter, 1980) in that it has the firm instead of the industry as unit of analysis. This means that the competitive advantage lies in the difficult to imitate and idiosyncratic resources instead of product-market positioning (Teece et al., 1997). If for Porter’s competitive strategy framework, a firm is viewed as a bundle of activities, for the resource-based scholars, a firm is viewed as a bundle of unique resources.


This was implicitly due to two main assumptions: First it was assumed that firms are identical in terms of strategically relevant resources and second, any attempt to develop resource heterogeneity has no long term viability due to the high mobility of strategic resources amongst firms.

In contrast, the Resource Based View of the firm (RBV) focusing on the relationships between firm internal characteristics and performance, advances two alternative assumptions: a) Firms may be heterogeneous in relation to the resources and capabilities on which they base their strategies, and b) These resources and capabilities may not be perfectly mobile across firms, resulting in heterogeneity among industry participants.
More detailed differences between existing views for generating competitive advantage are given in figure 4.

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Industry Structure View</th>
<th>Resource-Based View</th>
<th>Relational View</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit of analysis</td>
<td>Industry</td>
<td>Firm</td>
<td>Pair or network of firms</td>
</tr>
<tr>
<td>Primary sources of supernormal profit returns</td>
<td>Relative bargaining power</td>
<td>Scarce physical resources (e.g., land, raw material inputs)</td>
<td>Relation-specific investments</td>
</tr>
<tr>
<td></td>
<td>Collusion</td>
<td>Human resources/know-how (e.g., managerial talent)</td>
<td>Interfirm knowledge-sharing routines</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Technological resources (e.g., process technology)</td>
<td>Complementary resource endowments</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Financial resources</td>
<td>Effective governance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Intangible resources (e.g., reputation)</td>
<td></td>
</tr>
<tr>
<td>Mechanisms that preserve profits</td>
<td>Industry barriers to entry</td>
<td>Firm-level barriers to imitation</td>
<td>Dyadic/network barriers to imitation</td>
</tr>
<tr>
<td>Ownership/control of rent-generating process/resources</td>
<td>Collective (with competitors)</td>
<td>Individual firm</td>
<td></td>
</tr>
</tbody>
</table>

Figure 4 Comparison of different views related to competitive advantage Dyer & Singh (1998)

Resources are defined as those tangible (or intangible) assets that are tied semi-permanently to the firm (Maijoor & Witteloostuijn, 1996; Penrose, 1959). Examples of such resources are: brand names, in-house knowledge of technology, skilled personnel, trade contracts, efficient procedures, etc. (Wernerfelt, 1984). In the early contributions, there was no explicit distinction between resources and capabilities.

Resource characteristics
As discussed before firm resources exist of many types. Literature has proposed a number of typologies in resources. The simplest approach differentiates

<table>
<thead>
<tr>
<th>Resource Characteristics</th>
<th>Resource Types</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Property-Based Resources</td>
</tr>
<tr>
<td>Imperfect Mobility</td>
<td>Human resources</td>
</tr>
<tr>
<td>Imperfect Imitability</td>
<td>Patents, contracts, copyrights, trademarks, and registered designs</td>
</tr>
<tr>
<td>Imperfect Substitutability</td>
<td>Physical resources</td>
</tr>
</tbody>
</table>

Figure 5 Resources based on characteristics and types Das & Teng (2000)
between tangible and intangible resources (Grant, 1991). Barney (1991) classifies resources into physical capital resources, human capital resources and organizational capital resources. Hofer & Schendel (1978) speak about financial, physical, managerial, human, organizational and technological resources.

Miller & Shamsie (1996) suggest that based on the barriers to imitability all resources can be classified into two broad categories:

Property-based resources and knowledge based resources. The first type is classified as legal properties owned by firms, including financial capital, physical resources, human resources etc. Owners have clear property rights of these resources and rights to use them, so that others cannot take them away without the owner's approval. These resources therefore cannot be easily obtained because of property rights such as contracts, patents, and deeds of ownership.

Knowledge-based resources refer to a firm’s intangible know-how and skills. There can also be spoken about tacit knowledge which is hard to convert into explicit knowledge and therefore hard to transfer, acquire or share. Das & Teng (2000) summarize resources based on their characteristics and resource types, figure 5.

According to Amit & Schoemaker (1993), however, recourses are assets that either are owned or controlled by a firm, whereas capabilities refer to its ability to exploit and combine resources, through organizational routines in order to accomplish its targets.

In addition, Collis (1994) described capabilities as the socially complex procedures that determine the efficiency with which organizations are able to transform inputs into outputs. More recently, Teece et al. (1997) offered a comprehensive framework of dynamic capabilities that reflect a firm's ability to achieve new and innovative forms of competitive advantage. These encompass organizational and managerial processes (i.e., coordination/integration, learning and reconfiguration), specific asset positions (i.e., technological, financial, reputational etc. assets) and path dependencies (i.e., the firm's history).

In this research the core competences of Hardjono (1995) form the basis of the resources and capabilities discussed in this paragraph. Hardjono (1995) describes core competences as an aggregate term that includes the before mentioned terms as capability, capacity, value and competence. They are also in line with the CVF and thereby fit with the earlier explored construct; “Value based strategy”. 

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Material competence: These are described as the tangible resources an organization possesses or controls. The change in cash-flow or profit on the balance sheet, reflect the growth rate of this competence.

Commercial competence: Refers to the ability to have access and to act on markets and the skill to execute commercial transactions. It is also understood as “goodwill”.

Socialization competence: This competence represents the development as a group and acting as a group. It can be measured in the presence of clear goals, understood and accepted hierarchy, organizational cohesion and entrepreneurship. This competence refers to the way the company develops itself as a unique entity.

Intellectual competence: This competence reflects to the learning capability of organizations and the capacity, which is based on the collective intellect of the members of organizations.

These competences comprehend all that is discussed in the resources and capability literature. According Hardjono (1995) each value-based strategy mentioned should flourish in a certain core competence. This relationship between value based strategy and core competences is illustrated in figure 6.
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<table>
<thead>
<tr>
<th>Socialization Competence</th>
<th>Setting targets to give the organization direction</th>
<th>Allocation of tasks, responsibilities and authorization which lead to certain hierarchy</th>
<th>*Organizational goals are derived from the shared values of the employees, reflected in the mission statement</th>
<th>Giving room to take risk which complements the level in entrepreneurship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intellectual competence</td>
<td>Strategy development which will create foundation for plans for the future</td>
<td>Insight and self-knowledge lead to cooperation, leading further to synergy of the intellectual competence</td>
<td>The limits for change are defined by the missions statement, which is formulated on the level of the intellectual competence</td>
<td>*Supporting lateral thinking which is important to be inventive</td>
</tr>
<tr>
<td>Orientation</td>
<td><strong>Market-orientation:</strong> Focus on markets which have a problem or need and do not know that there is a solution. Value based pricing instead of cost based pricing</td>
<td><strong>Productivity orientation:</strong> Focus on material competence which can be related to interventions of the scientific management school</td>
<td><strong>Change and renew orientation:</strong> Focus on socialization competence by business process redesign</td>
<td><strong>Innovation orientation:</strong> Being able to produce new products and services and findings, even creating, new markets</td>
</tr>
<tr>
<td></td>
<td><strong>Myopia</strong></td>
<td><strong>Bureaucracy</strong></td>
<td><strong>Anarchy</strong></td>
<td><strong>Hobbyism</strong></td>
</tr>
</tbody>
</table>

**Figure 6 Competence focus given a value based strategy**

It is expected that the competences are in line with the theory of Hardjono (1995). He states that the values in the four phase model can be combined with values from bordering positions in the quadrant. This means that values from operational excellence can be combined with the values from customer intimacy and resource enrichment. However values in positions that do not border differ both from structure and focus, being in the contrary direction and therefore expected to counteract. The relationships between the constructs are illustrated in figure 7.
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<table>
<thead>
<tr>
<th>Strategic focus area</th>
<th>Should flourish in</th>
<th>Supporting characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational excellence</td>
<td>Material competence</td>
<td>Commercial, socialization competence</td>
</tr>
<tr>
<td>Customer Intimacy</td>
<td>Commercial competence</td>
<td>Intellectual, material competence</td>
</tr>
<tr>
<td>Product Leadership</td>
<td>Intellectual competence</td>
<td>Socialization, commercial competence</td>
</tr>
<tr>
<td>Resource Enrichment</td>
<td>Socialization competence</td>
<td>Material, Intellectual competence</td>
</tr>
</tbody>
</table>

Figure 7 Relationships between constructs for large mature organizations Hardjono (1995)

The theoretical model states that the core competence identified by the value based strategy influences the design of the business model. The business model is therefore the next topic in this review.
Business Models
In the business model research field, an ongoing discussion is present on the difference between business models and strategy (Osterwalder, 2004). This problem was for instance identified in the article of Magretta (2002). In literature the majority identifies strategy and business models as linked but distinct.

The primary distinction between business models and strategy is that strategy focuses on the competition and business models on the processes identified in the organization (Magretta, 2002). This is also the strength of a business model. According to Magretta (2002), “the strength is that it focuses attention on how all the elements of the system fit into a working whole”. Osterwalder also recognized that business models and strategy are different but related, because with a business model a strategy can be implemented. “A business model acts as a sort of glue between business strategy and processes” (Osterwalder, 2004). Mäkinen & Seppänen (2007) argue that one finds that the business model concept is traced back to its origins in the strategy literature.

Osterwalder (2004) considers the business model to be the strategy’s implementation into a conceptual blueprint of the company’s money earning logic. It translates the company’s mission and strategy into value propositions, customer relations and value networks. In this research the definition of Osterwalder et al. (2005) will be used to define a business model as;

“a conceptual tool that contains a set of elements and their relationships and allows expressing the business logic of a specific firm. It is a description of the value a company offers to one or several segments of customers and of the architecture of the firm and its network of partners for creating, marketing and delivering this value and relationship capital, to generate profitable and sustainable revenue streams”.

For conceptualizing the business model, Osterwalder (2005) defines the business model canvas with its nine building blocks. They are mentioned in figure 8.
Shafer et al. (2005) see the business model as a tool to reflect on the choices made by a strategy including their operation implications. They come up with four components after intensively reviewing business model literature. These are: strategic choices, value creation, value network and value capturing.

In this research the strategic choices are covered with the value based strategies in the first construct of the theoretical framework. Here after we expect that these value based strategies should flourish on one core competence according to Hardjono (1995) as discussed in the former paragraph. The value network will be point of departure in how the SMEs create and capture value. This value network is defined as business relations in the theoretical framework and will be reviewed in the next paragraph. Value creation and value capturing concepts are in this research extended. In the business model literature these components result in a revenue stream and a cost structure with a cash-flow in between (Osterwalder, 2004). This research extends this flow of material resources with non-material resources that supports business development. These resources, acquired without a direct financial reimbursement are expected to increase the commercial, social and/or intellectual competence of the firm.
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Business relations
SME’s are characterized by its tight resources, which puts them in particular jeopardy from increasing globalization and rapid technological change (Hoffmann & Schlosser, 2001). In comparison to larger firms, it is of significant importance to gain resources and capabilities in an efficient manner given its SME characteristics: small scale, lack of functional expertise and limitations in investment capital (Nooteboom, 1994). Therefore, it is arguable that SME’s build their core competences on business relationships next to capital investments.

In strategy theory different scholars exists with their own view on how company’s create above normal returns. These views are mentioned in figure 4. The first one, the industrial structure view has the industrial structure and the positioning with a favorable structure as unit of analysis (Porter, 1980). For example this view favors a significant number of suppliers above one or two, so that bargaining power is increased. The relational view of competitive advantage focuses on dyads/networks routines and processes as an important unit of analysis. It argues that above normal returns and competitive advantage can be gained by combined resources in a unique way rather than competing to each other.

In this research the unit of analysis is the firm instead of a dyad/ network or a total industry structure. Therefore the resource based view (RBV) is the best suited one in which businesses consist out of a set of competences or capabilities which are not perfect transferable. This makes businesses heterogeneous en thereby creates competitive advantage in a knowledge based society (Grant, 1996; Zwart & v Gils, 2004).

Resource Based View
The resource based view is more concerned with resources necessary to optimize the capabilities of the firm and thereby it’s competitive advantage. According to Das & Teng (2000), the resource based rationale emphasizes value maximization of a firm through pooling and utilizing valuable resources. The resource based view suggests that valuable resources are usually scarce, imperfect imitable, and lacking in direct substitutes (Barney, 1991). Thus, the trading and accumulation of resources becomes a strategic necessity. When efficient market exchange of resources is possible, firms are more likely to continue alone and rely on the market.
Types of business relationships
Jones (2007) further defines two basic types of interdependencies which cause uncertainty. These are symbiotic and competitive interdependencies. Symbiotic, vertical interdependencies exist between an organization and its suppliers, distributors and customers. Competitive, horizontal interdependencies exist among organizations that compete for scarce inputs and outputs.

Strategies for managing vertical resource interdependencies
Reputation
The least formal, least direct way to manage interdependencies with suppliers and customers is to develop a reputation. A reputation is a state in which an organization is held in high regard and trusted by other parties because of its fair and honest business practices.

Co-optation
This strategy makes use of neutralizing problematic forces in the specific environment. An organization that wants to bring opponents to its side gives them a stake in or a claim on what it does and tries to satisfy its interests. Organizations make use of this strategy by bringing in customers and suppliers and in effect make them inside stakeholders. If things are not in line with expectations of customers and suppliers, they can co-opt by giving them a role in changing the way things are.

Strategic alliances
Strategic alliances are defined as an agreement that commits two or more companies to share their resources to develop joint new business opportunities (Jones, 2007). Several types of alliances exist. In general, when uncertainty increases, the more formal an arrangement will be. This is obtained in a stronger and more prescribed linkage and tighter control of the joint activities to protect the access to resources.

Contracts
There are two types of contract based alliances. The first one is called unilateral contract-based alliance and refers to the transfer of property rights in exchange for cash. Licensing, distribution agreements, and R&D contracts are the main forms of unilateral contract based alliances. The key feature here is that individual firms carry out their obligations independently of others. Because of the completeness and specificity of such contracts, partners are expected to perform on their own. Accordingly, this goes without much coordination and collaboration, the level of integration is low.

The second type of contract is a bilateral contract-based alliance when the partners have sustained production or property rights. These alliances claim the partners its resources and work together on
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a continuing base. Some examples of these kinds of alliances are: joint R&D, joint marketing, joint promotion, joint production and enhanced supplier partnership. The constantly working together results in a tight integration. In comparison to unilateral contracts, bilateral contracts are usually incomplete and more open-ended.

Networks
A network or network structure is a cluster of different organizations whose actions are coordinated by contracts and agreements rather than a formal authority or hierarchy. Members of a network work closely to support and complement one another’s activities. The alliance from a network is more formal than from a contract because of more ties link member organizations and there is greater formal coordination of activities.

Minority equity alliance (Minority ownership)
In minority equity alliances, one or more partners take an equity position in others (Das & Teng, 2000). Ownership is a more formal linkage than contracts and network relationships. These forms of alliances make firms extremely interdependent which forges strong cooperative bonds (Jones, 2007). These arrangements are complicated to implement as well as to get out of therefore they are usually entered for a longer time horizon. According to Das & Teng (2000) this results in honestly behavior and curbs opportunistic behavior.

Equity Joint ventures
An equity joint venture is a strategic alliance among two or more organizations that agree to jointly establish and share the ownership of a new business. Joint ventures are the most formal of the strategic alliances because the participants are bound by a formal legal agreement that spells out there rights and responsibilities. The shared ownership of a joint venture reduces problems of managing complex inter-organizational relationships that might arise if the basis of the strategic alliance were simply a long term contract.

Merger and Takeover
The most formal strategy for managing symbiotic as well as competitive resource interdependencies is by merge or take-over other parties like suppliers or distributors. This form is also known as vertical integration were parties are integrated by others in the supply-chain.
Strategies for managing horizontal resource interdependencies
Organizations use a variety of techniques to directly manipulate the environment to reduce the uncertainty of their competitive interdependent activities. Four strategies are identified (Jones, 2007). The more formal ones are already discussed in the previous paragraphs and are known as strategic alliances (unilateral and bilateral contracts, minority equity joint ventures, equity joint ventures) and merger/take over. The less formal strategies are collusions and cartels and third-party mechanisms. These are discussed below.

Collusion and cartels
Collusion is a secret agreement among competitors to share information for a deceitful or illegal purpose. Organizations collude in order to reduce the competitive uncertainty they experience. A cartel is an association of firms that explicitly agree to coordinate their activities. Cartels and collusions increase the stability and richness of an organization’s environment and reduce the complexity of relations among competitors. Organizations can always make more profit if they collectively coordinate their activities than if they compete; customers lose because they must pay the inflated prices. Therefore these arrangements are illegal in the US.

Third party mechanism
A more formal but still indirect way for competing organizations to coordinate their activities is through third-party linkage mechanism. It acts as a controlling/directing body that allows organizations to share information and regulate the way they compete.
Business relationships & Resources

Gils & Zwart (2004) characterize relationships according to two dimensions (figure 9). The first one is the level of interdependence and the second, the level of shared resources. Based on these two dimensions, four types of relationships are characterized.

Tactical alliances are defined as agreements of which the main goal is to gain scale advantage. These agreements concern multiple transactions but are characterized by relationships of shorter term. Besides, the lack of knowledge between the partners shared or gained does not lead to one of the parties jeopardized. This is in contrast to strategic alliances where long term cooperative agreements are necessary to share critical knowledge and or financial assets. Thereby, the lack of exchanged tacit knowledge to third parties has potential for damaging one of the strategic positions of the involved firms (Gils & Zwart, 2004).

The strategic relationship literature differentiates on many kinds of relationships. As described above it focuses particular on the direct contribution it delivers to the company. If there is crucial knowledge with a tacit characteristic involved a closer collaboration should be preferred instead of a transactional relationship to own certain resources. In this research the indirect effects of relationships are of interest as well and how they align to the value based strategy translated into revenues to the core competences. So this research looks beyond the direct revenues given certain collaborations as illustrated by figure 9.

Figure 9 Business relationships Gils & Zwart (2004)
Revenues
In the model the business relations should result in exchange of material and immaterial assets. Revenues may refer to business income in general, or it may refer to the amount, in a monetary unit, received during a period of time (Williams et al., 2008). In this research the revenues are extended with indirect revenues meaning that besides the material exchange between goods/services and money the exchange or relationship with the environment results in immaterial added value related to the commercial, social and intellectual competences.

Conclusion
Now that the theoretical constructs are discussed in detail, propositions will be made on how the constructs will interact with each other. With the theoretical background that is provided, the first research question is answered. This is the expected alignment of value based strategy with the core competences.

- A product leader should have the intellectual competence as focus which refers to the learning capacity of the firm. Characteristics from the resource enrichment and customer intimacy values could be recognized as well and important to decrease strategic risks.
- A Customer intimacy strategy should have the commercial competence as focus which refers to the ability to act on markets. Characteristics from the product leadership and operational excellence values could be recognized and important to decrease strategic risk.
- An operational excellence strategy should have the material competence as focus which refers to the cash-flows and operational processes of a firm. Characteristics from the customer intimacy and resource enrichment values could be recognized and important to decrease strategic risk.
- A Resource Enrichment strategy should have the socialization competence as focus which refers to the acting as a group to common goals. Characteristics from the product leadership and operational excellence values could be recognized and important to decrease strategic risk.

This answer on research question 1 will be compared later on in the discussion of chapter 6 with the empirical findings. In the next chapter for each value based strategy propositions are designed and
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presented with a metaphorical model is. These models explain in more detail how the underlying mechanisms in the business models are expected to function given the value based strategies.
3. Theory and Propositions

In this chapter four metaphorical models are identified. These models are synonyms for the business model mechanisms given a value based strategy and its identified core competences. These are the Black hole model, the thunderstorm model, the solar system model and the virus model. The relations between the constructs in the theoretical framework are expected to correlate according to figure 10.

<table>
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<th>Value Based strategy</th>
<th>Core competence</th>
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Figure 10: Expected correlations between constructs

In upcoming paragraphs the four business model mechanisms are discussed in more detail.

Black hole model

If the value based strategy is operational excellence an organization will use every organizational force to make the business process more efficient. Companies pursuing operational excellence are indefatigable in seeking ways to minimize overhead cost, to eliminate intermediate production steps, to reduce transaction and other friction costs and to optimize business processes across functional and organizational boundaries (Treacy & Wiersema, 1993). In this way, by reducing unnecessary costs, the liquidity position of the organization can be improved. This is only possible when the company has control over its environment. The company is able to control the forces and reduce the costs when it is working in a stable environment characterized by stable business relationships. If the environment is stable the company can focus on the operational processes and controlling forces.
Figure 11 illustrates that all the forces used are pulled into the organization to optimize the processes within the firm. This can be seen as a black hole that absorbs all the mass. A company with an operational excellence focus also suffers from a number of risks. First of all, when too many forces are pulled into the organization an implosion can be the consequence. When this is happening, the environment of the company is not stable anymore and the cost of controlling the internal processes increase. The company loses the cost visibility and the margins are decreasing. This harms the liquidity position of the company. Hardjono (1995) defines this as reaching the border of the efficiency phase. In other words, when efficiency is the managerial orientation and the focus is getting to narrow, this can lead to rigidity which becomes evident in bureaucracy. Bureaucracy may harm organizational performance as well as the liquidity position of the company. This situation can sometimes better be named rigidity, because the processes in the company are not efficient as they should be. This can be seen as sand in a machine with gears. Eventually the processes will get stuck.

The price of the products is more or less determined by the customer, which means that the supplier with the lowest cost-price is the company which wins the customer’s loyalty (Hardjono, 1995). If we argue the other way around, the company which offers the best value for money will attract the potential customers in the market. In this way a company is able to capture a bigger market share and increase the revenue of the company. If costs are controlled, the margin of the company will increase, which has a direct positive effect on the liquidity position of the company. Also, the lowest costs while meeting quality standards will increase bargaining power which can result in better credit agreements.

To reduce costs, suppliers are put under pressure to offer the lowest prices possible and best credit conditions. The company can do this, because the company has a big market share. The company can choose from several suppliers and tries to enforce the best conditions. It is not surprisingly that every food supplier wants to work closely with McDonald’s. However McDonald’s can use this position to make its own internal processes even more efficient. The supplier with the best conditions will eventually get the purchase orders. Conditions that the company tries to enforce are for example delivery and credit conditions. The company tries, for example, to enforce a just-in-time delivery. In this way the storage costs of stocks is minimized while the continuity of the internal process is not harmed. Moreover, the company can use the strength of the suppliers to increase the efficiency of their own processes. This can, for example, be done by using the supplier’s knowledge about certain products or processes which in turn may positively affect operational processes.
The workforce is managed to make the business processes as efficient as possible; there is no room for creativity. Learning curves are important. An experienced workforce is able to conduct the operational process more efficient, than an inexperienced workforce. Although, in most of these companies, employees can be replaced easily, experience of the workforce eventually reduces the operational costs.

Even competitors can be used to get more control over costs and the operational processes. An example is given to make this issue more clear. Aldi, a customer retail organization in Germany and the Netherlands uses other big customer retail organizations, for example Albert Heijn. Often the Aldi supermarkets are located nearby or even next to an Albert Heijn supermarket. In this way Aldi indirect uses the marketing activities and other facilities Albert Heijn is conducting. For customers who are visiting Albert Heijn it is easy to visit Aldi as well. The customers can use the same parking, because Aldi is located nearby the Albert Heijn. A customer knows that Aldi has lower prices than Albert Heijn. One of the reasons that Aldi is able to do this is, is because they have far less products in their assortments which increases the rate of circulation significantly while meeting expected quality standards.

The reasoning above is in accordance with the internal process model of Quinn & Rohrbaugh (1983), which argue that the company has an internal focus and a focus on control. Hardjono (1995) calls this quadrant of the model productivity orientated and is directed towards increasing efficiency. The internal process model has a control structure and internal focus. The organizational forces are controlled and have an internal focus. In this way the metaphor for this strategic focus is the black hole approach. A black hole is a concentration of mass and absurd mass around it. In other words, all organizational forces are pulled into the organization.

The underlying principle of efficiency is the extent to which actual efforts correspond to planned efforts of the company (Hardjono, 1995). When this is managed in a proper way, this will lead to consequences for the competence configuration (Hardjono, 1995). For the material competence this results in control of costs. The result for the commercial competence can be seen as an increase in experience and consequently routine in the company. One way to aid this process is to learn from partners by engaging in alliances and joint ventures or by contracting suppliers (Hardjono, 1995). For
the socialization asset, the results become visible in the form of the allocation of tasks, responsibilities and authorizations, leading to a certain hierarchy. Insight and self-knowledge lead to co-operation, leading to further synergy of the intellectual competence. Especially the first two consequences defined by Hardjono (1995), controlling costs and increase in experience, are expected to improve the liquidity position of the company.

In addition, Lynch (2001) describes several strategic risks for the operational excellence focus that can harm the performance of a company and thus also the liquidity position of a company. These strategic risks are: profit decline, quality loss, productivity lowering, sales stagnation, innovation power loss and moral market pressure.

**Thunderstorm model**
The organizations pursuing resource enrichment as value based strategy hold all the organizational forces for the moment a customer has a high urgency and high demand. In that case all the organizational forces are put in one solution for the customer. This can be made clear by the metaphor the thunderstorm approach. This area is based on the human relations model (Quinn & Rohrbaugh, 1983). In this model cohesion and morale should lead to human resource development. This type of organization has an internal focus and a flexible structure. The forces in Resource Enrichment are managed as a lightning in a thunderstorm (Figure 12). That is why the metaphor thunderstorm approach is used. The forces are stuck together (for example the workforce and suppliers) until on the ground a high point (customers with a special demand) is find to lose the forces. At that moment a lightning arises and the forces come free.

Examples of companies who work mainly on project base and have a Resource Enrichment focus are construction companies. Often big construction projects are adopted. These projects often take a long time to complete and use almost all the energy from the company. However, to secure a constant revenue stream, a payment schedule is used. For example 10% of the total tender amount is paid when the contract is being signed. The next 20% when the project is fulfilled for 25%. Another 20% is paid when the project is finished for 50% and the last 50% is paid when the project is
competely finished. In this way a revenue stream for longer period is guaranteed. Otherwise the whole project must be pre financed by the company. This gives a lot of risks. All these costs need to be financed by loans or other external financial institutions, which also results in extra costs for the company. Due the payment schedule this problem is partly solved.

As said above resource enrichment companies work in most of the cases on project base, which is also a direct threat for the liquidity position of the company. An important point for this approach is the acquisition of new projects. If there are not enough projects for the resources within in the organization (overcapacity) the resources (for example employees) only cost money, instead of generating revenue. This has a direct negative effect on the liquidity position of the company. On the other side the company can use its previous customers as ambassadors. These ambassadors tell, if satisfied, stories about the company to other potential customers. Also making use of reference marketing may be a tactic to reduce this risk. This influences the image of the company in a positive way and potential customers are more likely to do business with the company in the future.

Fulfillment of projects does not indicate that a long term customer relationship is born, since, as with a thunderstorm, lightning almost never strikes twice at the same place. Like a thunderstorm the relationship is intense, but most of the times short. When working on project base, special project knowledge and special project costs are develop. These costs are often made once and have a negative effect on the projects margins. However, when possible the special project knowledge has to be used in other projects, although this can be quite difficult. In this way potential projects are handled faster and in this way it is possible to generate more revenue in a shorter time.

Hardjono (1995) argues that the result of an internal focus and an orientation on change is flexibility which results in adaptability. When this is managed in a proper way it will result in certain consequences for the competence configuration (Hardjono, 1995). Increase in flexibility on the level of material competence can be reached through re-allocation of budgets. By flexible budgets, the company can use the resources it needs for the projects. In this way the flexibility of the company is increased. For the commercial competence, redesigning processes, leading to new working methods will result in increased flexibility. This can be done by using the experience from previous projects. The socialization competence will be strong when the organizational goals are derived from the shared values of the employees, reflected in the mission statement. This should lead to strong group feelings. The limits for change are defined by the mission statement, which is formulated on the level
of the intellectual competence. Especially, due to control over the budgets and the use of new working methods the company can improve the liquidity position of the company.

The organization has to be aware for the moment the forces in the organizations are too strong. The organizations will lose the control over the forces and become uncontrollable. The focus is not any more on the projects and in this way the company’s energy is lost unnecessary. Hardjono (1995) call this reaching the border of a phase and the orientation on flexibility will fall into anarchy which will damage organizational performance. The management encounters problems with the control of the organizational forces, because they became too strong. The shared values of the employees are not clear anymore and the projects goals come under pressure. The performance of the company is damaged and in this way the liquidity position of the company is at risk.

Also Lynch (2001) describes several strategic risks for Resource Enrichment. The strategic risks are: failing HRM; capacity problems; high marketing costs; production risks; inadequate supply and loss of distinctive power.

Solar system model
A product leader has an external focus. All the organizational forces are used for the innovation aspect of the organization. Companies that pursue the product leadership focus strive to produce a continuous stream of state-of-the-art products or services (Treacy & Wiersema, 1993). The forces are used to create new state-of-the-art products and are pushed outside the organization for quick commercialization. Suppliers as well as customers can be used to participate in innovative projects (open innovation). Governments or other governmental institutions can be used to deal with for example patents and regulations for the new products as well as financial assistance. In short, all the organizational forces are used to gain market share for the new product by keeping the forces in the near vicinity of the organization and using them when necessary. In this way the metaphor for the product leader focus is a solar system, as can be seen in figure 13. In this metaphor the organization is like the sun in a solar system, the heaviest luminary in the system. Due to gravity all the planets circle around the sun. All the external forces are like the planets in the solar system and are attracted to the organization due to “gravity”. More and more planets are attracted by the company, because of the innovative products. In this way it is possible for the company to grow. It becomes more
Interesting for external forces to work with the company and the company can use this energy to grow larger.

For reaching the goal of being innovative, Treacy & Wiersema (1993) define three ways in which organizations can challenge themselves. First of all, the company must be creative. In this way the creativity of the workforces is an important force for a product leader, also defined as the intellectual asset of the company (Hardjono, 1995). In line with the open system model of Quinn & Rohrbaugh (1983) which found that this type of organization should emphasize a flexible structure and an external focus, Treacy & Wiersema (1993) argue that more than anything else, being creative means recognizing and embracing ideas that usually originate from outside the company.

Second, innovative companies must commercialize their ideas quickly. To accomplish this all their business and management processes have to be engineered for speed. In this way the first-mover advantages can be secured and this can have a positive effect on the liquidity position of the company. Customers are willing to pay more for new innovative products. In this way for example Apple generates most of their revenues.

Third and most important, product leaders must relentlessly pursue new solutions to the problems that their own latest product or services has just solved. In this way the switching costs for the customers become higher and a continuous stream of revenue can be generated. Also this can have a positive effect on the liquidity position of the company. Often new versions of products are introduced with a few new solutions and features. For instance, Apple’s IPhone and IPod already have a few different versions on the market.

As a result of an orientation on change combined with an external focus, Hardjono (1995) describes that a company which is able to continuously produce new products and services, will find and even create new markets. Companies which are product leader are able to find or even create new markets. This generates new revenue streams, which in that way can also have a positive effect on the liquidity position of the company. When this is managed in a proper way, this will lead to consequences for the competence configuration (Hardjono, 1995). A creative company will generate or attract new means, by seeing new profitable opportunities to sell. This will lead to an increase of the material competence. On the level of commercial competence, creativity will lead to the design of new products that are attractive for (potential) customers. Insight in these (potential) customers and recognizing opportunities are important contributing factors in this process. The socialization
asset is best served with a form of entrepreneurship, which requires room to take risks. On the level of the intellectual asset, lateral thinking is important to be inventive.

Also a product leader can go over the top with its creativity and external focus and in this way fail to keep power over the organizational forces. This can be seen as an explosion of the forces as they get out of control. This can be seen as losing the gravity. When this happens, organizations will lose grip on the forces and in this way fail to keep competitive advantage achieved in the first place. Hardjono (1995) call this reaching the border of a phase and an organization with a managerial orientation on creativity will fall into tinkering which will harm the performance of the organization and the liquidity position of the organization. The innovative focus is lost and customers have to wait too long for new and innovative products. This could have the consequences that customers switch to another supplier with competitive products. An example can be found in the console industry. In this industry Microsoft (X-Box), Nintendo and Sony are in competition for the most innovative console.

Furthermore Lynch (2001) describes several strategic risks for the product leader focus. The strategic risks are: lack of market knowledge; market reluctances; unsatisfied customer needs; emerging customer needs; new market entrances and weak distribution channels.
Virus model
Organizations pursuing a customer intimacy focus use all available forces to serve the customer in the right way. Companies pursuing a strategy of customer intimacy continually tailor and shape products and services to fit an increasingly fine definition of the customer’s demands and wishes (Treacy & Wiersema, 1993). The company looks at the customer’s lifetime value to the company, not the value of a single transaction. One principle that such customers understand well is the difference between profit or loss on a single transaction and profit over the lifetime of their relationship with a single customer (Treacy & Wiersema, 1993). In this way the customer intimacy focus can be seen as a virus (Figure 13). The company tries to make the customer dependent on the company. For example the company tries to make the customer processes dependent on a special product of the company. In this way it is almost impossible for the customer to get rid of the company, because the longer the relationship takes the higher the switching costs become. That is why this model is called the virus model, see figure 14. It infects the customer with its product or service which results in long customer relationships. Just like a virus that uses a lot of energy to enter the human body, it costs a company a lot of energy to enter to customer’s company. If the company finally enters the customer’s company, it is very hard to get rid of the company. Customers choose the company mainly on image and identification reasons. A virus needs a carrier. In the first place this is based on word of mouth and depended, as already said, on company image. Just like a virus the company looks for a weak spot in the customer’s organization and uses this spot to get into the customer’s organization. When the customers are finally infected, they serve as a carrier of the company’s virus. In this way the company uses the customer’s energy for the acquisition of new customers and is generating a secured revenue stream by its long-term relationship.

To secure a long term relationship the company has to adjust the product or services to the requirements of the customers. It is the same as a virus that mutates in a human body so it is more difficult to cure. Due this adjustments the products and services fit’s more in the customer’s organization. The consequence is that the customer has less need to switch to another supplier and in this way the company tries to build up a long term customer relationship. For example a
supermarket that makes use of customer loyalty cards. If a customer switches from supermarket, it also has to switch from a loyalty cards. The already collected points become worthless. This makes it for the customer less interesting to switch from supermarkets.

As mentioned the company looks at the customer’s lifetime value to the company, not the value of a single transaction. Once in the organization, via a weak spot, the company can also start with offering other services and products of the company, also known as cross selling. In this way more revenue can be generated from one customer, which has a positive influence on the liquidity position of the company. Remember the local supermarket that is also offering mobile phones, savings deposits programs and sometimes even insurance.

The offering from the organization grows to be an integrated part of the customer its organization, in the same manner how a virus becomes part of the body. In this way the organization uses the organizational forces to create value for the customer. As with a virus, getting rid of the product or service can be very time consuming, and may take lots of resources; switching costs. On the other hand it uses the customer for making products which best fits the requirements of the customer. By focusing on a long term relationship the company secures a revenue stream for a longer period and in this way a customer intimacy company can improve the liquidity position.

In short, customer intimacy is about effectiveness. Effectiveness in this context can be defined as doing the right things for the customer. Here, the definition of effectives is in line with the definition given by Jobber & Fahy (2003). Effectiveness as the result of an external focus and an orientation on control can be defined as the extent to which an organization is successful in reaching its goals. Quinn & Rohrbaugh (1983) call this strategic area the rational goal model. When this is managed in a proper way it will result in certain consequences on the configuration of competences (Hardjono, 1995). In terms of the material competence, this leads to activities that are directed towards generating cash-flow and increasing turnover. To increase the commercial asset, markets have to be conquered to gain market share. Setting targets is an effective way to increase the socialization competence, so as to give the organization direction. To effectively increase intellectual competence, strategy development is essential. Especially the first two have, generating cash-flow and increasing turnover and gain market share, a direct positive influence on the liquidity position of an organization.
Also customer intimacy can go over the top when the organization is too focused on the customer and loses the overview. Hardjono (1995) call this reaching the border of a phase and the managerial orientation on effectiveness falls into marketing myopia or tunnel vision. The company is too focused on one or several customers and this means that the company doesn’t know how to walk or doesn’t even see alternative paths. This is also known as the Pareto principle or 20/80 rule. This means that 20% of the company’s energy generates 80% of the revenue. Although this is may not be a problem, the company must be aware of the dependency on a few big customers. This dependency can harm the liquidity position of the company. Especially in the case if one of the customers leaves the company. In B2C settings this is partly overcome with cross-selling tactics also known as loyalty programs.

Also Lynch (2001) describes several strategic risks for the customer intimacy focus. These strategic risks are: escalating sales costs; branch blurring; upper tier customer loss; government regulations; position predations and market collapse.
Conclusion on business model propositions/Theory
This chapter answered the second research question which was the expectation on how the underlying mechanism works given the core competence. In this chapter four mechanisms were discussed with metaphorical models. The answers on the research question are:

- It is assumed that the business models of Product leaders are aligned to the intellectual competence of the firm with a solar system mechanism involved
- It is assumed that the business models of Operational excellence companies are aligned to the material competence of the firm with a black-hole mechanism involved
- It is assumed that the business models of Customer Intimacy firm are aligned to the commercial competence of the firm with a virus mechanism involved
- It is assumed that the business models of Resource Enrichment organizations are aligned to the socialization competence with a thunderstorm mechanism involved

Now that all four business model mechanisms are discussed and research question one and two are answered from a literature point of view, the theoretical model is complete (figure 15). The next step is to validate these relationships by empirical research. Next to that the third research question should be answered by empirical research as well. To investigate this, a proper research method is necessary. This research method and why the choice for this method is made will be discussed in detail in the next chapter.
4. Research method

Introduction

In research there are mainly two types of research, qualitative research which explores new phenomena and gain new insights versus quantitative research which is focused on the confirmation of relationships by testing hypothesis.

In this research there is made use of qualitative data. Maxwell (2005) suggested that researchers should use qualitative research designs when there is a need for in-depth understanding of meaning, context, unanticipated phenomena, process and causality for the people in the study. This reasoning is in line with the definition of exploratory research defined by Stebbins (2001):

Social science exploration is a broad-ranging, purposive, systematic, prearranged undertaking designed to maximize the discovery of generalizations leading to the description and understanding of an area of social or psychological life. Such exploration is, depending on the standpoint taken, a distinctive way of conducting science (a scientific process) a special methodological approach (as contrasted with confirmation), and a pervasive personal orientation of the explorer. The emergent generalizations are many and varied; they include the descriptive facts, folk concepts, cultural artifacts, structural arrangements, social processes and belief systems normally found there.

This research is about the exploration of the research field about competence development and the value-based strategy of an organization. The main goal of this exploratory research is the production of inductively generalizations about the group, process, activity, or situation under study (Stebbins, 2001). An explorative methodological approach is used because the situation under study has received little or no systematic empirical scrutiny (Stebbins, 2001). When doing research, different strategies can be used to obtain certain answers on the topic to be studied. The choice of strategy to use is dependent on three conditions (Yin, 1994). These are:

- The type of research question
- The extent of control an investigator has over actual behavior events
- The degree of focus on contemporary as opposed to historical events

The first condition covers the research question and is basically categorized in the series of: “who, what, where, how and why”. In general “what” questions may either be exploratory or about prevalence. “How” and “Why” questions are likely to favor the use of case studies, experiments and
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histories. In this study the research question is a “How” question which will be taken into account for determining the strategy based on the second and third condition.

The second condition is about the control over behavior events. In this research the investigator cannot directly precisely and systematically manipulate behavioral events. If this was the case then the experiment was the best strategy to be chosen. This results in the fact that the history and case study are the two remaining strategies from which to choose.

The third condition focuses on contemporary opposed to historical events. In this research the topic is still under investigation in current time settings and thereby has an explorative character. When there was virtually no access to or control which means that there would be no relevant persons anymore to report, histories would be preferred. In answering the research question of this study the most suited strategy therefore will be the case study.

Yin (2004) defines the case study as:

“An empirical enquiry that investigates a contemporary phenomenon within its real life context, especially when the boundaries between phenomenon and context are not clearly evident”

Process steps
Case studies typically combine data collection methods, also known as data triangulation to strengthen internal validity of the constructs (Yin, 1994; Eisenhardt, 1989). In this research, this means that more information and knowledge will be gathered by in depth interviews and a short questionnaire to explore what are important elements in efficiently building the core competence given the value-based strategy. Building theory from case studies is a research strategy that involves using one or more cases to create theoretical constructs, propositions and/or midrange theory form case-bases, empirical evidence (Eisenhardt & Graebner, 2007). The research will follow the case study approach developed by Eisenhardt (1989). Eisenhardt (1989) describes a framework for conducting case study research that results in building grounded theories and is especially appropriate in new topic areas (Figure 13). The resultant theory is often novel, testable, and empirically valid (Eisenhardt, 1989). Although not all the criteria for developing a grounded theory are met, it is still relevant to use the approach defined by Eisenhardt (1989), taking into account the six common misconceptions about the grounded theory approach defined by Suddaby (2006). Because of time restrictions, the last two steps of Eisenhardt’s building theory process (1989) are not conducted. Hereby accepting a reduction in external validity of the research as argued by Maxwell
An important reason for the popularity and relevance of theory building from case studies is that it is one of the best (if not the best) bridge from rich qualitative evidence to mainstream deductive research (Eisenhardt & Graebner, 2007). This is eventually the end result of this research, it is however, done by another student, because this bridging process is outside the scope of this specific research.

<table>
<thead>
<tr>
<th>Step</th>
<th>Activity</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Getting Started</td>
<td>-Definition of research question</td>
<td>-Focuses efforts</td>
</tr>
<tr>
<td></td>
<td>-Possibly a priori constructs</td>
<td>-Provides better grounding of construct measures</td>
</tr>
<tr>
<td></td>
<td>-Neither theory nor hypotheses</td>
<td>-Retains theoretical flexibility</td>
</tr>
<tr>
<td>Selecting Cases</td>
<td>-Specified population</td>
<td>-Constrains extraneous variation and sharpens external validity</td>
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<tr>
<td></td>
<td>-Theoretical, not random, sampling</td>
<td>-Focuses efforts on theoretically useful cases</td>
</tr>
<tr>
<td>Crafting Instruments</td>
<td>-Multiple data collection methods</td>
<td>-Strengthens grounding of theory by triangulation of evidence</td>
</tr>
<tr>
<td>and Protocols</td>
<td>-Qualitative and quantitative data combined</td>
<td>-Synergistic view of evidence</td>
</tr>
<tr>
<td></td>
<td>-Multiple investigators</td>
<td>-Fosters divergent perspectives and strengthens grounding</td>
</tr>
<tr>
<td>Entering the field</td>
<td>-Overlap data collection and analysis, including field notes</td>
<td>-Speeds analyses and reveals helpful adjustments to data collection</td>
</tr>
<tr>
<td></td>
<td>Flexible and opportunistic data collection methods</td>
<td>-Allows investigators to take advantage of emergent themes and unique case features</td>
</tr>
<tr>
<td>Analyzing Data</td>
<td>-Within-case analysis</td>
<td>-Gains familiarity with data and preliminary theory generation</td>
</tr>
<tr>
<td></td>
<td>-Cross-case pattern search using divergent techniques</td>
<td>-Forces investigators to look beyond initial impressions and see evidence thru multiple lenses</td>
</tr>
<tr>
<td>Shaping Propositions</td>
<td>-Iterative tabulation of evidence for each construct</td>
<td>-Sharpenes construct definition, validity, and measurability</td>
</tr>
<tr>
<td></td>
<td>-Replication, not sampling, logic across</td>
<td>-Confirms, extends, and sharpens theory</td>
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<table>
<thead>
<tr>
<th>Enfolding literature</th>
<th>Reaching Closure</th>
</tr>
</thead>
<tbody>
<tr>
<td>-Search evidence for “why” behind relationships</td>
<td>-Theoretical saturation when possible</td>
</tr>
<tr>
<td>-Comparison with conflicting literature</td>
<td>-Builds internal validity, raises theoretical level, and sharpens construct definitions</td>
</tr>
<tr>
<td>-Comparison with similar literature</td>
<td>-Sharpens generalizability, improves construct definition, and raises theoretical level</td>
</tr>
<tr>
<td></td>
<td>-Ends process when marginal improvement becomes small</td>
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</tbody>
</table>

Figure 16 Process of building theory from case study research Eisenhardt (1989)

Getting Started
Following Eisenhardt (1989) an initial definition of the research question is important in building theory from case studies. Without a research focus, it is easy to become overwhelmed by the volume of the data (Eisenhardt, 1989). The research question is defined in chapter 1 and is repeated here;

- How does a value-based strategy influence the core competence development of a small to medium sized enterprise?
- How do we expect that a core competence influences the characteristics of a business model?
- How can business-relations support in the development of these core competences without a direct monetary reimbursement?

Constructs that need extra focus have been determined in chapter 2: value based strategy, core competences and business relationships are all defined in the conceptual model. A priori specification of constructs is used to shape the initial design of theory building research (Eisenhardt, 1989). This seems not common in theory building research, but it is valuable because it permits researchers to measure constructs more accurately (Eisenhardt, 1989).

Selecting Cases
The selection of the organizations to be studied is based on an expert who is professor in entrepreneurship at the Eindhoven University of Technology (TU/e). This expert contains a broad network of entrepreneurs/owners of SMEs, active in the south/west region of the Netherlands and a small region in Germany across the border near Nijmegen. In this research 15 organizations are studied. The first selection criterion for the cases is about the strategic focus of the company
determined by the professor in entrepreneurship at the TU/e. The second criterion is the fact that all the organizations studied are active in a B2B market. Third criterion, all the cases studied comply with the European definition of SME’s which can be found in the first chapter. Fourth criterion, all the cases studied were in past years nominated or even winners of a prestigious entrepreneurial prize in their geographical region which is also based on positive financial results. By means of these case studies, information is gathered that is used to answer the research questions at hand.

Crafting Instruments and Protocols
Since there is pre-existing knowledge on the concepts under investigation, a semi-structured interview is the appropriate way of conducting the interviews. With this knowledge in mind, an interview guide for the semi-structured interviews was developed by the investigators (appendix 2). Despite the fact that it is important that all key propositions will be talked about during the interview, there must also be enough space for the investigation of other issues. During the interviews multiple investigators were present and complete coverage of the gathered data was transliterated. This transcription is checked by the other investigators and feedback towards the interviewee is given to expand reliability of the interview results.

An empirical multiple case study design fits the aim of this research. For this research 15 semi-open interviews were conducted. The open semi-structured interviews, which lasted for about 1.5-2 hours were geared towards identifying the constructs that were defined in the conceptual model. During the interviews there was room for additional information from the interviewee. All interviews were digital recorded and fully transcribed. To get the most reliable and objective information on the subject to be studied the CEO/owner was selected for the interviews. In some of the cases this was not possible, which resulted in an interview with a person who had a management function within the company.

Besides the selection on qualitative information, the use of the Organizational Culture Assessment Instrument (OCAI) is used to control quantitatively the strategic focus. More about this assessment will be explained later on in this chapter. The qualitative data are useful for understanding the rationale or theory underlying relationships revealed in the quantitative data or may suggest directly theory which can then be strengthened by quantitative support. In this research the quantitative data should support and strengthen the construct validity of the unit of analysis by triangulation (Eisenhardt, 1989).
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**Entering the field**
For conducting the interview the method describes by van Aken et al. (2006) is used. Van Aken et al. (2006) describe several steps to conduct an interview. First there is set up one or more overall research questions. This is already done in previous chapters. When this is done informants have to be selected. In this research, when possible, the CEO/owner was selected as mentioned above. Subsequently an interview guide is constructed. This guide is set up based on the conceptual model. Each of the constructs is discussed in the interview. The questions are based on relevant literature known about this constructs. Important literature in this context is for example Tracey & Wiersema (1993), Quinn & Rohrbaugh (1989), Porter (1985), Jones (2007) and Osterwalder (2005). The result is an interview guide for conducting a semi-structured interview, having a list of specific questions (appendix 2) but leaving sufficient room for additional information.

**Analyzing Data**
The next step in the approach of Eisenhardt (1989) is about analyzing the data. Eisenhardt (1989) defines this step as the heart of building theory from case studies, but it is also the most difficult and the least codified process of the process. Eisenhardt (1989) defines two important steps for analyzing the data: within-case analysis and searching for cross-case patterns.

**Analyzing within-case data**
To become intimately familiar with each case as a stand-alone entity a within-case analysis is conducted (Eisenhardt, 1989). This process allows the unique patterns of each case to emerge before researchers push to generalize patterns across cases. In addition, it gives researchers a rich familiarity with each case which, in turn, accelerates cross-case comparison.

**Searching for cross-case patterns**
To overcome premature and false conclusions, which are a result of information processing biases, it is important to look at the data in many divergent ways. The tactics explained by Eisenhardt (1989) improve the likelihood of accurate and reliable theory. Also, cross-case searching tactics enhance the probability that the researchers will capture the novel findings which may exist in the data (Eisenhardt, 1989). Eisenhardt (1989) explains three tactics to search for cross-case patterns.

1. One tactic is to select categories or dimensions, and then to look for within-group similarities coupled with intergroup differences. Eisenhardt (1989) argues dimensions can be suggested by the research problem or by existing literature, or the researcher can simply choose some
dimensions. In this literature the dimensions that can be found in the conceptual model are based on existing literature.

2. A second tactic is to select pairs of cases and then to list the similarities and differences between each pair. In this research the case are differentiated on the strategic focus of the organization. Pairs to be studied can formed by two cases with the same strategic focus and when necessary and desirable pairs can be formed by two cases with different and even opposite strategic focuses. Following the reasoning of Quinn & Rohrbaugh (1983) and Hardjono (1995) it is expected that there will be some similarities between adjacent focus areas. However it is not expected that there are similarities between aspects of the strategic focus areas which are stated in opposite places in the framework develop by Quinn & Rohrbaugh (1983).

3. A third strategy is to divide the data by data source. However, in this research the main data gathering method is dept-interviews. Supported by a small quantitative questionnaire. This tactic exploits the unique insights possible from different types of data collection.

To conduct these steps two approaches are used: the grounded theory approach and the template approach. The two approaches are described below.

**Grounded Theory Approach**

The grounded theory approach is a structured approach for the exploration of unfamiliar territory (Van Aken et al., 2006) and is used to analyze qualitative data. Qualitative data, in the form of words rather than numbers, are a source of well-grounded, rich descriptions and explanations of processes occurring in local contexts (Miles & Hubermann, 1984). This is necessary, because the research is about an unfamiliar area. The purpose of the method is to develop a theory (Strauss & Corbin, 1990).

The grounded theory approach aims at the development of concepts and relationships between concepts (Van Aken et al., 2006). In other words the research needs a research question that will give the researcher the flexibility and freedom to explore a phenomenon in depth (Strauss & Corbin, 1990). An underlying assumption for this approach is that all of the concepts pertaining to a given phenomenon have not yet been identified, at least not in the population or place. If so, then the relationships between the concepts are poorly understood or conceptually undeveloped (Strauss & Corbin, 1990). The research question in a grounded theory study is an open and broad statement that indentifies the phenomenon to be studied (Strauss & Corbin, 1990). In other words, it tells you what specifically it wants to focus on and what you want to know about the subject. The grounded
theory approach consists of three different steps: open coding, theoretical or axial coding and selective coding (Strauss & Corbin, 1990 and Van Aken et al., 2006). The interviews are coded by two students who work in pairs to enhance the reliability and internal validity of the research.

**Coding**

Coding represents the operations by which data are broken down, conceptualized, and put back together in new ways and it is the central process by which theories are built from data (Strauss & Corbin, 1990).

**Open Coding**

Open coding is the part of the analysis that pertains specifically to the naming and categorizing of phenomena through close examination of the data (Strauss & Corbin, 1990). During open coding the data are broken down into discrete parts, closely examined, and compared for similarities and differences, and questions are asked about the phenomena as reflected in the data (Strauss & Corbin, 1990). In open coding breaking down and conceptualizing the data is the first step of the analysis (Strauss & Corbin, 1990). Breaking down and conceptualizing is in this context defined as taking apart an observation, as sentence, a paragraph, and giving ranch discrete incident, idea, or event, a name, something that stands for or represents a phenomenon (Strauss & Corbin, 1990). Once the phenomena in the data are identified, then the concepts can be grouped around them (Strauss & Corbin, 1990). The process of grouping concepts that seem to pertain to the same phenomena is called categorizing (Strauss & Corbin, 1990).

Important is to name a category in such a way that it is easy to remember, think about it, and most off all begin to develop in analytically (Strauss & Corbin, 1990). Miles & Huberman (1984) suggest to give the code a name that is closest to the concept it is describing. There are several ways of conducting the process of open coding. For the analysis of the first few interviews line-by-line analysis is used. This involves close examination, phrase by phrase and even sometimes single words (Strauss & Corbin, 1990). Generating your categories early through line-by-line analysis is important, because categories also become the basis of the theoretical sampling (Strauss & Corbin, 1990). In this research double-coding is used. Double coding is defined as two researchers code the same data set and discuss their initial difficulties. It is also named as investigator triangulation which increases construct validity (Yin, 1994). In this way the definitions will be sharper and more reliable (Miles & Huberman, 1984).
Axial Coding

The second step of the grounded theory approach is called axial coding by Strauss & Corbin (1990) and is called theoretical coding by Van Aken et al. (2006). In the continuation of this research the definition of Strauss & Corbin (1990) is used. Strauss & Corbin (1990) define axial coding as a set of procedures whereby data are put back together in new ways after open coding by making connects between categories. This is done by utilizing a coding parading involving conditions, context action/interactional strategies and consequences. In axial coding the focus is on specifying a category (phenomenon) in terms of the conditions that give rise to it; the context (a specific set of properties) in which it is embedded; the action/interactional strategies by which it is handled, managed and carried out; and the consequences of those strategies. There have to be kept in mind that though open and axial coding are distinct analytic procedures, the researcher alternates between the two modes when actually engaged in the analysis (Strauss & Corbin, 1990).

Selective Coding

The last step in the grounded theory approach is selective coding (Strauss & Corbin, 1990 & Van Aken et al, 2006). Selective coding is about the process of selecting the core strategy, systematically relating it to other categories, validating those relationships, and filling in categories that need further refinement and development (Strauss & Corbin, 1990). In other words, selective coding is about the task of integrating the categories in a grounded theory. There are five several steps through which the final theory is accomplished. These steps are: explicating the story line, relating subsidiary categories around the core strategies by means of paradigm, relating categories at the dimensional level, validating those relationships against data and the last step is about filling in the categories that may need further refinement and/or development (Strauss & Corbin, 1990). These steps are not necessarily taken in linear sequence nor are they distinct in actual practice. It is for explanatory purposes that we distinguish between them and in reality the researcher will moves back and forth between them (Strauss & Corbin, 1990).

Locke (2001) describes how to deal with the grounded theory approach in management research. In contrast to Strauss & Corbin (1990), Locke (2001) describes four stages to come up with a grounded theory. These four stages are:

Stage 1: comparing incidents applicable to each category
Stage 2: integrating categories and their properties
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Stage 3: delimiting the theory
Stage 4: writing the theory

Although these stages are different from the steps defined by Strauss & Corbin (1990), the content of how to approach to problem is nearly the same.

Template approach
The grounded theory approach starts with an open perspective and does not presuppose much theoretical pre-understanding. In contrast, the template approach does utilize existing concepts and theories. The template approach assumes that the researcher knows in advance in which phenomena they want to create new insight (Aken et al., 2006). The conceptualization of these phenomena is the template for analyzing the data. This approach also makes use of coding techniques but instead of defining themselves it uses existing codes. If one has coded with these existing codes, all parts of the interviews that are relevant for a particular code can be placed in a cell or matrix. If different aspects are analyzed at the same time, different persons or groups may be placed in the rows and different aspects in the columns. The cells of such a matrix contain information about a particular person or group with regard to a particular phenomenon. In this way the researcher is forced to display data in a systematic way which enables a more structured and valid analysis (Aken et al., 2006).

Although the grounded theory approach does not make use of prior theory the approaches are combined in this study to analyze the data. Yin (1984) specified a strategy for the use of priori theory for the design of case studies. Locke (2001) argues that the grounded theory approach could be used to extend previous theory. In this research the previous research is about the constructs in the conceptual model. All these constructs are carefully grounded in research, which is a requirement when using previous theory (Locke, 2001). Rather the relationships between these construct are not grounded in research and are an important topic in analyzing the data. In other words, the template approach is used to define the constructs in the conceptual model and the grounded theory approach extends this constructs with relationships. This is done with caution, because the grounded theory approach normally doesn’t make use of existing constructs or codes.

Organizational Culture Assessment Instrument (OCAI)
The four value based strategies are identified and used as selection criteria. In addition to the selection of the expert, the OCAI will be used as extra data for triangulation. This instrument
developed by Cameron & Quinn (1999) is based on the CVF and makes use of a questionnaire based on six items. These six items are derived from research based on the CVF which is again developed out of the effectiveness criteria from Quinn & Rohrbaugh (1983). The six items measured are:

1. Dominant characteristics
2. Organization Leadership
3. Management of employees
4. Organizational glue
5. Strategic emphasis
6. Criteria of success

Each person interviewed should fill in the questionnaire by distributing 100 points over the four sub questions related to the particular item. For more detailed information of the questionnaire and the sub questions per item, see appendix 1.

Based on the qualitative expert and quantitative OCAI data a more reliable and valid picture of the value based strategy related to the company will be obtained.

**Shaping Propositions**

Here the remaining steps from the Eisenhardt’s (1989) framework will be elaborated on. Shaping propositions is the process of sharpening constructs. Sharpening constructs contains two steps: refining the definition of the construct and building evidence which measures the construct in each case (Eisenhardt, 1989). This occurs through constant comparison between data and constructs so that accumulating evidence from diverse sources converges on a single, well defined construct. In this way the researchers are attempting to establish construct validity. This can be done by making a tabulation of the different sources of evidence with the help of coding procedures. Hence, a clear overview of the evidence found in the different cases can be depicted. The way of working is also defined in the grounded theory approach (Strauss & Corbin, 1990). The goal is to find logic across cases and increase replication. Discussions on conflicting literature can result in sharpening the found constructs. This discussion is part of the enfolding literature part, together with comparisons of similar literature which improves the generalizability and the conceptual level of the results. The final step in this framework is reaching closure; this will be the conclusion chapter and summarizes the results from the research.
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Enfolding literature
Eisenhardt (1989) defines enfolding literature as the comparison of the emergent concepts, theory, or hypothesis with the extant literature. This step is behind the scope of the research.

Reaching Closure
In line with the previous step, this step is behind the scope of the research. Further research could be used to extend this research with the last two steps of approach of Eisenhardt (1989).

Quality criteria for research

Sample
In this research 15 cases are analyzed. The interviews were coded including research triangulation and here after put in a hierarchy by making use of tree nodes. For the analysis of this research the program NVIVO is used which is a program specially designed for conducting qualitative data analysis. The next chapter starts with an overview of the companies which are used as the data set with its basic characteristics. This overview is illustrated in table 1. For a detailed summary of each company, this thesis refers to appendix 3.

Validity
Considering the total number of case studies being 15, caution is necessary when analyzing the data due to the fact that the number of interviewed organizations per strategy is not between four and ten (Eisenhardt,1989). Despite that, triangulation is included in the research by interviewing the respondents with two out of three researchers, randomly chosen. As has been discussed in the former chapter investigator triangulation has been conducted as well to sharpen definitions to increase construct validity (Yin, 1984).

The case selection is based on personal judgment form a professional active in the field of entrepreneurship. This is a reliable source but could result in a certain bias due to pre-categorization to the different value based strategies, which could result in storytelling. This is analyzing data with the aim to expect particular elements. Two control elements are included in the study to prevent this bias. The first one is the way of interviewing the respondent. In the research a semi structured interview was used with a lot of open question which did not point to certain directions. Second, by using the OCAI instrument afterwards, a valid control instrument is used to quantify the respondent his/her vision to the company its most important values.
The internal validity of the study is not significant since the study does concern qualitative research in which the relationships defined are the conclusions and should be further investigated by quantitative statistical research to validate these relationships. Next to that the generalizability which refers to the external validity cannot be guaranteed. The number of cases is not sufficient as stated in the former paragraph. To generalize the quantity of cases should be increased and statistical research should confirm significant relationships or differences within and between samples. A follow up research could use focus on validating the propositions compiled from the results.

**Reliability**
The reliability of the data can be considered as significant due to the selection of interviewed respondents. These are in 12 of the 15 cases owner/CEO or participants with a function on strategic level. These respondents are responsible for the strategic direction of the organization and in most of the cases also started the company and grew the company to the size at hand. The respondent with the lowest position was the office manager from Ureco. The data generated from that case could be less reliable but on the other hand is compensated with the number of cases (5) included in that category.

**Controllability**
The research can be replicated and held in the same manner. The instruments are defined from which in depth questions and the OCAI instrument can be replicated. Also the target group is defined, the research method and how conclusions are drawn from the analysis by compiling business models of each company studied.
## 5. Analysis

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Country</th>
<th>Interviewee</th>
<th>Company age</th>
<th>No. empl.</th>
<th>Turn-over</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fluxana</td>
<td>Germany</td>
<td>Owner/CEO</td>
<td>8 Years</td>
<td>21</td>
<td>3 mln</td>
<td>X-ray measurement tools for global Industry</td>
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<tr>
<td>Vision Dynamics</td>
<td>Netherlands</td>
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<td>20</td>
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<td>Entrepreneurial school for coaching and supporting High potentials</td>
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<td></td>
<td></td>
<td></td>
<td>mechanical, physical and electronic designers</td>
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<td>Ebben Boomkwekerij</td>
<td>Netherlands</td>
<td>Company</td>
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<td>80</td>
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<td>Arboriculture</td>
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<td>Owner/CEO</td>
<td>48 Years</td>
<td>24</td>
<td>2.3 mln</td>
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<td>Derks Schilders</td>
<td>Netherlands</td>
<td>Owner/CEO</td>
<td>1 Year</td>
<td>15</td>
<td>-</td>
<td>Industrial painting business</td>
</tr>
<tr>
<td>Plastic Team</td>
<td></td>
<td>Owner/CEO</td>
<td>4 years</td>
<td>14</td>
<td>7.5 mln</td>
<td>Distributor of plastics</td>
</tr>
<tr>
<td>VTS</td>
<td>Netherlands</td>
<td>Owner/CEO</td>
<td>29 years</td>
<td>115</td>
<td>18 mln</td>
<td>Transport industry</td>
</tr>
<tr>
<td>Thissen Hydrokultur</td>
<td>Germany</td>
<td>Owner/CEO</td>
<td>8 Years</td>
<td>21</td>
<td>3 mln</td>
<td>X-ray measurement tools for global Industry</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NoCore</td>
<td>Netherlands</td>
<td>Owner/CEO</td>
<td>10 Years</td>
<td>80</td>
<td>-</td>
<td>Developing software packages (ERP) for cleaning agencies</td>
</tr>
<tr>
<td>Janssen Erdbeer Kultur</td>
<td>Germany</td>
<td>Owner/CEO</td>
<td>50 Years</td>
<td>40</td>
<td>4.5 mln</td>
<td>Horticulture</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(Take-over ‘89)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sam Precision</td>
<td>Netherlands</td>
<td>Owner/CEO</td>
<td>25 Years</td>
<td>20</td>
<td>-</td>
<td>Supplier of high-tech industrial components</td>
</tr>
<tr>
<td>Apollo Milch</td>
<td>Germany</td>
<td>CFO</td>
<td>13 Years</td>
<td>24</td>
<td>-</td>
<td>Trader and supplier of milk products in Europe</td>
</tr>
<tr>
<td>Braked Atmos</td>
<td>Netherlands</td>
<td>CFO</td>
<td>33 Years</td>
<td>240</td>
<td>-</td>
<td>Construction company specialized in fire-safety innovative solutions</td>
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<tr>
<td>Ureco</td>
<td>Netherlands</td>
<td>Office manager</td>
<td>16 Years</td>
<td>45</td>
<td>-</td>
<td>Reconditioning of buildings after calamities</td>
</tr>
<tr>
<td>Wolters Nutzfahrzuge</td>
<td>Germany</td>
<td>Owner/CEO</td>
<td>Family company, Active for 20 years</td>
<td>100</td>
<td>-</td>
<td>Supplier of total solutions in transport and trucks</td>
</tr>
<tr>
<td>SR Klimatch</td>
<td>Netherlands</td>
<td>Owner/CEO</td>
<td>13 Years</td>
<td>1</td>
<td>150,000 euro</td>
<td>Consultant in mechanical and electronic installation systems</td>
</tr>
</tbody>
</table>

Table 1: Organizational/Industry characteristics of sample
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Within-case analysis
In this analysis each case will be analyzed in depth by using the conceptual model described in the literature review. The value-based strategy will be elaborated on, the business model, the business relations and the direct and indirect revenues generated by these relationships. This will be visualized and discussed by the business model canvas of Osterwalder (2004).

Product-Leadership

Fluxana is a dealer of x-ray measurement equipment in their supply chain. This means that they buy products from suppliers and competitors and re-sell them with additional application service and maintenance. The customers from Fluxana are all users in the global industry which face problems regarding the service and support for these measurement equipments. The competitors from Fluxana only produce and sell these products. In this way Fluxana develops their commercial competence by grabbing quickly market share from their suppliers and competitors and besides develops its intellectual competence regarding know-how of the products from its suppliers and competitors.

“Our strategy is that we let me say it this way, all our competitors offer only products. So you can order a part number and you get your product. What we do is that we combine these products in solution packages. To do this we need it to implement it here in our laboratory where we do exactly the same what the customer is doing. So we invest a lot into the know-how. Now we can offer our products at a higher price and with small service around and all our competitors are not able to do this. So by adding know how we really keep the distance to the competitors”.

Next to concurring market share from competitors and suppliers the company makes use of their customers by solving their operational problems with their measurement instruments. Fluxana mentions that they are absolutely customer driven, because they have no benchmarks. The company has a first mover advantage of 4 to 5 years and to keep this distance they develop the know-how of the instruments by real-time customer problems.

“I think we are absolutely customer driven. The customer is coming to us. They always come with their actual problem. Each customer comes with a kind of a new problem, we do not know. By working on this problem we go automatically threw the market changes how they happen. Because we are the first one in the market we have no one we can copy or nobody we can study. We have own research and development below. We can study how it should be”
In this way the customers function as the source which offers applications to Fluxana from which the know-how is developed. In this way the customer contributes to the intellectual competence of the company as well.

The company uses their distributors and competitors as a multiplier to market the product and Fluxana brand as quick as possible. The Fluxana name of the company is protected by Intellectual property rights and should function in the market as a synonym for expert quality and know-how. By this mechanism these parties add value to the commercial competence of the company. A summary of the mechanisms in and between the business model components is visualized in the business model canvas given in figure 17.

“We do use definitely distributors as multiplicators. Let me say for example these companies who sell these x-ray instruments we try also to sell them our products so that they can sell it together with the x-ray from the beginning to the customer. So that from the first moment someone buys such an instrument, Fluxana is already somewhere in the picture you know. So we try to use as much multiplicators as possible in the market and use everyone like competitors like other sales organizations who have the same customer base to get in the market as quick as possible”.

“We have protected our name, so Fluxana itself is since 2 months registered in the European Union and in the US to protect the name. We want to establish this name as a synonym for expert knowhow in that field”.

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Figure 17 Business model canvas Fluxana
**Business model canvas /Revenues**

Arrow one in the business model of Fluxana explain how the material revenues are generated. These are financial reimbursements by the offering. These reimbursements are distributed over the cost of purchasing, distributors for acting as multiplication in the industry and margin for paying overhead. Due to the contract with the customers, relationships are managed by contracts generating knowledge spillover for new input for research and development. This input is the fuel for the engine of the company which feeds research and development activities in the internal laboratory to find new know-how regarding x-ray technology. This input act as revenues to the intellectual competence and is visualized by arrow 3. Than with arrow 2, the agents are presented as indirect multipilicators which increases the commercial competence by generating market share. Arrow 4 defines the relationships and the revenues generated by the suppliers. The relationship is purely transactional. This means that Fluxana purchases x-ray instruments by large competitors/suppliers. This means that this fills the material competence, but due to the market-gap found by the director of the company this indirectly fills the commercial competence as well. These large firms do not have the know-how within their organizations to support their customers with x-ray applications. Due to the added value generated by this product leadership strategy Fluxana offers a total solution and the best service included. This leads to an indirect revenue stream to the commercial competence (arrow 5). Fluxana conquers market share from its direct suppliers. Next to these transactional relationships, the company does holds more intense strategic relationships for developing key components which differentiate their offer even more from their competitors/suppliers. These relationships are more intense with knowledge spill over involved for new product development purposes.
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**Vision Dynamics** is really focused on developing new products for the industry. The company uses its partner network in which close contacts exists with CTO’s of large technology driven organizations like Mapper, VEI, TNO and ASML. By this contract research the employees with the ambition to become a successful entrepreneur learn to work in professional climates and to work in teams. These companies get the intellectual know-how of the recruited employees, while the employees develop their social competences. These large companies pay Vision Dynamics for this human recruitment. Vision Dynamics makes 30% revenue which is also their margin because Vision Dynamics has almost no overhead.

The employees are in this model the added value of the firm. So the firm commercializes its intellectual competence and at the same time develops its human resources to become successful as potential entrepreneur. The company provides their ambitious designers the choice between distributing profits after taxation and investing the profit before taxation in venturing. A summary of the mechanisms in and between the business model components is given in figure 18.

“We make revenue by contract research for VEI, TNO, ASML and Mapper. We get hired where we want to work because these CTO’s are respectable people. They trust and know we have reliable and valid people. So my employees are working there and get paid. We only do this for these companies in my network”.

“They come here and ask if they can work here. The idea is to start an own technology venture. First, they have to work for at least two years. In these years they learn to work with other people and to become profitable”.
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Figure 18 Business model canvas Vision Dynamics
Business model canvas/revenues
The revenue streams of the business model are illustrated in figure 2. The partner network of the company lead to different revenue streams. This is generated by contract research. For this research Vision dynamics generates a constant direct material revenue stream (arrow 1). By outsourcing human resources to these companies these employees will develop by collaborating in a different industrial environment and thereby generate an indirect revenue stream to the social and intellectual competences of the company (arrow 2). Next to that the partnerships with business schools and universities generates a revenue stream to the commercial competence and intellectual competence (arrow 3). The customer relationship is characterized by intense relationships between the CEO of Vision Dynamics and the CTO’s of the organizations on which contract research is supplied. These relationships result in commercial revenues (arrow 4). Finally the system to make money is used to invest in material asset for doing new product development and R&D activities in house (arrow 5).

Ebben Boomkwekerij uses its relationships by extracting the product in concept solutions. To generate these concepts Ebben Boomkwekerij is using partners who supply complementary goods and know-how to realize these concepts. An example is the close collaboration with a bin supplier. Together they sell trees in bins. Next to that they start working with architects and designers to develop concepts like gardens for buildings with special meanings. Ebben Boomkwekerij is in this way developing as a knowledge institute instead of a classical tree nursery. The products are not changing but the way it commercialize their product certainly is. Ebben Boomkwekerij is also active in financing initiatives for building acquaintance and an image regarding durability. Given the old fashion industry characteristics, the creativity flourishes on the way they sell their products by developing radical new concepts. A summary of the mechanisms in and between the business model components is given in figure 19.

According colour theories the writer Theresia Bos has tried to make explicit that you do not have to look at trees only by species but instead of that to the colour patterns. We use this instrument to design concepts specific to a typical environment. This is a different way of thinking and new in this industry. So these theories are the backbone of the positioning of trees, the regions the time of the year, what happens than with the buildings, etc etc. She also facilitates presentations regarding this subject. Also one of our salesmen spends time on educations and doing presentations for universities.
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### Figure 19 Business model canvas Ebben Boomkwekers

<table>
<thead>
<tr>
<th>Customer segment</th>
<th>Revenue stream</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractors, Local authorities</td>
<td>Influence of meso-economic factors</td>
</tr>
<tr>
<td>Building owners</td>
<td>Experience and Know-how in trading</td>
</tr>
<tr>
<td>Architects</td>
<td></td>
</tr>
<tr>
<td>Wealthy private consumers</td>
<td></td>
</tr>
</tbody>
</table>

### Customer relationship

- Project based relations with the customer

### Distribution channels

- Trade fairs
- Direct to and with customers
- Financing specific initiatives for image building

### Offer

- Total solutions:
  - Broad range of high quality products including very old trees
  - Knowledge center in agricultural engineering

### Key activities

- Cultivation
- Trading in trees
- Developing new sales concepts

### Key resources

- Land
- Stock in trade
- Know-how in cultivation, products, sales
- Image

### Partner network

- Collaborations with suppliers of complementary goods and customers
- Collaborations with competitors for trading goods
- Network for developing image
- Using institutes and universities for expanding knowhow

### Cashflow

### Cost structure

- Overhead/Back office
- Stock in trade

---

*Note: The diagram shows a business model canvas for Ebben Boomkwekers.*
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Business model canvas / revenues
In the business model of Ebben Boomkwekerij the offer is a total solution in green concepts regarding trees. The focus of the company is on the business to business market, mainly local authorities and architects, arrow 1 indicate the monetary revenue stream (material competence). The company works closely with customers on a project base. This generates social and intellectual competence, threw gaining know-how and knowledge due to close collaboration (arrow 2). The company uses its partner network for creating more value and replaces just selling a tree by a complete concept. Therefore they collaborate with bin-suppliers, architects, institutes like universities which change the company in a competence centre instead of a tree nursery. This is mentioned in the canvas by arrow 3 and 4 and increases the company its commercial, social and intellectual competences.

Thissen Hydrokultur differentiates itself from competition by its high quality special products and its broad product range. In the market the purchase motives are mainly on price. To compensate, the company uses creative promotions and services to the customer which result in distinctive power.

“There are customers who want something different but in principle is the competition on price of the product. There are customers who leave suppliers for 20 cent to 20 euro’s. They all have the same assortment in plants. We try to supply more products to differentiate ourselves. So, meeting our customers in personal is different from just phoning them. We visit our customers with our road vehicle with new products and they can order their purchase quantities. This is more effective than just sending pictures”.

The company holds strong relationships with the suppliers of tropical plants from China, Japan and America. The payments of these suppliers are always within the permitted credit terms. This saves these strong relationships, resulting in first supplies of new products. Thissen Hydrokultur its customers can be divided in three categories: Competitors, companies who facilitate interior planting and garden-centers, direct to companies for interior planting. In total the company has 350 customers of which around ten counts for 80% of turn-over. The largest customers facilitate business interiors. These segments have to be served with care because these interior facilitating companies should not compete with Thissen Hydrokultur. A summary of the business model canvas is given in figure 20.
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Customer segment
- Different segments:
  - Business interior facilitators
  - Wholesales
  - Direct to companies

Partner network
- Strong relationships with key suppliers of special plants
- Partner of the labor union and member of the international landscaping organization

Offer
- Solution for office decorations which motivates and eustresses human performance
- Broad assortment

Customer relationship
- Strong relationships with firm owners

Distribution channels
- Visits direct to customer with special promotion road vehicle

Key activities
- Cultivating plants on hydroponics

Key resources
- Greenhouses
- Know-how in cultivation on hydroponics

Cost structure
- Cost of employees
- Cost in energy of greenhouses
- Payment behavior to key suppliers

Revenue stream
- Different prices for segment
- 15% turnover by service
- 10 customers - 80% turn-over

Distribution channels
- Visits direct to customer with special promotion road vehicle

Cost structure
- Cost of employees
- Cost in energy of greenhouses
- Payment behavior to key suppliers

Figure 20 Business model canvas Thissen Hydrokultur
**Business model canvas/ revenues**

Thissen Hydrokultur is a product leader in its industry. It facilitates the newest and most exclusive plants on Hydrokultur. The know-how of cultivation on hydroponics has been developed over the years. The supply of the exclusive plants is partly maintained by its consistent and on time supplier payments (arrow 2). These relationships are purely transactional. By being active in different unions and organizations the company is aware of the market trends and developments generating revenue to the intellectual competence of the firm (arrow 1).

The company is next to supplier of interior facilitators and wholesale also active in direct selling to companies in its environment. Their vehicle used to distribute the plants to these companies is next to that an effective promotion instrument. Due to this vehicle the customers can direct observe the new products which results in a significant service quality adding value to the material and indirect commercial competence (arrow 4). Due to this service better relationships between supplier and customer are maintained that generates revenue to the commercial competence as well (arrow 3).
### Competence development in SME’s

**Extending liquidity management to a strategic perception**

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<table>
<thead>
<tr>
<th>Company</th>
<th>Core competence</th>
<th>Symbiotic interdependencies</th>
<th>Competitive interdependencies and third parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fluxana</td>
<td><strong>Intellectual, Commercial</strong></td>
<td>Material</td>
<td>Material</td>
</tr>
<tr>
<td></td>
<td>Building know-how on R&amp;D</td>
<td>Financial income</td>
<td>Market share of supplier</td>
</tr>
<tr>
<td></td>
<td>Dealer of existing product from suppliers</td>
<td></td>
<td>Multiplying effect by agents</td>
</tr>
<tr>
<td>Vision Dynamics</td>
<td><strong>Intellectual</strong></td>
<td>Material</td>
<td>Intellectual</td>
</tr>
<tr>
<td></td>
<td>R&amp;D activities for venturing</td>
<td></td>
<td>Collaboration for joint development of</td>
</tr>
<tr>
<td></td>
<td>Ventures for developing high tech inventions and innovations</td>
<td></td>
<td>strategic component</td>
</tr>
<tr>
<td>Ebben Boomkwekers</td>
<td><strong>Intellectual, Material</strong></td>
<td>Material</td>
<td>Material</td>
</tr>
<tr>
<td></td>
<td>From trees to new concepts</td>
<td>Financial income</td>
<td>Used as supplier for equipment</td>
</tr>
<tr>
<td></td>
<td>Creativity to realize new concepts</td>
<td>Bins for concepts</td>
<td>Market share of competitors</td>
</tr>
<tr>
<td></td>
<td>Tree-nursery activities</td>
<td></td>
<td>Generating goodwill to partner network</td>
</tr>
<tr>
<td>Thissen Hydrokultur</td>
<td><strong>Intellectual, Commercial</strong></td>
<td>Material</td>
<td>Material</td>
</tr>
<tr>
<td></td>
<td>Most special plants available on hydrophonics</td>
<td>Financial income and creating</td>
<td>Purchasing of products from</td>
</tr>
<tr>
<td></td>
<td></td>
<td>goodwill by distribution method to</td>
<td>competitors to gain in flexibility</td>
</tr>
<tr>
<td></td>
<td></td>
<td>customers</td>
<td>Partners for developing new concepts</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Direct revenues</th>
<th>Indirect revenues</th>
<th>Direct revenues</th>
<th>Indirect revenues</th>
</tr>
</thead>
<tbody>
<tr>
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<td>Commercial</td>
<td>Intellectual</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Building know-how on R&amp;D</td>
<td>Market share of supplier</td>
<td>Collaboration for joint development of</td>
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<tr>
<td></td>
<td>Dealer of existing product from suppliers</td>
<td>Multiplying effect by agents</td>
<td>strategic component</td>
<td></td>
</tr>
<tr>
<td><strong>Vision Dynamics</strong></td>
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<td>Social, Intellectual</td>
<td>Material, Intellectual</td>
<td></td>
</tr>
<tr>
<td></td>
<td>R&amp;D activities for venturing</td>
<td>Know-how to employees by team</td>
<td>Partnering with Universities and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ventures for developing high tech inventions and innovations</td>
<td>work in companies of partner</td>
<td>business schools for awareness and idea</td>
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<td><strong>Ebben Boomkwekers</strong></td>
<td>Material</td>
<td>Material, Commercial</td>
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<tr>
<td></td>
<td>From trees to new concepts</td>
<td>Combination of trees in bins results</td>
<td>Purchasing of products from</td>
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<tr>
<td></td>
<td>Creativity to realize new concepts</td>
<td>in new market opportunities</td>
<td>competitors to gain in flexibility</td>
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<tr>
<td></td>
<td>Tree-nursery activities</td>
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<tr>
<td><strong>Thissen Hydrokultur</strong></td>
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<td></td>
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<td>Financial income and creating</td>
<td>Purchasing of products from</td>
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<tr>
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<td></td>
<td>goodwill by distribution method to customers</td>
<td>competitors to gain in flexibility</td>
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</tbody>
</table>

Table 2 Summarization revenues Product Leadership
Category results
In the sample of the product leadership value based strategy the companies were active in really divergent markets with its given characteristics. Therefore the results should be interpreted with care. In table 2 the summary of the revenues are highlighted with its relationship characteristics. The strategic risks identified of the Solar system model were the investments in R&D, a company which fall into tinkering, lacking market knowledge and weak distribution channels.

In the sample two product leaders are clearly identified. These are Fluxana and Vision Dynamics. Both business models are clearly based on Research and Development and entrepreneurship with the intellectual competence, the learning capacity of the firm as most important identified.

Both companies use their environment as an aligned instrument to make the business model work properly. Vision Dynamics to create cash for research and development purposes and develop their human resources. Fluxana uses its environment to get market related input for new R&D projects. By focusing just on the market gap which is the service related aspect to the x-ray instruments they capture market share as well from its suppliers and competitors. By effectively selling with their own brand-name in combination with agents as distribution channel they function according the solar system model.

Ebben Boomkwekerij and Thissen Hydrokultur are less recognized as a product leader in relation to the former to companies. This could be a result because the companies are not active in technology markets. Besides these different industry characteristics, the companies do have the product leadership characteristics compared to competition within their markets. Ebben Boomkwekers is using its environment as a complementor to its products, creating new market opportunities. Besides, the company is using partners as universities, architects and charity initiatives to build reputation. These activities can be recognized in the solar system model as well.

Next to Ebben Boomkwekers, Thissen Hydrokultur its business model works different. In this company the hybrid strategy identified by Treacy & Wiersema (1992) is combining a customer intimacy approach next to the product leadership approach to combine the value of service and special high quality products.
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**Controllability with OCAI**
To control the sample on the value based strategy and the qualitative results from the within case analysis the OCAI was used to quantify the values in the company. Unfortunately the data of one case was not received. Figure 21 makes clear that values from all value based strategies are identified in the firms. Values from the internal control model are significantly lowest, which is in line with the propositions made by theory. Fluxana and Vision Dynamics are indicated as most flexible and values from the human relations model and rational goal model are significant in all three companies. A reason could be that as indicated by the former paragraph companies need to use values from other value based strategy to strengthen the chosen one and reduce risks related to a chosen value based strategy or function on more strategic choices in the same time according a hybrid strategy (Treacy & Wiersema, 1992).

![Figure 21 OCAI results of Product Leadership category](image-url)
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Customer Intimacy

*Derks Schilders* is focusing on some large customers who need special maintenance regarding painting. Their customers active in food and pharmaceutical industry produce according high hygiene requirements. Therefore they need maintenance according special procedures to prevent risks in their production processes. Derks Schilders differentiates from competition by working according these strict procedures. The company uses other value propositions to make long-term contracts with customers. It positions itself as a consultant for the improvement of employee behavior in production environments. In this way Derks Schilders changes from a maintenance contractor in a strategic investment. Through this change in positioning to the customer Derks Schilders increases its value and thereby its hourly pay.

“It is an American company but you will always stay a guest, even after working there for a longer period. It is not-done to tell how they need to regulate everything. The former painter did not understand this culture. When I came in to being there were soiled machines, dust, rust which could be in contact with the products. I told them when this is happening this would lead to rejection of products. This damage would lead to higher costs than spending 10000 euro’s in my company solving it. That story came in effectively and we continued in that direction”.

The company is still active in the maintenance of public housing. This is not the core business but the small scale activities are done because of historical reasons. Maintenance contracts are made for ten years in which the private owner pays between 70 and 90 euros each month. The contracts include inspections and small and large maintenance activities during the period. Derks Schilders has some strong relationships with other professional painters. When necessary they hire extra painters from each other to prevent capacity problems. A summary of the mechanisms in and between the business model components is given in figure 22.
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![Business model canvas](image)

**Customer segment**
- B2B production companies in food and pharmaceutical industry

**Revenue stream**
- Large percentage from some large customers
- Filling the hour factory by public housing contracts

**Customer relationship**
- Maintenance contracts with advising role

**Key activities**
- Painting activities
- Planning of work
- Consult to key customers

**Offer**
- Painting activities under special circumstances regarding hygiene environments
- Creating production environment which result in better performance

**Key resources**
- Know how in painting under strict procedures and human behavior
- Skilled personnel
- Special equipment

**Distribution channels**
- Direct to customer flyers for public housing foot on foot advertising

**Partner network**
- Partners for flexibility in human resources
- Two suppliers for new products with special features
- Business club Cuijk and Nijmegen

**Cost structure**
- Cost of employees

**Cashflow**
- Filling the hour factory by public housing contracts

**Figure 22 Business model canvas Derks Schilders**
**Business model canvas/revenues**

Derks Schilders generates a significant portion of its revenues from a small amount of large customers (Arrow 5). Derks has specialized itselfs in painting operations under special conditions. Arrow 1 is indicating this focus on laboratories and the food and pharmaceutical industry. To be efficient the company is still active in public housing, but this is not the area where the company is creating competitive advantage (Arrow 6).

Due to the customer relationships the company understands the customer’s environment and tailors from a normal paint facilitator to a consultant in productivity improvements. This makes the company stick to the customer and results in long lasting relationships to a special segment and increases the commercial competence of the firm (Arrow 1).

These long-term relationships affect the offer to the customer as well. It transfers from maintenance to an advising role in increasing performance regarding productivity (Arrow 2) which again results in a revenue stream regarding know how and the intellectual competence (Arrow 3). This know-how increases the competitive advantage of the firm.

The partner network exists mainly out of transactional relationships for materials as paint and other instruments. Next to that the company uses its partner network for increasing flexibility in human resources (arrow 4). This affects directly the planning of work and thereby the revenue stream of the company (arrow 7) and results in a revenue stream to the commercial and material competence.


**Competence development in SME’s**

**Extending liquidity management to a strategic perception**

Teun van Asten

*Plastic Team* is a distributor and fabricator of plastics, is focusing on two main market segments: Industry and Advertising. The company its focus is on the market. This means that they make use of aggressive sales. They start with desk research to configure a first selection within the market scope. Hereafter the sales force start phoning the selection and tries to find out if there are problems or interest for the products of the company. In most cases, customers in the industry segment tailor their processes on the performance characteristics of suppliers, which result in long term relationships.

“*When you are in the market you get more and more references in the market. People say that that is a good supplier and so your customer group increases step by step, but of course you have to do a lot of work on the phone and visiting customers. Normally if you are doing a good job, the product is ok, the service is good, and the price is on market level people don’t change, because especially in industrial business they have organized their production on what you can deliver them, on your delivery time, your quality and so on. The companies don’t like too many changes every day. If they have a stable process they don’t like to changes the process, because of you. If you do a good job, you can supply them. Also over a long period and so step by step you can increase your customer base and in the end also your turnover and margin*“.

The company also positions itself as a consultant to their customers. This means that they bring advice about what materials to use in certain production processes of their customers. Plastic team has good connections with some large companies who work constantly on the development of new products. Smaller companies face difficulties in making contact with these large organizations. In this case Plastic Team functions as the connection between the end-user and the producer.

Plastic Team prefers good relationships with suppliers in which quality, delivery time, loyalty and service are more important selection criteria then purchasing at the lowest prices. In the start-up phase of the company, the selection criteria were: capability of supply regarding competition, high quality and financial strength. Later on the company also selected suppliers regarding exclusiveness of the purchased materials. A summary of the mechanisms in and between the business model components is given in figure 23.
Competence development in SME’s

Extending liquidity management to a strategic perception

Teun van Asten

Well established supplier relationships
Quality, delivery times, loyalty and exclusivity as criteria.
In the start the supplier’s financial strength was an important criterion

Figure 23 Business model canvas Plastic Team
Business model canvas/revenues
The business model of Plastic team is really customer driven and focused on a typical segment (Arrow 1), mainly the industrial and advertising segment. In this segment they create long term relationships by the high level of knowledge regarding plastic solutions and do advise companies in improving production processes and materials (arrow 2 and 3). These tailored solutions strengthen the relationships and connection to the market segments and thereby leads to revenues regarding the commercial competence (Arrow 4). To deliver best quality as a distributor the company has well established supplier relationships with the larger companies having the latest technologies in-house. Plastic team uses these relationships to act as a mediator between the smaller companies and these large suppliers. These relationships mainly transactional results in commercial and intellectual revenues and creates a competitive advantage in their segment (arrow 5).

VTS Transport captures its value from fulfilling transport service in a niche market. The company is active in the niche of transportation for pharmaceutical goods. Their customers, pharmaceutical multinationals, distribute their products to distribution centers where they are re-distributed in smaller quantities to local retail stores. VTS transport its added value to these customers is its high level in service and quality. The company has some large clients which are responsible for a significant amount in turnover, 57% in turnover is from the ten largest customers.

To capture the value the company innovates to ensure quality levels for the clients products. These pharmaceutical goods have to be transported within temperature specific boundaries for good performance. These customers don’t take any risk regarding these requirements. Therefore visits regarding quality and preferences are scheduled periodically on the location of both parties.

"Yes, our customers are visited periodically. They also come to us to do audits within our organization. So we show them how things are organized, how quality is guaranteed. This is studied by our customers in a strict way. This is because they want to have the risks in transport as small as possible. In the worst case, medicines can disappear, and these should be purchased on prescription by a pharmacist. This can even be dangerous too"

With this high level in service the customer is in a certain way allocated to the company which results in a long-term relationship.

"Companies have good experiences with us. I had lately a customer who left to a competitor for certain orders. I did not like this because it was a very loyal customer with which we have a very good business relationship. After four weeks he came back to us, because of the problems he had with this transporter. This company had very bad quality levels with temperature ranges during transportation. This result in goods that are put on hold or in worst case will be destroyed. This lead to very high unexpected costs."

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Business model canvas / revenues
This market segment counts for 75% of turnover for VTS Transport. Besides the pharmaceutical industry the company still serves in the fast moving and non moving products. This less complex transport is still put into practice because of historical reasons. These customer segments gives the company capacity insurances and can be easily subcontracted if own capacity is to be used in the more complex activities for the core business.

VTS transport purchases from different suppliers to perform their activities. These are truck, cool engines and fuel suppliers. These suppliers are chosen because of performance which aligns the quality in service of VTS to its customers. VTS purchases trucks from more than one supplier to keep these parties on edge. Purchasing motives are, speed in service, quality and reputation. Also the service network for trucks and cool engines are a selection criteria to reduce risks if problems arise which may harm the distinctive power of the company. A summary of the mechanisms in and between the business model components is given in figure 24.
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Teun van Asten

Customer segment

Focus on the pharmaceutical industry (75% turnover)
Other 25% in less complex transport activities for fast and non moving industry which gives flexibility in capacity

Customer relationship

Long term well established customer relationships

Distribution channels

Direct to customer
References from customers

Offer

High quality and reliability in transport of pharmaceutical goods
Climate controlled warehousing

Key activities

Transport
Planning
Stocking

Key resources

Know-how of personnel regarding procedures in transport of pharmaceutical industry
Truck equipment

Partner network

well established relationships with truck, fuel and cool engine suppliers
Training to truck drivers by cool engine supplier in latest technologies

Revenue stream

Specialization increases margin
Flexibility in capacity

Cashflow

Cost structure
Cost of employees
Cost of trucks / taxes / fuel

Figure 24 Business model canvas VTS Transport
In the business model of VTS transport there is again a focus on a typical segment (75%), mainly the pharmaceutical segment. This specialization results in an added value and thereby generates higher profit margins to the company (Arrow 1). The other 25% is the transportation of non moving goods and can be outsourced to third parties. Thereby the company has a flexible scale to decrease risk in resource utilization (Arrow 2).

Again the focus on the pharmaceutical industry results in more well established relationships with some large pharmaceutical companies (Arrow 3). This specialization strengthens the offer to these companies because the transportation is tailored to their expectations (Arrow 4). The service of VTS has developed because of the market knowledge gained by these strong customer relationships and key resources are attracted to full-fill to this demand (Arrow 5 and 7). Because of this tailored service the company is leading in serving a certain niche in transportation that maintains customer relationships (Arrow 6). This loop in the business model strengthens the commercial competence by delivering a solution and to a niche market.

Supplier relationships are mainly transactional. Some trainings are given by suppliers on latest technologies needed in the served niche market.
## Competence development in SME's

**Extending liquidity management to a strategic perception**

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</tr>
</tbody>
</table>

Table 3 Summarization revenues Customer Intimacy
Category Results
In the sample of the customer intimacy category two of the three company its business models are identified with the virus model. Derks Schilders and VTS transport have a clear defined customer group which can be identified as a niche market. By closely working with these customers, the companies tailor their offering to the processes of the customer which increases the switching costs of the customer to select other suppliers. The offer is really based on a clearly defined target market and therefore the commercial competence which refers to the ability to act on markets is leading.

Next to the real value proposition offered to the niche, these companies use more conventional markets to increase flexibility which enhances resource utility and choosing work packages with most priorities.

Other competences such as intellectual, material and social are aligned to increase the value proposition to the defined target market.

Plastic team its business model works a bit different. This company is focusing on a broader market segment but still has a clear defined target market. The company is purely market driven and intellectual and material competences such as in sourcing production and latest know-how from large suppliers are used to better fulfill the demand of the targeted segments.

Controllability with OCAI
The results from the customer intimacy value based strategy were expected to be significant in the rational goal model. Unfortunately the results are exactly in the opposite direction (figure 25). This was not expected according the propositions of the competences. A moderating effect could be the industry characteristics in combination with a business to business market which is characterized with close relationships between customer and the supplying firm.

Figure 25 OCAI results for customer intimacy category
**Competence development in SME’s**

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**Resource Enrichment**

*Apollo Milch* is a trader in liquid milk products and also transports in the dairy industry. Its activities are heavily influenced by the supply and demand within this industry in Europe. This means that customers can be suppliers and competitors as well. The company supplies where demand is high and purchases where there is surplus in supply. The company accomplishes this by a strong network in which lots of contacts should be maintained within the dairy industry.

>“We are active in one big can full of suppliers and customers. In this can we move up and down just how the market is changing. We normally do not have long-term relationships with our customers. There are few exceptions but these are only 40 of the 7000 contacts”

Every customer is only supplied for that typical case. This makes the company a problem solver for real time problems at hand. They should be served quickly which means ensuring supplies and managing the transport within short time lines. There is no constant revenue stream by some large customers. The company tries to continue business by customer relationship management. The tool they use is called “a different approach”. In this way they try to create distinctive power. It is a very personal approach which should generate loyalty to the company.

The relationships with customers, suppliers and competitors are also adding value in experience to the traders. This is the most important resource to the company. The trading activity requires a lot of tacit knowledge which can only be obtained by doing the job.

>“Our material assets are very small, we have some cars, the building is hired and we have some IT systems. Then you have the human resources, this is the most important asset of the company. You do not see this in the balance sheet.”

>“You are a reseller; if you do not have traders you can close the doors. If you produce something you need machines and equipment, but we do not have this. So the largest amount in costs is in employees. These indirect costs are around 75% of total costs”.

Next to its core business of liquid supplies, the company remains flexible by also doing business in other dairy products, like waste products and dry products for new commercial purposes. This results in efficiency regarding transportation. A customer in that sense can be a supplier of a purchased good in the same time. A summary of the mechanisms in and between the business model components is given in figure 26.
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Customer segment

95% is producers of liquid dairy products
5% is dry dairy products
Customer act as supplier of waste products
Dependent on multiple single business activities

Customer relationship

CRM tool “A different approach” for increasing customer loyalty

Distribution channels

Direct to the customer
References by customers

Offer

Problem solver for dairies and milk producers regarding supplies

Key activities

Trading
Planning
Managing transports
CRM

Key resources

Tacit trading know how of employees
Explicit trading knowledge of CRM system
Commercial network

Partner network

Large network of producers, resellers and other players within the dairy industry

Revenue stream

Margin dependent on market information and trading know-how

Cashflow

Cost structure

Efficiency in transport of goods
Costs of employees

Figure 26 Business model canvas Apollo Milch
Business model canvas/ revenues

The business model of the company Apollo Milch is focused on enriching the customer by supplies when the demand is high and supply is scarce. The most valuable resource to accomplish that goal is the company’s partner network, in which it acts as a supplier and transporter of the market player’s commodities. The relationships with their partners are mainly transactional. In the Apollo’s industry a partner can be supplier, customer and competitor at once (Arrow 4). Fact is that the company uses this for enhancing efficiency in their processes. This means that when supplying liquid milk to a certain customer, this customer can be the supplier of its waste products like whey which is a commodity for protein shakes. In this way Apollo uses its network efficient and is aware of the value of all milk substitutes (Arrow 4).

To maintain this network and create knowledge transfers within the market, the company uses a CRM tool called “a different approach”. This strategy is more related to the customer intimacy value based strategy but supports the company in maintaining relationships with its network and enhances customer loyalty in the partner network (Arrow 3 and 1). Due to the transactional relationships in combination with the CRM approach the commercial competence is indirectly strengthened by building the commercial network. Due to each single offer the trader is learning and generating the know-how of the business, over time this creates the real value to the company (Arrow 5).
Brakel Atmos is fulfilling construction projects and a producer of fire safety roofs. Brakel Atmos is accumulating their intellectual and social competence by doing projects. For a company with a project structure it is important to have enough projects and work at hand to be efficient with the effectiveness in resources. Therefore the company has an appropriate sales force. The sales force is knowingly trying to become as quick as possible in the process of new constructions, so that higher margins and turnover can be reached.

"The sales people are acquiring new projects. With subcontractors the only motive to buy is the best price so this is not our target group to reach. They cut prices in purchasing and the performance of the building next to the specifications is not in his interest. That is why we try to lobby the architects and end-users. We try to convince them the importance in our products by making them aware of good and bad performance of a building. This is the game they play."

Next to this the company is master in the law and regulations regarding fire safety. They use this knowledge to their products and to train and convince important influencers like firefighters and architects. This is a conscious tactic in doing their acquisition.

"We train fire departments with courses. We show them how it works and what it can do. So we are in fact lobbying these fighters. In former times there were different norms per country. Today it is for everyone in Europe managed in the same way. We try to be the first one in the market with our products meeting these requirements. In this way you create a market. In England you have these large stores. We scare them, and service them with service contracts."

Brakel Atmos manages their suppliers by the model of Kraljic. This means that they do have partnership with some strategic or bottleneck suppliers to meet project requirements they cannot deliver on their own. The company behaves in a relative dynamic way for construction industry standards.

"Suppliers who think with us, we call them partners. Right now we do business with a sun collector supplier. This company we know very well and if we acquire a new order, he is integrated and vice versa. There is always possibility that he is leaving with the know-how acquired by our competences, but this is all made explicit via contracts."

"We have a fail supplier who came to us with a new idea. We are investigating the potentials for the use in practice. Unless the conservative characteristic of the construction industry we operate in a very dynamic way. That is what I like so much in this company."

To efficiently capture value, Brakel Atmos is selling products to VAR’s across Europe. These products are made by Brakel Aluminium who also supplies for the Brakel selling points and the projects they fulfill. A summary of the mechanisms in and between the business model components is given in figure 27 continued with an explanation.
Competence development in SME’s
Extending liquidity management to a strategic perception
Teun van Asten

Customer segment
- Construction owners, users
- Subcontractors
- Architects
  for both industrial and the architectonic segments

Customer relationship
- Customer involved in projects
- Lobby with fire departments/archit.

Distribution channels
- Sales via VAR
  Projects, concepts and maintenance contracts direct to customer

Offer
- Innovative esthetic solutions for constructions including fire safety systems and heat dissipation

Customer segment
- Construction owners, users
- Subcontractors
- Architects
  for both industrial and the architectonic segments

Customer relationship
- Customer involved in projects
- Lobby with fire departments/archit.

Distribution channels
- Sales via VAR
  Projects, concepts and maintenance contracts direct to customer

Offer
- Innovative esthetic solutions for constructions including fire safety systems and heat dissipation

Revenue stream
- Concepts > Projects > Sales maintenance contracts

Cashflow

Cost structure
- Large overhead due to secondary activities: Project management, planning, administrations, purchasing, PR, IT, etc.

Key activities
- Engineering
- Project management
- Production
- Sales/Service

Key resources
- Know-how employees
  Developing during each project
- Using resources of others
- Law & regulations

Partner network
- Supplier management via model of Kraljic

Figure 27 Business model canvas Brakel Atmos
**Business model canvas / revenues**

In the business model of Brakel Atmos, each project differs from each other in which intense collaboration with the customer or other stakeholders is involved. By this collaboration teamwork is gaining revenues to the social competence and intellectual competence and is translated to the know-how of the employed team-members of the organization (Arrow 3). This know-how increases the quality of the offer and the process by which the offer is managed (Arrow 4 & 6).

Next to activities as engineering, production and project management the commercial competence of the firm is from vital importance as well. This is illustrated by Arrow 1 and 2. Arrow 1 indicates the smart way in how Brakel Atmos is creating sales representatives due to lobbying with fire departments and architects. This results in an effective distribution channel for acquiring new projects (Arrow 2). By insourcing activities as production and architecture, the company can facilitate sales to agents in other countries and expand volume based selling at lower margins. Next to that projects can be broadened to concepts which results in higher margins including maintenance contracts.

For these concepts, resources of collaborating partners as architectures, construction companies and subcontractors are involved as well which result in resource enrichment to the company Brakel Atmos (Arrow 5).
**Competence development in SME’s**

**Extending liquidity management to a strategic perception**

Teun van Asten

_Ureco_ is focusing on three main points. One is the development of resources internally. This results in a total solution which causes a short and central communication point for clients.

> "The more you are able on doing on your own, the better your distinctive power in comparison with the competition. You have for example companies who are only active in cleaning asbestos. We have more disciplines. We try to obtain knowledge in a wider area but also to specialize in in-depth knowledge".

The second point is that they use more tactical relations and techniques to acquire enough projects regarding efficient use of the employed resources. Ureco is member of the foundation Salvage, which is the consultation of the insurance companies in the Netherlands when calamities arise. This foundation assigns recovery companies to a specific job. The assignments from insurance companies represent 95% of total turnover. These projects are assigned by salvage experts of the insurance companies. Variety in motives to allocate certain salvage companies is the reason for good contact and the right justifications of project calculations to these experts.

> "It can change per expert. Two experts are working for the same insurance company. One is struggling about every penny, while the other one is easier. The second one is aware of the quality we deliver and prefers quality above costs".

> "With these Insurance companies, you have different experts. Expert A you know very well, which results in more projects, in comparison to expert B with whom you are on less good terms. This does not mean that you use them in such a situation, but it gives rise on the carefulness on how to approach these men".

The third point is the use of partners to gain in flexibility. This flexibility is made explicit by the capacity in human resources. To meet flexibility in human resources the company works with subcontractors and temporary employment agencies specialized in employers who know the procedures in cleaning asbestos.

> "We cooperate with subcontractors. Sometimes we have to much work for the resources we have employed. We cannot do it ourselves. But what I mean is if the damage is too large and the construction work is significant large then the project is managed by a subcontractor or construction company".

> "These partners are not comparable with a company like Randstad. These are specific employment agencies I never heard of before. This is not weird, because not everyone favors to work with materials like asbestos. It is very important to us that these recruited people work according safety procedures we provide. We have the certificates. This means that we have to ensure that work is done according these quality procedures. Also when the work is executed by subcontractors or recruited employees".

A summary of the mechanisms in and between the business model components is given in figure 28.
Competence development in SME’s
Extending liquidity management to a strategic perception
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Customer segment
Broadening and deepening segment
- Victims from calamities
- Insurance companies from the salvage foundation (95%)

Revenue stream
Post calculation
Offers
Resource effectiveness by project acquisition

Customer relationship
Tactics in how to approach insurance experts

Distribution channels
Foundation Salvage
Direct with insurance experts

Offer
Total solution and quality in salvage, recovery, reconditioning and cleaning of constructions and furniture after calamities

Cashflow

Cost structure
Costs of human resources
Materials and depreciation equipment

Key activities
- Cleaning activities
- Asbestos sanitation
- Furniture storage
- Project management

Key resources
- Human resources including know-how of sanitation and other recovery activities
- Quality certificates

Partner network
- Member of the foundation Salvage
- Specialized employment agencies for cleaning activities
- Subcontractors

Figure 28 Business model canvas Ureco
**Business model canvas / revenues**

In the business model of Ureco the partner network and the customer segment are key in enriching the resources to the firm. They bring revenues in know-how to the human resources and the quality of the recovery service which is a revenue stream to the social and intellectual competence (Arrow 1 & 2). Broadening and deepening the segment results in revenues to the commercial competence by acquiring more diverse projects and thereby broadening the customer market. Next to that the company is using partners for the acquisition of new projects and subcontractors and employment agencies to acquire larger projects by an increase in flexibility regarding human resources. These collaborations are a revenue stream to the commercial and intellectual competence of the firm (Arrow 3 & 4).
**Competence development in SME’s**

Extending liquidity management to a strategic perception

Teun van Asten

*Wolters GMBH* is tailoring a total solution in transport systems to their customers. They do this in three ways. One is to assemble and reconfigure IVECO and FIAT trucks to customer preferences. Second, they relieve their customers by the service and maintenance during the lifecycle of the truck. Third is that this product, the truck and the maintenance/repair activities can be paid by the customer over its lifecycle by a total lease contract. This means that the customer is able to plan the costs over the contract duration and thereby averts a large investment.

These extra service elements (maintenance/finance) increase the revenue stream of the company. This also means that long relationships with customers are created, in which incoming revenues are known and customer loyalty can grow.

This company which is completely customer driven emphasizes the importance of customer data needed to tailor the solution as effective and efficient as possible. Therefore the company is developing its commercial competence regarding sales and after sales.

> “We must change the network because we have to find the way to the customer where the after sales man and the sales man can see him complete. Is he good for the money, how much business does he make, at which time he made the business, when was the last time, when was the last contact etc etc. We have to adopt more customer data and make more connections to our customer base”.

Wolters also tailors solutions on the customer’s business processes. In this way the switching costs increases and the customers get tightened to the company. These tailored solution increases the commercial competence by effective customer retention.

> “They have 15 product lines at their production facility where the kitchens are produced and assembled. Every line has a car and every day one car is needed for one line. We have to look after that they have every day 15 cars. If they cannot drive they cannot make their bills for the day and lose money. So they will become angry of course. Therefore we found a solution by adding an extra car because every cars need service, like repairing brakes and stuff. We found a way to give the customer the most complete service package. We built the truck with the body on it like they wanted, which could not be ordered anywhere else, and they drive every day. They are paying for the credit and the service one time a month a fixed price and the best thing is, I hope you can see it, now I am in the system from the customer”.

The service system of Wolters has one disadvantage and that is the geographical boundaries it encompasses. Therefore when growing the company, the company should focus more on sales globally without these service/maintenance contracts or expand service points elsewhere.
“Yes I told you, I think it will be more important what will be done in Europe, you could not live from this small area. You have to find different points where you can work where you can get money. One thing is the complete solutions and one thing is selling.”

Relationships with suppliers are mainly transactional. There are more intense relationships with IVECO. This company is selling trucks to Wolters and communication with both companies is more than transactional because they try to make new ways of business by cooperation.

The company has an internal management orientation in which human resources are allocated as efficient as possible. The company uses bar code scanners by which the management exactly knows when, how many employees were at work on what location in the company. A summary of the mechanisms in and between the business model components is given in figure 29.
Competence development in SME’s

Extending liquidity management to a strategic perception

Teun van Asten

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**Customer segment**
- All companies who need transport solutions for road transportation
- Service system creates geographical boundaries

**Customer relationship**
- Good intense relationship with truck supplier
- Customer becomes partner by integrating Wolters to its business processes

**Offer**
- Tailored solutions for transport vehicles regarding technical specifications, maintenance and finance.

**Key activities**
- Tailor build trucks
- Maintenance and repair
- Controlling internal efficiency

**Key resources**
- Finance system build on material assets (real estate)
- Human resources
- IT-systems

**Distribution channels**
- Direct to customer by sales force
- Data system for effective sales

**Revenue stream**
- Margin dependent on power structure and health of a customer’s organization
- Secure revenue stream because of contracts

**Cashflow**
- Secure revenue stream because of contracts

**Cost structure**
- Large investments for pre-financing trucks
- Costs of human resources

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*Figure 29 Business model canvas Wolters GMbH*
Competence development in SME’s
Extending liquidity management to a strategic perception
Teun van Asten

**Business model canvas / Revenues**

In the business model canvas of Wolters GMbH the offer is tailored to the customer its preferences. This makes each project different and act as a learning experience to the internal stakeholders working on that project. This resource enriching effect is illustrated by arrow 1, generating revenue to the intellectual and social competence.

To gain in efficiency enough projects should be acquired and therefore the sales force direct to the customer is of big important. IT systems are used for doing analysis on the customer segment and to improve sales tactics. Input from the sales force results in rich and valid data for the system. This investment is again resulting in a revenue stream to the commercial competence (Arrow 2 & 6).

Tailored solutions to customer its business processes can result in partnerships in which the customer its switching costs will increase. This is one of the directions in which Wolters tries to tie customers to its company and retain them and secures the revenue stream by contracts. This is illustrated by arrow 3 and illustrates the commercial competence of the firm which results in revenue flow to the material competence (Arrow 7).

To make contract sales possible and to give the customer the opportunity to pay the investments off over a longer period, Wolters has to pre-finance the trucks for these clients. Therefore it uses its real estate as pledge. The contracts results in bigger margins dependent on the power balance between Wolters and its customers generating revenue to the commercial and material competences (Arrow 6&8).

Next this underlying system to enhance customer retention the company uses internal control systems which can be placed by material competences to get detailed and quantified information regarding its internal processes and human performance in these processes. This results in controlling costs and improving processes which are critical in the organization (Arrow 4).
SR Klimatech, a one-man business is using its environment for one main reason. This is the development in intellectual competence that results in better advice. This accumulation is partly due to the project based way of working in which each project is different with distinctive customer preferences. The company uses publications and trade journals to keep track on the latest technologies. When these developments can be of interest to SR Klimatech, the company invites key suppliers to get better information regarding the potentials and fit to certain projects.

"There are many new innovative products which can be combined in one installation. There are different player who have certain specialism, but never heart of or spoke to each other. They publish and I read those trade journals. I know where to purchase these products, so then you make contact with those suppliers. This is not very often done by competitors I think. I like to work and develop in this way. Then you invite those suppliers of new developments and try to integrate these things in projects. In most cases this is a project started from the pre-phase".

The company works as an hour-factory and therefore the commercial competence to acquire and plan work is of importance. The company has made an effective way to acquire new project even while the owner mentions its lack in commercial competences. The company takes advantage of the users of the installations by making them ambassadors for acquisitions. The commanding officers of fire stations, who use these installations, do influence the deciders and payers of the installations which are municipalities.

"In my case it is easy, because I have a personal interest in fire stations instead of municipality buildings. I have lots of new customers and a municipality does not build every year a new fire station. So this means it is only a customer for one project. But the commanding officers from the fire stations across the country do meet their colleagues more times a year. That is an important thing to take into account. These officers are most of the time satisfied about our collaboration, and I know what they prefer in technical specifications, these man have a very technical profession. When they have a meeting and someone needs to build a new station, then they advise to get for example me because of the satisfied results. That’s how it works".

Furthermore SR Klimatech acquires work threw good relationships with some architectural companies. These companies subscribe for certain projects and need advice in what kind of installation should fit certain projects at best given the architectural specifications and customers preferences.
SR Klimatech also acquires assignments by work packages placed out by installation companies and competitors. This may be due to capacity problems in human resources or certain specialism needed in to perform the work package. This can also be the other way around. This increases the flexibility of SR Klimatech.

“So, I can perform a total project as consultant from the start in the pre-phase, but it is also possible that I am performing work packages from a project in the executing phase for an installation company. So my customers are: Installation companies, building owners, architects and municipalities. Much of my work is for municipalities, but also property developers. Even private owners can be customers.”

A summary of the mechanisms in and between the business model components is given in figure 30.
Competence development in SME’s

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Customer segment

Broad segment consisting of architects, building owners, municipalities, installation companies, property developers and private customers

Revenue stream

Hour factory dependent on acquisition of projects and work packages

Customer relationship

Customer involved in projects, distinction users, influencers, buyer, and decision makers

Distribution channels

Make user (commanding officers) function as ambassador for influencing decision makers in acquisition process

Offer

Flexible autonomous partner for advice in installation systems for constructions including the latest technologies

Key activities

Developing and design climate installations for constructions on customer preferences

Key resources

Know-how from past projects
Software programs for calculations
Outsourcing routine activities to third parties

Partner network

Customer used as partner for resource utilization, flexibility (installation companies) and for acquisition (architects and commanding officer)
Suppliers and competitors used for integrating innovations

Cost structure

Low costs in overhead

Cashflow

Make user (commanding officers) function as ambassador for influencing decision makers in acquisition process

Figure 30 Business model canvas SR Klimatech
Business model canvas / Revenues

The company SR Klimatech is seen as an outlier of the data set because it is a one man business. Next to that it is a company identified to a certain value based strategy and therefore can be of interest to compare to the other cases within this strategy. Therefore it is incorporated in the report as well. When analyzing the business model, there are again different revenue streams visible between the components. Arrow 3 and 4, again identifies a revenue stream in enhancing resources by know-how due to the uniqueness of each single project executed. Next to that the companies differentiate its customers into users, decision makers, buyers etc. By doing so the company is focusing on fire department commanders for doing effective acquisition resulting in revenue to the commercial competence. These commanders are used as indirect sales representatives to the company (arrow 2). This distribution channel helps to effectively fill the hour factory which leads to a more stable and consistent revenue stream (Arrow 1).
## Competence development in SME’s

### Extending liquidity management to a strategic perception

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<table>
<thead>
<tr>
<th>Company</th>
<th>Core competence</th>
<th>Symbiotic interdependencies</th>
<th>Competitive interdependencies and third parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apollo Milch</td>
<td>Commercial</td>
<td>Transport of liquid dairy products in partner network</td>
<td>Direct revenues</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Connecting supply and demand in the market area. Customer intimacy tactics for customer retention</td>
<td>Indirect revenues</td>
</tr>
<tr>
<td></td>
<td>Social, Intellectual</td>
<td>Fire safety roofs in construction projects in which many human resources and production resources are involved</td>
<td>Direct revenues</td>
</tr>
<tr>
<td>Brakel Atmos</td>
<td>Social, Intellectual</td>
<td></td>
<td>Indirect revenues</td>
</tr>
<tr>
<td>Ureco</td>
<td>Social Competence</td>
<td>Project based solutions in salvage cleaning and recovery of constructions</td>
<td>Direct revenues</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Indirect revenues</td>
</tr>
</tbody>
</table>

- **Commercial**
  - Material
    - Cash-flows and residuals, this makes customer supplier as well. Increases flexibility and efficiency
  - Social, Intellectual
    - Each project is different resulting in know-how to the traders

- **Material, Intellectual**
  - Customer and suppliers are involved in project. Suppliers / partners for resource enrichment effect to projects
  - Commercial revenues
    - Agencies used for selling produced aluminium/glass roof systems. Fire departments used as influencers in decision process customers. Focus on investors to sell concepts with most margins
  - Commercial, Intellectual, Social revenues
    - Human resources for flexibility in project acquisition
    - Know-how development of human resources due to versatility in projects

- **Commercial / material revenues**
  - Subcontractors used for increasing flexibility in acquiring projects and broadening project-scope

- **Suppliers and customers are competitors, so the same revenues identified as for the symbiotic interdependencies**

- **Commercial 
  - Subcontractors used for increasing flexibility in acquiring projects and broadening project-scope**

- **Social, Intellectual**
  - Fire safety roofs in construction projects in which many human resources and production resources are involved

- **Commercial revenues**
  - Agencies used for selling produced aluminium/glass roof systems. Fire departments used as influencers in decision process customers. Focus on investors to sell concepts with most margins

- **Commercial, Intellectual, Social revenues**
  - Human resources for flexibility in project acquisition
  - Know-how development of human resources due to versatility in projects

- **Commercial / material revenues**
  - Subcontractors used for increasing flexibility in acquiring projects and broadening project-scope
## Competence development in SME’s

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<table>
<thead>
<tr>
<th>Wolters GmbH</th>
<th>Social competence</th>
<th>Material revenues</th>
<th>Commercial, Intellectual</th>
<th>Material competence</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tailored total transport solutions on project base with focus on service system included over the total lifecycle</td>
<td>Pre-financing investments</td>
<td>Due to the tailored solution customers get stick to the company. Optimal customer retention.</td>
<td>IVECO trucks used as supplier</td>
</tr>
<tr>
<td>SR Klimatech</td>
<td>Intellectual competence</td>
<td>Social, intellectual revenues</td>
<td>Commercial revenues</td>
<td>Intellectual revenues</td>
</tr>
<tr>
<td></td>
<td>Knowledge used to design building installations</td>
<td>Know-how of projects due to diversity and uniqueness of each work package Suppliers invitations to acquire knowledge of new technologies</td>
<td>Customers divided influencers, deciders, users etc, to effectively acquire new projects and building reputation</td>
<td>Developments of larger companies used to keep on track of latest technologies by scientific articles</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Commercial revenues</th>
<th>Intellectual revenues</th>
<th>New market opportunities with new knowledge</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Know-how of projects due to diversity and uniqueness of each work package Suppliers invitations to acquire knowledge of new technologies</td>
<td>Developments of larger companies used to keep on track of latest technologies by scientific articles</td>
</tr>
</tbody>
</table>

*Table 4 Summarization revenues Resource Enrichment*
Category results
In this resource enrichment category the similarities are that all companies work on project base and every project is tailored to the involved customer, therefore the social competence is highest and develops during each project acquired. The risks in such companies are identified in the metaphorical thunderstorm model. These are the pre-investments of a project and the acquisition of new projects.

The core competence of the company was expected to be the social one referring to the development as a group and acting as a group. It can be measured in the presence of clear goals, understood and accepted hierarchy, organizational cohesion and entrepreneurship.

The mechanisms against these risks can be summarized by customer retention and effective acquisition and are two overall methods which were identified in the scope.

The companies Brakel Atmos and SR-Klimatech acquire customers by focusing on influencers, which are in both cases fire departments, and influential people who are used as indirect sales representatives for the buying person of company.

Customer retention is recognized as an important aspect as well in the sample. Methods for retaining customers are recognized in the companies; Wolters GmBH and Apollo Milch. Apollo Milch is using a Customer Intimacy tool called “A different approach”. With this approach the goal is to make customers loyal to the company to increase the acquisition of single projects. Wolters GmBH is using a complete tailored finance system resulting in a continuous cash flow with higher margins. To retain customers they use methods recognized in virus model. They tailor the offering in such a way to customers that they get part of their systems and processes. In this way single projects are transformed in long lasting relations.

Ureco is broadening its know-how to different segments within its scope. By doing this the company enriches their resources and can acquire more diverse projects. Other companies use other parties to enrich in resources necessary to acquire or manage projects and to increase in flexibility regarding project sizes.
Controllability with OCAI

The results of the scope in the resource enrichment category are varying a lot (figure 31). To start, the results of SR Klimatech can be related to the size of the company. This one man business its value is pure on knowledge regarding mechanical and electronic installation systems. This company is an outlier to the scope which was mentioned before. Brakel Atmos and Apollo Milch do value themselves according expectation in which flexibility and teamwork to accomplish projects are most valid. The results of Wolters and Ureco are not according theoretical expectations. The result could be again that these companies value activities from other value-based strategies to reduce risks out of its chosen/identified one.

Figure 31 OCAI results for Resource Enrichment category
Competence development in SME’s

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Operational excellence

**SAM Precision** its focus is to ensure that the internal processes of the company are secured and optimized. The company is producing small series to their customers but is focusing on more efficient work methods and resource effectiveness. To meet customer preferences, the company also incorporates improvements to designs and materials of the components. Next to that improvements in production regarding quality and speed are made to cut in costs for increasing operating income.

“Distinctive in this sector is that we think with our customers in the improvements of production, choices in material to be used, assembling more components to more complex parts and of course the speed in our processes. The customer has no need for stocking components to supply their customer. We produce if it is a produced part in series even if the customer orders one part. One, five to ten parts is our market. He does not need to order large series to met quality standards. That is very important. We try to cut the cycle times to produce certain components. This gives advantage I shorter delivery times”.

SAM Precision is using the environment from the supply side in traditional manner. Each year the company invests in machinery to optimize efficiency and quality in production. One example is the investment in unmanned machines which produce on a 24/7 base. Here after the company purchases every year for 1.2 million in metal.

From the customer side, the CEO mentions the importance of risk aversion by creating a customer segment in different industries.

“We have about 30 customers and, this is sufficient regarding our capacity. We do not spend much time on acquisition. I do analyze the different branches we work for once in the four months. For example I want to spend no more than 25% of my capacity in semiconductors and no more than 5% in racing industry, abattoir, packaging machines and optic machines. I take these fluctuations in branches into account to spread risks. The economic crisis for example has different effects on these branches. We start the year with a prognosis of our customers to know what we can expect. We have always customers who are in a growth phase and others who are in a decline phase. I always had the competence to make such a distribution to spread risks”.

“Investments are in the automation of production and in machines. Next year I want to buy a robotic cel, to improve again. I want to invest differently, not by purchasing one machine but to invest in clusters. This bigger investment leads to higher risks, but it results in more efficient business in which more production hours are possible”.

The company its management orientation is on controlling the internal processes. The CEO mentions the importance of work planning and controlling the production processes. Here after the CEO cites the importance of motivating the workers who are constantly under pressure to meet production deadlines.

A summary of the mechanisms in and between the business model components is given in figure 30.
**Competence development in SME’s**

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**Customer segment**

Spreading risks by including different customer branches to secure production capacity and power balance/dependability

**Customer relationship**

strong relationships
Customer involved in component requirements

**Distribution channels**

Direct to customer
Fast delivery
No stocking necessary for customer

**Offer**

Relieving Industrial suppliers in capacity problems of industrial components including consultation in improvements
Partner for outsourcing production

**Key activities**

Holing and Milling components to customer specs.
Production planning
Process planning

**Key resources**

Machines, equipment
Know-how in production
Production procedures

**Partner network**

Investments in new machines and equipment to enhance efficiency in operational processes
Suppliers for metal

**Revenue stream**

Hour factory

**Cashflow**

**Cost structure.**

Depreciation equipment/machinery
Costs of human resources

**Figure 32 Business model canvas SAM Precision**
Business model canvas/ Revenues

In the business model of SAM precision the main purpose is to secure the internal processes of the firm and to be efficient and utilize the resources available as efficient as possible in the production process. This is also visible in the business model of the company. The order intake, to fill the operational processes is secured by being active in different branches and have a broad customer base with a larger quantity of customers instead of doing business with a smaller amount of larger firms like OEMs (Arrow 1). This reduces the power position of the company with the risk related involved.

The added value of the company is also due to the relationships with its customers. SAM Precision is sub contractor in the higher segments of the markets and uses resources in analyzing and improving components and processes for its customers (Arrow 2).

The relationship of SAM precision with its suppliers is mainly transactional. Investments are done for new machinery on a continuous base to keep on track with the latest technologies with the goal to become more efficient and to enhance product quality (Arrow 4). These newest technologies should have effect on the efficiency of the production processes and thereby reducing cost per part (Arrow 3).
**NoCore** is tightening its customers to their business by offering solutions the customer cannot provide elsewhere in the market. NoCore has tailored its ERP solutions for the professional cleaning industry focusing on the small to medium sized companies.

"Customers remain business even when contracts are ended. Once they are in, it is hard for them to get out. That is a fact and even more when they use our services. So, I write the software, which is my property. The advantage of self developed software is the high margins up to 90% when selling it directly to the customer. On paper these contracts last for 3 years but in practice they are much longer."

For running such ERP software packages, expensive hardware is needed. NoCore its target market consists for the biggest part of SME’s who lack the resources needed to invest in these applications. NoCore can facilitate competitive high tech solutions to these customers by let them make use of the software and hardware from NoCore by online connectivity. Larger companies can make use of NoCore its midrange systems by running their software on their servers. These are compatible with the IBS consult systems these larger companies use. In this way these customers averts investments in server systems.

To answer customer needs the company has a strategic user group. This group consists of the 50 largest companies from their customer base. This group is used to get new information about ideas, strategic plans and developments in the professional cleaning industry. These meetings are organized four times a year.

The reduction to the customer its indirect costs, is the first motive for doing business with NoCore. The company also generates flex work opportunities by working from the NoCore servers online who are in most of the cases more reliable than the systems from their customers. The third motive for customers to do business with this company is that they can take into command ERP processing activities if necessary, so that employee payments are guaranteed.

NoCore has 85% of the professional cleaning market and is developing in the markets for flex work. The company needs such a market share to stay profitable regarding its return on investments. The average cleaning company only spends 2 to 3% of turnover on IT products. The company could acquire this market share by competing in the market but this would have taken more time than the chosen acquisition strategy. A summary of the mechanisms in and between the business model components is given in figure 33.
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Figure 33 Business model canvas NoCore
Business model canvas / revenues
The strength of the business model of NoCore is the added value it brings to their customers in combination with how they retain their customers. They facilitate ERP solutions with the focus on smaller companies which cannot afford those packages elsewhere. By doing business with NoCore, the, to be stored customer data is located on the hardware drives from NoCore (Arrow 1). This makes NoCore powerful and results in long-term contracts including continuous revenue streams (Arrow 2). The hardware with data is one of the most important resources and refers to the material competence of this organization. The company also uses its strategic customers as input for observing trends in the market by early customer involvement (arrow 2). This information again results in market know-how and the demands of the market in the future. This aspect of the firm significantly results in revenue to the commercial competence of NoCore (arrow 3). Next to the focus which is on the professional cleaning market the company is expanding the business globally and to other flex branches as well. To make this happen, NoCore is working together with Microsoft to develop the software within this Microsoft ERP package. This partnership results in support on a global scale with a global distribution and sales network involved. This collaboration indirectly results in a revenue stream to the commercial competence of the company (Arrow 4).
**Janssen Erdbeer Kulturen** is using its environment to ensure that the internal processes can be continued and that efficiency is assured. Therefore, the company has high flexibility in human resources which is also due to seasonality of the product. The company is focusing in optimizing these internal processes by improving work methods and automation of these processes. The company uses a partner for the development of these machines.

Relationships with suppliers are transactional in which the costs of goods and short delivery times are the most important selection criteria.

“My judgment is on quality of the products from my suppliers and on delivery times. I decide what price it is going to be, and then they can make the choice for doing business. This price for this amount in labels a year. For purchasing pots and loam, I do requests for quotations with more suppliers and the one with the best price gets the orders”.

Relationships with customers are transactional. The company makes use of agents who plan transportation to these large lumberyards and supply chains. In 80% of the cases the company sells to its customers via auctions. These auctions study the solvency of the customers and ensure payments to Janssen. This reduces the risk of non-payments.

“We always do our business via intermediates like agents and auctions even with these large customers. When things are not managed well, then I do not directly face the consequences. It does not work for me to do business direct to these companies. These intermediates that manage and plan transportation have far more power”.

In figure 34 the business model of Janssen Erbeer Kulturen is visualized.
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Customer segment
(60%)
Lumberyards and large supermarkets
(ALDI, LIDL)
(40%)

Customer relationship
Transactional relationships
Direct contact

Distribution channels
Make use of agents and auctions to reduce risks in transactions
Creative ways to acquire new customers

Offer
High quality strawberry plants in pots for private consumers

Key activities
Cultivation and production
Improvements in production process

Key resources
Machines, equipment
Work procedures
Quality certification
Intellectual property on machines
Flexibility in human resources

Revenue stream
Margin of 10%
Amount in turnover necessary to get competitive price

Cost structure
High fixed costs
Costs of employees and purchasing

Cash flow

Partner network
Transactional relationships with suppliers on costs
More intense relationships with supplier for tailoring machines to internal process

Figure 34 Business model canvas Janssen Erdbeer Kulturen
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Business model canvas / Revenues
The business model of Janssen Erbeer Kulturen is mainly cost driven and efficiency driven. Relationships with customers and suppliers are transactional except suppliers of machines/equipment for making the production process more efficient. With these suppliers a more collaborating relationships is there to tailor the machines to the right specifications (Arrow 6). The company sells to large garden companies and supermarkets like LIDL and ALDI. These large companies will pressure prices which result in a large turnover needed for being profitable (Arrow 1).

Therefore the focus is on cutting costs in the cost structure and (Arrow 2) by creating more efficient production processes (Arrow 3). To make this happen relationships with suppliers are transactional on costs and work procedures are optimized while having flexible and cheap human resources (Arrow 4 & 5).
## Competence development in SME’s

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<table>
<thead>
<tr>
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<th>Competitive interdependencies and third parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAM Precision</td>
<td>Material competence&lt;br&gt;Material assets with all resources focused on an efficient and up to date production process</td>
<td>Material revenues&lt;br&gt;Cash-flows and investments of new machines and tools to keep on track with latest technologies and increase operating income</td>
<td>Commercial revenues, material revenues&lt;br&gt;Building reputation by high tech production technologies&lt;br&gt;Focus on more segments to decrease risk of acquiring work packages&lt;br&gt;Employees learn to work with newest technologies (Know-how in production)</td>
</tr>
<tr>
<td>NoCore</td>
<td>Material and commercial competence&lt;br&gt;Hardware and software in most cases owned by No Core.&lt;br&gt;Know-how in market trends to develop in a favorable direction&lt;br&gt;Acquisition strategy to scale up necessary to be profitable</td>
<td>Material revenues&lt;br&gt;Cash-flow from customers on contract basis.&lt;br&gt;Intellectual revenues&lt;br&gt;Customer data on hardware of company</td>
<td>Commercial revenues&lt;br&gt;Customer data results in effective customer retention resulting in long transactional relationships&lt;br&gt;Intellectual&lt;br&gt;Strategic customers result in new software developments</td>
</tr>
<tr>
<td>Janssen Erdbeer Kulturen</td>
<td>Material competence&lt;br&gt;Material assets with all resources focused on efficiency and quality in production processes.</td>
<td>Material revenues&lt;br&gt;Cash-flow by some large customers, auctions used to secure revenue stream&lt;br&gt;Suppliers used for commodities and improving production process for optimizing operating income</td>
<td>Commercial revenues&lt;br&gt;Cooperation with Microsoft to develop software on their open source ERP package&lt;br&gt;Commercial revenues&lt;br&gt;Make use of distribution network of Microsoft to expand on a global scale</td>
</tr>
</tbody>
</table>

Table 5 Summarization revenues Operational Excellence
Category results

In the sample of operational excellence two companies indicate clear commonalities. These are SAM precision and Janssen Erdbeer Kulturen. In both companies the material competence is highest. The production processes are for both companies the focus and efficiency matters are leading to this competence. Other competences are subordinate to these to protect the operational processes. Human resources are necessary to operate in these processes. Know-how to new technologies/machines is aligned to improve the efficiency in the operational processes. The cost structure is reduced to increase operating income. Relationships are used to protect the processes. SAM Precision use different market segments to decrease risk in being dependent on some large customers. Janssen Erdbeer Kulturen uses auctions to secure cash-flows.

NoCore its business model functions different. The company needed to scale up to be profitable. Therefore the company chose for the fast way and started an acquisition strategy. The company its activities are more R&D related. This is more in line with a product leadership strategy. Again, this could be explained by the moderating effect of the industry characteristics of software developers. Within the bouderies of the company its industry, the company do function according operational excellence characteristics. NoCore retains the customer to the company by selling the software by contracts and thereby become owner of the system and hardware on which valid customer data is stored. In this way effective customer retention takes place resulting in a continuous predictable cash-flow.
Controllability with OCAI

The results of the operational excellence strategy were expected to be significant in the internal control model. The results look different (figure 35). SAM precision and Janssen Erdbeer Kulturen in particular were not expected to be in the regions they valued themselves. They valued themselves as an open system which relates to the product leadership value based strategy. This could indicate that they value themselves as innovative organizations in comparison to their competitors in the given industry.

The results of NoCore are different as well with significant value in the open system model. Reasons for that could be the entrepreneurial character of the firm and the development of software as main activity with new markets in their sight.

![Figure 35 OCAI results Operational excellence category](image-url)
6. Conclusions & Suggestions
This thesis report has explored how direct and indirect revenues help increase the internal value creation of a SME company. These value creation and external influences find their roots in liquidity management. It is arguable that besides the monetary flow between companies and financial resources for investments, the development of a company requires other resources as well for developing in core competences to strengthen this value-based strategy. This area has been researched and an explanation of the relationship between the competence development and value creation is provided. To fully understand this relationship, the external influences on a firm’s internal competences were focused on. To investigate this topic, answers are given on the following research question:

✓ Q1: How is a value-based strategy expected to influence the core competence development of a small to medium sized enterprise?

A1: The answer to this question has been derived through an extensive literature review in which value based strategies with their characteristics were identified and aligned to four core competences. This leads to the following conclusions:

- A product leader should have the intellectual competence as focus which refers to the learning capacity of the firm. Characteristics from the resource enrichment and customer intimacy values could be recognized as well and important to decrease strategic risks.
- A customer intimacy strategy should have the commercial competence as focus which refers to the ability to act on markets. Characteristics from the product leadership and operational excellence values could be recognized and important to decrease strategic risk.
- An operational excellence strategy should have the material competence as focus which refers to the cash-flows and operational processes of a firm. Characteristics from the customer intimacy and resource enrichment values could be recognized and important to decrease strategic risk.
- A Resource Enrichment strategy should have the socialization competence as focus which refers to the acting as a group to common goals. Characteristics from the product leadership and operational excellence values could be recognized and important to decrease strategic risk.
Now these four competences were aligned to business models we have sufficient theoretical ground to answer the second research question.

❖ **Q2**: How do we expect that a core competence influences the characteristics of a business model?

**A2**: The answer to this question was derived out of strategy literature and some meetings with couple of experts involved. Based on triangulation four metaphorical models were derived. These models explain the design of business models aligned to the value based strategies.

- It is assumed that the business models of Product leaders are aligned to the intellectual competence of the firm with a solar system mechanism involved
- It is assumed that the business models of Operational excellence companies are aligned to the material competence of the firm with a black-hole mechanism involved
- It is assumed that the business models of Customer Intimacy firm are aligned to the commercial competence of the firm with a virus mechanism involved
- It is assumed that the business models of Resource Enrichment organizations are aligned to the socialization competence with a thunderstorm mechanism involved

❖ **Q3**: How can business-relations support in the development of these core competences without a direct monetary reimbursement?

**A 3.1**: In the empirical findings of the product leadership scope:

- Customers can be used for the intellectual competence by supplying market related problems to the company which act as input for Research and Development.
- Partners can be used for material resources needed to finance technology venturing
- Partners can be used to develop human resources
- Partners can be used as complementor on own products creating new market opportunities and value propositions (Cross-selling)
- Partners can be used to effectively distribute the product and reputation of the organization
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A 3.2: In the empirical findings of the customer intimacy scope:

- Close collaboration with a specific market segment results in strong relationships resulting in knowledge spillover to commercial and social assets.
- Tailoring solutions to customer its processes to increase the switching costs of the customer thereby increasing customer retention
- Use network to increase know-how on latest technologies to keep on track in the market
- Next to focus segment, use other segments to prevent a to narrow focus and increases flexibility
- Use partners to outsource and in source activities to stay flexible

A 3.3: In the empirical findings of the resource enrichment scope:

- Customers are acquired by making effective use of influencers to the buying person/company
- Effective customer retention by increasing customer its switching costs with value proposition
- Using partners to increase flexibility in capacity for project acquisition
- Using customer intimacy related activities to increase customer retention

A 3.4: In the empirical findings of the operational excellence scope:

- Companies decrease risk by not focusing on a small customer scope or market segment to secure internal processes
- Companies use partners to develop process improvements
- Companies use partners to create flexibility in human resources

In the defined scope selected on historical entrepreneurial success the characteristics of the value based strategies were clearly identified. Next to that in certain companies the business models really functioned according the metaphorical models given the defined core competence.

In the **product leadership** scope, two companies have business models which are aligned to the intellectual competence, creating new knowledge and develop new products and services. Some characteristics of the solar system metaphorical model were found as well. Multiplication effect to gain market share were especially found in one company of the scope. Other companies in the product leadership’s scope used complementors or customer intimacy related activities to increase
sales and marketshare. This commercial competence to support and increase marketshare seems to be an important factor and in some companies of the scope were gained via indirect revenues within the business its environment. No common way of how the value based strategy uses partners was found.

In the **customer intimacy** scope, all business models were related to the commercial competence by focusing on a typical market segment or niche market. The metaphorical virus model was found in two out of three companies in the scope. This was recognized by tailored solutions that increase switching costs for customers resulting in strong customer retention. Business relations were used to have access to latest technologies applicable to the niche/segment and for increasing flexibility; not becoming too dependent on some large customers (80/20 rule).

In the **resource enrichment** scope all companies were really focused on providing a tailored solution to each single customer. This unique product or service delivered results in enrichment in know-how to the human resources in the company, building the social competence of the company by project experience. The empirical findings show that business relationships are used to acquire projects and to remain flexible regarding capacity in human resources. No common type of relationship was found to achieve this.

In the **operational excellence** scope, two out of three companies were found to function according the material competence. Focus was on internal processes, reducing costs, with focus on efficiency. The black-hole metaphorical model was recognized in that internal processes have to be secured. One of the companies used an acquisition strategy to scale up so that processes were protected in combination with becoming profitable. Business relations were used to improve the efficiency for processes and to enhance flexibility in human resources. Another method found was to secure the power balance by not focusing on one market segment or some large customers. No common type of relationships was found to achieve this.

The research has found that companies do use their environments in different ways with direct and indirect revenues to the organisation. Direct revenues are in most cases cash-flows related to the material competence unless strong relationships result in knowledge spill-over. The indirect revenues identified have more strategic impact on organizations and should fit to the business model design of the company to strengthen the company as a sound entity thereby reducing strategic risk.
Discrimination
In this research value based strategies were the main point of departure. Theory on strategic management in this subject is mainly focused on larger firms. To excel, superior performance in one of the value based strategies should a requirement (Treacy & Wiersema, 1995). Next to this focus on a value based strategy, other authors state that large organizations should change with a certain rhythm between strategic orientations according the four phase model. In larger organizations this is valid, because within such companies a clear defined and communicated direction is necessary to keep all heads in the same direction and changes in these values seem to be necessary given different stages in a product life-cycle as well. Within small to medium sized companies it seems to be different. Values are visible but less attention on communicating the message makes it harder to explicit define the focus from outside. All values have certain characteristics which can be helpful and from importance in a certain context. Within the investigated scope some value based strategies were clearly indentified, while others were more difficult to recognize. This can be due to the fact that more characteristics of certain value based strategies were found in companies within the scope including contradicting ones Commonalities were found on competence focus. The metaphorical models were identified in the studied sample but also significant differences between strategic categorized business models were found. How these companies were using their business relations was also diverse. What is recognized is that certain companies make clever use of indirect revenues which strengthen a business model significantly and reduce specific value based strategic risk, independent from what type of relationships are used. Therefore types of relationships seem to be of less importance in comparison to business models. In the future this difference between small and large companies and value based strategies should receive more attention because findings point in opposite directions.

Limitations
In this thesis a qualitative explorative research method was used to investigate how core competences influence the business model and revenues to companies aligned to value based strategies. The results and conclusion in this report should be interpreted with care because of a couple of reason. The first reason is that the category sample counted three to four cases while between four and ten is preferable. This means that at best, a sample is at the lower threshold of validity but in other cases just below this boundary. Another reason is that in the selection criteria the industry characteristics and the offering were not included. This may be a moderating effect and could result in variance within and across categories. This could be prevented by doing this research
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in a sample within one industry or enlarge the sample to 10 companies per category. Due to the lack in resources this was not feasible.

Next to the qualitative data the quantitative data was not in all cases in the expected direction. This could be due to the following reasons:

1. The entrepreneur/participant is biased towards his own company
2. The fact that the research has focused on a business to business setting. In such market close customer relationships are more rule than exception.
3. The research did not differentiate on service vs. versus production companies.
4. The research did not differentiate on high-tech vs. low tech firms

The quantitative data also suggests that companies do have more value characteristics in their organization irrespective to a clear value based strategy. The customer intimacy cases all had a large score in exact the opposite direction. For larger firms, research stated that this would result in strategic obstructions and therefore would have a negative effect on performance.

Recommendations

Further research could investigate this phenomenon of having opposite values for small firms.

Finally the results can be used as input for further research by quantitatively testing hypotheses based on propositions aligned to the conclusions of this report.
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### Appendices

#### Appendix 1: OCAI Questionnaire

1. **Dominant characteristics**

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>The organization is a very personal place. It is like an extended family. People seem to share a lot of themselves</td>
</tr>
<tr>
<td>B</td>
<td>The organization is a very dynamic and entrepreneurial place. People are willing to stick their necks out and take risks</td>
</tr>
<tr>
<td>C</td>
<td>The organization is very result oriented. A major concern is with getting the job done. People are very competitive and achievement oriented</td>
</tr>
<tr>
<td>D</td>
<td>The organization is a very controlled and structure place. Formal procedures generally govern what people do.</td>
</tr>
</tbody>
</table>

Total: 100

2. **Organization Leadership**

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>The leadership in the organization is generally considered to exemplify mentoring, facilitating, or nurturing.</td>
</tr>
<tr>
<td>B</td>
<td>The leadership in the organization is generally considered to exemplify entrepreneurship, innovating, or risk taking</td>
</tr>
<tr>
<td>C</td>
<td>The leadership in the organization is generally considered to exemplify a no-nonsense, aggressive, result oriented focus</td>
</tr>
<tr>
<td>D</td>
<td>The leadership in the organization is generally considered to exemplify coordinating, organizing, or smooth running efficiency.</td>
</tr>
</tbody>
</table>

Total: 100

3. **Management of employees**

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>The management style in the organization is characterized by teamwork, consensus, and participation</td>
</tr>
<tr>
<td>B</td>
<td>The management style in the organization is characterized by individual risk-taking, innovation, freedom and uniqueness</td>
</tr>
<tr>
<td>C</td>
<td>The management style in the organization is characterized by hard-driving competitiveness, high demands and achievement</td>
</tr>
<tr>
<td>D</td>
<td>The management style in the organization is characterized by security of employment, conformity, predictability, and stability in relationships</td>
</tr>
</tbody>
</table>

Total: 100
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### Organizational Glue

| A | The glue that holds the organization together is loyalty and mutual trust. Commitment to this organization runs high |
| B | The glue that holds the organization together is commitment to innovation and development. There is an emphasis on being on the cutting edge |
| C | The glue that holds the organization together is the emphasis on achievement and goal accomplishment. Aggressiveness and winning are common themes |
| D | The glue that holds the organization together is formal rules and policies. Maintaining a smooth running organization is important |

Total: 100

### Strategic Emphasis

| A | The organization emphasizes human development. High trust, openness, and participation persist. |
| B | The organization emphasizes acquiring new resources and creating new challenges. Trying new things and prospecting for opportunities are valued |
| C | The organization emphasizes competitive actions and achievement. Hitting stretch targets and winning in the marketplace are dominant |
| D | The organization emphasizes permanence and stability. Efficiency, control and smooth operations are important |

Total: 100

### Criteria of Success

| A | The organization defines success on the basis of the development of human resources, teamwork, employee commitment, and concern for people |
| B | The organization defines success on the basis of having the most unique or newest products. It is a product leader and innovator |
| C | The organization defines success on the basis of winning in the marketplace and outpacing the competition. Competitive market leadership is key |
| D | The organization defines success on the basis of efficiency. Dependable delivery, smooth scheduling, and low cost production are critical |

Total: 100
Appendix 2: General Interview Guide

Interview scheme asset management

Date: 
Location: 
Interviewee: 
Interviewer: 
Time: 

Company background

Name: 
Age: 
Number of employees: 
Industry: 

1. Introduction

- Background of the research
  - Research on the methods used by companies to stay ahead of competition
  - Focus on those methods that improve the company’s cash-flow management
- Feedback: interview results

2. Personal background

  a) What is your personal background?
  b) Can you describe the current position of the organization?
  c) How did you achieve your current position?
  d) Can you describe your business?


  a) Describe how the offering of your organization creates value for the users?( Articulate the value proposition)
  b) Who are your users to whom the offering is useful?
  c) Why are they users of your offering?
  d) Do you make adjustments how you approach initiators, influencers, deciders, buyers and users?
  e) Define the structure of the value chain required by the firm to create and distribute the offering?
  f) Describe the complementary assets (from raw materials to the final customer) needed to support the firm’s position in this chain?
  g) Specify the revenue generation mechanism(s) for the firm,
  h) Could you give us an estimate of the cost structure and profit potential of producing the offering?
  i) Describe the position of the firm within the value network linking suppliers and customers, including identification of potential complementors and competitors?
j) Formulate the competitive strategy by which the innovating firm will gain and hold advantage over rivals?

k) Is there room for improvements in your organization?

4. Strategic Focus (Quinn & Rohrbaugh, 1983; Tracey & Wiersema, 1993; Gerstberger, 2007)

a) How would you describe the strategy of the organization?

b) How do you manage the organization in line with the strategy?

c) What are the most important aspects in the strategy of the organization?

d) Do you think the strategy of the organization will be different in the coming 5 or 10 years?

5. Asset configuration (Hardjono, 1995)

a) What are tangible resources the organization possesses or controls? (The change in cash-flow or profit on the balance sheet, reflect the growth rate of this competence)

b) Describe the ability to have access and to act on markets and the skill to execute commercial transactions?

c) Describe the development as a group and acting as a group within the organization? (It can be measured in the presence of clear goals, understood and accepted hierarchy, organizational cohesion and entrepreneurship)

d) Describe the learning capability of the organization and the capacity, which is based on the collective intellect of the members of organizations?

e) What is or are the most important assets for this organization?

f) What is the most effective configuration of the assets for this organization?

6. Organizational forces

a) How are inside stakeholders managed?

(Quinn & Rohrbaugh, 1983; Hardjono, 1995; Cameron & Quinn, 1999; Schneider & Schneider, 2007; Jones, 2007)

I. What is the structure of the organization?

II. What is the value adding mechanism of the workforce to the organization?

III. How is the contact/communication between the inside stakeholders organized?

IV. Who is responsible for coordinating organizational resources and ensuring that an organization’s goals are successfully met?

V. How and in what way are the employees in the organization evaluated?

VI. How would you describe the leadership style in the organization?

VII. Is there priority for improvement in the effectiveness of the workforce?

VIII. Is there priority for improvement in the efficiency of the workforce?

IX. Is there priority for improvement in the flexibility of the workforce?

X. Is there priority for improvement in the creativity of the workforce?

XI. What if turnover dropped by 30%. What would be the consequences for the workforce? And why?

b) In which way are the suppliers involved in the business process?

(Porter, 1985; Treacy & Wiersema, 1993; Hardjono, 1995; Jones, 2007)
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I. What are selection criteria for suppliers?
II. Do suppliers influence the primary activities? And how?
III. Do suppliers influence support activities? And how?
IV. How is the relationship between your company and the suppliers managed?
V. How would you value the bargaining power of your suppliers?
VI. Are new ideas developed from the supplier?
VII. Do you pay the supplier on time? Why (not)?
VIII. How do you measure the performance of your suppliers?
IX. What are the conditions for a supplier to deliver your organization products or service?
X. Are systems aligned to improve information flows between supplier and your company?
XI. Is there priority for improvement in the effectiveness of the suppliers?
XII. Is there priority for improvement in the efficiency of the suppliers?
XIII. Is there priority for improvement in the flexibility of the suppliers?
XIV. Is there priority for improvement in the creativity of the suppliers?
XV. What if turnover dropped by 30%. What would be the consequences for the suppliers? And why?

c) In which way are the customers involved in the business process?

(Quinn & Rohrbaugh, 1983; Treacy & Wiersema, 1993; Cameron & Quinn, 1999; Jones, 2007)

I. What are your customer segments?
II. Why do you focus on these segments?
III. How do you value your customers?
IV. Do customers influence the primary activities? And how?
V. Do customers influence the support activities? And how?
VI. How is the relationship between your company and the customers managed?
VII. How would you value the bargaining power of your customers?
VIII. Are there new ideas developed from the customer’s perspective?
IX. How do you hold your customers?
X. Does your customer pay on time? Why (not)?
XI. How and in what way do you measure the customer preferences? And in what way are these preferences used in the business processes?

d) In which way are the competitors involved in the business process?

I. Who are your competitors?
II. Why are they your competitors?
III. How big is your market share relative to competitors?
IV. Why do customers prefer your organization above competitors?
V. Are there relationships with competitors, and why?
VI. Are there competitors in your environment who have influence on your operations?
VII. Are there new ideas developed from the competitor’s perspective?

e) How influence and in which way is the government involved in the business process?
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(Jones, 2007)

I. Which governmental regulations influence the company’s operations?
II. How do they influence the operations?
III. In what way do you communicate with the government? Is that important for the value you get from the government?

f) How influence and in which way are distributors involved in the business process?

(Jones, 2007)

I. How do you communicate with your distributors?
II. How are your organization and the distributor linked to each other?

g) How influence and in which way are unions involved in the business process?

(Jones, 2007)

I. Which unions or other organizations influence the company’s operations?
II. How do they influence the operations?

7. Asset management and cash flow

a) How is the growth of the organization financed?
b) In which way, if any, was external finance needed for the growth of the organization?
c) Do you think the cash flow of this organization is optimal?
d) What changes have been made in the past which improved the cash-flow?
e) What are improvements for the cash flow of the organization?
f) Who is responsible for managing the cash flow?
g) What methods are used to increase early payments?
h) Are buyers checked for creditworthiness?
i) What methods are used to control credit terms?
j) Do you have problems with bad debts? What percentage? And how much is there on your balance sheet?


a) Do you think, in the context of credit management, that things can be done differently?
b) Do you receive assignments without the manpower to complete it?
c) Do you have to buck a rule or policy in order to carry out an assignment?
d) Do you work with two or more groups who operate quite differently?
e) Do you receive incompatible requests from two or more people?
f) How do you deal with this kind of requests?
g) Are their things that are apt to be accepted by one person and not accepted by others?
h) Do you receive assignment without adequate resources and materials to execute it?
i) Do you have the feeling that you work on unnecessary things?

9. Business relationships (Jones, 2007)

a) What kind of relationships do you have with suppliers and customers?
b) What kind of relationships do you have with competitors?
c) Do these relationships affect your economies of scale?
d) Do these relationships affect your resource configuration, and in what way?
e) Do these relationships affect your in-house activities and in what way?
f) Do these relationships cut costs from the cost structure of the organization (direct/indirect)?
g) Do these relationships increase the revenue stream of the organization (direct/indirect)?
h) Do you make use of relationships to strengthen your competitive position? (and how?)

Could you please fill in the questionnaire in appendix 1

Thank you for your co-operation!!
Appendix 3: Detailed Summary SME’s

In this paragraph a more detailed summary is made for each company. In this summary the strategy of the company will be discussed in more detail, together with the core activities in-house, the structure of the company and the management style.

After this discussion the use of external stakeholders will be analyzed in more detail and the cash-flow with potential improvements is discussed.

Product Leadership

**Fluxana**

Fluxana is a company founded in 2002 by someone who worked till then as a product manager within a company which produced analytical instruments for the Industry. These instruments are used worldwide to measure the ingredients of certain materials mainly in production facilities for quality controls. The owner found a worldwide market gap within the support of these types of instruments. This was the motivation to start the company Fluxana. The company its strategy is to sell these products and give best support in how to use the instruments given a certain product in a certain context.

The competitive advantage of the company is the full package of the product portfolio together with the knowhow on how to use these products which results in a total solution for customers. The market is characterized by fast moving competition. Therefore the company has to keep distance with its knowhow by innovating on a continuous base. This is partly overcome due to its first mover advantage (development gap of 4 to 5 years) together with the activities managed in-house.

“Eight years ago I found this company Fluxana on my own with the idea to give the customer a better support”

“To do this we need it to implement it here in our laboratory where we do exactly the same what the customer is doing. So we invest a lot into the know-how. Now we can offer our products at a higher price and with small service around and all our competitors are not able to do this. So by adding know how we really keep the distance to the competitors”.

The company counts 21 employees and has four departments consisting of laboratory which is responsible for generating know-how on real problems from industry. The sales department is active in selling products as well as purchasing the products from suppliers. Third department is production where lenses which are a strategic component are produced from scratch. The fourth department is data-management which is responsible for the quality management and the storage of the know-how from the findings in the laboratory. There is only one person in charge which is the CEO. These findings point out the flat structure of the company.

The culture of the company can be expressed as informal. This is also due to the management orientation which is based on creativity. The leadership style can be expressed as being a team leader and communication between the teams is encouraged.

“Well I am not a dictator. But I like to have it in agreements. That everybody really can come up with new ideas and being creative. To bring it further, to develop it as a team. So it is really a team. The team is most important so we have no formalization. When they sie sagt. This we do not do. We have no formal rules. We are a team and I do not wear a formal tie. This is very important because in this way you can reduce the barriers and you can work more as a team because everybody is than more on the same level”.
Fluxana wants to build the image of an expert in know-how by protecting their company name in the US and Europe. This is important for gaining market share because every product which is resold by Fluxana has is recognizable by its Fluxana label.

“We have protected our name, so Fluxana itself is since 2 months registered in the European Union and in the US to protect the name, because we want to establish this name as a synonym for expert knowhow in that field”. “We re-label our products. All products are sold under Fluxana label. The customer has no linkage with the original supplier. We can exchange suppliers without notice of the customer as long as the quality is the same so this is the risk for the supplier. We turn it around”.

Vision Dynamics
Vision Dynamics is a company which is founded 10 years ago. The company consists of 20 employees which are high educated technological designers who have the ambition to become entrepreneur and start ventures to commercialize innovative ideas. The founder of the company acts as a coach and helps the employees with commercializing their plans. These employees are detached to high tech mature firms like ASML, TNO, VEI and Mapper where they deliver contract research. Vision Dynamics invests in research and development with the earnings from these contracts for the commercialization of the best ideas generated by their employees.

“We focus on entrepreneurial designers who we learn to design, earn money and reinvest that money in a good idea. We are a business advisor where we learn these high potentials entrepreneurial skills necessary to start their ventures.”

The structure can be defined as an adhocracy with small teams which represent ventures working on their own ideas. One of the team members together with the owner, have the supervising role of the venture. The teams are very small and counts less than 5 employees. In general 70% of the workforce is detached on contract base within other companies which is required in the first two years, and 30% is working within an entrepreneurial design-team (technology venture). The culture of the company can be prescribed as entrepreneurial, informal with the emphasis on the development as a team and learning entrepreneurial skills.

The management style of the CEO is supportive. Besides the coaching role the CEO protects the business model for potential risks, maintains business contacts for detaching employees as to obtain governmental funds and partners in developing ideas.

“I am the coach of the group. I have a holding on my own. The ventures are responsible for their own actions. They can basically decide on their own in which direction they want to go. For whom they would like to work is also their own decision.

The only management activities I am doing besides the coaching in entrepreneurship are:
1. Make sure that they won’t make stupid actions, to ensure that they can pay their own salaries
2. Make sure they can develop as a designer and as a human being
3. Make sure that the culture fits and that the human resources are aligned to the entrepreneurial goals
4. Make sure that there are customers who have the need for researchers detached on a contract-base.
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_Ebben Boomkwekers_
This company is founded four generations in the past by Ebben Senior. The company is a family company and is active in arboriculture. The company is market leader in its segment and is active in the Netherlands and across Europe. The company’s added value is the product range. It can deliver small young trees but also old trees with an age of 150 years. Older and bigger trees have more cheer and are more resistant for purposeful destruction. The company is selling business to business and their customers are mainly communities, contractors and property developers. The company wants to position itself on a higher segment and is creative in developing new concepts to increase sales. They are pro-active in developing new concepts like, trees in bins, trees on roofs, cool trees, climb-trees etc.

The company counts 80 employees from which 20 are active in sales and purchasing and 60 are active in logistics and operations. The structure is flat, which results in fast decision making. People are empowered by giving them responsibilities and freedom in their work. The culture can be prescribed as informal. The leadership style is more participative than directive in which the CEO has a more coaching role instead of a delegating one to share the knowledge and know-how within the firm. The organization doubled its turnover in the last 7 years and therefore the processes and activities need restructuring to prevent waste and rework.

_Thissen Hydrokultur_
This company cultivates plants on hydro culture. The company is selling business to business to wholesale, which sells again to garden centers and to companies who facilitate total interiors. Next to this they sell directly to companies in the region Koln and Leverkusen and deliver interior service. They only deliver this service to loyal customers. The added value of the company is its product quality together with the service around the product. This is also the strategy of the company.

“We should deliver products that competitors do not have. We think this is the good way and we strive to do this to keep customers satisfied. It is our strategy. Quality is even a bit more important than our service, sometimes it is the opposite. You can say that these are both very important”

“We have three competitors in the Netherlands, one in Belgium and one in Germany. If we look to our market share than it is below 10%, the biggest competitor has a turnover about 85 million. We call them also colleagues. We do business with each other but we still are competitors. There are enough buyers who do not purchase from these companies because they positioned themselves in the same segment. We are active in a different segment, everyone does business on his own manner, you can learn for instance from your competitors, this also influence the way you do your business”.

The company has products in its assortment which are complex to cultivate on hydro culture. This is why the company also sells to competitors in the Netherlands who are not able to do this. These
products deliver 30-35% of the total turnover. The other value of the company is the tailored selection for each customer in its broad product range including 250 different plants. When customers choose for other suppliers they should select more suppliers to reach the total package. The service part counts for 15% of turnover. The company counts 24 employees and the structure is again flat with two CEO’s, one manager and all other employees active in the operational processes.

**Customer Intimacy**

**Derks Schilders**

The company Derks Schilders is specialized in industrial painting. The company is founded in 1846; the present CEO is the fifth generation and has an education in biology and science which promotes the preservation of health and the prevention of illness. The company is specialized in the pharmaceutical and food industry.

“Our strategy is to serve the pharmaceutical and food industry as good as possible from a consultant viewpoint”.

The company has positioned itself in this niche to avoid heavy competition which is dominated by larger companies. This specialization is characterized by stronger technical requirements because of the procedures within these production environments. This industrial segment is smaller but margins are significant larger.

“Most industrial painters are competing in the same pie, which is the biggest pie; dwelling maintenance. In this market segment a small number of large companies are leading. To be efficient you should have a large company, so I decided, after the bankruptcy, to focus on a smaller more specialized segment”.

“In industry, revenues are sufficient when you have knowledge in-house like we do. I compare this with a benchmark, even if it is hard to make comparisons with painters active in the private maintenance segment. Average companies made less than 3% revenue on total costs in 2008. My numbers after half a year counts 10% revenue on total turnover. I am a smaller company but my earnings are better”.

Derks Schilders has educated their employees to work in these more complex environments. The painters work according strict procedures which are necessary within these production facilities and academic laboratories. Special equipment like draining systems; are used to ensure that production processes can be continued. Besides this added value the company tries to act as a consultant to their customers. Derks Schilders thinks in the advantages which can be gained in production areas through the eyes of the customer and the employee its work environment.

“The percentage of illnesses under employees each year has been structural reduced to 6%. The point is, because of my educational background, I graduated on behavioral studies, that people who are facing a spring season associate this with cool, fresh and light. So people face fewer problems with high temperatures. This resulted in employees who were less exhausted because of the light colors used in the environment. From that moment the company understood the advantages of our contribution and we became a strategic investment instead of an amount in costs for maintenance. We continued in that direction and made wall decorations, painted ventilation units in color, and did the whole factory in this way with the goal to reduce absence due to illness”.

Next to these customers, Derks Schilders work for private customers as well to fill the gap in capacity which should be utilized for reaching maximum in productivity. These activities are based on
contracts for ten years in which the customer pays a monthly fee between 70 and 90 euro. Only two from the fifteen employees are active in this segment.

The structure of the organization is flat, with one person doing administration, the CEO who is active in the acquisition, management, calculations and fifteen industrial painters who do the operations. Every week there is a meeting in which employees discuss operational problems. They are free to decide if they want to participate. This has resulted in better understandings and a better social climate. Empowerment of qualifications increased employee involvement which resulted in better communication and performance.

**Plastic Team**

This company is founded in 2006 by five people who used to work in the distribution of plastics. Because of disagreements in long-term vision by their former employer, they decided to start for its own in the same industry. The company started as a distributor in plastics and developed by in sourcing manufacturing and fabrication activities besides they act as a consultant as well. Turnover is divided in 70% from distribution activities and 30% manufacturing which includes consulting activities.

The strategy of the company is pure on the market and to deliver best service in a total solution. The focus is on customers active in advertising and industry in Germany. The company competes by the value of the total package. This means that they are not the cheapest supplier but guarantee quality, short delivery times and can act as a consultant by bringing advice as well.

The growth strategy is to expand the customer base (new customers), or developing new products with existing customers. The company consists of 14 employees, and the structure of the company is flat. Sales consist of five men including the directors. The management team consists of the two CEO’s in which one is focusing on quality, personnel and finance while the other is more responsible for marketing tools and IT. Together they manage sales and purchasing divided in customer and product groups. The culture is open, and the management style can be defined as supportive because the CEO’s face most know-how which they want to share with their colleagues.

"The strategy is at first market orientation. We have a very strong focus on the market and I think that is the first one. The second one is increasing our margin.”

"The leadership style, I think that is my own style. I think not with pressure, not with hierarchies. We are working on the flat level and I like to develop my colleagues. I’m the guy with the most experience in the business and I try to develop the people on a way that I can say in 10 years I go home and everything is well organized here. So, they learn in this time what they have to learn to manage the company alone. So, I think a very open style with flat hierarchies”. 
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VTS
This company is active in the transportation of pharmaceutical products across Europe. It is founded 29 years ago and is taken over from the founder H. Verdijk in January 2010. The company consists of two establishments, one in the Netherlands and one in Poland. The company counts 110 employees. The company has deliberately chosen 5 years ago to focus on a particular niche market, the pharmaceutical industry.

“In this niche higher requirements are present because the products have to be transported within a given range of temperature. To meet these quality standards, trucks are rested with special equipment and drivers are trained to develop the right know-how of the products. The warehouses are equipped with climate systems. The combination of this focus with the short communication lines in the company is the added value and distinctive power of the company in comparison to the competition.

The company does not make use of subcontractors or temporary employment agencies. This increases control over the operational processes which strengthens reliability in service. The company is in an autonomous growth phase in which the growth over the past five years is on average 20%.

The company structure is flat with small hierarchies. The hierarchy consists of one owner/CEO, a team leader who is responsible for the planning department. They have direct contact over the operational processes. The financial manager/controller is responsible for accountancy, information technologies, and human resource management. There is one person in charge of the warehouse and there is a repairman responsible for the maintenance of the trucks. These two persons have direct contact and 4 times a year a review with the CEO. The rest of the organization consists of planners and truck drivers.

The leadership style is participative and a little directive in which decisions are made after deliberating with the people involved. Sometimes the leader makes decisions on its own but then explains his arguments to his employees.

“Open, I think, accessible, in general in consultation unless I really think something else. In such case I can also be authoritarian, ultimately, there is a decision to be taken, and then the director is decisive. In general I favor consultation. I think this works better than blind decision making having no employees involved”.
Resource Enrichment

Apollo Milch

The company Apollo Milch is a trader specialized in controlling the supply and demand within the Dairy industry across Europe. The company is a transportation company and delivers milk and milk products where shortages arise, and purchase milk from Dairies which have surplus. The added value of the company is the relieving of dairies, and to deliver solutions in production flexibility for these Dairies. The company its core business is the supply of liquid products which count for 95% in turnover.

The company counts 24 employees of which one CEO, one CFO, a commercial director, an office manager an operational manager and a financial manager. There are 9 traders active from which some have also one of the management tasks described. Each trader has one or two employees in back office, who manages the logistic and the accountancy. The level of collaboration within the company is intense, accountancy and trade because of credit management issues, and logistics and trade because of the planning in transport. So the structure of the company in practice is flat.

The leadership style is informal in which employees are empowered which make them responsible for their own tasks. The management team promotes the freedom in decision making and do act in a coaching manner to their employees.

The company has designed a style of customer management. This is called “a different approach”. This approach favors the kindness in approaching customers. They developed for example calendars with four months on one page, so that traders know exactly when customers are having their birthday. This pro-active customer management approach is a way in which Apollo Milch wants to differentiate itself from competition.
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**Brakel Atmos**

Brakel Atmos is a construction company specialized in fire-safety roofs consisting of aluminum frames and glass panels. The holding consists of four business units, which are; Aluminum, Brakel Atmos, Aero and Airvent who are strongly connected and managed by one team consistent of a CEO and a CFO. The company is settled in Belgium, the Netherlands and England. The strategy of the company is to focus on the convenience and comfort of the customers.

"Being the cheapest is not what we want, that we cannot manage, we are not the most efficient. Then you have customer intimacy but this strategy we cannot perform well either. Ultimately, we have an innovation pipeline, made through a fishbone, what we are doing now is relieving the customer, contractors perhaps also. The added value of a contractor is actually nothing, he is putting different parties together, but in everything he buys from us we also try to maximize his convenience".

The business unit Brakel Aluminium generates 40 % of its turnover in selling aluminium panels to Atmos, Airvent and Airo. Here after they also sell to value added resellers (VAR) across Europe. These are companies that have the same function as Atmos has in other countries. They know the acquired laws and regulations, the local market and culture. These VARs generate the other 60 % of Aluminium its turnover. Brakel Atmos primary activities are managed by salesmen, technician and project engineers; the back office (secondary activities) consists of project management, Purchasing, Public relations and administration/accountancy. Then they have a base consisting of maintenance and service engineers and Human resource management, Information Technology and Quality/Occupational Health and Safety/environment.

The added value of Brakel Atmos is defined as the high product knowledge in glass roofs in combination with the knowledge of fire-safety laws and regulations. This combination makes the company a sound advisor in solutions for constructions.

"We try to present the cycle as good and complete as possible to our customers. We visit fire departments to deliver him the right user permissions. Besides we are specialist in roofs made out of glass, so we can integrate that, en there are not many competitors who are able in doing this".

"This knowledge is also our distinctive power. We are able to deliver a total solution in which everything is integrated. A subcontractor is not focusing on quality, so if these are not assigned to a project we try to approach the end-users"

The company divides their offerings in selling products, performing projects and fulfilling concepts. The margins are highest when realizing concepts and lowest when selling products. That is why they try to be as early as possible involved to the prospects. These concepts do generate more added values, because the total realization of a construction may include also maintenance and service contracts.

The leadership style is open in which every member of the organization has freedom to come up with ideas and new initiatives. The structure is designed for projects. Project management is important to control costs internally and to meet schedule requirements. Knowledge sharing is encouraged by reward systems such as empowerment.

"From the leadership style, we delegate almost nothing. This is not the way within this organization. People, as well technical and commercial employees have to think together with us"
**Ureco**

Ureco is a professional cleaning and recovery company after calamities. This means that when buildings are damaged by water or fire incidents, Ureco can be involved by insurance companies to recover the building and the appliances. The vision and mission of Ureco is to relieve the customer/victims as good as possible. Ureco tries to accomplish this by giving best service possible.

“**It is our duty to relief our dupes by performing the recovery activities to our customer expectations. As well in first aid as in the cleaning processes we deliver high levels in service which go hand in hand with solid and reliable operational performance. Quality and safety are key aspects and get high priority. Because of our breadth in specialties, which is unique in this market, we are able to solve damages in a professional way. This also speeds up the process. We are for instance not dependent on third parties. Good contacts and clear communication with the client and the victims are of big importance**”

Ureco its distinctive power beside their broad range in specialties is the high level in quality. The project proposals and calculations are not based on having the best price.

“**Quality is the aspect which is of most importance in at this moment in this market. There are lots of companies who do a bit the same as we do, but lose their share and disappear because of the hard macro-economic influences at the time. If you want to be distinctive you should deliver quality. This means that we do not primarily focus on price, but on how to deliver best quality**”

Ureco is member of the foundation Salvage, which is the consultation of the insurance companies in the Netherlands when calamities arise. This foundation assigns recovery companies to a specific job. The assignments from insurance companies represent 95% of total turnover. The other 5% come from privates. Ureco is assigned to the RGN which incorporates competitive firms across the Netherlands. Each company is assigned to calamity projects in their region. Ureco’s districts consist of Noord-Brabant and parts of Gelderland Limburg and Zeeland.

Ureco has a broad range of specialties; they have knowhow in sanitation of dangerous materials, damage control in first aid and recovery of construction proceedings. They are also specialized in the recovery of agricultural constructions like pigsties. This broad range in knowledge of recoveries is an advantage and generates added value for insurance agents because they only have one point of contact for the total work package.

“We are able to sanitize dangerous materials, to clean after calamities and to recover construction work. Other companies often only can perform one of these work packages. So, when there are combinations of work packages involved in one project, we have an advantage over competitors in the eyes of the insurance companies”

The structure of Ureco is flat. There is one CEO and several project managers. The project managers facilitate the resources needed for performing a project. These resources consist of employees and machines needed to perform the project. Ureco makes also use of hiring personnel, equipment and
also outsource work to subcontractors. This makes the company more flexible in capacity. The company is also 24 hours a day reachable.

The leadership style is open in which everyone has freedom to discuss day to day issues with the CEO. Employees get restricted and voluntary training and education to develop in specific know how based on quality safety and governmental regulations.

**Wolters GMBH**

Wolters GmbH is a company located in Germany consisting of 100 employees located in four establishments. The company is leasing IVECO and FIAT trucks to their customers which are tailored to preferred specifications. Besides the tailoring of trucks, the company facilitates tailored lease contracts to their customers. In this contract all maintenance and repair activities of the product life time given the contract duration are incorporated. By means of that; the company reliefs their customers by a total solution in transport systems.

“If you want to have success in a big area you need a service system. Therefore you need to own points in the area, service points. That was a main point for growing up the company. That was the first thing which had to be managed because that is what people want from you if they work together with you. The second thing is to sell trucks. These are the main points, selling trucks and to make the service. These are the most important points for the company. You cannot sell trucks if you have no good service. You cannot make service if you have no trucks in that area”

“I think the value that we give to our customers is certainty and safety regarding time problems. Time is money also for the customer and nobody likes it when their engines are standing, the engines have to work. We achieve this because we work six days a week and we start very early and end very late. We work on Saturday and we have also a 24 hour system if anything must be repaired by night. That is a value a customer does not get by the competition”

“That is a big difference, I have a little company but I give the customer a complete solution. That is very important for the customer, they have a fixed price for each month he uses the system over its lifecycle. So he can plan the costs over the years”.

“ That is the strategy to give a better service which result in customers who will pay more for this added value”.

Wolters is focusing on every company who needs transportation and tries to align their solution in transportation to the processes of the customer. In this way the customer gets best service. Next to this it is a way to force long-term relationships by making the customer its processes dependent on Wolters solutions.

The company structure is flat with a management team consistent of the CEO and a CFO. The CEO is part of the sales-team consistent of 10 people. Then there is after-sales; which is divided in spare-parts and maintenance and repairing. One person is responsible for spare-parts and four employees manage the maintenance/repair and assembly activities over the four establishments.

The culture of the company is characterized as a family where employees are proud to work for the company. The leadership style is characterized as open in which everything can be debated between the different hierarchies. The control system which is in use to gain efficiency standards may harm this openness in a certain sense.
**SR Klimatech**

SR Klimatech is a one man business and is a consultant in climate installations for constructions. The company its customers are; municipalities, architects, building owners, property developers and privates. The company is founded 13 years ago and used to have 2 employees. The owner mentioned that his strength is in the technical know-how and not in management and commercial skills. After the economic crisis which leaded to capacity problems with his employment, he decided to continue on its own. The owner mentions the flexibility as distinctive power in contrast to larger competitors. Besides the company has little overhead which result in cost savings and competitive prices.

The focus of the company is on the more well-organized projects, like fire departments, smaller schools and buildings for municipalities. The bigger projects like hospitals and universities are not of the company’s interest. These project are simply too complex and takes too much time for one-ma business like SR Klimatech. The company works on the local environment and has some well developed relationships with architects.

> “There are two architects who I know very well. Bekker in Den Bosch and Leesberg & v Pelt in Helmond. We have worked together many times now. I am not the only one of course, but we have good relationships. They sign up for projects.”

According to the owner one of the reasons that municipalities choose for SR Klimatech is because of the specialization in installations for fire stations.

> “In my case it is easy, because I have a personal interest in fire stations instead of the municipality buildings. I have lots of new customers and a municipality does not build every year a new fire station. So this means it is only a customer for one project. But the commanding officers from the fire stations across the country do meet their colleagues more times a year. That is an important thing to take into account. These officers are most of the time satisfied about our collaboration, and I know what they prefer in technical specifications, these man have a very technical profession. When they have a meeting and someone needs to build a new station, then they advise to get for example me because of the satisfied results. That’s how it works”.

> “Yes, mainly in the field of energy saving techniques regarding installations. This sounds strange because many companies are active in this field, but there is still a lot of new research in this topic and many organizations are active in the development of these new techniques”.

The strength and improvements of the company is in the innovation of installations. Climate systems are improving incrementally. This know-how in the newest technologies is important to remain competitive in the market.

After mentioning the personal competences of the owner, the interviewee also mentions the importance of networking skills. The leadership style and structure of the company is in this case not of interest because it is a one man business.

> “I am not a business relation animal. I already told you that I am not a very commercial man, and I am not very good at it either. But, I know how to manage my relationships, and I know which ones are of importance. We do not have a business club but I am for example part of a group with entrepreneurs who meet a couple of times a year”.
Operational Excellence

SAM Precision
SAM Precision is for 25 years active as an industrial supplier. The core activities are turning and milling of precision mechanical components for the supply industry. In combination with the latest technologies and the acquired know-how the company has positioned itself in the top of the Dutch market. The added value of the company is the flexibility it delivers in capacity for their customers and the high quality in precision of the produced components.

"The added value is our flexibility in capacity. Customers do not have to make contracts to do business with us, which they prefer. Now we see that customers increase their production again because of economic recovery. The next problem which arises is how to deliver this capacity. But that is normal in industrial supplies. We make very complex components and that is not always easy because the customer is showing it to the world. We are an underdog in that sense and we should make benefits out of that position. Without us, the customer can't produce its products. We positioned ourselves in that network. Especially in the tolerances we are in the top of our segment, no competitor is better in this than we are."

The company invests a lot in new technologies and produces by night with unmanned machines. The company produces components in series from one to ten pieces and has an ISO 9001 quality certification.

"I invest every year in new machines. Last year, I invested 200.000 euro's which is normally 500.000 euro's on average. Next year I will invest more, because of cash savings during the recession."

The company its market consists of 30 customers which are active in different industries. The semiconductor industry, the race industry, abattoir and optic industry are some examples. The CEO does not invest much time in acquisition and mention the importance of the focus on different segments and not to focus too much on the supply to only a few large companies. This leads to a vulnerable position.

The structure of the company is flat with one CEO, a back-office with administration and purchasing. The CEO is responsible for the planning of the operations. The leadership style is participative in which motivating employees, is significantly mentioned. The turnover of employees is low which indicates something of the culture. The management function is focusing on controlling the process in which planning, motivating employees are most important.

NoCore
NoCore is a service company in the business support of finance, IT and administrations and facilitates Enterprise Resource Planning (ERP) solutions for the professional cleaning industry. The company is founded 10 years ago and after autonomous growth it further increased its market share by the acquisition of competitors. The company acquired a market share of 85%. The company has positioned itself on the professional cleaning industry and mentions the importance of a focus regarding positioning.
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“The market of professional cleaning agencies consists of 500 to 600 companies. We have 400 of them in our customer base. We accomplished this in five to six years. When you find a niche you have to focus on this gap significantly. You have to be very creative and innovative and an acquisition strategy is part of that. From this market gap you create and increase market share. Then you can innovate on a large scale. From this innovation you can better serve your customers and you increase the revenue capacity. So this is in short the development of NoCore”

The company’s philosophy is to capture value from unanswered market needs. This value can only be captured by knowing the market very well. So the solution is not created by developing innovative products but to serve market needs.

“Our customers have specific needs, we try to serve this needs. This can be done by buying solutions, to develop own solutions and to develop with the customer involved. But these means are not of most importance I think.”

The company is divided in three business units which serve each a different market segment. These are facility for the cleaning industry, flex for recruitment and hosting for basic services. Then there are some activities centralized. These are sales, administrations and software development. The company serves 85% of the cleaning market keeping the five largest companies out of consideration.

These large players are not the target group for No Core because they invest in their own applications. Smaller firm do not have the resources to invest in these midrange server systems. No Core its solution is to give the possibility for these firms to work with systems by running the software on their servers. In this way the customer does have the application and is not forced to invest in the hardware. The company mentions the second added value of the online use to their servers which are more reliable and facilitate flex work solutions. The third added value is the possibility to take over the work of salary administrations if the customer its responsible employees can’t perform the job. In this way the company acts as a safety net for their customers.

The acquisition of customers is strengthened by the cost reduction argument the service and product generates. The customer can lease/rent the product or buy it from the beginning. These contracts last for three years, but in reality they stay for long periods. Each customer has the option to break up the contract in the first year.

“They continue most of the time. If they are customer, it is hard for them to switch. That is a fact and also because of buying services. So, I develop the software, which is my property. The advantage of developing software is the high margins it generates. This is up to 90%. So the contracts are very long while explicitly it last for three years”.

The value of the company is in the software and the knowledge of the employees. The management style is participative and the culture can be defined as a no nonsense culture. The CEO mentions the lack in social interests. The management style is characterized by good but short contacts, with entrepreneurial and financial strong competences. The CEO is aware of the importance of employee commitment to the firm. This commitment is partly generated by the reward system in which employees has the option to become shareholder up to 20% of the business unit in which they are active.
**Janssen Erdbeerkulturen**

This company is located in Germany and cultivates strawberries in little pots. The company started with this product in 1992 after facing hard times. From that year the cultivation has grown from 70,000 plants to 10-12 million a year. The CEO mentions the importance of focusing on one product.

> "When we started with producing in little pots, there was relatively strong competition who where active since the 70s. But these companies did many things for example blackberries. If you want to capture a market you better can focus on one product in which you excel than many things in which you perform not above standards".

The customers of the company are lumberyards and supermarkets located in Germany, the Netherlands, Spain and England. Examples of big customers are Aldi, Intratuin and Lidl. Sixty percent of the turnover is generated by three or four customers. To reduce risks, the company is not directly in business with these larger customers. Janssen makes use of agents who facilitate the transport for these big customers. These agents are the intermediate between the customer and Janssen. Janssen Erdbeerkulturen mentions the importance of supply reliability. Next to these bigger customers the company also supplies to auctions.

> "Competitors are sometimes not happy when customers order just one unit because they think these are to small units of supply or they do not have this type of plant in stock. Our customers know they get what they order. Therefore we have to keep our stock high which increases the risk of waste. The advantage is that when customers know that you always are able in supplying goods, he first comes to you. Quality is of course important but the price is than less of importance".

Janssen Erdbeerkulturens its business is subject to seasonality. Therefore they only have four employees in full-time terms of employment. The capacity is extended with part-time employees from Poland, who cost half as much as employees from Germany.

The numbers of employees vary between 20 and 40 dependent on the seasonality. Acquisition is mainly done by direct mailings, direct phone calls and visiting trade fairs four times a year.

The added value is the quality of the strawberry plant in a pot for the private consumers. The plant can be used as in-house decoration and it produces with good care a kilo in fruit.

The CEO mentions the importance of efficiency to produce against low costs.

> "We invest a lot in new machinery. I always try to find new ways to produce against lower costs. There is no other option by the way. Of course it is interesting to do something radical different with strawberries, because that is the only product we produce. But it should have the right return on investment. We sometimes do a little bit, but really developing radical changes is not our focus".

The leadership style is directive. The CEO tells the employees exactly what to do without debating certain activities.

> "I tell the guys what have to be done, than we start doing the job. You really have to delegate and giving directions and instructions in the moment. We never have problems in this but you have to control them and be on top of it continuously".