



# **Digitalization and Growth of SMEs**

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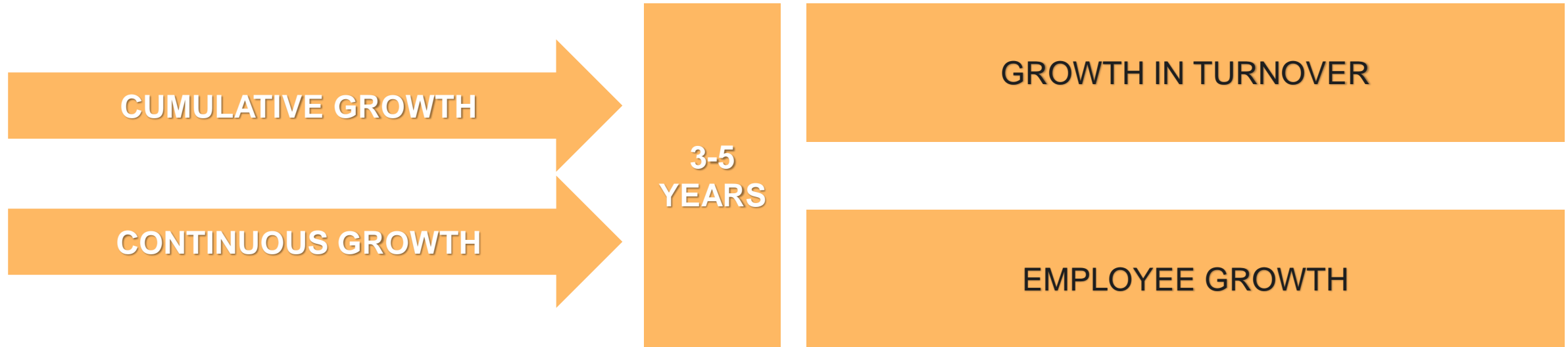
**SeAMK** 



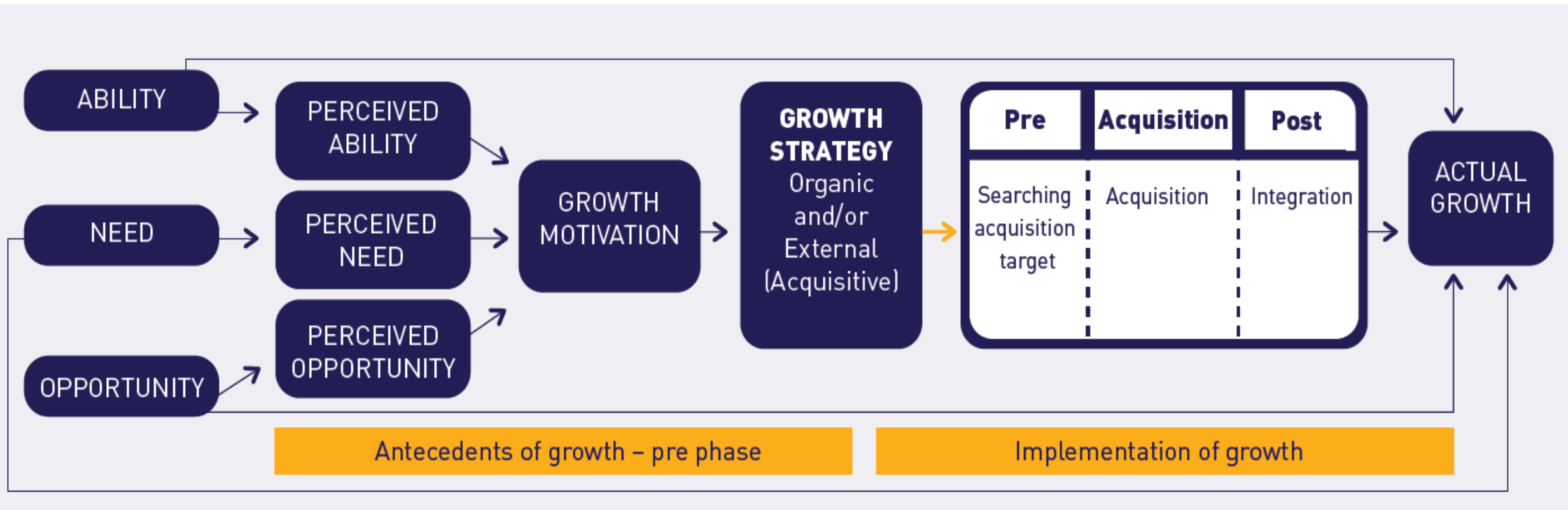
# What is growth?

## SEAMK MODEL IN REGIONAL SMEs

"want to grow"	"nice growth"	"high growth"
No growth but high growth intentions	5-19 % continuous growth	20 % or higher continuous growth



# Growth Ecosystem



role of ecosystem actors of ecosystem

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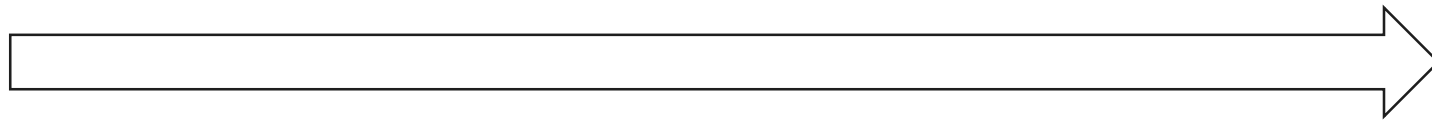


# Three mainstreams in research

ANTECEDENTS OF GROWTH

GROWTH PROCESS

GROWTH OUTCOME



# What is digitalization?

- Analytical tools, sharing platforms, IoT, mobile devices, applications etc.
- Digitalization and servitization → new business models
- Transforming the value-creation logic

TRANSFORMING OPPORTUNITIES AND THE WAYS SMEs OPERATE

TRANSFORMING OPPORTUNITIES FOR GROWTH



# Effects Of Digitalization (Kuusisto 2017)

1. Organizational structures
2. Digital innovations
3. Organizational learning
4. Organizational agility
5. Business ecosystems



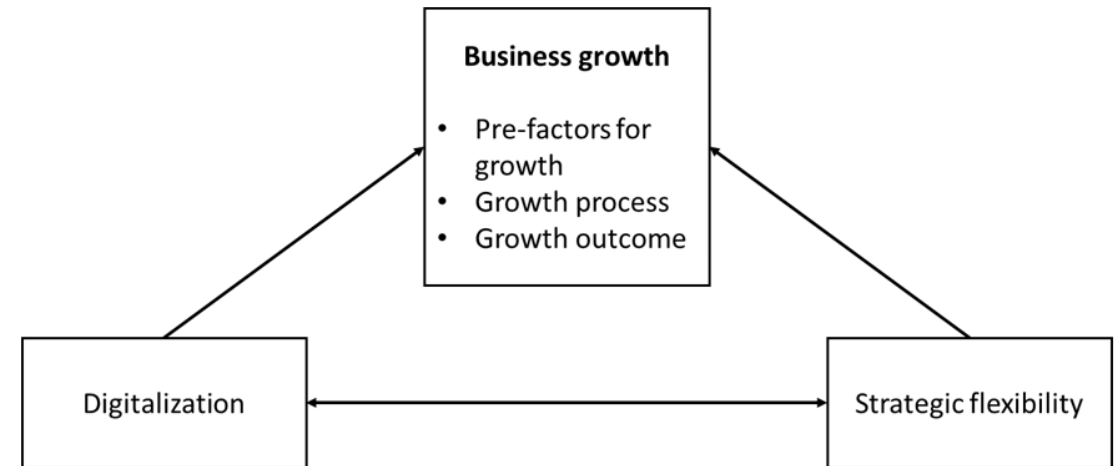
# Study 1: Qualitative Case Studies

Objectives:

- 1) to increase understanding of how digitalization affects pre-factors for growth,
- 2) to examine how digitalization transforms the growth process (especially growth strategies), and
- 3) to examine how digitalization is apparent in the outcome of growth.

*Six SMEs from South Ostrobothnia*

***“Strategic flexibility as handling the change by exploiting the opportunities arising”***



# Methodology

1. Digimat measurement test: the current state of digitalization, the digitalization target level of a company, and its capability to digitize its operations. *Group interviews.*
2. Qualitative interviews with operational managers: history, development, growth strategies, digitalization, and future goals for digitalization.

Themes	
Theme 1	Growth strategies (Ansoff 1957)
Theme 2	Digital orientation (Zhou et al. 2010)
Theme 3	IT capabilities and exploitation of new information resources (Matzler et al. 2018)
Theme 4	IT capabilities and integration of new innovative technologies in the processes (Kuusisto 2017)





# Results

Digitalization occurs as a **pre-factor of growth** in two ways:

1. Digitalization creates new markets and opportunities.
2. The company's digital capability creates new business and growth (capabilities).



## Digitalization is visible in the **growth process** in four ways:

1. *Market penetration*: harnessing digitalization in acquiring new customers and developing existing customer relationships, especially in terms of digital marketing communications.
2. *Product development*: adding intelligence to products, utilizing digital technology in product development processes, especially big data and information management.
3. *Market development*: new geographical areas, digital marketing communications targeting new segments.
4. *Diversification*: completely new digital products and new markets reached through digital channels.

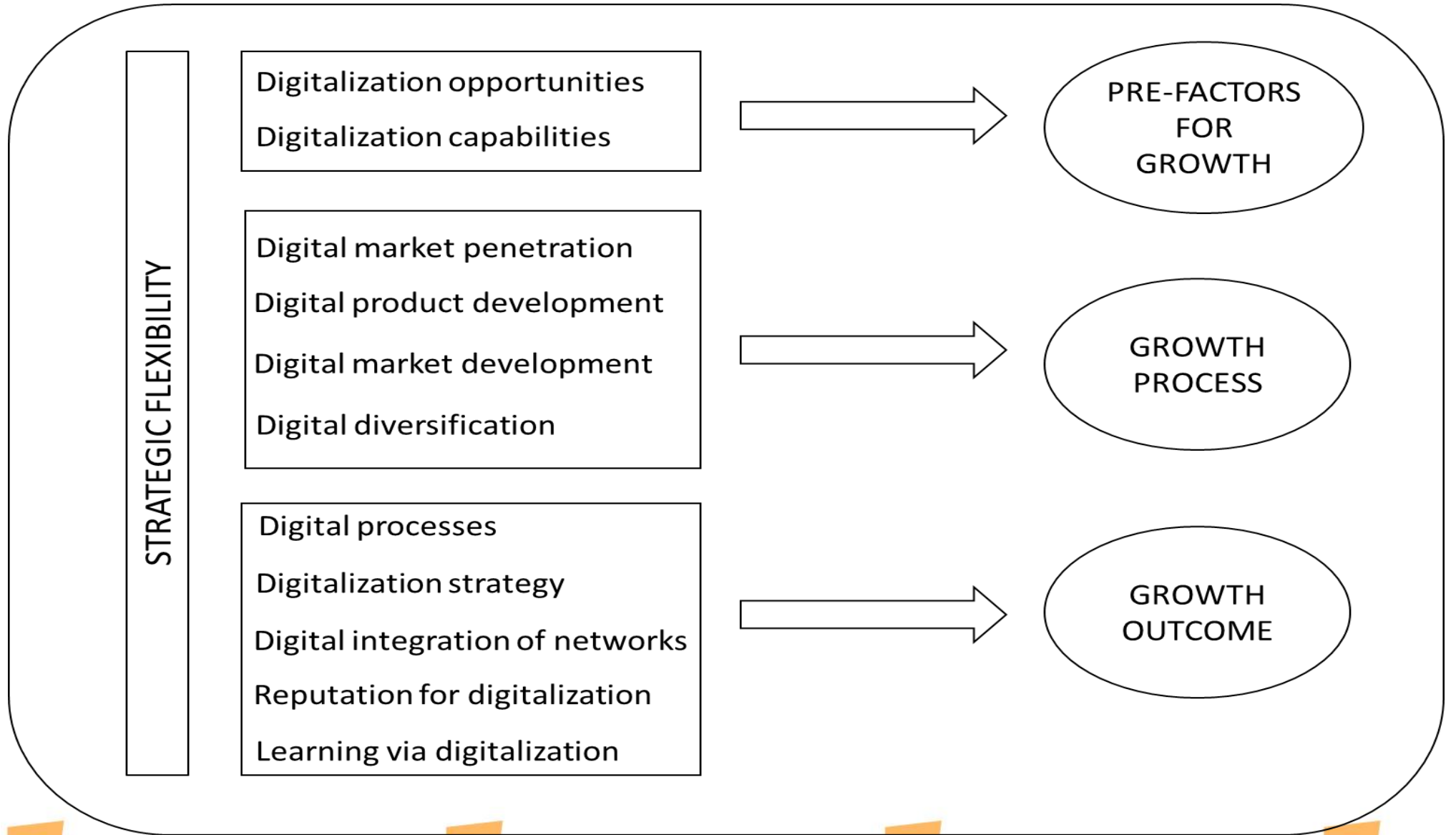


## Digitalization is reflected in **the outcome of growth** in four ways:

1. Realized growth affects future growth goals, creating *learning for growth*. A firm can continue to pursue growth by investing in digitalization.
2. A pioneering approach to digitalization and realized growth will continue to contribute to the development of *absorptive capacity*. Staff development and *learning* is a key factor, as is investment in competence development and continuous learning. A pioneering strategy can open access to new networks, which in turn enable *new growth opportunities*.
3. Materialized growth also creates challenges for the development of processes through digitalization. *Digitalization enables growth management* in many processes.
4. Growth and a pioneering approach to digitalization create *reputation capital* for a company, reputation capital in turn creates competitive advantage.



# Results



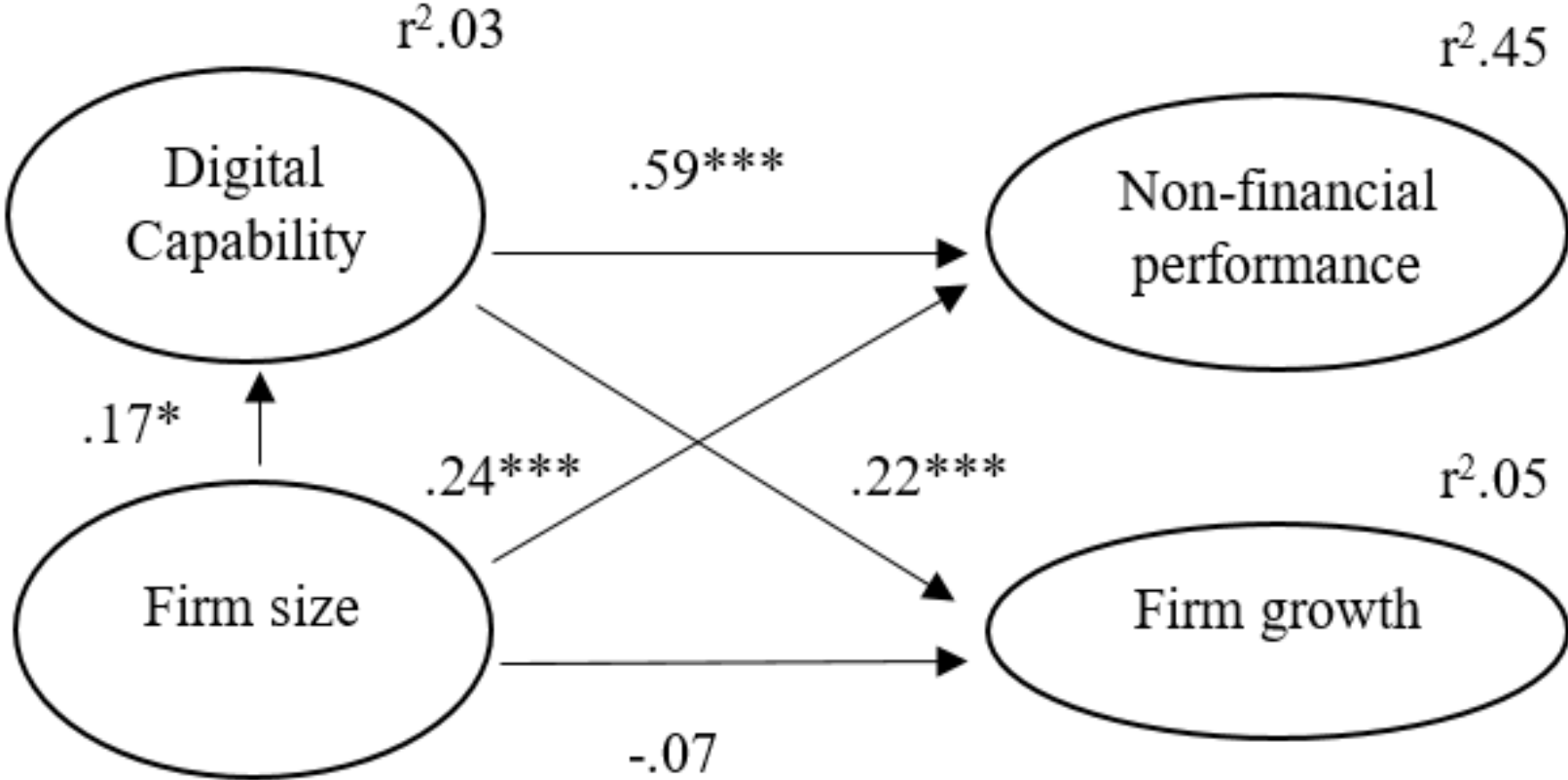
## Study 2: Quantitative study

- The effect of digital capability on firm performance and growth, the effect of firm size
- 242 SMEs in South Ostrobothnia
- Structural equation modelling

SMEs in the data	Cumulative growth in three years
32 %	At least 30 %
12 %	20-29 %
11 %	10-19%
45 %	under 10 %.



# Results



Hypothesis	Supported/Not supported
H1: Digital capability has a positive relationship with firm performance.	Supported.
H2: Digital capability has a positive relationship with firm growth.	Supported.
H3: Firm size has a positive relationship with firm performance: larger firms have higher firm performance.	Supported.
H4: Firm size has a negative relationship with firm growth; smaller firms grow more.	Not supported.
H5: Firm size has a positive relationship with digital capability; larger firms have higher digital capability.	Supported.



# Future research

- Digitalization, sustainability and growth
- SME business transfers and digitalization (strategic renewal)
- Women entrepreneurship, digitalization and growth





Questions?

Own experience?

Ideas?

*Thank you!*

