Developing business plan of a small family-owned business

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Laurea University of Applied Sciences **Abstract**

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The idea for this thesis project started in early 2024 when the company I am a co-owner in needed an update to its business model. This idea came from my initiative but there also were others involved who thought codirectionally. The company is a small family-owned business and mainly offers warehouse space customized to customers' needs. The COVID-19 pandemic and recent Russo-Ukrainian war affected the region, we are operating in, greatly. From this rising uncertainty rose a need for developing the business. The goal was to end up with multiple suggestions for developing a business model using theories of business management. These suggestions should be actionable and practical. These suggestions could be then put into practice.

Theoretical framework is based on the Business Model Generation book by Osterwalder & Pigneur and the suggestions it gives. Business Model Canvas is in the middle of everything from analyzing the current state of the business to generating the change suggestions. SWOT analysis is also used to analyze the current state of the company and what kind of opportunities and threats the company is facing. The new business model suggestions are implemented on top of the current canvas. The evaluation and data collecting phase was done by using documents such as company's financial statements (latest and previous), opinions from professionals and evaluating the possibilities on sight.

The result was three distinctive suggestions which were all implementable alone or even all together simultaneously. The suggestions focused on diversifying the customer segments to be able to seek opportunities outside of the existing segments. These diversifications would be focused on seeking strategic alliances and customers from a different industry and/or from a different region. Another suggestion, which was already briefly discussed before the beginning of this project, was to add a new kye resource as a form of either temporary project manager or full-time chief executive officer. All the suggestions need further discussion with the whole board and decisions about the future are planned to be made later in the summer 2024.

Keywords: business model, business development, family-owned business

Contents

1 Introduction

I am a part owner of a family-owned business and I have been actively part of making decisions as a member of board since 2015. Our company mainly focuses on offering services to local industrial operators. This is where the founder's area of expertise was and that is why the focus has been there. We evidently understand how to operate locally and how to deal with industrial operators. However, recent events in last few years have changed the atmosphere in South-Eastern Finland a lot. The current atmosphere is very unsure and negative even. We have lost many advantages we had here before. Companies moving their factories somewhere else, Russian trade being almost disbanded and the towns/cities here not bring able to adapt to these turbulent times. I don't see it all negatively though. When there are big changes happening, there are also great opportunities created. You just need to look for them.

The idea of developing the business plan originally came from my initiative in 2020 when COVID-19 started. COVID affected almost everyone and for me it looked like it changed many things and prevailing mindsets. In the board meetings I tried to give ideas and what options we could investigate. This did not lead to anything then and I do understand why. During that time many businesses in Finland discontinued their operations and it caused anxiety in some board members (Veistämö 2022).

In 2022 Russo-Ukrainian war started and it, again changed everything. In South-Eastern Finland we have benefited greatly from Russian presence in the area. Russian tourists brought a lot of money and generated many new business opportunities. Same with Russian industry. Many businesses in South-Eastern Finland were dependent of Russian trade and the war stopped everything to them and quickly. (Kostiainen 2022.) We work closely with industry since we mainly offer our services to them and for that reason it could possibly affect our business as well. This concern inspired me to be more active suggesting board to re-evaluate our business plan.

Industry in general is having a huge paradigm shift right now, or this is at least how I see it. AI tools change many practices, procedures and production lines. Also, automation and AI training in it changes production lines and its efficiency. I saw this when I worked in a quite modern factory last year. It also showed me that advancements in production became quite rapid and often practical actions could not follow evolution at the same pace. This can create new needs and problems for businesses in industry, or new opportunities and threads for our business.

The goals of this thesis are as follows. To develop a possible business plan for our company by using theories of business management as basis and reasoning. To end up having a well-rounded business plan for the near future. The goal is to create a viable and comprehensive plan that not only incorporates theoretical foundation but is also practically applicable.

Theories of business management that I will use are mainly SWOT-analysis and Business Model Canvas. SWOT-analysis is used to determine the starting point, or the "in what position we are now". Business Model Canvas is used for constructing possible new business plan options. Both theories are widely used to evaluate different functions of business.

These are the reasons and background why I chose this topic. It is very timely for me and there is great personal interest in this. I would work on this problem anyway and now I can allocate more time to it when I'm not working on two separate projects simultaneously.

2 Development work

Development work is systematic work to gain knowledge and use cases. Development work strives to improve and advance services, tools and procedures. When development work is aimed for a change, it can include several different research methods used depending on the situation. Therefore, it is a multi-method research strategy where qualitative and quantitative research methods are working together. (Kananen 2012; Kananen 2017.) When doing development work it would be wise to ask these questions. "Who is developing and to who is developed for?", "What is the topic?", "How it is developed?" and "Why it is done by these particular methods and directions?". (Heikkilä et al 2008.) This encourages critical thinking. It also provides tools to evaluate the usefulness of the work, its correctness/validity and comparisons to another research of that topic.

In this case I would like to highlight that the term "developmental work or research" is more fitting to the actual method since even though the knowledge base is based on previous theories and widely used tools in business, it is still from researchers' point of view. Then attitudes and habits affect how the information is processed and addressed.

2.1 Goals, target and research questions

As addressed in the introduction section, the goal is to develop a possible business plan for our company by using theories of business management as basis and reasoning. To end up having a well-rounded business plan for the near future. The goal is to create a viable and comprehensive plan that not only incorporates theoretical foundation but is also practically applicable. It would be useful to end up having several possible directions for future investments which we can investigate further. This is all done by using SWOT-analysis to evaluate where the company is right now and then using Business Model Canvas (BMC) to make a new or rather updated version of the business model.

3 Outlook to small family-owned businesses

The definition of a “small business” varies internationally. However, in general it is a business which operation, turnover/revenue, number of workers and influence is significantly smaller than big businesses. In the European Union a small business has a maximum number of 50 employees and its turnover or net revenue’s maximum monetary amount is under two million euros. In the EU there are over 23 million small or middle-sized businesses which cover 99% of all businesses and two thirds of job positions inside the union. (EUR-Lex.)

A family-owned business is a business in which two or more family members are the founders of that business and have the majority ownership in our case all the owners are blood relatives. “Family-owned” usually changes the dynamics of decision making and leadership of the company compared to traditional businesses. It usually also affects the value proposition and purpose of that company among other aspects. (De Massis et al. 2012.)

According to Tilastokeskus in 2022 there was 571742 businesses operating in Finland. Even though industry/manufacturing covered only 5% of all the companies in Finland, it employed the most with 20,5% of all workers and it also brought the biggest revenue stream with almost 177 million euros. From this we can conclude that industry/manufacturing is the most significant industrial sector in Finland.

3.1 Typical advantages and problems

According to Forbes, Small businesses have many advantages over big ones. Small businesses are more flexible in their decision making, innovating processes, changing structures and reacting to changing trends and playfields. The bigger the company is the slower it is to make any kind of change. Big companies usually have a tall organization structure which comes with slow bureaucracy. Small business can adapt themselves to customer demands. It is easier to customize customer experience and answer clients’ individual needs. Small companies can provide very personalized services, can be more involved and care on a personal level. (Forbes 2019, Indeed 2024.) I often say, the best thing about being a small business owner is that you are responsible for your success. Simultaneously, the worst thing about it is that you are responsible for your hardship. Even when it might not be necessarily your fault, you’ll be carrying the burden of tough times.

Disadvantages of small businesses are very different from the struggles of big corporations. In a small business, responsibility of individual is usually much higher. Single people are carrying out more different functions of businesses by themselves or are forced to outsource. Also, that outsourcing need can be a problem since there might not be any alternative options. The responsibility covers financial, workload and personal wellbeing. Small businesses very rarely can provide similar benefits big corporations can which is also usually then personal responsibilities such as insurance, company cars, health services, etc. (Forbes 2019, Indeed 2024.)

In family businesses all the people involved usually know each other well. Then communication is more fluent and commitment to decisions and work itself is usually deeper. This also leads to stability and thinking more long-term. Visions and goals are usually also very long-term oriented. Decision making and leadership is often shared between family members so there's less need to carry all the responsibility from big decisions. Members can also take on extra/different responsibilities, tasks and projects more effortlessly/without unnecessary bureaucracy. (Chron 2020, Highview 2021).

Of course, there are also some disadvantages. One major one could be a conflict between family members. It can be hard to separate work matters from personal matters and the work can often follow and "leak" to personal life. Even though it might be easier to distribute roles and responsibilities, it might also make things difficult and lead to conflicts and dissatisfaction. Even though the generational transitions can be easy they can also be very challenging. It is common that the former leader gets involved after retirement after the transition to new leadership. (Chron 2020, Highview 2021).

3.2 My subject company

We, as a company, are a spiritual successor to a business my grandfather founded in the late 70s. We originally provided services to industrial companies in the local area but have already expanded our operations to cover other lines of business. The operation's size right now is much smaller than with the original company, but this all started after my grandfather retired and started this company to occupy his free time. In under twenty years we have grown from a hobby to a real business that is growing steadily. Now there are all the requirements to expand further but it would be wise to investigate further all the possibilities, risks involved with them and costs, monetary and opportunity.

3.3 Outlook of the near future

We are living in a time where is a lot of uncertainty. Artificial intelligence is for many experts the new industrial revolution (Dufva & Rekola 2023). Some are also taking a more careful approach to predicting the near future. People are worried about their future employment and "future proofing" their skillsets. There are already signs of this paradigm shift. Google laid off many core employees and so did many other big tech companies such as Amazon and

Tesla (Business Today). There is also a lot of instability in the relationships of countries. As previously mentioned, Russo-Ukrainian war is still going on in 2024, Israeli-Palestinian conflict escalated last year (2023). China is pressuring tech giant Taiwan. The West didn't recover from COVID-19's caused economic impact yet and it already forced many companies and countries to think differently. The EU is driving "The European Green Deal" (European Commission) which tries to eliminate net emissions of greenhouse gases by 2050. This will also affect a lot to industries, bringing new emission standards and forces them to adapt to them. So, we are living in a lot of uncertainty around us, causing decision making to be challenging and future predictions hard.

4 Business Model

The business model is a complicated subject, and I will explain some of the essential concepts of it in the following chapters. To put it simply, it is the plan the company tries to make money with, like a "logic" how the business is supposed to work. The information it provides to the business can help with making decisions and strategizing in the long term. A Well-planned model not only addresses how the business will succeed now but also how it plans to grow in the future. It is, however, different from business strategy. They are interrelated, though often mixed by people, business strategy being just the way and implementation the business is entering the market and not the "functions" of a business. There are many ways and "sects" how the business model should be constructed. One prevailing tool to help with this is Alexander Osterwalder's Business Model Cavas which, in my opinion, shows well how all the different elements of business fit together. I will cover the BMC in later chapters. Another example is "The Porter Diamond Model" which is applied in Harvard Business School to business model generation. In this model there are four corner stones: 1. Customer value proposition 2. Go to market model 3. Cash flow formula and 4. Technology and operations model. It is very much like the Business Model Canvas, just a model and tool to help create business models, containing similar information but just in a different package and focusing a bit differently to the areas of business operations. (Harvard Innovation Labs 2023).

4.1 SWOT-analysis

SWOT-analysis is a strategic planning tool to help businesses evaluate four aspects of the business. The internal factors which businesses can affect. Those are its strengths (S) and Weaknesses (W). Then there's the external factors which businesses can't affect and those are opportunities (O) and Threats (T), or this is usually how the "components" are used as internal and external factors. It is very widely in use and businesses can flexibly use it to evaluate different things such as: a company's current state, future project's viability, business plans etc. so it can be very useful when making crucial decisions in strategic planning. (Kenton 2023.)

According to Investopedia Strengths are the attributes of the organization that give it advantages over competition. Weaknesses are the attributes that make the organization disadvantaged compared to competition. Opportunities are the external factors that can improve performance (F. ex. Current market trends, policy changes, etc.). Threats are external elements that could cause trouble for the company (F. ex. new regulations or increased competition in that market). (Kenton 2023.)

Here is an example picture of which type of questions the components do give an answer. This is to show how you can layout the starting point of using the SWOT analysis (Figure 1: SWOT matrix example).

Strengths 1. What is our competitive advantage? 2. What resources do we have? 3. What products are performing well?	**Weaknesses** 1. Where can we improve? 2. What products are underperforming? 3. Where are we lacking resources?
Opportunities 1. What new technology can we use? 2. Can we expand our operations? 3. What new segments can we test?	**Threats** 1. What regulations are changing? 2. What are competitors doing? 3. How are consumer trends changing?

Figure 1: SWOT matrix example

We are using SWOT analysis to determine in what kind of state our business and business plan is at the start of this project. The SWOT analysis is conducted by surveying last year's financial statements, analyzing the current state of the local market, reviewing competitors and current customers, and what prevalent trends are in the local economy.

4.2 SWOT analysis and where we are now.

In 22nd of march we had the financial statement overview where we went through the balance sheet of 2023. After the meeting I started to conduct the SWOT analysis. The analysis is based on the financial statement of 2023, current customer contracts and what state those are in and current atmosphere in our area of operation (geographical and industrial).

Figure 2: SWOT analysis

Strengths: We have already made large investments in maintenance so now maintenance costs and running costs in general are fairly low. This also affects heavily to profit margin. Last financial year's profit was the best so far and with current contracts this year's expectations are similar. We have a few long-lasting customer relationships that we want to keep as long as possible. To our biggest customer we are the best option since we tailored facilities to their needs with big investments. If they suddenly want to end the contract or rather not renew it, they will most likely want to buy the properties they are in. The financial state of the company is strong. We have savings for future investments so we can take moderately large projects without any borrowed capital. We have strong knowledge of the current target customer group in South-Eastern Finland. We know the companies in the area, and we know their needs. We also made a contract with a local educational establishment, so we now have contacts there even though the contract itself is small. We are very agile in the decision-making process. We can make big decisions and changes of direction quite fast if needed.

Weaknesses: If we decided to take our operations to another area, we might not have sufficient knowledge. We are well established in South-Eastern Finland but starting in another location would need a lot of research. Same with the customer base. We don't have many contacts elsewhere. The procedure itself, what we do with customers, could be transferable to a different area of industry. We already have customers from different industrial areas, and the same formula seems to work just fine, but it would still need refining and research. Our first customer, which originally was our best contract, is struggling due to (at least according to my analysis) bad financial decisions. It looks like they are already reducing functions of the Finnish division and future doesn't look bright. They remain our strongest contact internationally, but they didn't renew the contract at all, so we lost them as a customer, at least for now. The last few years have brought more owners to be part of decision making and we already have some opinion differences. There are two lairs of opinion: the "aggressive" approach and "conservative" approach and it already makes some big decisions hard to make.

<u>Opportunities:</u> Our savings are doing great. We early on decided that nobody will draw their share of dividend so it would be available when we are considering future investments or large maintenance projects. This creates opportunities for investments and future projects. Research doesn't cost us much so we can freely explore new opportunities. We also have some opportunities to liquidate existing assets if needed. Few customers have expressed their interest in buying the facilities they are in. It is not 100% certain right now, but it is a possibility. We are evidently living in quite unsure times. Unsure times always generate new opportunities. Usually investing in land and property becomes more lucrative. A slow market means lower prices. We are not bound to South-Eastern Finland and not in area of business we operate right now. We are already looking for possible opportunities in other regions.

<u>Threats:</u> We currently have some problems with a few customer contracts. As mentioned before, our first customer didn't renew the contract due to financial hardship and process of constricting operations in Finland. Also, we know that one big customer is terminating their contract in a few years (at the end of 2025 at the earliest). One customer also has a hard time paying their rent for us so there is that as well. Few reasons to this is the burden of "COVID-years" and the recent Russo-Ukrainian war. We traditionally have been very dependent on Russian tourists and trade here in South-Eastern Finland, so it makes it difficult for many businesses in the area. It doesn't directly affect us, but we see its effects through our customers. Due to these things, energy costs and other running costs are up by a lot in a short time frame. We have already made some investments in a different heating system and it, at least in the short term, did pay off. This still creates some uncertainty, and we are trying to keep track of these changes.

4.3 Business Model Canvas

Business Model Canvas is a tool to construct and describe a company's business model segments, or "building blocks" visually. It's sort of a flipchart where there's nine different blocks, each representing different factors of succeeding in entrepreneurship (Strategyzer 2024). These blocks are key partnerships, key activities, key resources, value propositions, customer relationships, customer segments, channels, revenue streams and cost structure.

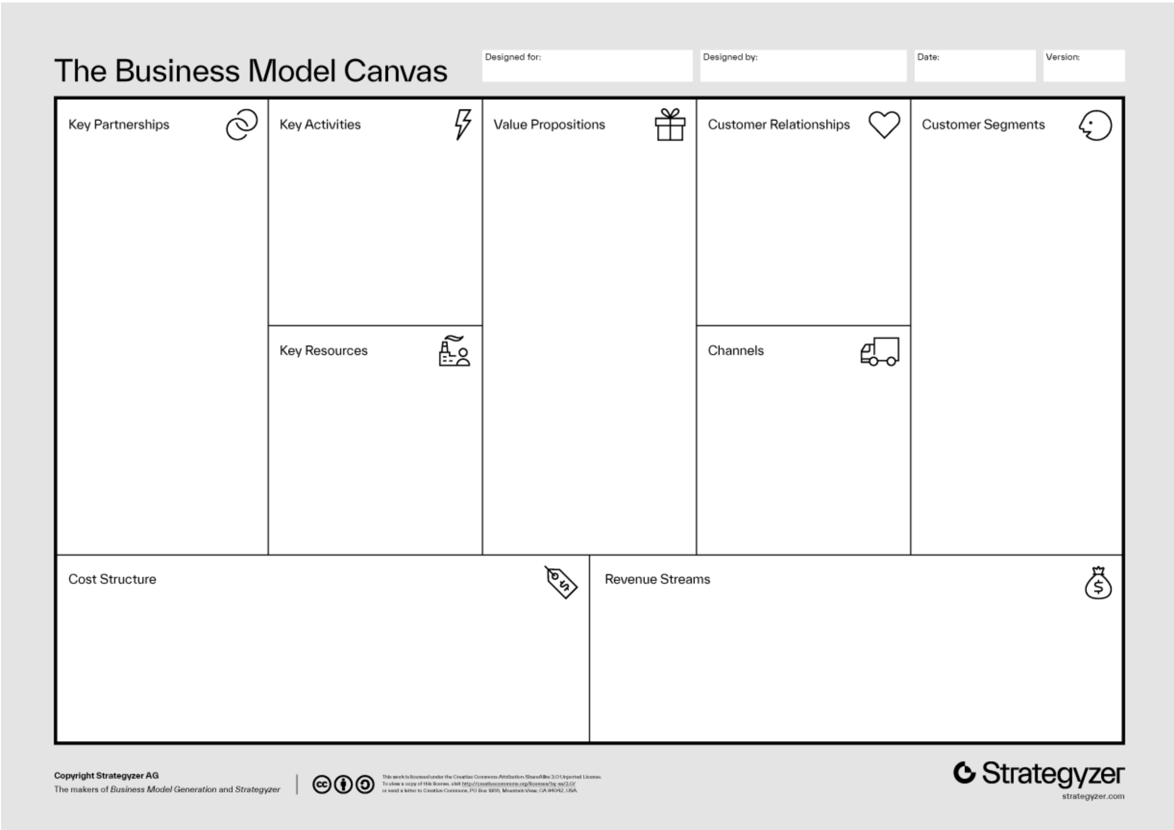

Figure 3: Business Model Canvas

The blocks are categorized into two sides which are divided by value proposition block belonging to both. Left being the efficiency side and right being the value side (Osterwalder & Pigneur 2010, 49). Here all the individual building blocks are described briefly.

Key Partnerships: Refers to the partners contributing to the business, enabling it to operate successfully. There can be many different types of key partnerships that all contribute differently but are still categorized the same. These are: strategic alliances between non-competitors, strategic partnerships between competitors, joint ventures and buyer-supplier relationships. Depending on the area of business these can be crucial but also there are businesses that aren't dependent on partnerships. The goal of identifying and managing key partnerships is to optimize operations, reduce risks, and leverage external expertise, technology or market opportunities. These partnerships are crucial for scaling the business, entering new markets, or enhancing competitive advantage. Usually, partnerships are formed because of mutual need to optimize business functions or add new ones to the catalogue. It is nonsensical for a company to do everything by itself when many times outsourcing a function is quicker and more cost efficient (Osterwalder & Pigneur 2010, 38 – 39.)

Key Activities: Are the most important activities that company needs to operate well to be successful and its business model effectively. Every company has key activities and therefore it is important to fill this segment carefully since they also tell how the company gives value to its customers. The activities are highly dependent on the type of business so they will vary a lot depending on the industry. Some examples are marketing, production, sales and delivery. Key activities are directly tied to the company's business strategy and are crucial to making business successful and achieving goals. (Osterwalder & Pigneur 2010, 36 – 37.)

Key resources: Are the most important assets company needs to operate its business model prosperously. The key resource types are: Physical, intellectual, human and financial resources. Physical resources are assets a company owns such as buildings, vehicles or machinery. Intellectual resources are intangible assets a company owns such as patents, copyrights and brands. Human resources are a company's employees and their individual skillsets. Financial resources are the company's "money" including cash, credit and stocks. Key resources are important for a business to manage since they help deliver value to customers, keeping the business float, maintaining efficiency and financing future investments. (Osterwalder & Pigneur 2010, 34 – 35.)

Value propositions: Are the benefits and value the company promises to deliver to its customers. This is the "reasoning" which companies need to give to their potential customers for them to decide whether to use services or buy products from that company. It is also what differentiates it from competition. Value propositions should take account of the target audience's needs, wishes, budget and expected quality. These should be tailored to that target group (customer segments) the business is pursuing. They also are like a "problem and solution" promises. The customer has a problem and the service/product the company offers gives a solution. Value propositions also should address what more does the company offers compared to competition (F. ex. better service, price, faster delivery, superior quality, status etc.) (Osterwalder & Pigneur 2010, 22 – 25.)

Customer relationships: Are the relationships company has with its customer segments. They give answers to how the company communicates with customers, how it maintains their engagement, loyalty and satisfaction. It is crucial to customer experience and how well a company can acquire new customers and how they can retain existing ones. It is important to be able to match the customer relationship strategy to the expectations of the customers.

This enhances the customer experience and increases retainment and loyalty. (Osterwalder & Pigneur 2010, 28 – 29.)

Customer segments: Are the different groups of customers (businesses or people) that a company wants to serve. Customer segments define who are the most important customers to a business. Each segment has distinctive needs, characteristics, offerings and customer experience therefore selected customer segments will affect other "blocks" as well. A business can't operate long without profitable customers so to satisfy targeted customers better, a company should group them into individual groups, "segments", by their different attributes. There are many different types of customer segments, and they are dependent on which market the company operates. Here are a few examples. "Mass market" focus means that the company doesn't distinguish the segments but rather serves one large group with similar needs. Then the opposite like "niche market" focuses on very specific and smaller group / groups. Customer segments can also be "multi-sided" which means that there are multiple different target customer segments which then all need to be considered. (Osterwalder & Pigneur 2010, 20 – 21.)

Channels: Are the ways a company communicates with its customers and delivers its value proposition. The channels can be direct or indirect. Examples of the direct channels are the company web site or web store which can give a full catalogue of the product, information about them, customer support through the site or can connect you to an expert/salesperson. An example of indirect is a partner store or a 3rd party store where this company's products or services are being sold. There are five phases to channels. Awareness: which focuses on raising awareness of the company's products and services. Evaluation: which helps the customers to evaluate a company's value proposition. Purchase: how the customers can buy products or services. Delivery: how value proposition is delivered to customers. After sales: how customer support is managed. (Osterwalder & Pigneur 2010, 26 – 27.)

Revenue streams: Are basically the sources (and practices) where the company generates money. Choosing the right ways to generate revenue is important and is dependent on the product or service offered. For example, streaming services often rely on subscription model where the customers pay monthly fee to get the right to use the service. Streaming services usually offer better deals if the customer pays several months in advance, often six or twelve months. Then a good example of a very diversified revenue stream is car dealers and manufacturers. There are several different options for customers to make their payments. There is a normal asset sale where the customer just pays the fee for the car. There is also leasing where the customer has a right to use the new car with terms offered (certain mileage per year, addons like winter tires, added services etc.). There are also subscriptions now, where customers can buy aftermarket services such as car service subscription or GPS map license. There are many mechanisms the company can use to generate revenue and choosing the correct ways to do so can make all the difference. The company can diversify their options to customers and therefore make the products and services more easily available to a wider group. With the revenues streams and cost structure blocks figured out, the company should know whether the business is profitable or not. (Osterwalder & Pigneur 2010, 30 – 33.)

Cost structure: Simply tells the company how and how much the operations costs money. After determining key resources, key activities and key partnerships the business should see how much these are going to cost and which are the functions where the business can save. Most of the businesses are either cost-driven or value-driven. “Cost-driven” business model structure means that a company tries to minimize costs where they can. Cost-driven models are usually used in businesses that focus on cheap prices. “Value-driven” means that a company focuses on creating value to a customer. Value-driven models are usually used by businesses providing luxury or highly personalized products or services. Cost structures can have different characteristics to describe what they are. Fixed costs are costs that are the same despite product manufacturing figures. These can be for example rent and employee salaries. Variable costs are costs that vary depending on the products manufactured. For example, to be able to make more products the company needs to buy more raw materials that naturally cost more money. Then there are “economies of scale and scope”. These are relevant if the company is big enough to be affected by these. Economies of scale and scope mean that big companies have an advantage in bulk prices, production volumes (cost to produce per unit) and distribution channels, compared to smaller businesses. (Osterwalder & Pigneur 2010, 40 – 41.)

4.4 Five Phases of business model design process

The “five phases” is designed to help companies to create, test and implement innovative business models. The five phases are Relations to this project, implemented to be relevant to us, so it is adapted to our use, but the basic principles are still similar. The five phases are: mobilize, understand, design, implement and manage. The phases are done intertwined so even when there is some chronology the process rarely is as linear as it is presented here. The first three phases are about planning the changes. Another two phases are then the implementation of the plan decided in the first three phases and then managing the plan according to the results of the implementation. (Osterwalder & Pigneur 2010, 248 – 249).

The mobilization phase involves preparing for the business model design process. In this phase the company decides who is responsible for the project, defining the scope of it and sets the objectives. Then the information gathering phase is started and here are the first ideas, the first step to the SWOT analysis and the Business Model Canvas creation is started. In this phase a project road map is created. (Osterwalder & Pigneur 2010, 250 – 251).

The Understanding and Design phases are part of the planning phases and involve researching and analyzing the market and the business environment, brainstorming and ideation, prototyping and testing. In here we want to gain deep understanding of the company and the market. SWOT analysis and assessment are part of these phases. These are here to be able to understand the internal and external forces that are affecting the business model. The current business model canvas is taken and assessed in relation to the current market, customers and competitors. The information gained is refined into ideas and the ideas refined into prototypes which then can be taken into a further inspection. (Osterwalder & Pigneur 2010, 252 – 255).

The Implementation phase involves the refined business models to be taken into action. This is the result of everything done previously and the results of the implementation are very much dependent on how well the other phases were executed. In this phase the implementation plan is designed, the new business model is rolled out and then the monitoring is done to measure how well the new model is working. During this there will be some minor adjustments to be made to the model. The Manage phase is direct lead up from the implementation. Here we track how the plan is performing with key performance indicators. From here on we should seek opportunities to improve and innovate this business model. This process then comes in a full circle and starts from the first phase if there will be a new business model development project according to the data gained from this project. (Osterwalder & Pigneur 2010, 256 – 258) The idea with this is continuous improvement of the business model and this is what businesses need to do to be able to remain competitive.

4.5 Current Business Model Canvas

Figure 4 presents our current business model as a BMC sheet. There could have been much more information but the point of it is to make it look clean and have the most information it can have with as little words as possible. I will go through them one by one and explain more about every block. The colors are also explained better with that individual block.

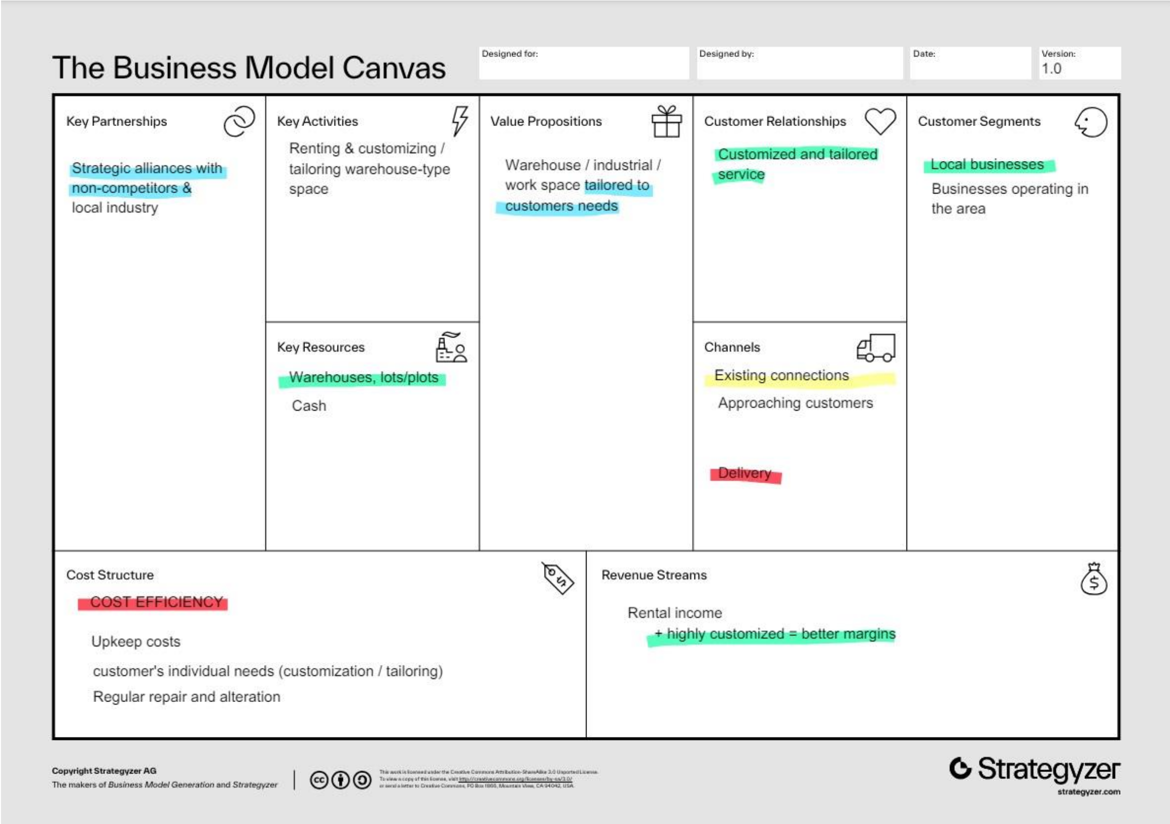

Figure 4: Current Business Model Canvas

Figure 4 presents our current business model as a BMC sheet. There could have been much more information but the point of it is to make it look clean and have the most information it can have with as little words as possible. I will go through them one by one and explain more about every block. The colors are also explained better with that individual block.

The Key Partnerships is represented by blue color which means that it is in the core of operations in a way that it should not be changed in any way. Our strategic alliances are the ties to local non-competitors right now. If it were changed then something else in other blocks would also change drastically. This is the only reason when the change should be considered.

The Key Activities block is simple and is tied to the resources we have and the value proposition we are offering. Renting and customizing warehouse-type space. This is and will be the core of key activities.

The Key Resources block is also well defined. The green color means that we could expand the areas of operations and all the functions that are marked green are the ones to possibly improve and expand in the “new business model canvas”. Right now, warehouses are the core of our business. This is bringing in most of the revenue streams, the most profitable and is our largest investment object. I have no reason to believe that there would be a time when warehouses are not necessary. All industry branches need warehousing in some way, either storing raw materials, components or finished products. There are many predictions of the future of warehousing and that it probably will have many changes in the near future, but it would not affect the overall demand of warehouses (Hy-Tek 2024). For example, Google invested over two billion Euros to South-Eastern Finland bringing their data center to Hamina and recently expanding their operations there (Eela). The more all the data is in the cloud and the more there are data on the internet, the more we need these data centers to store the information. Lots and cash in this Key Resources block represent the expansion possibilities we have. Cash is good to have to be able to cover surprising costs like repairs, but it also helps with expansions.

The Value Propositions block, as stated before, is tied to the activities and resources available. The whole value proposition is also tied to the original company which offered the customers highly tailored services. To offer warehouse-type or industrial space which is tailored to customer’s needs. The blue color represents that it is in the core of the purpose of this company. This is the value we are offering to the customers, the tailored services. We have already expanded to serve other than the manufacturing industry, but the value promised has not changed. The warehouses were also originally meant to be occupied by the manufacturing industry, but we can already see that the space is customizable enough to fit very different types of customers as well.

The Customer Relationships block: The services offered and how those are offered should be the value the customers will get out of the relationship. The service should be high quality enough that the customer is happy and that should lead to customer retention. When you are offering tailored / customizable services you should listen to the customers’ needs carefully and gain understanding of what they want. This should lead to customer acquisition, satisfaction and retention. That is the philosophy behind this block.

The Channels block: Red color indicates that in the core of this block is the delivery. The value is delivered to the customer by the great service the customer gets. This is how the company reaches and delivers its value proposition. The delivery “replaces” the other phases (awareness, evaluation, purchase and after sales) with its importance and focus. The yellow indicates that otherwise this block is not defined at all other than the delivery part. We have not figured out the importance of the other channel phases. It has worked well and is not a focus of improvement right now.

The Customer Segments block is well defined since the customers are operating in the same geographical area we are. It is more cost efficient to the customers to have the warehouse space close to the other operations. This is due to transportation costs. Normally businesses are not looking for warehouse / industrial space from an area they are not moving or establishing their operations to, so this is why we are serving businesses operating here.

The Revenue Streams block is well defined. We know what business is about, and it shows in the profit margin. However, it is debatable if the revenue streams are diverse enough or if there are enough of them (green color). Because of the cost structure, business operations are profitable but there are not many revenue streams. For example, there are only a few customers, which means that if somebody terminates a contract or is not renewing it, we need to acquire a new one, which is expensive due to possible diversity of customer's needs. This is something that should be re-evaluated and considered in the development suggestions.

The Cost Structure block is well defined according to SWOT assessment. We have recently used a lot of time, thought and invested a lot of money to make the operating costs as cost efficient as possible. Red color represents the focus and that it is done exceptionally well. The cost efficiency investments themselves are already paying off and is the sole reason for larger gross revenue compared to previous years. This approach should be applied to future ventures and investments. The more you focus on the upkeep now the less you need to invest in it in the future. From the analysis done we also found that even though the running costs like regular maintenance, electricity, heating among others should be predictable, they have not been recently. As stated before, the Russo-Ukrainian War affected crucially to energy prices and made f. ex. liquefied natural gas and electricity prices go up by a lot. The prices came down but the war and instability inside the EU and in the Middle East causes a lot of swings to energy prices. According to State Treasury of Republic of Finland, in 2022 energy consumer prices increased by around 31%. It is also predicted that the prices will start to slowly decline by 2024. Still, turns of events in the conflict zones can affect these prices on short notice. This is something we cannot do anything about other than trying to eliminate the most unreliable sources of costs, which is already done with the previously mentioned investments.

4.6 New Business Model Canvas

Now that we have gathered data about the current conditions and assessed it carefully, we can start to construct suggestions of business model development which we can then again evaluate and possibly take them further if seen potent enough. This evaluation is scheduled to happen later this year and as things are right now it looks like the best time is the late summer. This ensures that we have enough time to first cartograph these new possibilities and make a proper agenda for the next few meetings.

Suggestion A: As stated before, this project all started of me re-evaluating my role in the company and from the want to do more. One of the suggestions as early as in the January 2024 we briefly discussed was the possibility of hiring someone to fill the job of expanding the company operations. If we would decide to make changes and develop the operations and its key functions, there should be someone supervising the project from the start as a full-time employee. The project would be simply too much work and too complicated to execute successfully without a dedicated person managing everything from start to finish. Board meetings are too few and far between and nobody at the company, mainly owners, have the time to handle a project this scale. This would be fixed adding a new key resource. Either a project manager, which would supervise the whole process of the development project from start to end and afterwards transitioning into a different role if there is a need or stepping down from being an employee. Another possibility would be a chief executive officer (CEO/CE) which would function as a director to the whole company under the board and would be responsible of the company at large. A lack of chief executive is one of the reasons that there is no clear future direction for the company and why everything has remained in stale yet profitable status quo.

Suggestion B: With the help of key resources (figure 4) of cash and empty lots, we are ready to take a new big expansion of our business. With this suggestion a key addition to the business model would be to use an empty lot to tie a new key partnership with a local non-competitor. The lot itself has been to us a snow fill lot in winters so there is very little monetary value in it. It solves one problem to us but only part of the year and it just minimizes some maintenance costs. There have been some preliminary discussions about the use of the lot with a local business and right now they are using it as a practice ground. It is still quite poorly utilized, and the deal is not paying well so this could be developed further. It is still a new contact and very different from what we traditionally have had. If they are considering a bigger project in the area and it looks like they are searching for that, we could negotiate about taking it. The lot itself cannot support a bigger project but it could help to get us tying a bigger and more long-term project with that company. This would develop the non-competitor strategic alliances we have and would give us a new contact from a very different industry diversifying our customer portfolio (customer segment) and strategic partners (key partnerships).

Suggestion C: We could expand our operations to a different region in Finland. Due to previously stated threads that are mentioned in the SWOT analysis (Figure 2.) there are instability in the region which we are operating in and expanding to another one would diversify and decentralize our business. It would also bring new opportunities. The business model itself should be transferable to a different region provided that certain prerequisites are fulfilled. The prerequisites: We need to either find warehouse / industrial space or an empty industrial zoned lot on sale from that region. The warehouse / space should be customizable. If it is an empty lot we end up buying, it would be better to then have an existing deal with a company since we would build the space from the start. The project this size requires major monetary investments so it would be mandatory to have an existing deal before committing on such an expensive project. It is also a possibility to just invest a lot or few lots at first and then wait for a right contract to be available. Lots usually will not require huge monetary investments. Due that they also do not include similar risks. Empty land can be then sold if we decide not to use it by ourselves. So, this could be a conservative and slower approach to explore new region (customer segments, channels in Figure 4). One region appears more attractive to us than others due to its convenience and diverse industrial businesses, but region still should be scanned more thoroughly before investing in there.

5 Progression of development work

My desire to develop the company started around 2018 – 2019 but raised to a real concern in 2020 when COVID-19 started. Many companies started to change business practices and even accommodate business models to fit better with the demanding times. The concerns then were the changing practices, remote work and businesses struggling to keep afloat. The Russo-Ukrainian war started, or rather continued in late February 2022 and raised very different concerns. South-Eastern Finland traditionally has been very dependent on Russian trade, tourism etc. so the assumption was that this would naturally affect the area and its businesses roughly. According to Bank of Finland the economy was starting to recover well already in early 2021 but the war changed the predictions to worse. Inflation accelerated in early 2022 and energy costs did as well (Eurojatalous.fi 2022). The Russo-Ukrainian War does not seem to be the only factor causing instability but there are many other possible future conflicts that can affect many industries in an instance. These are not directly related to the topic but are relevant still in the context of possible threats, so this is the reason these are mentioned here.

In Figure 5 I try to visualize the progression of this development work process so it would be easier to follow. It tries to pinpoint the core activities that were done during the work. The picture also visualizes time from left to right, left being the earliest and right being latest, even going to near future which is of course uncertain at this point. The purple wavy line separates the left section which depicts what happened before the project officially started. The yellow “post-it” note is the information gathering part which happened before anything else but also continued through the whole process. The next notes (Figure 1: two red and three blue notes) are very intertwined but there is also a chronological order to them which is depicted as an order from left to right. These activities happened simultaneously, and it is hard to tell what happened and when. There are many different prototype sketches drawn and the ideas refined to the final form as time went by and more crucial points were discovered. After all that it was time to construct the suggestions which would be followed by conclusions, which is, now, part of the future (Figure 5: blue wavy line). There are plans for the future which I will go through later, but these plans will likely change and refine into something more specific when time goes on and everything this thesis report contains is internalized.

This project started early in 2024 when I re-evaluated my role in the company. I wanted to be more involved and since there was no one in an active role to study and research possible business development opportunities, there clearly was an opening. Business development requires a lot of work and orientation especially if there are big changes to the business model involved. We discussed the possible topic of the thesis with my supervising teacher in the first bachelor's degree meeting and it almost instantly turned into this development work. After explaining my background, it made sense to make this the topic. Simultaneously Business Model Canvas was chosen to work as the main part of the theory basis, to understand the outlines of the current business model and then use that current canvas to construct updating suggestions (updated BMC). I also used Business Model Canvas in my previous studies, so the theory was not completely strange for me.

Another key part of the theory basis is SWOT analysis which was chosen to evaluate where the company is now. SWOT is one of the core concepts in the business world to evaluate current conditions of the market and the business itself. Fairly simple way to gather a lot of useful information. It can also be part of the Business Model Canvas creation. In the book Business Model Generation Alexander Osterwalder and Yves Pigneur discuss applying the SWOT analysis to the BMC building blocks. The chapter suggests that SWOT as a tool might not be precise enough to point out which aspects the company should focus on analyzing. With the Business Model Canvas and the blocks combined with the SWOT analysis the result should be a more focused assessment (Osterwalder & Pigneur 2019, 216 - 224). Whether or not there are a guideline what is important and what is not, those who do this evaluation work in the company are responsible for making the decision which aspects are relevant to the cause and which are not included. This is what I did and used the questionnaire in the book mixed with company's financial reports, comments of accountant, local news and the general atmosphere in this geographical area. When choosing what to weigh in the analysis it is always subjective to a point but if there is enough data at hand it should be enough to make at least a fairly accurate evaluation of the current state of the company. When we got the financial statement of the last year (2023), it was the missing piece for us to finally construct comprehensive enough SWOT analysis. This was done by sketching a rough visual SWOT and then constructing it to a final form after careful consideration of what to include (Figure 2).

The SWOT analysis acting as the basis, we started to outline the current Business Model to the Business Model Canvas (Figure 3). There were many drafts which then were refined to their final form (Figure 4). It was very hard to decide what and what not to include. The point of the canvas is after all very simplified visual representation of the key functions of that particular business. We tried to include only functions that are relevant to the business model development. However, there are many functions included that are very crucial and need explaining in the context of why these would not be considered changing or developing. The colors were chosen to highlight how these functions are possibly affecting the development process. For example, the red highlights (Figure 4) were cornerstones of the business model and for that reason highlighted from the canvas.

After outlining the current business model canvas, it was time to start making development suggestions. In here we used the SWOT assessment and the current canvas as the basis to then explore the possibilities of development. Firstly, we started by making suggestions. There were already existing ones from the discussions done before. There then needed to be an elimination process where all the ideas that were either too impractical, too slow to implement or too risky were eliminated. For example, anything to do with changing the core ideas would be too risky or too impractical. It did not matter if it was slow to implement in the long run but there should be at least a small scale start available in that suggestion, to be able to test it. This criterion already eliminates anything that includes a change to an unknown industry (key activities). Also, too big changes to cost structure, revenue stream or the core value proposition should not be made at this point. What evolves from this remains to be seen but the idea is that we start with small changes so the risk would also be small and there would already be some results and data after the attempt. After the elimination process, we ended up having two different small-scale suggestions and one a bit more demanding one. It is a possibility that we end up testing multiple simultaneously, but it is a discussion happening somewhere later this summer (July – August 2024). This is also scheduled to be a bigger scale meeting where we decide about the future of the business itself, so it is very fitting to make decisions. In the end, the board needs to become in mutual understanding before we can start making any changes. We have not done anything on this scale before so it might take a few longer meetings to end up with a future plan, but the suggestions mentioned here (chapter 4.5) are at the core of the discussion. All the suggestions focused on realistic development possibilities in the short term, which means that all of them could be put into service within a year or two. After we are done with the discussion and plan is decided, we then continue along with the “5 phases”. The five phases are present in every step of the project but are discussed further in a section reserved to the topic. (Osterwalder & Pigneur 2010, 248 – 249.)

During the process of this project many conversations and meetings were held including board meetings, private conversations, freeform brainstorming and many hours of sketching and writing to notebooks All of this affected the process trajectory and outcome and will affect future plans and ventures. I firmly believe that these are key activities to any kind of innovation or development.

In Figure 5 I try to visualize the progression of this development work process so it would be easier to follow. It tries to pinpoint the core activities that were done during the work. The picture also visualizes time from left to right, left being the earliest and right being latest, even going to near future which is of course uncertain at this point. The purple wavy line separates the left section which depicts what happened before the project officially started. The yellow "post-it" note is the information gathering part which happened before anything else but also continued through the whole process. The next notes (Figure 5: two red and three blue notes) are very intertwined but there is also a chronological order to them which is depicted as an order from left to right. These activities happened simultaneously, and it is hard to tell what happened and when. There are many different prototype sketches drawn and the ideas refined to the final form as time went by and more crucial points were discovered. After all that it was time to construct the suggestions which would be followed by conclusions, which is, now, part of the future (Figure 5: blue wavy line). There are plans in the "future" section (Figure 5: Future...) which I will go through later, but these plans will likely change and refine into something more specific when time goes on and everything this thesis report contains is internalized.

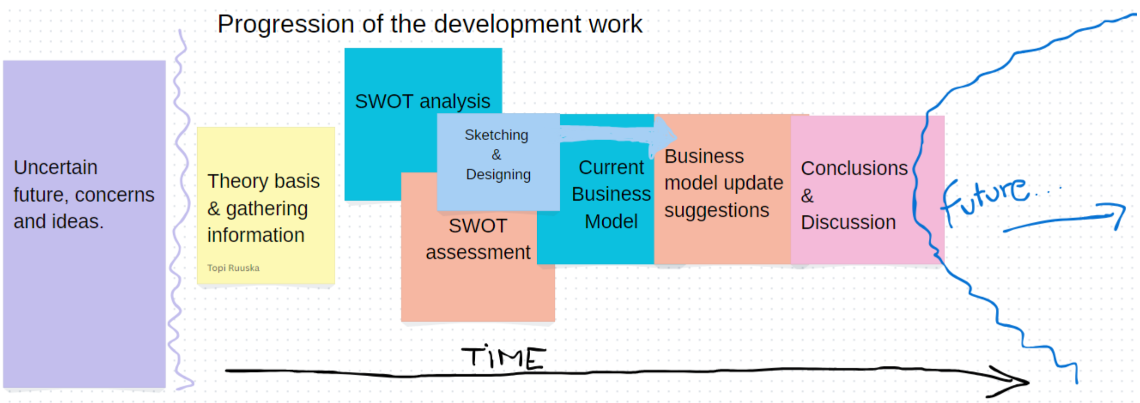

Figure 5: Progression of the development work

6 Conclusions and discussion

It is good to know that there are many details I left uncovered for a reason. I do not want to reveal any sensitive information regarding the people involved, company secrets, certain documents, expert statements and so on. These documents are, for example, financial reports which I do not want to reveal to anyone. There are a few comments which were useful and those were made by people who have been involved either directly or indirectly, so these are mentioned but not gone into detail in this report. There are also a few paragraphs in this section where I mention some of my core philosophies which I think are relevant to being able to understand why decisions to approach were made.

As mentioned in the 2nd section, we start the conversation about the future of the company later this summer but at this time I do not have a more accurate date to give. The process can take a long time since these are difficult topics and there are risks involved with everything. However, decisions must be made and a “let’s not do anything” is a decision as well. At least at this point there is a lot of work done and a lot of information gathered which will act as a basis for that conversation and decision making. The three suggestions are acting as the “change” side in these conversations and if we end up implementing changes, the changes are based on these three suggestions. Nevertheless, the project itself is going on and the next steps are just the “implement” and “manage” (5 phases, section 4.4).

I often use this analogy to describe a business: “Business world is like an escalator going in the wrong direction, if you are happy where you are now and do nothing, you will eventually find yourself at the bottom.” Doing nothing does not make you stay where you are but makes you go backwards. This is why seeking new opportunities, adapting to changing times and playfields are so important. When there are big changes, it often makes the figurative escalator go faster and the business needs to also adapt fast. It might first set you back a bit but I’m a firm believer that the work done will eventually pay off.

One other thing I want to mention here is that even though I believe in science and research, in the case of the business world it is more complicated. I have seen many studies that predict the future, many experts relying on the research date and so on. Studies are just a retrospective take to a subject and it does not necessarily tell anything about the “now” or about “tomorrow”. Business is about people and people are irrational beings. They are impulsive, inconsistent and emotional. Their opinions and decision making are also affected by many irrelated things that we cannot consider. In short, what works today might not work tomorrow, and the research you are reading, or you are relying on, is a study about what worked or did not work yesterday. I think this is very important to keep in mind. Business does not have “universal constants” because the variables are irrational and inconsistent.

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