

Bachelor's thesis (TUAS)
International Business
International Business Management
2013

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CHALLENGES OF A SMALL FAMILY OWNED GROWTH COMPANY

– case Kotimaailma Apartments



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Small and medium-size enterprises or SME's led by owner-managers have a large yet growing impact on sustaining and reinforcing the national economy in terms of GDP, providing employment, innovations and productivity. Despite their obvious contribution, not much research has been made in the field of growing family SME's until the recent years. Even on worldwide basis there has been research on family businesses only for around the past twenty years.

This research was conducted on behalf of the case company, Kotimaailma Apartments, a family owned growth SME that rents out fully furnished apartments in Turku, Tampere, Oulu and Helsinki. The main objective of the thesis was to find out how growing small and medium-sized enterprises owned and managed by family function differently from other businesses. Moreover, the competitive edge of family businesses and the challenges of combining both family and business were analyzed. In addition, the growth company aspect was taken into account since Kotimaailma Apartments can be categorized as such.

The data used for this research in terms of literature has been mainly based on Finnish books and well-known theories. The case study and its results are based on interviews of the owner-manager –couple.

The main focus of this particular body of work is to provide additional information on growing family businesses first through a theoretical framework with general attributes yet still focusing on the case-company specific characteristics, and later on the theory is consolidated with case study specific information.

The results of the thesis indicate that Kotimaailma Apartments is a somewhat young family business and what comes to growth the company is still in its early-stage of life cycle but proceeding well. It can be agreed that combining family and business in Kotimaailma Apartments has given it a promising competitive edge.

KEYWORDS:

Family business, growth, SME, entrepreneurship

Elina Tikkakoski

KASVAVAN PERHEYRITYKSEN HAASTEET

Omistajajohtoisilla pienillä ja keskisuurilla yrityksillä (PK-yrityksillä) on suuri ja kasvava vaikutus kansantalouden vahvistamisessa sekä ylläpitämisessä niin bruttokansantuotteen, työllisyyden lisäämisen, innovaatioiden kuin tuottavuudenkin kannalta. Tästä huomattavasta panoksesta huolimatta perheyritysten saralla tutkimustyö on ollut hyvin vähäistä viime vuosia lukuun ottamatta. Tämä on myös maailmanlaajuinen ilmiö, sillä kiinnostus tutkimustyöstä perheyrityksiä kohtaan maailmalla on noussut vasta viimeisen kahdenkymmenen vuoden aikana.

Tämä tutkimustyö on tehty palveluyritys Kotimaailmalle, joka on perheomisteinen kasvuyritys ja vuokraa täysin kalustettuja asuntoja Turussa, Tampereella, Oulussa ja Helsingissä. Opinnäytetyön päätaavoite oli saada lisätietoa kasvavan pk-perheyrityksen toiminnan erilaisuudesta. Lisäksi perheyrityksen etulyöntiasemaa verrattiin muihin kuin perheyrityksiin, sekä perheen ja työn yhdistämisen haasteita analysoitiin. Myös kasvuyritys puoli otettiin huomioon, sillä tutkimuksen kohdeyritys, Kotimaailma, voidaan luokitella kasvuyritykseksi.

Tutkimuksen teoriaosuudessa kirjallisuuslähteinä on käytetty paljon suomalaisia yrittäjyyteen ja perheyrityksiin pohjautuvia kirjoja ja tunnettuja teorioita. Kotimaailmaa koskevat tiedot ovat pääasiassa omistajapariskunnan haastatteluihin perustuvia tietoja.

Pääpaino opinnäytetyöllä on tarjota syvempää näkökulmaa kasvavien PK-perheyritysten suhteen ensin teoreettiselta pohjalta yleisellä tasolla, kuitenkin niin että keskitymme kohdeyritystä koskeviin osuuksiin. Tämän jälkeen teoria saatetaan käytäntöön kohdeyrityksen tietojen kautta.

Tutkimuksen tulokset osoittavat, että Kotimaailma on vielä nuori perheyritys, ja sen kasvu on vielä melko varhaisessa vaiheessa. On myös mainittava, että perheyritys -aspekti tuo sille oman etulyöntiasemansa.

ASIASANAT:

Perheyritys, kasvu, PK-yritys, yrittäjyys

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LIST OF ABBREVIATIONS (OR) SYMBOLS

SME	Small and medium sized enterprise
GEEF	Groupement Européen des Entreprises Familiales – European Group of Owner Managed and Family Enterprises
ROI	Return on Investment
Raison d'être	Reason for existence
Modus operandi (MO)	Course of action
CEO	Chief Executive Officer
GDP	Gross Domestic Production
OECD	Organization for Economic Co-operation and Development
SWOT Analysis	A scan of the internal, strengths (S) and weaknesses (W) and external, opportunities (O) and threats (T), strategic environment that provides information that determines what may assist the company to accomplish its goals. The SWOT analysis is a simple model defining what an organization can and cannot do, and moreover what are the potentiality and possible obstacles to gain the desired outcome (Investopedia, 2012).

1 INTRODUCTION

1.1 Background

Family businesses and company growth especially among small enterprises have been and still remain to be burning issues in Finland. Family businesses have been developing the Finnish society all the way since the 19th century and majority of the small firms in Finland are family businesses, but just recently it has become a growing field for academic inquiry. The contribution of both family businesses and growth SMEs to national economy is significant, but still these companies remain somewhat underrated. (Heinonen & Toivonen 2003b, 23.)

1.2 Structure and objectives of the thesis

The objective of this study was to find out theories behind family businesses and SMEs growth. The author has examined the essential features of a family business and a company seeking growth, and applied that knowledge to the case company. The study was conducted in behalf of a company called Kotimaailma Suomi Oy, later referred as Kotimaailma Apartments or simply Kotimaailma. The research questions I try to give answers are:

- 1) How do growing family SME's differ from other SME's, and what are the challenges of a family business?
- 2) How to overcome the challenges of a family owned growth business in Kotimaailma Apartments?

I attempt to provide solutions to these questions with both theory and then applying it to practise through the case company. Firstly I will analyse family businesses and their characteristics, secondly analysing growth in small and medium sized enterprises and then defining features of growth. Third, I will wrap the theoretical framework together with providing a practical study of the case company Kotimaailma Suomi Oy.

In this thesis some definitions regarding company growth and family businesses in small and medium size enterprise point of view, are occasionally discussed interchangeably. These terms, family business, family enterprise, family firm, family SME, family-owned business are mentioned as interchangeable when discussing small and medium sized family owned enterprises in general, and the terms growth SME, growth company, company seeking growth and small growth company are stated interchangeably when discussing the overall topic growth of small and medium sized companies. However, it should be stated that even though the terms have multiple similarities, yet they are truly a case apart. Therefore, in chapters 2 and 3 I will try to provide an in-depth study on these terms and topics.

1.3 Industry description

Kotimaailma Apartments functions in the service industry providing temporary accommodation in fully furnished apartments in Turku, Helsinki, Tampere and Oulu. The main customers are big companies receiving employees from around the world for a period of few months and in need of accommodation for them. In addition, insurance companies and their customers play a crucial role in this area of business. These two target groups cover approximately 90% of Kotimaailma Apartments' clientele. The remaining 10% is covered by tourists and for leisure purposes. However, tourists should not be ignored, since their share and demand has been increasing year by year. Moreover, according to a recent review from Statistics Finland, the number of nights spent at accommodation establishments in Finland during a period of January-September 2012 rose by 1,7% from the same period twelve months earlier. Especially interesting is that overnight stays by foreign tourists increased by 5,8% in the same period of time. (Statistics Finland, 2012.)

The accommodation providing industry in Finland has been around for years in terms of hotels and hostels. However, apartment hotels are rather new arrivals in Finland, unlike in Southern Europe for example, where somewhat same service has existed for decades. Despite their novelty, competition for market

shares has already aroused among furnished apartment providers, especially in the metropolitan area. There are some competing companies offering temporary housing possibilities in terms of accommodation operating mainly in Helsinki area, like Kotihotelli, Serviced Apartments Gella and Domin Rental Apartments, but few of them act nationwide, such as Forenom and Suomen Majoitusmestari. None of the aforementioned provided any information of their possible connection with family business in their webpages. However, it can be concluded from the names in the governance, that Serviced Apartments Gella most likely is a family business. Forenom was the only company to clearly state its corporate history, that it is Barona's subsidiary. (Forenom 2013; Apartment Hotel Gella, 2013.) Hotels could be mentioned as a competitor as well, and to some extent they are, but for an international employee coming to work in Finland for months or years, a simple hotel room would not serve his or her needs. Therefore, hotels can be seen as a competitor for tourists for a period of few days or a week, but not longer. Despite the fact that there are competitors, the demand is still higher than the supply. An article in Statistics Finland indicates that there are no exact data available of Foreigners' temporary working in Finland due to the difficulty of the definition and foreign employee registers. However the review stated that the number of foreigners' temporary working in Finland has been and still is increasing significantly. It has been roughly estimated that around 30 000 foreigners work temporarily in Finland. (Statistics Finland, 2009.)

The reason why the author is so interested in the topic is the entrepreneurship in her and the current status in the case company. The involvement in the company started in early spring 2012 when the author of this thesis conducted her professional work placement in Kotimaailma between February and May, and continued with summer job, followed up by permanent job as responsible for accounts receivables.

2 DEFINING A FAMILY BUSINESS

2.1 Characteristics of a family business

Most of the small firms in Finland are family businesses. Nevertheless, researches conducted in this field are still in their early stage, and since family businesses are a broad topic, there are various possibilities for further studies. One reason for minor examination of the topic could be that even describing accurately a small business, a family business or entrepreneurship is a suggestion for a research itself due to its vastness. (Heinonen & Toivonen 2003a, 14-15.) Some research has been made in the field of entrepreneurship and small-business research, but there is still demand for additional examination. A major leap can be seen with-in the past few years on national level: doctoral theses, books and survey of many authors and even the Ministry of Trade and Industry and European Commission have raised their interest towards this topic (Tourunen 2009a 8, 15, 22, 25-26; Elo-Pärssinen 2007, 12-13; Heinonen & Toivonen 2003a, 12.) The research on family enterprises has on worldwide bases existed for around past twenty years, and in Finland, the first doctoral theses were published in the early 2000's. (Heinonen & Toivonen 2003a, 12.)

Family businesses have played a crucial role in society both on global and national levels for long. On national level, family businesses have been regenerating Finnish society from the 19th century. (Elo-Pärssinen & Talvitie 2010, 5.) At that time, family businesses have had a peculiar magnitude; they were seen as a center of society. They helped building schools and advanced the immediate surroundings in many ways. In addition, they also have had an important role in politics, many of the owners being Member of Parliament and even ministers. Moreover, family businesses have had a direct contact to their workers. During rough times, companies helped the workers by donating empty sites to build their houses on, they offered maternity leaves and child benefits to their workers before there has been any legislation considering them. All this

have created a feel of a safe and loyal employer. (Elo-Pärssinen & Talvitie 2010, 5; Heinonen 2003, 210-215.)

Family businesses operate on several sectors and the size of the business may vary widely. Out of all enterprises in Finland, family businesses compose a significant part: 80%. When looking into the size of the business 46% middle-sized companies are family-owned businesses, and they contribute 41% to the total annual net sales of the corresponding size group. Small-sized family businesses contribute almost 25% to total production and almost 30% to employment in Finland. Almost all family businesses in Finland operate in manufacturing, construction, trade, transportation and business services. (Tourunen 2009a, 120-121.) What comes to middle- and large-sized family enterprises in their first generation, they seem to be more profitable than other businesses based on ROI (Return on Investment) measurements. The main finding by Kalevi Tourunen in his doctoral thesis is, that “family businesses in focused size groups seem to be able to combine profitability with high employment rates” (Tourunen 2009a, 121). This means, that family businesses provide employment cost-effectively. Regardless to its size, all family enterprises are ranked higher than firms owned by other means when it comes to ratio of providing employment to net sales.

2.1.1 “3-Circle” model of family business

There are three elements combined in a family business: the family, the business, and ownership. The uniqueness of a family enterprise arises from the interplay between the family and the business. This engenders an inimitable competitive edge. (Heinonen & Toivonen 2003a, 15.) In addition, the interplay within each family business becomes special, making each and every family business special and unique. There are also tensions between the different ‘raison d’être’, the reason for existences, of the family and the firm. Family is often encompassed with emotions, inward and preserving stability, whereas a successful enterprise needs to be task oriented, outgoing and ready for even a

radical change. (Elo-Pärssinen & Talvitie 2010, 15.) This can be illustrated in the figure 1.

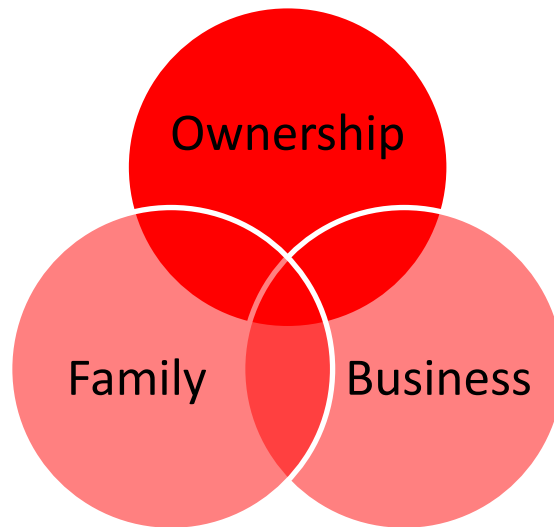


Figure 1. “3-Circle” model of family business (Retelling Elo-Pärssinen & Talvitie 2010, 15, 54.)

This model has first been illustrated by Tagiuri & Davis in 1982 (European Commission, Directorate-general for Enterprise and Industry, 2009, 8; Heinonen & Toivonen 2003a, 15, 54). According to the European Commission’s report, this approach should be used widely when studying the phenomenon of family businesses.

When looking more deeply into the family enterprises operations, one becomes aware of the situation where changes in domesticity, for example divorce or death of a family member, affects business and changes in the enterprise, such as shifts in turnover or acquisitions affects family. That said, it can be noticed that the family has a greater influence on the company than vice versa. The families redound to businesses can be greater in others, whereas in some, the family can be at a distance from the actual business. The third part of the figure is ownership. Ownership is the fact that separates family businesses from non-family businesses, and is “the key to the business life of the firm” (European Commission, Directorate-general for Enterprise and Industry 2009, 8). This topic will be further discussed in the case company view point in chapter 5.2.1.

2.2 National and European wide definition

Despite the fact, that family businesses have been one of the major party remolding the Finnish society into its present state, a common definition in Finland for a family business has not been established before the year 2005. On November 3rd 2004, the Finnish Ministry of Trade and Industry set up The Family Entrepreneurship Working Group to determine the meaning of a family business. This definition proposed by the Finnish Ministry of Trade and Industry has been approved by GEEF (Groupement Européen des Entreprises Familiales – European Group of Owner Managed and Family Enterprises) and for the present, stands for the most “formal” definition internationally. (Tourunen 2009a, 28-31.)

Published in 2005 by the Finnish Ministry of Trade and Industry, and in 2009 by the Family Business Expert Group of European Commission, definition of a family business in their vision is the following:

“A firm, of any size, is a family business, if:

- 1) The majority of decision-making rights is in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child or children’s direct heirs
- 2) The majority of decision-making rights are indirect or direct
- 3) At least one representative of the family or kin is formally involved in the governance of the firm
- 4) Listed companies meet the definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess 25 per cent of the decision-making rights mandated by their share capital.” (European Commission Directorate-General for Enterprise and Industry 2009, 10.)

2.3 Family business

When reading through the books, articles, reports and doctoral theses of family SMEs in Finland, one ideology rose over the others. The ideology, that family business is more than just a sum of its components. Family business gives the sense of security, due to its values and since its operations are regarded to be persevering. Moreover, responsible ownership and entrepreneurship gives a guarantee of continuity. At its best, the operations are delineated as a patient attitude towards ownership and the requirements for return. People have become more aware of this, since latterly it is said, that a quarter in a family business is 25 years. (Meriläinen & Tienari 2009, 56.) The diversity in a family business is great. You have to do business, take responsibility, but you have the freedom to choose. There is also the love and hate –relation of working with your family members, and you have to be prepared for considering and making quick decisions. There are times when you have to be rational, and others, when everything seems to be unreasonable and irrational, but might still be the right thing to do. Most of all, in a family business you have to think of the continuity: look forward, and respect the accomplishments you and the past generations have made. After all, the company is only “borrowed” from the future generations.

2.3.1 Family's effect on the business

The table below (table 1) shows the five dimensions of family orientation and how they can be seen to affect business.

Table 1. Five dimensions of family orientation: tradition, stability, loyalty, trust, and dependency (Retelling Lumpkin & Martin & Vaughn 2008, according to Elo-Pärssinen & Talvitie 2010, 46.)

Dimension	Characteristics	Relation to the business
Tradition	Role expectations	Business is managed by two family members Only men in the management
	Rituals	Celebrate the birthdays of the founder of the company
	Shared history	Telling stories of the foregoing generations
Stability	Balance	Discords between family members
	Lasting	Resistance to change
	Predictability	
Loyalty	Sense of duty	The continuator generation pursues on due to sense of duty
	Commitment	Mental commitment to the business and its personnel
	Reliability	
Trust	Fulfil role expectations	Transfer of the company to the next generation
	Justice	Choosing the continuator for the company
	Share confidential issues	
Dependency	Sense of solidarity	Owners emotional bonds to the business
	Emotional bonds	

Tradition

The first dimension, "Tradition", is related to the common conventions and history. For example the way the family members contribute to the management

of the business can be seen as a role expectation that is a convention. Rituals are also a part of conventions, and celebrating older generations and their achievements can be classified as a ritual. Depending whether the enterprise has a strong family orientation or not, rituals with strong emotions can either strengthen or hinder the cohesion of the family. For example funerals can either knit the family together or push them more apart. Therefore, if the family does not have a strong family orientation, it can be best not to emphasize the rituals too much, or otherwise the situation can cause conflicts in the business as well. ((Elo-Pärssinen & Talvitie 2010, 46-47.)

Stability

The second dimension is “Stability”, which can be said to mean the stability of the enterprise. It also fosters the continuity of the family business. The continuity and stability of the business can be at risk if a sudden change in the family occurs or the family members have a strong disagreement. (Elo-Pärssinen & Talvitie 2010, 47.)

Loyalty

The next dimension is “Loyalty”. Loyalty in the family business means that the family members are committed to the company and its workers. They feel it is their obligation to continue the family business. (Elo-Pärssinen & Talvitie 2010, 47.)

Trust

Trust can be experienced through justice, and by fulfilling the role expectations and sharing confidential issues. For example transfer of the company to the next generation can lay challenges within the family when choosing the continuator for the company. (Elo-Pärssinen & Talvitie, 2010 48-49.)

Dependency

Last dimension is dependency. It creates a sense of solidarity, and can be rest on same type interdependence as between the family members. It is based on

emotional bonds, and if the emotions are strong, the family members will try to achieve their own and the company's goals due to the family members close support. (Elo-Pärssinen & Talvitie 2010, 48-49.)

2.3.2 Values as objectives and modus operandi

Family businesses should not be underestimated in any circumstances even though there is not too much research data existing of them. In any event, family businesses are well known for their economic efficacy, their commitment to the society, the responsibility they have and the stability that they bring, but most importantly they are known for values that they stand for. (Elo-Pärssinen & Talvitie 2010, 73-75.) Broadly speaking, values are the fact what makes a family business differ from a non-family business. More specifically, it is the combination of the reciprocal economic and non-economic values that can be distinguished in the combination of the business and the family. According to Tapies and Ward (see European Commission, Directorate-general for Enterprise and Industry 2009, 22) "Family businesses must be seen not only in terms of assets but as a combination of property and values. That is, family businesses have implications that involve more than merely serving a financial purpose; they are means of sharing certain values and providing a service to the community in which they are integrated." Every family business has their unique history and the family members have unique values, and therefore each family business is unique. Nevertheless, there are certain values that can be highlighted for most of the companies, such as the relevance of life. For many entrepreneurs, owning a family business is a way of life or a mission in life, and without it, their lives would be empty. Because of this, continuity is highly appreciated and the present can be seen only as a link for future. The values of the company can also act as a deterrent for the success: if the efficacy of the values and company culture are not understood, the company may not be as successful as its potential may indicate. For example, old family businesses often search for security and this can be seen when looking at the company's balance sheet. If the balance sheet is too strong, the company most likely lacks

the courage and vision to evolve and grow. (Elo-Pärssinen & Talvitie 2010, 75-79.)

2.3.3 Importance to national economy

Family businesses have raised their overall interest recently and with that, the vision of enterprises and entrepreneurship being the foundation of national economy has increased (Kanniainen 2003, according to Tourunen 2009b, 13). Family businesses function according to Matti Koiranen (2000, 19) "as the backbone and engine for Finnish economy". Moreover they have a great significance on the society's social and political development.

The total production in Finland in the early 2000's has developed well, notwithstanding the fact that there is even greater challenge in economic policy, to support and secure the continuity of the businesses. The reasons for this are manifold; the structural change is still continuing, the population is ageing, the production is becoming more and more international and additionally the competition has increased in every industry. All these factors impede SMEs to survive in the financial crisis that started in 2008. (Tourunen 2009b, 13–14.)

In the year 2005 the contribution of family businesses measured in proportion of Gross Domestic Product (later GDP) and in employment was one fifth to the national economy, that is around 20 %. The number is significantly lower than what had been estimated earlier. The low level can be explained with the impacts of the depression of the 1990s, that took 33 000 enterprises and 400 000 jobs from Finland, some of them supposedly family firms. Nevertheless, family businesses provide clearly more employment than non-family businesses commensurate to turnover. (Tourunen 2009b, 40, 42.)

Family entrepreneurship and demography interrelate, which has broken many times, when transferring the companies to the next generation and the companies find themselves in trouble due to the lack of continuators. According to Tourunen (2009b, 41, 44) ageing of the population and thus owners of family businesses retiring should encourage to the change of generation. The

continuator generations businesses can more often be described as companies with good financial standing than the founder generations, whereas the founder generations business has been more successful than the continuator generations (Tourunen 2009a, according to Tourunen 2009b, 41- 44). How would we gain more family entrepreneurs into Finland, which has evermore been the country of blooming family entrepreneurship (Heinonen 2003, according to Rintamäki 2010, 19).

The business environment is not run by family businesses only, but it is apportioned in conjunction with non-family businesses, or family businesses do not operate in any void. (Heinonen 2003, 214).

Table 2. Family businesses and their fields of operations (Retelling Heinonen & Toivonen 2003b, 36.)

	Family businesss	Features of a family business	Non-family business	Total
Industry	21,80 %	17,10 %	16,40 %	18,30 %
Construction	12,70 %	15,20 %	10,90 %	13,30 %
Trade	28,90 %	18,60 %	17,20 %	21,30 %
Accommodation and Nutrition	2,80 %	5,70 %	6,30 %	5 %
Transportation	13,40 %	13,30 %	7,80 %	11,90 %
Services	16,90 %	28,10 %	39,80 %	27,90 %
Others	3,50 %	1,90 %	1,60 %	2,30 %
Total	100 %	100 %	100 %	100 %

Referring to the table above (Table 2), most family businesses operate in the field of trade, that is 28, 9 % according to Heinonen. The second most was industrial companies with 21,8 %. (Heinonen & Toivonen 2003b, 36.) Surprisingly accommodation business is still fairly small industry with only 2,8 % within family businesses and 6,3 % within non-family businesses (Heinonen & Toivonen 2003b, 36). This can be explained with the fact that most of the

accommodation providers in Finland mainly belong to either one of the nationwide cooperative organization, that have an oligopolistic position in many areas of business, S-group or Kesko, or to multinational hotel chains. The few newcomers haven't been on the industry for long, but most likely this industry will gain much more interest within the forthcoming years and the percentage of family-businesses in it will leapfrog. 16,9 % of the family businesses are service businesses, whereas in non-family businesses the proportion is 39,8 %. This implicates the low quantum of family businesses in the field of services. More encouragement should be given to family businesses in the service field, even though service field is very much bound to person. (Heinonen 2003, 213.)

2.3.4 Resources and strengths

Family businesses are active and innovative, and thereby bring added value and stability to the economy. They have received the designation "backbone of the economy" with good reason. (Heinonen 2003, 213.) Long-term and patient commitment to the enterprise can be seen as the strengths when comparing family businesses with non-family businesses. Family businesses also tend to have long-range investment-strategies, but still they have the ability to make quick decisions and to adapt to the changes in the operational environment of the business. The decision can be made rather quickly due to the fact that processing the information does not require hearing in several stages, but within the family (Tagiuri-Davis 1996, according to Heinonen & Harju 2003, 78). The decisions are also rest on attainments and knowledge that descend from the combination of exact and tacit knowledge. This applies particularly to small and medium-sized family businesses. (Tourunen 2009b, 18.)

The spending in a family business is being kept track of more effectively, since it is so to say their own money they are using and tracking, unlike in non-family businesses it is the company's money involved. (Anderson & Reeb 2003, Jaskiewicz 2005, Lee 2006, Pajarinen & Ylä-Anttila 2006, Menendez-Requejo 2006, Poutziouris 2004, according to Tourunen 2009b, 18.) Therefore, let us suppose that the money handled in a family business is more carefully planned

out. The way the consumption of money is being planned can affect positively when comparing family and non-family businesses profitability objectives in surveys. Profitability surveys conducted in the United States of America and in Europe have been able to discern that family owned businesses have been slightly more successful than non-family businesses.

In many occasions, the family members are also willing to reinvest their profits back into the company rather than gain the profit to themselves. The same can most likely not be said from owners of a company without a face. (Kets de Vries 1993, according to Heinonen & Harju 2003, 79.) The working environment in a family business is often said to be inspiring and flexible, people are proud to be working for a family firm and often tend to call it as their family business. That is because the owners treat their workers well, almost like a family member. (Habbershon and Williams 1999, according to Tourunen 2009b, 22.) Moreover, if there becomes problems in the business, the will and the ability of the family owners will upheave the business back on its tracks (Dreux 1990 according to Heinonen & Harju 2003, 78). The customers appreciate this type of commitment and pride and respect the workers that are willing to work not just for their pay, but for each other's. This will give the company an edge toward its competitors among the non-family businesses.

2.3.5 Challenges and risks

The challenges a family business faces can be grouped in various ways. For example, categorizing the challenges according to their origin, that is whether the challenge arises from the operating environment, whether it is a challenge arising from the internal matters of the company or if it has something to do with education and research for example. Another way could be categorizing the challenges according to their sphere of influence, whether the challenges are common to any type of businesses, or whether they are affecting all businesses but are a particular concern to family firms or if the challenges are only faced by family firms. That is to say, that the problems faced by family businesses are often also concerned by SMEs in general, some of them just affecting family

businesses more specifically. The author will only focus on the challenges that have true relevance for the case company, and therefore many of the challenges will not be discussed. (European Commission, Directorate-general for Enterprise and Industry 2009, 12.)

Many times, the statement of 'family businesses are more than just a business' is thought to be said positive in tone. Nevertheless, it can also refer to the negative effects. Combining family and business may not always be an ideal situation when thinking what's best for the future of the business. For example favoring a family member over an outsider of the family when hiring a person in a significant position in the firm might be fatal for the firm in the long run. However, the decision to choose someone over a family member can take to heart but in that situation family and business should be seen as separate. This phenomenon of favoring relatives is called nepotism (European Commission, Directorate-general for Enterprise and Industry 2009, 17).

Some of the challenges arise from the operating environment of the companies. For example the awareness of policy makers on the specificities of family business and their economic and social contribution is limited. This is because the sector's behavior has traditionally been somewhat discrete. The lack of awareness of the family business sector is not only within the policy makers, but also within the general public. It seems like there is no common substantive knowledge of the contribution that family businesses make to society. (European Commission, Directorate-general for Enterprise and Industry 2009, 12.)

The owner managers of family businesses tend to prefer financial instruments that do not reduce their control. External investors are not favored since the investments are rather intractable to receive from outside of the company, especially in today's financial conditions. The privately owned family firm often tends to have traditions and values that they are unwilling to renounce, and long-term liabilities are often not taken into account if not truly necessary. (Heinonen & Harju 2003, 85.) Even though family enterprises do not have a great access to capital markets, they tend to receive their initial capital by

retaining earnings. This way, they have a remarkable role in investment, since they finance their capital needs by family funds or funds that are internally available. Then comes the liabilities and only after that external investors, if needed. (European Commission, Directorate-general for Enterprise and Industry 2009, 14.) Nevertheless, it seems that the debt-equity ratio of family firms is often lower than non-family firms; this makes new projects and initiatives less vulnerable during recessions and moderates the problems of structural changes and re-focusing the business. Generally speaking, family firms have a tendency to conduct themselves in contrary to non-family businesses within different economic situations. For example recession can be a great timing to expand to new fields of operation that are not favored by others. (Elo-Pärssinen & Talvitie 2010, 41.) Gift and inheritance tax payments and other factors included in the transfer of a family firm represent a major problem as well, but since they are irrelevant for the case company for the time being, they will not be further discussed in this chapter.

Balancing family, ownership and business aspects can be rather challenging at times in a family firm. Deviance between the family members and interests involved may not always work for the jointly owned family firm, and might even jeopardize the entire existence of the enterprise. Besides the customary management skills, some of the family businesses require a special type of management that can be termed as 'family governance'. It seeks to minimize the potentiality of tensions within the family and especially between the family and the business aspects. (European Commission, Directorate-general for Enterprise and Industry 2009, 16.)

For some reason within the labor markets, family businesses have gained a negative image as an employer, and it is considered to be one of the biggest challenges that family firms face. (European Commission, Directorate-general for Enterprise and Industry 2009, 17.) This problem seems to be worse for small companies, for example in matter of lower wages, limited career opportunities and out-of-date procedures, and in which a non-family member will always be at disadvantage compared to a family member regardless to their prowess. This

picture might not be the fact with all of the family firms, but to change the negative image of the sector is down to the family businesses themselves. A positive image of family firms may attract people to become entrepreneurs themselves, and Finland needs entrepreneurs within this constantly changing economy. When promoting family firms, one is actually promoting entrepreneurship, since most start-ups begin as a family business and later on face the question whether they want to continue the business 'beyond the founders' (European Commission, Directorate-general for Enterprise and Industry 2009, 18). More education and further development should be emphasized in the curricula of all professions regarding the entrepreneurial spirit, succession and family governance to guarantee a successful foundation for future entrepreneurs.

2.4 Theories of family businesses

When looking deeper into the success of family firms, especially from the research point of view, it can be observed, that four theoretical frameworks are commonly used to understand and evaluate family firms. These theories are agency theory, resource-based theory, stewardship theory and social capital theory. (Elo-Pärssinen 2007, 30-32; Tourunen 2009a, 47-62.)

According to the Agency Theory (Coase 1960; Jensen & Meckling 1976; Fama & Jensen 1983, see Tourunen 2009a, 47) the interests of the management (agents) and the owners of the business are divergent, and the benefits of the owners are the primary aim of the company. In addition to favoring the owners, the management will also proceed rationally to act in favor of their own interests. Too divergent interests of the owners and management can lead into actions that are in favor for the management and hidden from the owners due to their deleteriousness and for them being against the will of the owners. This might occur when the agents have additional detailed information and owners do not have the possibility to monitor the operations of the management. However, this type of opportunism and risks of asymmetric information can be

avoided by the owners with inducements. Nevertheless, these confirmations and other control measures pointed out to the management cause additional costs that can be referred as agency costs. This theory is based on status where the ownership and management have differentiated. (Tourunen 2009a, 48-50; Elo-Pärssinen 2007, 29-30.)

Social Capital Theory (Coleman 1988, see Tourunen 2009a, 47) suggests that the intermediary and the key concept between sources and the output is trust. Reciprocity and respect for common norms support the trust and operations towards achieving common goals. It is not matter of supporting financially, at least not openly. The key is in the improved flow of information within the members of the network, more coordination in the cooperation, decrease in the demand of surveillance and achievement of the objectives. Social Capital Theory can be further divided into structural social capital, social relations and cognitive social capital, but those will not be further inspected due to their low reference to this particular study. (Tourunen 2009a, 56-59.)

Family Capital Model (Hoffman et al., 2006, see Tourunen 2009a, 47) states that the company holds unique but versatile manners to organize govern and lead the company due to the family relations. The family capital is social capital that can only be found in family businesses. The core concept of this model lies on the theories of resource based and social capital theories. The foundation of the theory can be found in the individual resources and human capital of the family members, and in their knowledge and skills. (Tourunen 2009a, 59-62.)

Resource Based Theory (Barney 1991; Wernerfelt 1984, see Tourunen 2009a, 47) favors a view where comparing the success between family and non-family businesses can be explained with unique resources of a family business, the familiness. These total resources and the way they can be stretched and combined, can be classified into three categories: 1) multilevel, 2) immaterial and 3) convertible resources. One way, how these unique resources are used in a family business is the processing of quiet knowledge and more commonly the integration of this information into the family business. (Elo-Pärssinen 2007, 30; Tourunen 2009a, 54-56.)

Stewardship Theory (Davis et al. 1997, see Tourunen 2009a, 47) supports the idea where the management team of the company is motivated to drive primarily the company's advantages, even though it could simultaneously provide benefits to the management team. The interests of the owners and management can therefore be seen as equal and the management team is committed to the company's aim. In a family business and especially in a first generation family business, where the ownership and management are in the same hands the position is already established. The Stewardship perspective emphasizes the long term commitment and a homing remittance motivation, which again support the vision of the responsibility of actions within a family business, and of better success and continuity. (Elo-Pärssinen 2007, 30-32; Tourunen 2009a, 50-53.)

3 DEFINING A GROWTH SMALL AND MEDIUM SIZED ENTERPRISE

The sweep of small enterprises is heterogeneous in nature; it is a combination of variety of field of operations in which assemblage of divergent enterprises function. They differ significantly in size and resources, and therefore are referred as small and medium sized enterprises, later also referred as SMEs. (Aalto-Marjosola 1997, 152.)

3.1 Characteristics of a growing small business

3.1.1 Small business

To be able to identify small business growth, the nature of small business needs to be emphasized. SMEs are the engines and the cornerstones of modern western economies and perform a significant role as an employer and as a source of innovation and private enterprises. Small businesses do not have an unambiguous definition, but the new statistical divisioning formed by the European Commission of SME's from 2005 can be regarded as suggestive. Accordingly, a microenterprise employs fewer than 10 persons and its turnover and annual balance sheet total is under 2 million € (European Commission, 2006). In comparison, a small enterprise is defined as an enterprise employing fewer than 50 persons and the annual turnover and annual balance sheet total of the enterprise do not exceed 10 million €, whereas a medium-sized firm is one that employs fewer than 250 persons and its turnover is under 50 million €. In addition, its annual balance sheet total cannot exceed 43 million €'s. (European Commission, 2006.) Nevertheless since the small businesses can differ dramatically in size and their operations are versatile, the specification of the small business has caused confusion among the scholars and academics.

Within the European Union there are approximately 40 SMEs per 1000 inhabitants whereas in Finland the number is 36 respectively. The proportion of

micro, small and medium-sized enterprises as compared to all enterprises is also in line. (European Commission, 2003.)

3.1.2 Small growth company

According to multiple sources, growth companies tend to have a superior possibility to survive when comparing to slowly growing or no-growth and static companies. Growth companies are extremely vital for national economy, since they provide new jobs. The Ministry of Employment and the Economy defines growth company as a company with increased annual turnover of 20 % over a period of three years. The ministry of Employment has often used the OECD/Eurostat definition of growth companies in its reviews. Accordingly, a growth company's number of employees in the beginning of a three-year observation period should be ten or more, and the average annual growth greater than 20 %. This determination limited the amount of growth companies in Finland to 668 in years 2007-2010. (Kasvuyrityskatsaus 2012, 24.) More complex definitions have been carried out as well. To mention few, Liukko, Airola, Ilomäki, Mikkola, Simons & Pohto (2006, 19) define profitable growth criteria more rigorously. Accordingly, a growth company has to have an annual turnover increasing at least 10 % and it has to continue over a period of 5 to 10 years. The growth should have occurred annually, regardless to economic situations. It should have been more rapid than generally in the market and with key competitors. The growth has been cost-effective and it has occurred during the term of current owner. The authors also further define the definition of a growth company in terms of export, international operation, and many others, but those will not be further discussed due to their complexity and low significance in this body of work. According to D. J. Storey in *Understanding the Small Business Sector* (1994) (see Bridge, O'Neill & Cromie 2003, 271) growth in a small business can also be outlined with improved profitability or greater turnover, or as increase in employment. While all three of these aspects are desirable in a growth business, it has to be understood that they may not correlate positively. Moreover, some analysts may interpret growth when the company's product range broadens or when gaining more patents or customers

for the firm, whereas any of these does not show a clear implication of greater turnover, profitability nor employment.

Typical strategic features for growth companies are willingness to broaden the ownership structure or ownership base, the ability to recognize narrow, yet potential competitive segments in the market, introducing new products or services to the market and the ability to create an executive group for the company. In addition, the gradual orientation into new market areas along with the progress of the company is typical to businesses expanding their operations.

3.2 Why to grow and dimensions of growth

In the early 1990s the focus and emphasis was mainly in the field of small businesses. This interest arose from recognition of small businesses contribution to the economy. Alike was the focus on growth businesses, a desire to maximize the contribution, which has been an ongoing topic since the late 1990s. The shift for example in policy-making, in the application of small business support and in related research has been supportive for the sector. The small business support resources are limited, and therefore the resources available should be applied to where they would be most powerful and effective. When rationalizing the fact that the small business sector is extremely diverse and the resources can't be spread around, the wisest thing to do is to concentrate the support on growth businesses. After all, the share of desired jobs growth businesses produce is out of proportion and thereby the best return is secured. (Bridge, O'Neill & Cromie 2003, 268.) Nowadays the trend seems to be a further shift back towards concentrating support on small businesses. Nevertheless, it has to be emphasized that new small businesses are the seedbed for future growth businesses.

It is important to realize, that growth means very different things to different people, even if they all have a common goal to want to see growth. For the most, the primary goal of growth will be the growth in employment. For some, the profitability as a mean to enhance dividends and share value can be crucial.

But for small business owners, there are usually more than just few aspirations. For example the desire to be a major local employer or to create wealth, generating a large income, to be seen as innovative or providing jobs for the family: all which come down to the growth in aspects of the business. (Bridge, O'Neill & Cromie 2003, 272.) It should be emphasized, that expansion and growth are dissociated in this research.

Anyone that has come across someone who owns a growth business is working in such or has gained any knowledge on such from the various sources of business books, articles, newspapers or online, has most likely drawn a conclusion that growing a business is not easy. Just like any other system subject to natural decay, the business has a tendency to regress. Whereas preventing regression is energy consuming and it takes effort, it will take a lot more to get the companies growing. Growing a small business needs resources. It needs money for the resources and for resources, coordination, systems and controls, more sales resulting from new products or new markets are crucial. Understanding growth requires a regard also for the totality of the path of the business. Such influences can be external as in the figure below (Figure 2), but also internal, and they can help growth or hinder.

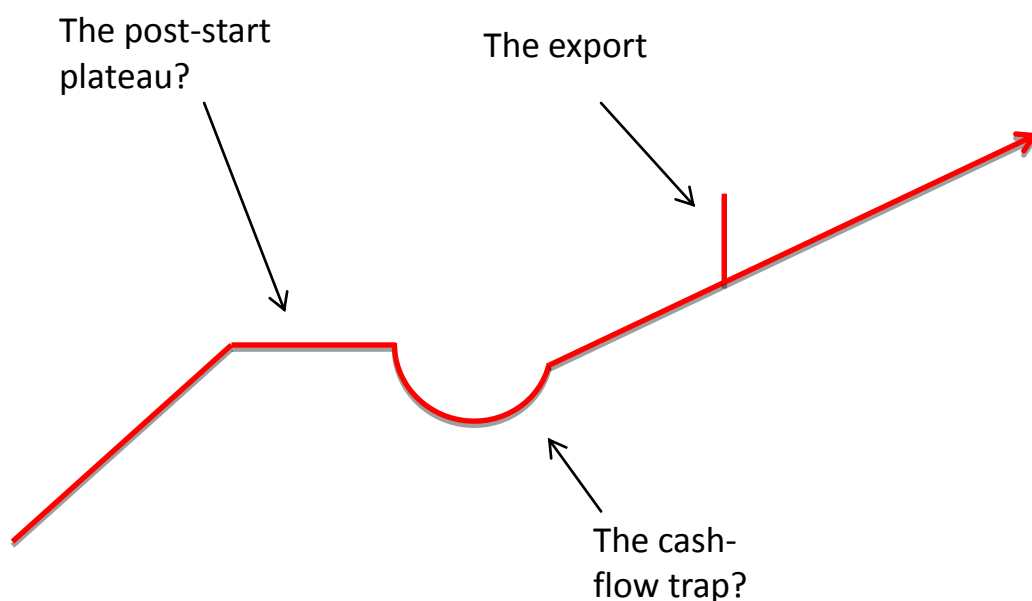


Figure 2. Nature of the path to growth (Retelling Bridge, O'Neill & Cromie, 2003, 273.)

3.3 Growth business

A second approach to explain growth is to have a closer look at the characteristics of the business itself. The characteristics will be further apportioned into firm specific categories such as ownership, legal form, age and size when looking deeper into the structure of the business and skills and performance, including its access to resources when considering management performance. These characteristics will also be later discussed on the case company level in chapter 5.3 and 5.3.1.

3.3.1 Structure

According to Storey (1994) (see Bridge, O'Neill & Cromie 2003, 281) and his review on studies of the company structure, little is known of the impact that ownership has on the growth of the business. For example, it is not known whether a subsequent owner or an owner with more than one business is more likely to succeed in growing the business, or several of them. In addition, it is not known whether a business established by a team is more likely to grow.

When emphasizing the legal form of the business, it appears that neither sole trader nor partnership is as likely to grow as a limited company. This makes sense, since a vast majority of businesses convert to limited company status at some phase of their development. Moreover, the numerous strains to convert as the company grows are continuous.

Growth firms can be found from all fields of business. However, seven out of ten growth firms operate in the service sector. When looking demographically, almost half (46%) of the growth firms are located in Uusimaa region and as a second comes in the rank of order Varsinais-Suomi, Satakunta, Häme, and few other regions from the east of Finland with a total of 36%. (Ministry of Employment and Economy 2012, 45.) It can be stated that when observing numerically, growth firms appear to centre on South- and Western Finland.

According to Storey, the size and age of the company does affect the growth of the business. Most studies conclude that small and young companies tend to grow more quickly than older and larger ones. One has to agree with the finding, after all it is important to note that when concerning a small business, a doubling in any growth parameter is much easier than when concerning a larger firm. (Bridge, O'Neill & Cromie 2003, 281.) Additionally, in the beginning many businesses will grow rapidly enabling to reach the critical mass needed to service their market efficiently, and hereafter plateau (see Figure 2). According to a review by Ministry of Employment and Economy, one third of growth companies are less than five years old, and 54 % are less than 10 years old, whereas only 10 % of growth firms are older than 25 years (Ministry of Employment and Economy 2012, 37). This is further defined in chart 1. Growth firms on average are younger, but also smaller than other companies. (Ministry of Employment and Economy 2012 37.)

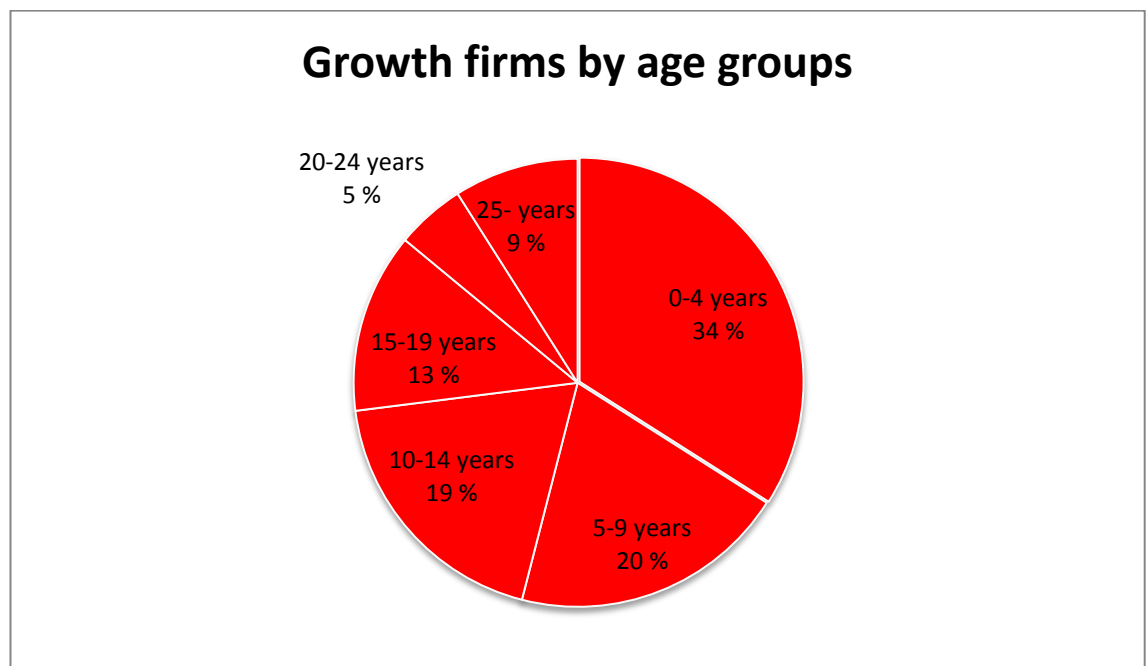


Figure 3. Growth firms by age groups (Retelling Ministry of Employment and Economy 2012, 39.)

In general, none of these structural factors indicates the ambitions or goals exhibited by a firm's owners and managers with sufficient lucidity, and therefore

are very limited value for policy purposes. Therefore, we will look deeper into the other firm specific characteristics of the business.

3.3.2 Management

Management performance is the second category of firm-specific characteristics. As seen by many people, the owner and his or her management team are responsible for the motivation and ability of a firm to grow. It can also be recognized, that a company's growth is related to its performance in the marketplace. Especially decisions affecting market development, such as rational decisions about the company's products or services, have a clear relation to the business performance. (Bridge, O'Neill & Cromie 2003, 282.) To be able to grow, the company's management needs to have the skills to plan and to implement the company's growth both in the strategic and in the operational level. According to an annual report by European Observatory for SMEs (see Bridge, O'Neill & Cromie 2003, 282), smaller businesses have a frailty in their management skills. This type of weaknesses was for example lack of strategic marketing approaches which led to weak market orientation, and operating in small segmented markets. The steep and intractable access to financial markets and low equity / debt ratio were explicated as a failure of management inadequacy as well, since they have not been successful enough in searching sources, building networks, controlling and drawing a suitable business plan.

Storey has summarized (see Bridge, O'Neill & Cromie 2003, 282) the impacts of company specific characteristics which can be seen to affect the performance of management team. These characteristics are: management recruitment and training, workforce training, technological sophistication, market positioning, market adjustments, planning, new product introduction, customer concentration, exporting in terms of information and advice, and external equity. Some of these factors, that are regarded to constitute good management by tradition, are not yet established to correlate with growth in business. Though, three aspects of management, that are market positioning, new products and

management recruitment, have been suggested to be most closely linked with growth, as opposed to size. (Bridge, O'Neill & Cromie 2003, 282.)

Three aspects of management linked to growth

It can be argued, that market positioning, which determines the business' niche, is related to growth success. The most important decisions for any business, is to define its market and where the company perceives itself to be in relation to its competitors. The precise definition might be difficult, and therefore market positioning can help: it helps to build the concept of who are the customers, competitive advantage, product and service range, and the role of quality, service and price, all very important issues for the management to illuminate. If these factors are not to be clarified, the business's ability to take corrective actions if something goes wrong will be limited and it will hinder the growth. (Bridge, O'Neill & Cromie 2003, 282-285.)

The development and introduction of new products is closely related to market positioning. It has been argued, that new product introduction would have influence on faster growth, but it is by no means conclusive evidence. The new products introduction is more to be seen as a part of the process of innovation, which again is seen as an engine driving continued growth in much of the literature. Nevertheless, innovations are often limited to development by affiliation of new techniques. Therefore a definite conclusion cannot be established. However, OECD expresses a general view on the fact that a businessman's attitude, which is determined by his knowledge and practice but also by the same factors in his management team, to use new technologies to increase or ensure the level of competitiveness, appears to be remarkably considerable. (Bridge, O'Neill & Cromie 2003, 283.)

As a company grows, logically it becomes more reliant on its management team. If the right management expertise is not acquired and the structure of the firm is not built expediently, the growth-oriented firm is in a high risk of failing to achieve their objective of growth. The internal barriers to growth have been said

to be the most hindering ones, for example not having vast or sufficient enough management team, disinclination to diminish the ownership, disinclination to take on new debt, shortage of successful innovation and preference to maintain the small size of the firm enabling easier mastering, all that highlight the observed importance of management.

One cannot diminish the importance of other company specific factors for growth, others just act more as a consequence and cause than just as causal factor. To mention few, improving margins, having a marketing strategy, competing on quality instead of prices and having tight financial and operating controls have been associated with growth by both owner-managers and several studies (Bridge, O'Neill & Cromie 2003, 285). It has been also argued, that common factors restricting the growth would be finance, labor and labors skills and market situation. These factors would affect as large number of SMEs as 50%. However, it is the entrepreneurs strategies adopted and characteristics that she or he has that mainly determine the growth of the small business. Size, location, sector and other company characteristics alike seem to have a minor emphasis on the growth, whereas skills, values and motivations of the entrepreneur and strategies concerning innovations, marketing and market research seem to have a much greater impact in small companies.

3.3.3 Possible steps towards growth

The questions regarding company growth are burning issues. To grow, the entrepreneur must possess adequate know-how both on running the business and of the sector of business, and in addition possess resources capable enough and know-how for further development. The SME's have to focus their limited both financial and other resources in the best possible way in order to accomplish a competitive edge and in order to assure both the short and long term growth. Effective resource allocation equals first class and systematic creation and development of growth strategies. Some extremely important skills for a growth company are to be a learning organization, be innovative,

networking and complexity and to have the intrapreneurship. (Ministry of Employment and Economy 2012, 14.)

Often an entrepreneur seeking growth has already gained previous management and entrepreneur experience. Moreover, expansionary companies often tend to already start from a larger base: several founder members – entrepreneurs, more capital and employees and the company takes advantage of several networks. It is all about seeing new possibilities and acting accordingly. (Halttunen 2006, 132-134.)

3.3.4 Importance to national economy

The dynamics of the national economy requires innovations and productivity, which is growth company. These innovations and productivity are extremely important sources for the growth of national economy and they produce additional economic value. In addition, growth derives to better profitability and gaining a competitive position, which then again has an impact on employment. Without companies seeking growth the economy turns into recession inevitably. (Halttunen 2006, 132-134.)

The productivity and innovations will take center stage in the Finnish national economy when population ages and age groups decrease. Keeping the growth stable and the competition ongoing, the productivity and innovations are going to address a significant position. If a company is able to expand its business cost-effectively within competitive markets, it is likely to have a direct positive effect to the national productivity. Indirect effect on productivity comes along with corporate structure renewal, increased competition and externality, which can be hard to recognize, but are the most important single reason for favoring growth-oriented entrepreneurship. (Ministry of Employment and Economy 2012, 23.)

The literature on growth underlines the selectivity and incentives of private enterprise. However, only growth on SMEs strengthens the economic growth with innovation activity. It has also been mentioned in various sources, that too

rare European wide SME's seek growth. Moreover, in the literature the problem in the definition of link between the private enterprise and economic growth is that there are not enough of unequivocal indicators to measure the efficacy nor is the correspondences direction known. Only the positive link between those two is known to exist.

Extremely important for the national economy at the moment is to assure a favorable environment both for the business activities and for establishing new businesses, whereby more and more private enterprises are born. (Ministry of Finance, 2009, 23.) However, major improvement can be seen to take place in Finland within the past decade in the field of growth companies and entrepreneurial environment. The subject still remains as a hot topic among the politicians. Compared to rival countries Finland's position has not substantially improved since other countries upgrade their position in tandem. (Ministry of Employment and Economy 2012, 15.)

The ongoing global economic crisis has affected the growth companies in Finland less than anticipated. The number of new start-ups has decreased and the amount of older companies facing bankruptcy, but not as much as in Norway and Denmark for example. (Ministry of Employment and Economy 2012, 15.) According to the World Bank Finland is the 11th best country to run a business and 39th in the viewpoint of establishing a business, whereas for example Sweden was 14th and 46th respectively (Ministry of Employment and Economy 2012, 16), thereby at least the prerequisites are in order.

3.3.5 Resources and strengths

Behind a company's growth are the ability, desire and potential to grow. A business can grow only if the entrepreneur is willing to enhance his or her business. Furthermore, behind the willingness for growth lies the experiences of the owner of the meaningfulness and rewards it provides. Firms seeking growth are said to be more skillful and capable than companies not seeking growth, whereas alternatively firms seeking growth are said to have more problems with legislation and finance. At best, a company seeking growth

and increasing its resources should concentrate on both exploitation and exploration. When executed simultaneously, it will place additional pressure on the management and development of the organization.

After a rapid growth has taken place and a high level has been achieved, the firm continues the growth or remains in the reached level along with the enterprise dynamics. Therefore it can be stated, that growth firms are not shooting stars: they do not just grow and then contract faster than others. (Ministry of Employment and Economy 2012, 30.)

3.3.6 Challenges and risks

The low number of growth companies and their reluctance to growth has concrete reasons, in which the availability of financing for the growth is significant. The risks in growth aspiration rise both from the actions the company makes and from the changes in the operating environment. They should be identified and judged from the very beginning, since they might change quickly. Risks within the company are various, such as not being able to find a person into key tasks, some of the key persons leaving the firm or a failure in the prototype resulting delay in launching. The operating environment can become risky when sales are substantially lower than anticipated, if suppliers faces troubles and therefore cannot supply. Moreover, if the competitors provide alternative and cheaper services, it can easily take a form of a risk. In addition to these factors, private enterprises taking high risks have not recently been favored by the overall private enterprise climate in Finland. Furthermore, the intents to grow are constrained by the overemphasized careful attitude towards failures. (McKinsey & Company 2000, 124.)

3.4 The external environment

The impact of external strictures and factors to the owner-manager and to the business is another approach by which to explain and comprehend the growth. Such are macro-economic variables as aggregate demand, taxation, regulations, labor market skills and labor relations, and in addition regional and

sector specific aspects such as product or service and market competition, government assistance, location, and the availability of information, help to understand the complexity of a growth business. (Bridge, O'Neill & Cromie 2003, 285.)

3.4.1 Macro-economic variables

Red tape, also known as the government's policies, on such as demand, taxation, interest rates and public spending have a considerable impact on the trading performance of small businesses. In fact, government policies on these areas denote for encouragement of individuals and organizations for a change in their behavior. It is clear that administrative and legislative encumbrances impede a firm's growth, but to what extent, remains unclear. Skilled and quality labor seems to be a common problem in many OECD member countries, albeit the causality, whether the problem is in the supply or in the demand side, cannot be confirmed. (Bridge, O'Neill & Cromie 2003, 286.)

3.4.2 Sector

From a policy perspective, too much dependency cannot be rest on the fulfillment of a specific sector on growth, since the performance within a sector varies to a much greater extent than across sectors. However, sectoral studies apply the limitations and opportunities of the specific sector; encourage small businesses to cooperate with large firms, possibly ensued by small firm growth. Large firms can both provide assistance in terms of management and technological support or strategic partnership, or vice versa it can hinder the small firm growth by using their edge in the marketplace, by acquisitions, controlling the intellectual property, extending the credit deliberately and behavior akin to monopolistic practices. (Bridge, O'Neill & Cromie 2003, 286.)

3.4.3 Competition

According to Porter, greater competitiveness in an industry's home market can lead to stronger export performance and growth (see Bridge, O'Neill & Cromie,

2003 287). It may seem obvious, that in any market, the fewer competitors you have the greater market share one will dominate. However, determine competitiveness of a sector or market can be rather challenging, and therefore no correlation between growth and competition has been established. Factors such as economies of scale, differentiation in the products and in the market, transportation costs, relative importance of firms of different size operating in the market, make a great influence. (Bridge, O'Neill & Cromie 2003, 286.)

3.4.4 Location

The decision on where to set up the business location is highly significant, it can make or break your business. Choosing a business location is perhaps the most important decision a small business owner or startup will make, so it requires precise planning and research. When deciding the business location the company has to take into account several factors such as economic environment in financial climate, unemployment, rents, and the proximity to the markets, the availability of experts and specialized skills, juridical environment when it comes to taxes and liability legislation and political environment in regulation and ownership protection. It also involves looking at demographics, assessing your supply chain, scoping the competition, staying on budget, understanding state laws, and much more. (McKinsey & Company 2000, 91.)

3.5 Theories of growth in SMEs

Stages of organizational growth

Many researches and models on small businesses have been conducted by various researchers (J.W. McGuire, W.W. Rostow, L.L. Steinmetz, C.R. Christensen & B.R. Scott, L. Greiner) over the past 20 years regarding the stages of corporate growth. They all use common dimensions, the size of the business as one and stage of growth or the company maturity as second dimension. (Churchill & Lewis 1983, 6.) Out of these researchers, this thesis will concentrate on the proposition of Larry Greiner.

According to Greiner and his vision of stages of organizational growth (1972), business organizations run through five phases of growth on their way from small and young into large and mature business in terms of employees and sales. In Greiner Curve, as Greiner's Five stages of organizational growth is also referred, the phases are separated from the previous phase by progress and there is crisis or revolution before each upsurge to the next phase. Every phase has a specific managerial style that it is characterized by, and each crisis or revolutions between these phases are characterized by a prevailing management problem the company faces. (Churchill & Lewis 1983, 6.) These phases and revolutions are explicated in the figure below (Figure 4).

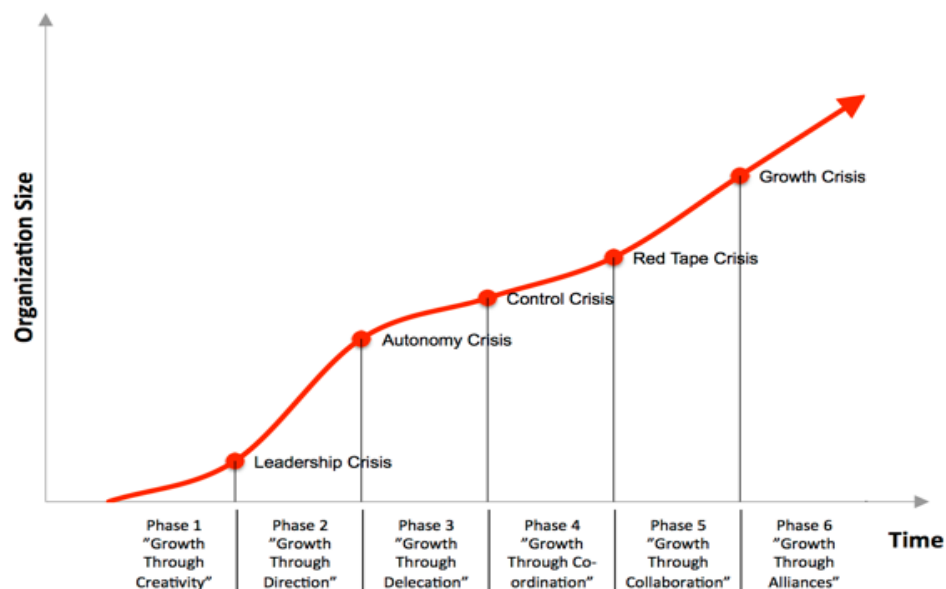


Figure 4. Greiner Curve by Larry Greiner (1972) (Retelling Churchill & Lewis 1983, 3.)

According to Greiner in phase 1 the growth occurs through creativity. There are only few people in the company sharing their experience, knowledge and all relevant information. This creative custom is typical for start-ups. The crisis in the first phase concern mostly leadership. When the company grows, organizational structures become increasingly important.

In the second phase growth occurs through direction, since the company has already gained some organizational structures and thereby allocating the work to certain people. Directives and control are usually highlighted at this phase. Possible crisis occur among autonomy and substantial workloads for the management team.

Third stage is all about delegation. Managements delegate functions and authorities to employees and departments develop their own dynamics. At that point controlling the activities of departments is extremely important, otherwise the original company-goal might be forgotten, and the departments might unintentionally destroy other employees' efforts.

In fourth stage the company experiences growth through co-ordination where projects and tasks are coordinated between all of the employees and departments. Here, the red tape is the challenge, since high level of bureaucracy can follow from the coordination.

In the fifth, the last phase, the growth occurs through alliances and collaboration. At this point, the co-operation from phase fours is so well organized, that effective working should take place in any matter. However, growth companies hardly ever find it easy to grow, and therefore crisis consider growth in overall in this phase. (Heinonen, L. 2010. Innovation and new venture creation, lecture on stages of growth; Churchill & Lewis 1983, 1, 6.)

4 RESEARCH METHODS

4.1 Literature part

The literature part of the study was formed by qualitative research methods to thoroughly scrutinize family businesses and SME growth in this particular company. The process has forced the author to apply her mind to the sphere of operations of family SMEs and their growth, involving reading of several books, journals, scientific articles and studies to gain a broader view on the topic and to be able to present the phenomenon.

Reliability, validity and limitations

The reliability of data found in this body of work could be open to much debate since both primary data such as reports, theses and scientific articles, emails and interviews as well as secondary data such as books, journals, and newspapers were used. However, when conducting this body of work, the author has tried to look for multiple sources to maximize the trustfulness of the information and thereby strengthen the reliability of this research.

In this particular thesis, the validity of data used is rather high since the author of this paragraph, who is currently working for the company, has done her best to keep her own interest out of this work. All information concerning the company is from interviews of the owner-couple, and follow-up data received while working in the company. Moreover, the theories are well known and based on secondary data that is fact, and therefore should not be underestimated.

4.2 Case Kotimaailma

Qualitative methods were used in terms of research methods in the case study “Kotimaailma Apartments”. The starting point for qualitative research is to illustrate true life. Since the idea of this thesis was to examine family business

and small company growth, it was natural to choose the qualitative methods in terms of face-to-face interviews.

4.2.1 Data Collection

The data collected for my thesis was done by using the qualitative method research process. This was chosen because the number of personnel of the research subject was not large enough for creation of a quantitative methodology. Moreover, reality is often complex, and cannot be divided into parts. Therefore, it was crucial to examine the research subject as comprehensively as possible and to find multi-directional relations and such affecting each other's. If the research would have been conducted with quantitative methods the responses would most likely not have been as in-depth as they were now when qualitative methods were used.

Majority of the primary data collected for my thesis was conducted through semi-structured and unstructured face-to-face interviews with the owner-manager couple for the case part. For the theory part I used secondary data. To maximize the diversity and quality of the interviews and to avoid the negative influence, the interviews were conducted in Finnish. (Saunders etc. 2007, 389-391.)

4.2.2 Interviews

The qualitative statement for this particular thesis was gathered by interviewing the owner-manager couple of case company Kotimaailma Apartments during the autumn of 2012 (30.11.2012) and alongside the authors work. The questions were formed around the family owned growth SME-related aspects found in the theoretical framework. When collecting data in a qualitative research method, the concept of saturation can be used as help. Saturation refers to sufficiency, and denotes for the procedure, in which the interviewer can begin and continue with the interviews until no added value in the perspective of research question is provided. (Hirsijärvi et al. 2009, 177.)

The two interviews conducted to Hans Ekholm and Mirja Haataja, the owner-manager couple of Kotimaailma Apartments, were a mix of semi-structured and unstructured interviews. The author of this thesis had planned a questionnaire that was used as a base for the interviews for ensuring all requisite topics would be covered. Moreover, additional questions were presented for the interviewee based on the discussions between the interviewees and the interviewer. Both of the interviews were recorded with the permission of the interviewee to maximize the amount of information received. This enabled the author of this thesis to make straight quotes and to analyze the answers thoroughly. Despite the permission of the interviewees, the recording could have made them hesitate their responses or leave something unsaid. Therefore, it has to be said, that the recording of the interviews could possibly have had a slight influence on the quality and reliability of the answers and therefore should be noted when analyzing the answers. (Saunders etc. 2007, 393-394.)

The additional value the interviews provided to this thesis was tremendous. The researcher has been working for the company for somewhat a year, and has gained great amount of data in the day-to-day operations and made a lot of remarks and notes in the process, that could have been used as a source in this thesis. However, this might have impacted the results and the validity of the paragraph could have suffered and therefore interviewing the owner-manager couple was seen as the best possible option. The fact that the interview was semi-structured and unstructured helped the researcher to apply the responses and the respondents had a possibility to specify his or her answer.

4.3 Reliability, validity and limitations

The reliability of the research is high, since the results would not transmute greatly if the study would be repeated in a matter of few years from now. The company remains as a family business and the growth is inevitable for the company. Some changes may occur, but the author is certain that the grounds of this company, on which the study is also based, will remain somewhat same. As mentioned earlier, the author of this thesis is working for the case company

Kotimaailma Apartments, and this could have affected the analysis and thereby the validity of the research. However, the main data was gathered through interviews as primary data which improves the validity. Some limitations in terms of interviews should be taken into account when analyzing the reliability of the study. For example, they are time-consuming and might lead to too in-depth analyses if not conducted well, and also the environment where the interviews are conducted and the language used, Finnish versus English, can affect the results. For example, the interviews were conducted in a familiar place, at the company's office in Turku, to minimize the extraneous factors such as unfamiliar surroundings that might have affected the answers.

5 CASE COMPANY KOTIMAAILMA SUOMI OY

5.1 Case company description



Kotimaailma Suomi Oy functions in an apartment hotel industry, renting fully furnished apartments. This research was commenced at the instance of Kotimaailma Apartments and the CEO of the company Hans Ekholm.



Picture 1. Kotimaailma Apartments' apartment in Etu-Töölö, Helsinki (Kotimaailma Suomi Oy's marketing material).

Kotimaailma was founded in February 2007 (Kauppalehti, yrityshaku, 11.10.2012) initially for investment activities and therefore limited company was the most reasonable form of business regarding the turnover and incomes.

(Hans Ekholm, personal consultancy.) As stated in the chapter 3.3.1, it appears that neither sole trader nor partnership is as likely to grow, and if seeking to be a growth company, the turnover is expected to grow as well. Limited company also creates a certain security for the owners and is the most agreeable in terms of capital gains tax. Thereby limited company was and still is the most logical company form for Kotimaailma.

However, the investment activity among Kotimaailma did not last long due to the approaching depression that affected considerably the real-estate market and the owners faced a situation where they had tens of apartments that did not sell regardless of their five-star luxury condition after a total makeover. To get the apartments from great apartment buildings and from great locations into this resplendent condition and to sell, they needed decorators, plumbers, electricians and others to renovate them. These working men were hired from Turku area, to Tampere city center, and thus they needed a place to stay while fixing apartments. That aroused a cost-effective idea to accommodate the workers in some of the apartments. As stated in the chapter 2.3.4, family businesses are well known for their effective spending and keeping a good track of their money. This applies to Kotimaailma directly. The first version of what is later known as Kotimaailma Apartments was when those workers were living in another city due to their work and needed a place to stay.



Picture 2. Kotimaailma Apartments' apartment in Martti, Turku (Kotimaailma Suomi Oy's marketing material).



Picture 3. Kotimaailma Apartments' apartment in Ullanlinna, Helsinki (Kotimaailma Suomi Oy's marketing material).

Those luxuriously renovated apartments had in the beginning only the necessities in terms of furniture, but when these apartments were to be sold, they could not be shown in that state of furnishings. This was the time when styling started to arrive into Finland, and the owners saw a potentiality in it. During autumn 2007 the owner couple realized they had several apartments in great locations both in Turku and Tampere. These apartments were fully furnished from kitchen wear to sheets and towels, and they already had guests staying in them due to their work in another town. This created an idea to commercialize these operations into wider use for private enterprises. The share of total revenue is approximately 90%, the rest of the turnover comes from the accommodation broker operations of Vuokramaailma. (Hans Ekholm, personal consultancy.)

5.2 Family Business

As mentioned in the theoretical framework, establishing family businesses and entrepreneurship often runs in the family. So is the case with Hans Ekholm, the CEO of the company, who has personal background in family business for generations. He has also already established one accommodation agency in terms of a family business and therefore Kotimaailma came in as a natural next step in balancing family, business and ownership.

Family's effect on the business is major and the same is stated by the owner couple. The fact that one can trust and knows the partner and both of them have equal future goals and everything is planned and executed hand in hand is ideal. (Mirja Haataja, personal consultancy.) This brings stability and patient commitment to the business, both very common factors to a family business as stated in the chapter 2.3.1 in the theoretical framework.

“When a family works together, it works for the family’s best and the goals of the company are also goals of the family, this way the family benefits from working together”,

states Ekholm (personal consultancy). The company and the private sector are thereby bonded and married. The owner-couple mentions, that combining family and business has benefited them enormously. That is added value both for the couple, the company and the economy, as explained in the chapter 2.3.4. However, the CEO notes that some learning has had to take place, and there are pros and cons in combining these two, but all in all there are more positive factors than what there are negative. Ekholm has knowledge of these pros and cons of combining family and business, due to long tradition in family and since he has grown up in such.

Regardless to the rigors of the economic situation Kotimaailma has been able to keep its market positions and even broaden its product planning and supply. Moreover, the company has been able to provide employment to five new people within 2012. This amount resembles a third of the workforce in Kotimaailma, and states the great position of the company whereas many companies are forced to cut down costs by discharging workforce. As stated in the chapter 2.1, family businesses provide employment cost-effectively. Regardless to its size, all family enterprises are ranked higher than firms owned by other means when it comes to ratio of providing employment to net sales. Maybe the family business factor is the reason why Kotimaailma Apartments has done so greatly where others suffer in these harsh economic times. However, it should be stated that the economic decline has had its influence on the case company as well, and in the near future no big investments are planned and the aim is to economize where and when possible. Additionally, the family businesses have gained a negative image in labor markets during the past few years. This can be explained with the economic situation and possible favoring of family over outsider in recruiting process, but is still alerting after the long fine history of family businesses described in chapter 2.1.

5.2.1 Values as objective

As we have seen in the part 2.3.2, family businesses are most importantly known for values that they stand for and their responsibility. Those make the

family business differ from a non-family business, and the same applies to the case company. The commitment of the employees and the owners of a family business are further discussed in the chapters 2.3.4 and 2.4. In Kotimaailma, every one of the employees takes full responsibility and stand behind their actions. Each and everyone in the company are committed to their tasks and for bringing stability in the constantly changing environment. The values of the company become the values of the devoted employees. This statement goes hand in hand with the theory presented in the theoretical framework.

The decision to continue the family's tradition in terms of being one's own master in working life was easy to make for Ekholm, accordingly

“There was no second thoughts about establishing a family business after growing in a family where it has been more common to be an entrepreneur than to work for someone outside the family, it runs in the family” (Hans Ekholm, personal consultancy).

The common goals, values, aims and the fact that Haataja and Ekholm truly know the business associate since also partners in private lives and have four children together, creating additional dependability, where few of the factors that sealed the idea of establishing a business together. These factors can be seen to correlate with the theory parts in chapters 2.1.1 in the three-circle model and in 2.3.1 Family's effect on the business.

In the three-circle model in chapter 2.1.1, it is stated that ownership is the fact that separates family businesses from non-family businesses. This is reality in Kotimaailma Apartments as well. Decision-making is not far away and multilevel, but can happen quickly and effectively in the small but dynamic work community.

The Table 1. in chapter 2.3.1 defines the Five dimensions of family orientation: tradition, stability, loyalty, trust, and interdependency (Lumpkin & Martin & Vaughn 2008, according to Elo-Pärssinen & Talvitie 2010, 46) and here they will be characterized and related to the business.

When looking from the case company perspective, the traditions in terms of rituals and shared history haven't yet taken over too much due to the young age of the company. However, a link can be found in role-expectations, since the company is managed and owned by two family members. In addition Ekholm has been somewhat more responsible of the day-to-day decision making so far, since Haataja has been more of a stay-at-home mother for the past few years. Therefore some role expectations could have occurred between the owner-managers. Nevertheless, the futurist schemes have always been made together.

Since Kotimaailma is a small but constantly growing business, there cannot be found much resistance to change. Therefore the stability of the enterprise and the continuity of the family business can be said to be good. According to the owner couple there are no discords between them, so they have definitely found the perfect balance. The continuity of the company looks promising, the service is well functioning and the owner-managers seem to have a great vision and enthusiasm for the steady but aggressive build-up. (Mirja Haataja, personal consultancy.)

When interviewing the owner-managers, it seemed like the loyalty in the family business was the main occasion for Kotimaailma. The couple states, that they have a common interest for the common property and therefore the sense of duty should not be challenged. (Hans Ekholm, personal consultancy.) It is clear that both of the family members are committed to the company and its workers, as named in the chapter 2.3.1 as characteristics of loyalty.

Trust among the workers and the management of the company is well managed. All of the employees are equally-balanced and fairly treated. Confidential issues such as future scenarios or new service or product planning are shared to a reasonable extent, which creates a feeling of trust.

Most of the owners of a family business presumably have an emotional bond to their business, a dependency. Based on these strong bonds, family members try to achieve their own and company's goals with the help of the close support

of the family members. Moreover, when the employees of Kotimaailma all work together for the common good, a sense of solidarity occurs that rests on same type of interdependence as between family members.

5.2.2 Theories of family businesses

As we have seen in the chapter 2.4, there are multiple theories of family businesses, some more apposite to a small family business than others. When analyzing the interviews of Ekholm and Haataja, and comparing the data to theory it can be stated that Kotimaailma has features of almost each model and theory. Trust as an intermediary between the sources and the output is an apparent factor in a family business like Kotimaailma and thereby Social Capital Theory (see chapter 2.4), where trust is a key concept, can be said to be notable among other theories. Resource Based Theory resorts to familiness, the competitive distinction between family and non-family firms. This can additionally be applied to Kotimaailma, since it has plenty of quiet knowledge and skills which explains some of its success. What comes to Family Capital Model, we can agree that the theory applies to the company, since it is based on the Resource Based Theory and Social Capital Theory and thereby the previously mentioned factors already apply to the case company. Moreover, it states that the family business has unique and versatile manner of organizing, governing and leading the company, which goes hand in hand with Kotimaailma. The atmosphere in the company is creative but organized, free yet somewhat in order, and most importantly supportive. In addition to these models, the Stewardship Theory can also be said to apply. This is because Kotimaailma Apartments is a first generation family business and the ownership and the management rest in the same hands of the owner-couple. The company also has the required long-term commitment peculiar to a family business according to the Stewardship Theory. In the first steps of this survey, the author was convinced that the Agency Theory would be worth a deeper review, but eventually came into conclusion, that it does affect more large and medium sized family businesses with divergent than small ones, which is the case of Kotimaailma Apartments.

5.3 Growth company

As mentioned earlier, the company started out of investment activities. However, shortly after the company faced a situation where the apartments did not sell as previously, and this “dead end” enabled the couple to start providing accommodation services in their apartments, some of them already used in that sense by the workers renovating new apartments for the owners. When the owner-couple had found the niche, the various marketing channels such as Google AdWords, which still remains as the principal marketing channel, and advertising in journals such as Turun Sanomat, Kaleva and Aamulehti started to generate a clientele in Turku, Oulu and Tampere and Jyväskylä. The early marketing strategy, improvement of margins and tight financial and operational controls were established, all common company specific factors affecting growth on small businesses, as mentioned in the theory part 3.4.

The growth of the company for the past five years has been more or less learning, acquiring resources, tools and the know-how, but not forgetting the product development. As stated in the theory part, the first five years of business usually reveal the “do-or-die” decision making for you, whether there is any point in running the business. Luckily it can be stated, that Kotimaailma is now in a point where that critical first 5 year-period has been overcome, and the first major challenges are pulled through.

“The company started from zero, has already faced two recessions within the first five years and still has achieved aggressive growth throughout the years”

As Ekholm specified, some difficulties have occurred throughout the years. In the first years of business, 2008-2009, there were some difficulties with personnel, but after that not worth mentioning. Moreover, difficulties with financing in late 2010 due to the economic crisis could have been fatal, but Haataja and Ekholm didn't see the situation as too black and white and were encouraged to continue as typical to growth and family businesses. In addition, the company has been growing with a growth rate of 50 % per annum, and therefore the current system, intranet, has not been able to follow with the same

pace. For the time being, it is falling apart at the seams. What comes to premises, no problems worth mentioning have occurred since there has been a lot more availability on the market in terms of business premises due to recession throughout the years. Thereby quite the contrary has occurred and the company has been able to determine their central, yet easy to access and visible, location according to their will in all four cities.

It has to be mentioned, that if parallel to the definitions of a growth company in chapter 3.1.1, Kotimaailma cannot be seen as a growth company according to all the definitions. For example the definition by Liukko, Airola, Ilomäki, Mikkola, Simons & Pohto (2006, 19) states that the growth has had to occur annually for the past five to ten years with the current owner, regardless to the economy and the growth should have been more aggressive than among competitors. This is quite a list to compete, and requires extremely aggressive growth to maintain all the factors required. In comparison, Storey (see chapter 3.1.1) has suggested a definition for growth requiring improved profitability, greater turnover, and increase in employment. Obviously, this is not as high-flown requirements to be defined as a growth company as the previous definition and which Kotimaailma Apartments does fulfill. However, it should be clear that Kotimaailma is definitely a growth company by many people's vision.

5.3.1 Why to grow and dimensions of growth

The company is going to fête its 6th year of operation during next spring, and according to the owner-couple, the company is now in a point where the first great first challenges have been defeated and it is time for new challenges and development step in terms of growth. We could argue that if measured in phases of organizational steps by Larry Greiner in 1972, discussed in chapter 3.5, Kotimaailma is now in a phase of transferring from stage 1 to stage 2, where the growth occurs through direction whereas it has been occurring through creativity in the first phase. Kotimaailma has evolved from employing only few people into a company with more than 15 employees nationwide and more to come. Experiences, knowledge and relevant issues are still discussed

among employees, but little by little some directives and control are coming to assist the daily routine. There hasn't really been crisis with the leadership point of view, since Ekholm is experienced in directorship and Haataja and Ekholm are leading Kotimaailma together with some additional advisory services. However, the company is in a point where if it continues to grow and the management and workload it brings along is not spread out, it will be an extremely high workload for one or two persons to handle. At the moment Haataja and Ekholm handle nearly everything in the company. Within the past few months Ekholm has made an apposite remark: "The most important task for the owner-manager is to make oneself redundant" (Hans Ekholm, personal consultancy). When this is fulfilled, the owner-managers can truly concentrate on the management and engineering the growth of Kotimaailma Apartments and not to be part in each and every conversation occurring between the customers and employees. This step, finding the right personnel into the key tasks is one of the challenges of both family and growth businesses as stated in chapter 3.3.6. Ekholm is clearly excited about the future of the company and according to his vision the business is still in its inception. In his outlook, a lot of challenges are to be faced during the next five year –phase. However, they are familiar challenges from the past, and in overall he is positive about the future growth plans. Now it is the time to apply the resources acquired so far. (Hans Ekholm, personal consultancy.)

According to Ekholm, Kotimaailma has reached 20-25% of its potential, if parallel to his vision of Finland being a country of somewhat 20 cities covered by Kotimaailma operations some day (Kauppalehti, 10.2.2009). Nevertheless, the company is in its second phase of actions, and more is to come. If we look more detailed into the explanations of the phases and the features growth has in different phases we can definitely see correspondence with the case company and the theoretical framework in chapter 3.5. We can even establish congruence in the different crisis and revolutions, which validates the author's belief of the company's current position regarding its growth.

It seems as Kotimaailma Apartments is in a very peculiar position vis-à-vis to other family businesses, when comparing to an article about family businesses' well-being in Kauppalehti (3.12.2012). Accordingly, 94 % of Finnish family businesses anticipate growth within the next five years, which goes hand in hand with Kotimaailma. (Kauppalehti, 3.12.2012.) Moreover, the report conducted by PWC-chain (PricewaterhouseCoopers Oy) states, that according to Finnish respondents the major problems in the future will be recruiting of skillful human resources, the overall economic situation and the call for continuous innovation. These will most likely be the challenges of Kotimaailma Apartments too along its growth. Both the article and the person interviewed for the article, Markku Tynjälä, Partner and Private Company Services Leader in PWC, agree that even though the market environment has become overly challenging in many fields of business, there are many possibilities in the field of services (Kauppalehti, 3.12.2012). Moreover, as stated in the theory of growth companies in chapter 3.3.1, seven out of ten growth firms operate in the service sector. Therefore current and possible future competitors should be kept in mind. Additionally, as mentioned in the theory part, growth companies tend to have a superior possibility to survive when comparing to slowly growing or no-growth and static companies as mentioned in the chapter 3.1.2. These factors bring additional trust to the future of Kotimaailma which is strongly based on the service industry and growth.

5.4 SWOT analysis of Kotimaailma Apartments

<p>Strengths:</p> <ul style="list-style-type: none"> - quality of product/service - reputation among customers / customer loyalty - location in city centers close to the apartments - owner-managers know-how on apartment rental business - technological skills - distribution channels - Innovative service that adds value (KotiRaha) 	<p>Weaknesses:</p> <ul style="list-style-type: none"> - minor conflicts with residents in the apartment buildings - third-party's possible failure (cleaning, supplier, intranet) - small company which is still learning - lack of awareness on use of the apartment in some cases - the overall responsibility is too much for the owner couple if constantly growing?
<p>Opportunities:</p> <ul style="list-style-type: none"> - high potential for growth - arrival of advanced intranet - unfulfilled customer needs (breakfast, transportation) - changes in government politics (television license fee → public broadcasting tax) - social media & new technologies (file hosting services) - a variety of customer tastes - new distribution channels - productization / product & service development 	<p>Threats:</p> <ul style="list-style-type: none"> - substitute services (new competitors / olds are improving their supply) - -economic slowdown reducing demand - shifts in consumer preferences - tax increases

5.4.1 Discussion on the SWOT

The main weaknesses the company has are mainly involved with third-parties and their supply, which could be turned into strengths when the company grows and can start to provide those services by themselves perhaps. Other weaknesses mentioned in the SWOT analysis are not as major and considerable as the ones already mentioned. For example minor conflicts with residents of the buildings where Kotimaailma operates, are more conflicts with the overall field of accommodation services than particularly with Kotimaailma.

The company has great central locations for its offices in each city where it operates, in Turku, Helsinki, Tampere and Oulu. Thereby the employees are close to the apartments if their guidance is needed by someone accommodating in the apartments and they are most importantly easily accessible by the customers. Moreover, the company has a great potential to grow and there are still many customer needs to be fulfilled, creating a niche for many additional innovative services, some of them already taken into practice. However, when shifting in to the new five year –period, it should be remembered that the workload and the responsibility grows along the company, and at some point will be too much to handle for one or two in charge of everything.

The overall market is rather new outside the metropolitan area, and therefore competition for market shares may toughen within the near future nationwide. The possible new intranet or reservation system that will synchronize with the accounts receivables and payables will expedite the daily functions of the employees and communication between offices will be much more straightforward. A variety of new technologies that have been adopted in Kotimaailma, like the usage of Dropbox file hosting service, have helped the office-to-office co-operation as well. In addition online advertising, social media etc. have had a powerful affect in marketing and recruitment processes. Moreover, the exit of the television license fee and the introduction of the new public broadcasting fee in the beginning of the year 2013 will have a pecuniary advantage since no longer it is needed to pay for the television license for each and every apartment Kotimaailma operates in. The economy has been slowing

down almost the entire time of existence of Kotimaailma, and still it has been able to grow with an annual rate of 50 %. This shows how a company seeking growth is able to contrive whereas others enter on and accept the poor economic situation. These topics will be further aggregated in the final conclusion.

5.5 Possible steps towards growth

When comparing Kotimaailma Apartments to the Figure 3 in chapter 3.3.1, Kotimaailma is one of the young companies with the age from five to nine years representing a total of 20 % of the growth companies in Finland. Majority of the growth companies are centered in the South- and Western Finland, same applying to Kotimaailma excluding its office in Oulu. In this competitive environment, the second five-year phase will be quite different from previous years according to Ekholm. A lot of improvements are involved in technique and members of staff. The next years will be about applying the knowledge and resources gained in the past five years and growing along with the outcomes.

“New challenges are mostly related to technique and employees in terms of particularizing the job descriptions” (Hans Ekholm, personal consultancy).

During the year 2013 the job descriptions will be specified, since until now it has been more or less so that everyone does all they can and have the time to, a common character for a small family business as mentioned in the theory of family businesses. Thereby the working conditions will become more admirable and each worker concentrating on a specific area of expertise will benefit the entire company and more importantly the customers. Additionally, major improvements in the software will take place in the near future. The daily work with the intranet is mainly manual and the ideal situation would be that the accounts payables and accounts receivables would cooperate with the reservation system automatically. This will be inevitable when the company seeks growth.

The owner couple states, that it is extremely important for them that the employees are satisfied. As mentioned in the chapter 2.3.6, employees of a family business often refer the company as their family business, since the owners treat their workers so well, almost like a family member. In addition the working environments of family businesses are often experienced as more flexible and inspiring than other type of businesses. These both can be said to apply in the case company completely. The owners treat their workers friendly, but still it is clear to the employees who are the bosses and have the final word. Nevertheless, the owner-couple works thus-far day-to-day in the same office in Turku as many of the employees. Even though the ideal situation lately has been that they would not be in direct contact with customers but concentrate more on the administrative tasks and work on the long-range plans, still in a situation when other workers are busy or out of reach they will guide the customers as well. All of the aforementioned factors give, as stated in the chapter 2.3.6, a competitive edge towards the non-family business competitors.

The competition in the accommodation service industry is mainly located in Helsinki and metropolitan area. Outside this area, practically speaking there is one nationwide and few local competitors in Oulu and Tampere and Turku such as Forenom, Oulu Apartments, Home's, Sofia Homes and Apartment Hotel Nallisuities, Apartment Hotel Tampere MN, Accommodation Overnight and Hotel Harriet. What comes to Helsinki area, Kotimaailma can be seen as somewhat cheap option when comparing to the competitors. (Hans Ekholm, personal consultancy.) For example according to a recent Hotel Price Index, Finland has the most expensive rate per night in "traditional" hotels in the entire Eurozone, as high as 112 Euros (Kokkola-lehti, 12.9.2012). This provides a competitive edge towards apartment hotels like Kotimaailma, that provide cheaper and more spacious options for guests in need of temporary accommodation.

Locations of the offices in Kotimaailma Apartments are all central regardless of the city. Until now, the owner-couple have been willing to concentrate on few of the biggest cities in Finland, where there is enough of demand for such a narrow niche. The company used to have an office in Jyväskylä in the first years

of business, but was quickly closed down due to the economic situation which forced the company to cut down its costs. The current offices both in Turku, Helsinki, Oulu and Tampere, are located close to the apartments and within a walking distance from all public transportation stations and thereby easy to access for the customers. Moreover, the offices are located in such places where the visibility of the windows with promotions and decals can be seen by many passers-by.

All in all, the current main strategy for Kotimaailma is to gain additional growth and be a high-quality accommodation provider offering excellent service with competitive prices. The future will retain growth, but in which terms and how will the strategic future appear, will not be further discussed due to non-disclosure agreement. However, the future does look bright for the company.

6 CONCLUSION

To conclude the findings of this particular thesis and answer to the research questions I have to state that I have simply run the rule over on the theoretical settings of family businesses and SME's growth. To clarify, growth businesses are complex and when combined with the small family business factor, it becomes even more complex. Still, these small businesses are the engines of the modern western lifestyle and economy. They are extremely vital in terms of employment and source of innovation and private enterprises. However, I can state that the results of the case company act in accordance with the theoretical framework of both family and growth firms of this thesis. After comparing numerous times the family businesses and non-family businesses, this study suggests that family businesses are at least as profitable as their non-family counterparts and they employ relatively more personnel than non-family businesses.

As being said several times, in the current economy the small and medium sized growth companies and family businesses have a significant meaning. Within my study I found out that they are to a large extent responsible of the employment in Finland, which has become more and more challenging since skillful labor is hard to find and population is ageing. Moreover, the SMEs in Finland are increasingly liable for the GDP and creating new jobs. That being said, it can be stated that they are the lifeblood of future economy in Finland. The fact that the service industry is highly underrated in terms of family businesses and small businesses in overall gives an enormous potentiality to Kotimaailma Apartments. Same applies with providing the accommodation services, which is a rarely new area of business yet has a substantial clientele and both areas have plenty of potentiality if interpreted correctly.

So, how do family businesses differ from competitors, especially from small and medium sized in their phase of growth? As I have stated in the theoretical framework of family businesses, they are referred as the backbone of the economy, and along my research I was more and more certain, that they have a unique competitive edge from combining family and business, also mentioned

as the ideology, that family business is more than just a sum of its components as also stated in the theoretical framework of family businesses.

And what about the challenges of a family business? As stated in the theory previously, it is not always just an advantage to work with your family. Family argues, stick-in-the-mud type of approach to all new, favoring a family member over an outsider of family (nepotism), financial issues such as accessing finance, tax treatments and the overall lack of entrepreneurship education in Finland are all common challenges to family firms, some of them familiar to SMEs as well. However, what I found out during this writing process both in theory and along the case company, the greatest challenge of both family businesses in overall and also for Kotimaailma is the balancing between family, business and the ownership. But when conducted well, combining these gives the competitive edge which family businesses are all about.

Another question is how these challenges of family owned growth business are overcome in Kotimaailma Apartments? To summarize, Kotimaailma has warm and compassionate owner-managers and they have the ability to control the company with confidence in employees. The skillful owner-couple has given the employees freedom along responsibility, which motivates the members of staff daily. In addition, the owners possess a clear vision on the growth of the company and they are willing to make the effort to achieve it. The activeness and innovations characteristic to small family business are present daily. Social media, electronic publishing and communication have gained more significance both in general, as well as in case company Kotimaailma that help also in overcoming challenges. The fact that the owners work in the company too makes also a great difference in the day-to-day work. However the company is still in its inception and learning phase.

All of the aforementioned factors are peculiar to a small family business, and affirm the fact that Kotimaailma Apartments is truly a family business with competitive edges that arise from the inside, and has overcome many of the challenges familiar to family firms. Also, I can conclude that Kotimaailma does fulfill the requirements of growth company stated in the theoretical section.

However, what can be concluded from the final work is that Kotimaailma Apartments is still a small family business that does suffer to some extent of its small size in great investments and regarding third parties providing services the business does not have resources for.

The current main strategy for Kotimaailma is to gain additional growth and be a high-quality accommodation provider rather than competing with price. The near future will include growth but also economies will have to take place due to the challenging economic situation worldwide. However, in which terms and how the strategic future will appear, will not be further discussed due to non-disclosure agreement. Nevertheless, according to the research, I can state that the future of Kotimaailma Apartments does look bright.

Suggestion for next step for the company and owner-managers is to pilot the next five years period and to take the necessary development steps in order to retain the current level and moreover to grow steadily. In addition, a mission would be to get a foot in the door and achieve to be a nationwide accommodation provider with pleased customers worldwide.

As a result of this research, I confirmed my trust of Kotimaailma Apartments being a company with great service and satisfied customers. All in all, the current state of Kotimaailma Apartments can be compacted in the words of the CEO:

“I have learned a lot as an employer, and together with skillful members of staff gained a position where the business performs well” (Hans Ekholm, personal consultancy).

7 IMPLICATIONS FOR FURTHER ACADEMIC RESEARCH

After simply running the rule over on the theoretical frameworks of family businesses and small business growth, I can state that not enough research has been conducted in the fields of the theoretical frameworks related to the subject. In my opinion, more education and further development should be emphasized in curricula's of all professions to guarantee a successful foundation for future entrepreneurs. This would increase the number of family entrepreneurs in Finland, the country that has been known of its blooming entrepreneurship. This would enable the policy makers and the general publics to increase their common awareness of the economic and social contribution the growth and family businesses provide.

Growth companies have been an ongoing topic from late 1990s and recently the trend in has been to shift back to the small businesses. However, the supportive resources are limited, and therefore should be applied to where most powerful. Same applies with family businesses, not too much research has been made until the recent years, and a major leap can be found in the number of articles, books, bachelor's and master's theses published during the last few years.

I can conclude that it is a matter of growing field for academic inquiry both regarding the field of small and medium sized family businesses as well as in the field of small company growth. If and when I plan to continue my studies I will definitely continue the research on the wide topic of family businesses.

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