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DEVELOPING THE BUSINESS PRACTICES OF AN SME OPERATING IN THE MUSIC SERVICE INDUSTRY

– A perspective on organic growth and
development as led by the owner-manager



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LIIKETOIMINNAN KEHITYSSUUNNITELMA MUSIIKKIALAN PIENYRITYKSELLE

Omistajajohtoiset pienet ja keskisuuret yritykset (PK-yritykset) ovat tärkeä tuotannollinen ilmiö Suomen kansantaloudessa. Kyseiset yritykset nojaavat vahvasti perustajansa asiantuntemukseen ja yksilöllisiin toimintatapoihin jotka mahdollistavat toimimisen jollakin erityisalalla. Tämän johdosta voidaan pitää yleisesti tärkeänä tutkia tällaisen yksilön henkilökohtaisia ominaisuuksia sekä näiden kanavointia ja heijastumisia koko organisaation toimintaan.

Yrittäjäkeskeisten PK-yritysten kehittämistä ja kasvua on tutkittu akateemisesti yleisellä tasolla jo verrattain paljon sekä myös täsmällisemmin tiettyjen teollisuudenalojen kohdalla, kuten tekniikan ja palvelujen aloilla, kuitenkin niin että luovan talouden aloilta kuten design, taide ja musiikki lisätutkimus voidaan katsoa tarpeelliseksi.

Kyseisten yritysten laajentumiseen ja orgaaniseen kasvuun vaikuttavat monet tekijät ja siksi niitä tutkittaessa onkin tärkeää muodostaa yhteyksiä teoreettisten viitekehysten ja yritysten jokapäiväisen arkitodellisuuden välille. Tällöin pääsemme lopputulokseen joka johtaa kouriintuntuviin ja järkiperäisiin ratkaisuihin kohti kehitystä.

Tämän opinnäytetyön pääasiallinen tarkoitus on tarjota syvempää näkökulmaa sellaisten PK-yritysten kasvuun ja kehitykseen jotka täyttävät edellä mainitut tunnusmerkit yrittäjäkeskeisyydestä ja omistaja-johteisuudesta, kuitenkin niin että yleisten teoreettisten käsitteiden lisäksi apuna käytetään yksityiskohtaista lähdemateriaalia sekä laajaa empiiristä tutkimusta tarkan näkökulman saamiseen musiikkialalla toimivasta kohdeyrityksestä.

Työni kohdeyrityksenä käytettiin turkulaista pienyritystä jolle rakennettiin räätälöity liiketoiminnan kehityssuunnitelma laajan tutkimustyön pohjalta pyrkimyksenä tarjota yleinen viitekehys jota voitaisiin soveltaa myös muihin luovan talouden aloihin.

ASIASANAT:

Palveluliiketoiminta Liiketoimintaprosessit Luova Talous Luovat Toimialat Pienyrittäjät
Liikkeenjohto Yritystutkimus Yrittäjät Johtaminen Oppiva Organisaatio Strateginen Johtaminen

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DEVELOPING THE BUSINESS PRACTICES OF AN SME OPERATING IN THE MUSIC SERVICE INDUSTRY

The owner-manager led small-to-medium-size enterprises or SME's are a prominent force in the regional businesses of Finland and the Finnish economy as a whole. These companies rely heavily on the competences and practices of a single individual and their specialized expertise of a particular industry, making it important to study both the internal characteristics of that individual as well as the overall functions of their organization.

There is a large amount of general research among scholars and academics related to the development and organizational growth of SME's steered by the owner-manager. In addition there is a good amount of tailored research concerning the SME's that operate on the technological sector or the service sector in general but less industry specific knowledge on Finnish SME's operating in the creative industries namely in design, art or music.

There are a lot of factors involved in the expansion and organic growth of such enterprises and it is viable to form clear linkages between the theoretical implications and the everyday reality of such companies in order to come up with tangible and relevant solutions for development.

The main focus of this particular thesis is to provide further insight into the matter by formulating a theoretical framework that emphasizes the general characteristics of the owner-manager led enterprises but through specific source materials and wide empirical research that also gives a more focused view on the operations of an SME specialized in music education service.

A case company from Turku was used as the primary subject of study in this particular thesis and the final outcome is a business development plan made specifically for the case company but with enough general frames of reference so that the bulk of the structure may be applied in other business contexts of the creative industries that fill the aforementioned criteria as well.

KEYWORDS:

SME Small Enterprise Medium-sized Enterprise Business Development Plan Expansion Music Education Service Service Industry Entrepreneurship Owner-Manager Organizational Development Organizational Behavior Strategic Management Strategic Framework Creative Industries.

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Appendix 2. The Customer Satisfaction Survey in English

ABBREVIATIONS

ROI	<p>Return on Investment is one of several commonly used approaches for evaluating the financial consequences of business investments, decisions, or actions. ROI analysis compares the magnitude and timing of investment gains directly with the magnitude and timing of investment costs. A high ROI means that investment gains compare favorably to investment costs (Solutionmatrix, 2010).</p>
ROA	<p>An indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Calculated by dividing a company's annual earnings by its total assets, ROA is displayed as a percentage. Sometimes this is referred to as "return on investment" (Investopedia, 2010).</p>
SWOT Analysis	<p>A scan of the internal and external environment is an important part of the strategic planning process. Environmental factors internal to the firm usually can be classified as strengths (S) or weaknesses (W), and those external to the firm can be classified as opportunities (O) or threats (T). Such an analysis of the strategic environment is referred to as a SWOT analysis. The SWOT analysis provides information that is helpful in matching the firm's resources and capabilities to the competitive environment in which it operates. As such it is instrumental in strategy formulation and selection (QuickMBA, 2010).</p>

1 INTRODUCTION

Management qualities in the SME context come in varied tones depending on the internal character-related qualities of the people in charge, as well as those learned in universities or other learning institutions. Often the outcome seems to be a middle-match between those two. In order for the company to grow in scope and reach it is of utmost importance that those responsible for these expansion processes are equipped with the tools and competencies to work with both, the people and the numbers. In this body of work I will concentrate on the human resource and management capability aspects as a general frame of reference when assessing the business development of SME's through the sales focus, in addition to that marketing functions will have a supportive role in this thesis.

1.1 Academic Relevance

A SME may easily find itself with limited indigenous management skills - not only in change management itself, but also in the new skills that will be necessary to manage the enterprise after a change has taken place (Winch & McDonald 1999, 49). The SMEs will more likely to engage in informal management practices than to adopt sophisticated planning and control techniques (Martin & Staines 1994, 26).

The purpose of my thesis is to find what affects the management qualities in relation to the service and sales-oriented development and expansion of a smaller enterprise, and how those qualities can be recognized and enhanced. In addition to that I aim to offer perspective on how the management can

communicate those aforementioned abilities to their teams and subordinates in a fluent and coherent manner. The center in all this will be a focus on the owner-manager and their learning experience that will be reflected to the whole organization.

1.2 Industry perspective and description

In the first section of my work I will offer the necessary theoretical background to base my own views upon. In the second section I will use a case company to put further emphasis on these topics and findings. And finally I will draw these two together to formulate a business plan for the case company. The company in question will be an SME located in the centre of Turku, Finland, specializing in music education and recording studio services for musicians and music enthusiasts from all walks of life. The company operates under the name Lifeline Productions and is run by a single entrepreneur Mr. Sami Heino and his team of teachers and studio professionals.

According to Gartner and Carter (2003), “Entrepreneurial behavior involves the activities of individuals who are associated with creating new organizations rather than the activities of individuals who are involved with maintaining or changing the operations of on-going established organizations” (p. 195) (Gartner & Carter in Bretherton & Chaston, 2005).

It has been commonly recognized that the SME’s are the cornerstones of modern western economies, thus the assessment and development of their competences is an important and valuable topic. According to the European Union, a medium-sized enterprise is one that employs fewer than 250 persons and its turnover is under 50 million €. In relation to that its annual balance sheet

total cannot exceed 43 million €s. (European Union, 2003). The exact definition of the small business has caused confusion among the scholars and academics because they are usually diverse in their operation and can vary greatly in size.

In Finland there are approximately 36 SMEs per 1000 inhabitants, which is almost in line with the EU average of ca 40. The proportion of SMEs as compared to all enterprises is also at par, as are the relative proportions of micro, small and medium-sized enterprises respectively (European Commission, 2006).

The Turku region in Finland is known for an aspiring community of smaller and mid-sized enterprises that focus on innovation and development of new products and service processes (especially in biotechnology). For a solely service based company (such as Lifeline) the constant renewal of business practices is the key to survival and triumph, and my purpose will be to find a few universal aspects that make up such development plausible in order for them to be implemented into other companies and industry contexts as well.

The business goals of many small business owner-managers are determined by personal lifestyle or family factors, not by growth.. There are also many other measures of performance; profit, ROA (see abbreviations), ROI (see abbreviations), increase of customers or increase of employees, etc. There are at least three reasons for focusing on growth as a performance variable in SMEs (Stanworth & Curran, 1986, in Furu, Salojärvi & Sveiby, 1997).

To identify the definition of small business growth scientifically, the nature of the small business needs to be emphasized. Zhang (2000) summarized six essential characteristics for the small business:

1. high dependence on the owner (always the manager);
2. easy to start up;
3. operating with the owner's self-collected capital;
4. simple structure of management;
5. full of innovation; and
6. easily affected by the environment (Zhang, 2000).

These two structures are to be kept in mind through-out this particular work as their effect on the management practices and entrepreneurial competences are always relevant.

2 THE DEFINITION OF EFFECTIVE LEADERSHIP IN SME'S

According to author John S. Oakland in his work *Total Organizational Excellence* (1999), the concept of effective leadership can be dissected into five different sections each contributing to the overall competence. Oakland states that "Effective leadership starts with the chief executive's vision, capitalizing on market or service opportunities, continues through a strategy which will give the organization competitive advantage, and leads to business and service success. It goes on to embrace all of the beliefs and values held, the decisions taken and the plans made by anyone anywhere in the organization and the focusing of them into effective, value-adding, action (1999, 12-13). Such a view can be seen as wholesome in terms of spanning the whole organization and in my opinion it is still very prominent today, especially in the SME context where a fewer people have more responsibility and thus the chain of communication and related actions with their link to behavior must be clearly established. This view will be augmented by other authors later on to a great extent.

In an SME that operates in the industry of art and performance the leadership style is often a mix between a rigid formal style and a more flexible informal style. According to Byrnes (2009), two sources of power are available to the leader: position power and personal power. The first comes with the job you occupy, and the second is directly attributable to you. In an SME the personal power takes up a lot of the management qualities as the title alone does not imply capabilities to handle the pressure associated with the responsibilities in place. The two types of personal power are expert power and reference power. Expert power is simply the ability to control others because of your specialized knowledge. This could include special technical information or experience that others in the organization do not possess (Byrnes, 2009, 227).

In most cases this is a core quality in SME managers who have set up their business because of that aforementioned specified knowledge (like the case company). With that in mind we can argue that the aspect of reference power can be just as powerful and important in context of SME management. Reference power is derived from a more personal level of interaction with employees. Reference power is the ability to control others because of their desire to identify personally with the power source. This use of power is often found among strong founder-directors of arts organizations. Their charismatic personality and forceful approach to managing the organization are used as a way of controlling others. Staff may feel personally compelled to work extra hours because they want to emulate the leader's work ethic (Byrnes, 2009, 227). The founder-director aspect is very important when assessing the reference power and leadership qualities in any SME (not just art related) and this will be a common theme as we go further. From these aforementioned characteristics we can move on to study what are the individual or key leadership points that come to play in the venture.

2.1 Key Leadership Points

Oakland's list of those key leadership points correlates with the formulation of a mission statement. This has a lot in common with the making of a business plan and also includes the vision of where the overall endeavor is headed and what it requires to get there. Oakland provides a solid basic structure for important points relating to growth that can be then defined or criticized through articulated views of other authors. Oakland executes the first step for organizational excellence in the following manner;

1. Develop and publish clear documented corporate beliefs and purpose – a mission statement (Oakland, 1999, 13). This important first step is also in a key position when addressing the future of the company and the possible avenues for development. Oakland informs that these beliefs and purposes should address the following issues;

- Definition of the business – for example, the needs that are satisfied or benefits provided (Oakland, 1999, 13).
- A commitment to effective leadership and quality (Oakland, 1999, 13).
- Target sectors and relationships with customers, and market or service position (Oakland, 1999, 13).
- The role or contribution of the company, organization or unit – for example, profit generator, service department, opportunity seeker (Oakland, 1999, 13).
- The distinctive competence – a brief statement which applies only to that organization, company or unit (Oakland, 1999, 13).
- Indications for future direction – a brief statement of the principal plans which would be considered (Oakland, 1999, 13).
- Commitment to monitoring performance against customer's needs and expectations, and continuous improvement (Oakland, 1999, 13).

All of these sections have a valid purpose in the function and natural expansion of the organization and the parallels to Kaario's views on organic growth can be easily perceived in the following paragraph. These organizational building blocks also offer a good supportive structure for Kaario's sales-focused growth approach to take place and function properly. Before we can move onto Kaario's definition on the aspects of organic growth, it is purposeful to distinguish the four leadership styles so that we can find the background against which each owner-manager works. The following figure will greatly aid in that aforementioned practice in order to support Kaario's views;

The four leadership styles

<p><i>Telling</i></p> <p>Providing specific instructions and closely supervising performance: most appropriate when the team member is not skilled in the area in question, and is also low in motivation or self-confidence</p>	<p><i>Selling</i></p> <p>Explaining and discussing decisions, and encouraging the team member to make proposals, but still retaining control over the decision. This style is most appropriate when the team member is not skilled in the area, but is motivated and interested.</p>
<p><i>Participating</i></p> <p>Sharing ideas, supporting the team member in making decisions, and being available to provide a sounding board and encouragement. This is appropriate when the team member is skilled, but is not yet entirely confident or motivated.</p>	<p><i>Delegating</i></p> <p>Giving responsibility for decisions to the team member, and reducing the amount of support and encouragement.</p>

(Source: Colenso & Boake, 2003, 67)

Each of these styles have a different level of concern for the team member's learning, and provide different levels of autonomy for the team member, in relation to how they tackle the task.

<p><i>Participating</i></p> <p>High concern for learning</p> <p>High autonomy</p>	<p><i>Selling</i></p> <p>High concern for learning</p> <p>Low autonomy</p>
<p><i>Delegating</i></p> <p>Low concern for learning</p> <p>High autonomy</p>	<p><i>Telling</i></p> <p>Low concern for learning</p> <p>Low autonomy</p>

(Source: Colenso & Boake, 2003, 67)

The understanding of this schematic is crucial for the owner-manager to map out their particular style and also to mirror it against the performance and operation of the company and its employees in order to perceive whether that particular style is the best in order to manage growth and the resources it needs.

2.2 The Aspects of organic growth

Kaario presents his view by stating that since organic growth is a result of successful sales, more management time should be spent on defining the role of sales and ensuring that the sales function has the right capabilities and competencies in place. A clear linkage between the corporate strategy and how sales is managed and executed should be established. Advanced sales strategies are far refined from pushing the products onto the market. These strategies put a lot more emphasis on customer and value-chain understanding (Kaario, 2009, 25). Such a statement has been brought up by other author's as well.

Growth also tends to be one of the key criteria upon which SMEs have been evaluated. Especially sustainable growth of sales is considered as the most important and reliable success criteria of SMEs (Laurence, 2001; O'Gorman, 2001; Watson *et al.*, 1998 in Furu, Salojärvi & Sveiby, 1997).

When we are talking about organic growth and its connection to strategy and management we must understand the peculiarities that exist in the SME concept for business. Even though SME's have size and scope related advantages that can work to their benefit when working with the right market size, the importance of coordination is also viable in these aspects of the company. Before addressing the avenues of development we must know where the organization resides currently and in such cases the model of organizational development is a highly valuable tool;

MODEL OF ORGANIZATIONAL DEVELOPMENT				
Stage of Organization's Development	Stage 1	Stage 2	Stage 3	Stage 4
Primary Focus of the Organization	Product Based which meets competitive standards	Customer Acquisition Finding new markets for successful products / services	Customer Retention Assuring customer satisfaction Adding value to the customer relationship	Customer 'Partnership' Shared product development Joint ventures
Processes and Systems needed	Reliable manufacturing Good raw material / component suppliers Distribution system	Marketing ability Good selling systems Fast service and distribution	Adding new features to product or service Ability to customize Flexible manufacturing	Project management systems Multi-sourcing ability
Employee Skills and Abilities needed	Disciplines of quality Learn fast from mistakes	Selling ability Customer care skills Customer service skills	Develop relationships with customers Ability to achieve high customer satisfaction	Understand the customer's usage of the product or service Know the detail of the customer's business Know the customer's customer Win/win thinking partner approach
Probable Measures of High Performance	Robust manufacturing capability Few rejects Acceptable manufacturing cost	Sales growth Many new customers Falling manufacturing costs	Increased sales per customer Increased product range Share in more markets	Joint ventures New/different markets entered New/different products

(Source: Colenso, Boake, 2003, 14).

(1) Locate your organization or business unit on the organization development matrix. Most probably you will find that it has characteristics of more than one of the developmental stages in the matrix (for instance, different parts of the organization may be at different stages).

(2) Now focus on the measures of high performance appropriate to the stage of development you identified for your organization. Compare your suggested measures with what currently happens.

(3) Reflect on differences and similarities (Colenso, Boake, 2003, 14).

As pointed out earlier, SMEs offer a rich potential of motivation due to their structural advantages. However, SME management in the area of internal coordination goes far beyond structural issues and addresses sense making in organizations as well. To develop sense making values and cultural elements triggering creativity at work is therefore a pervasive task of coordination which is in SMEs to be fostered and directed by the entrepreneurs (Freiling, 2007, 13).

A very valuable tool for assessing the organizations current situation and future potential is also the SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis. The SWOT summary of the firm's marketing situation encompasses the findings of internal and external strategic analysis that provides the back-end planning perspective of controllable and uncontrollable variables/events/trends (Barney, 1995,). The SWOT analysis will be utilized in the empirical section of this work and used in the case company context.

For future development and additional competences to be gained, the point of view can be augmented with added value by reciting an important statement by Cheverton regarding the three aspects of the company's overall mission as the company can only grow through setting clear objectives in reasonable time

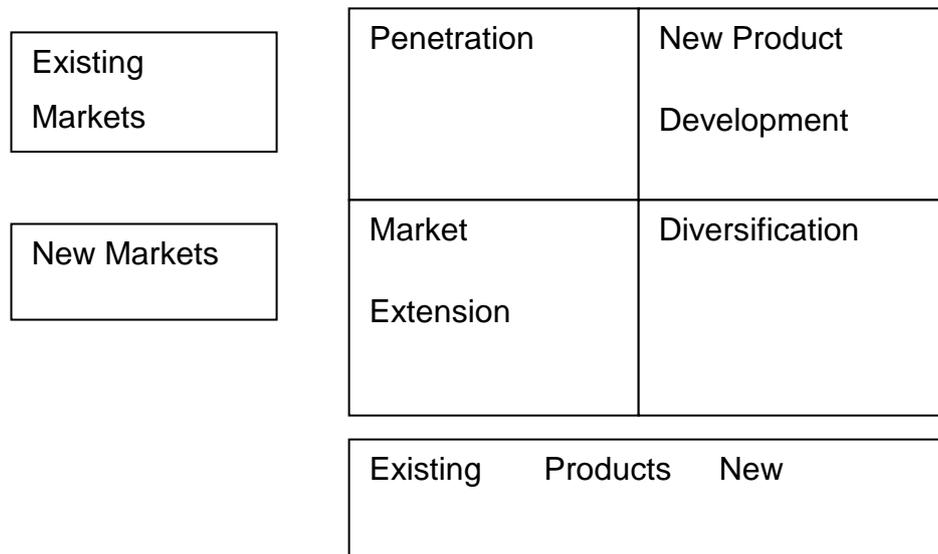
frames that are monitored through understandable and stable means and communicated properly throughout the organization.

The business objectives are what the owner-manager wants the business to achieve in the future. The market opportunity is the net sum of the forces that will help or hinder the business: customers and competitors. The business resources are those things that will support or constrain the progress: the enterprises own capabilities, production capacity, R&D, logistics, money and, not least, the people (Cheverton, 2004, 97). For any SME the allocation of resources between these areas of the company is a time and money consuming effort as the market shifts, economical forces and trends all play their part when in deciding the next move and how to emphasize upon the core competences. This is why the owner-manager has have to have the organizational cornerstones (management and support) in place before they can start the allocation of resources to customer-service and sales functions.

The marketing objectives will drive the business for the next year, three years, maybe longer, so they deserve a lot of attention both for their content and for their style of presentation. They will be used to throw down gauntlets by all means, provided the rest of the plans show how that challenge will be handled. These objectives will say a lot about the aspirations of the business, but also much about the level of professionalism involved in managing the business (Cheverton, 2004, 102). Here we are talking about the highly tangible aspects related to management qualities that have to direct the business vessel through a professional and credible strategy. For organic and customer-oriented growth to take place, these marketing objectives (and their supporting functions) should be formulated by studying the needs and desires of the established customer base (customer satisfaction survey) and then use the results for additional focusing of the service base.

As a generalization, the selection of right markets and correct modes of entry are important in order for the SME to utilize its strengths in the most corresponding way and this inherent flexibility and malleability of the companies is something the entrepreneurs and owner-managers should be very aware of. From an SME angle, the search for business opportunities is not restricted to the actual market niches small business firms might be (or feel) committed to. Instead of this, arbitrage in the sense of Kirzner (1973) includes being open-minded for any kind of business where the entrepreneurs believe that they could fill given gaps between demand and supply by alert moves. The only criterion being relevant to consideration is the opportunity to raise arbitrage profits. Due to the flexibility mentioned above, SMEs are in good positions, indeed, to open new markets in order to exploit the firm's conditions more comprehensively (Kirzner, 1973 in Freiling, 2007, 13). In order to find the "best" market approach for the growth of your company, the Ansoff matrix can be utilized to help in the process.

The Ansoff matrix



(Source: Cheverton, 2004, 106)

There are two principal uses of the Ansoff matrix: first, to assess the level of risk in the growth strategy, across a range of products, for a market segment, or across a whole market or business; and second, to prompt the company to take the necessary risk-management or risk-reducing actions. Of course, some level of risk is necessary if the enterprise wishes to grow, but any sensible business will always seek to manage or contain that risk, as far as it can (Cheverton, 2004, 106). For managers looking for a tool to help in their decision making, the Ansoff matrix and its correct use may prove to be very valuable if applied with care.

In the case of service industries, Cheverton's statement can relate to the fact that companies offer one service to one issue but they can easily overlook the customer aspect of the whole process or the importance of a supportive service, hence they can only focus on the service's present aspects. As we are moving further along the understanding of the organizational development and

transformation, we must remain conscious of this customer orientation as central to the success of such operation. The Ansoff matrix can in part assist in solving this issue that Kaario among others has presented; but even then it is merely a part of the means to an end as we will come to understand.

Our approach is especially relevant in the conditions in which most SME's operate in, as organic sales-focused growth is a much more financially viable option than mergers and acquisitions and Kaario has elaborated on this with the following statement; having a sales strategy focusing on organic growth and capable of selling and delivering solutions should be a strategic weapon just as aggressive M&A has been (Kaario, 2009, 26). For smaller enterprises, this is a tremendously valuable piece of insight as some situations for further expansion might mean a risky merger or an acquisition that in the worst case could lead to the company backfiring financially. In such cases, the need to assess and define the sales and customer service potential could bring up a "second start" for the company and offer a profitable alternate route to growth and expansion. As a final definition, this leads us back to Oakland's aforementioned insights on the importance of wholesome qualities in management that have the potential to lead towards transformation.

Transforming the company in this case involves the whole organization and, as always, should start from the top. The effects of an of an outside-in approach and setting organic growth as the main strategy and offering solutions instead of products will not leave any part of the organization untouched. This will also profoundly change the required capabilities and competences (Kaario, 2009, 26).

As well as being a sales-oriented approach, organic growth for companies is also a management and executive focused process and requires fluent

communication and part-taking from all levels and sections of the company, be it an SME or a conglomerate sized endeavor. This is to be remembered as we move on to review Oakland's following second stage.

2.3 The importance of strategy and supportive functions for growth

The challenge of development for SME's is evident when we are assessing the allocation and division of scarce resources in order for the company to find new ground for its operations (a subject that was briefly touched in the earlier paragraph).

To identify the definitions of small business growth scientifically, the nature of the small business needs to be emphasized. Zhang (2000) summarized six essential characteristics for the small business:

7. high dependence on the owner (always the manager);
8. easy to start up;
9. operating with the owner's self-collected capital;
10. simple structure of management;
11. full of innovation; and
12. easily affected by the environment (Zhang, 2000).

In fact, it is not easy for SMEs to find or develop a promising strategic path of organizational development when the ordinary business seems to attract almost all the available forces of the firm. Nevertheless, the innovative potential and the high flexibility due to low formal complexity of the organization, the closeness to the customer, the independence in terms of being free from outside control and the deep impact of the owner on the business are typical attributes of small

business firms often mentioned in literature (Stanworth – Curran, 1976; Storey, 1994; Beaver, 2002 in Freiling, 2007, 2). This concept of flexibility and strategic malleability often associated with SME's can be considered their greatest strength even though they sometimes lack in formal management qualities.

The achievement of the company or the service mission requires the development of business or service strategies, including the strategic positioning in the 'market place'. Plans can then be developed for implementing the strategies. Such strategies and plans can be developed by senior managers alone, but there is likely to be more commitment to them if employee participation in their development and implementation is encouraged (Oakland, 2009, 13). Especially in the SME concept where the teams are smaller and the interpersonal relationships are closer, employee participation and encouragement to facilitate and embrace change becomes crucial (will also be discussed more in the latter). In summary, an organisation's resources and capabilities and more importantly their creative use, should be the central considerations in formulating and implementing strategy. An organisation's identity and strategy can be established on those primary constants, which are also the primary source of its profitability. The key to a resource-based approach to strategy formulation is an understanding of the relationship between resources, capabilities, competitive advantage and profitability (Bretherton & Chaston, 2005, 19).

2.4 The transformation and strategy

Transforming the sales force and supportive functions to be proactive and in line with the core strategy is one of the most important aspects for organic revenue-generating growth to occur in SME's. This transformation of the sales force is naturally associated with organizational change and handling the

phenomenon internally. This assumption also concurs with Kaario's following view.

According to Kaario (2006), the concept of selling is in a sense altogether outdated and he would transform that image to managing customer relationships. This at first seamless but important decision is related to that aforementioned concept of being proactive. For a service based company in an industry where the whole concept of servicing is based around the inner needs and desires of the customer (as in the case company) the approach has to be, as stated before, very subtle and devoid of pushing services to the clients. This being said, it by no means is to be taken as a hint to take a backseat in engaging the customers as we can learn from the following.

This focus towards pro-activity in terms of growth is important in both, theory and practice, as often in SME's the performances and strategies may not support each other or their connection is not clear enough and this may lead to a hindrance in the overall performance of the organization. This is also what Forsman concurred with earlier; the strategy has to exist even if its purpose and rigid structure is often overlooked by entrepreneurs.

In SMEs, the vision and strategy are not necessarily well defined or there is no clear strategy or vision at all. According to Tenhunen, Rantanen and Ukko (2001), the most important factor in the implementation process of performance measurement systems in SMEs are a precise statement of the corporate strategy, and support and commitment of the top management. Also Dollinger's (1984, 364) research results highlight the importance of strategy. According to his results, strategic action is related to the performance of the firm and the compensation of the entrepreneurs (Tenhunen, Rantanen & Ukko, 2001; Dollinger, 1984, 364 in Forsman, 2005, 39). This definition of the vision and

strategy and their connection to performance will be of great importance if the company aims to develop its processes in a sales-oriented manner. As the vision and strategy is the core from where all those aforementioned actions must stem from, these must be applied and refined in transformational phases also; meaning that neglecting them may lead to the employees losing faith and motivation and customers falling of the bandwagon.

2.5 The Concept of Learning in SME's

In order to acquire abilities for long-term survival, small business managers have to devote their attention to the learning of fundamental managerial knowledge.

- *Techniques on time management.* Every small business manager we met has the same feeling that he or she is too busy to co-ordinate the relationship among business, family and personal matters. Many managers consider it as the appearance of dedication and achievement, and this results in the lack of time to study, and managerial style focusing on centralization.
- *Techniques on planning and decision making.* Most enterprises neither have a business plan when established nor have the awareness of strategy in the process of operation. Many small business managers do not believe in plans and consider that plans cannot catch up with changes.
- *Arts of delegation.* If a small business is increasing the size of its staff, its manager must learn to delegate authority (Zhang, 2000).

Particularly relative to the endeavors of support agencies, Chaston *et al.* (1999) emphasize that understanding the way small business owner-managers learn is

the key to effective interventions. Any discussion of learning begs a definition of what it involves. According to Beach (1980), learning is the human process by which skills, knowledge, habits and attitudes are acquired and altered in such a way that behaviour is modified (Chaston et al. 1999; Beach, 1980 in Bergin-Seers & Morrison, 2002).

Hawke (1999) suggests that small business owner-managers are not large users of structured learning, but that is not to say that they are not engaged in some form of a learning process. It is generally accepted that they are active constructors of knowledge (Billet, 2000), learning informally from peers, customers and supplier, by doing, exploring, experimenting, copying, problem solving, opportunity taking and lessons from mistakes made in the process (Gibb, 1997; Beaver *et al.*, 1998; Dalley and Hamilton, 2000 in Bergin-Seers & Morrison, 2002).

Provided it is accepted that experiential learning is central within the small business context, it can be argued that the workplace represents a powerful and rich learning "laboratory". This approach is informed by the concept of the learning organization, in which owner-managers, employees, educators and trainers engage in new forms of relationships, designed to enhance learner autonomy (Edwards *et al.*, 1998 in Bergin-Seers & Morrison, 2002).

This recognizes the concept of the parallel, but integrated, processes of owner-manager personal development and small business growth. For small business to grow, the owner-manager must adapt and change as the enterprise moves forward in its life-cycle. It is argued that these owner-managers are successful business owner-managers because they have effectively embedded a learning culture, and cascaded it out internally into their organization, and externally to their networks. In this way they have harnessed and leveraged knowledge for

competitive advantage, a factor that appears to differentiate them from less effective owner-managers.

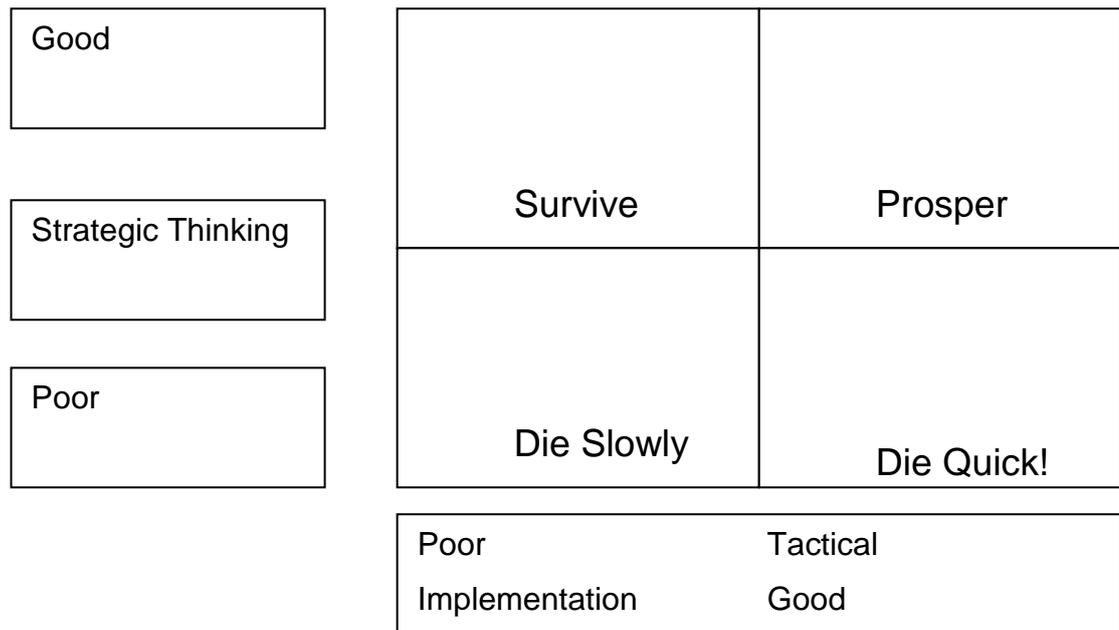
More specifically, the owner-managers exhibit a disposition towards learning in a practical and experiential way, mainly through informal mediums, with the preferred model being networks. Through their networks owner-managers expose themselves to the knowledge and expertise of others both internal and external to the business. In this collective manner innovation and problem-solving is achieved, efficiencies and market development attained towards the achievement of desired business growth objectives (Bergin-Seers & Morrison, 2002, 15).

2.6 The importance of planning and risk management in SME's

The SMEs are susceptible to business failure primarily due to the poor risk management associated with inadequately informed decision-making (Barnes *et al.* 1998; in Forsman, 2005, 40). In order for any development to take place in regards to the sale of services and the better recognition of the customer's needs the management has to internalize and perceive the whole process for themselves before they can begin to pass it forward into the whole company context. For smaller entities the change and transformation towards further customer-orientation has to be perceived as an additional strategic dimension. This means that additional management presence and guidance will be required, and the need for such will tie in with the following developments of "repurposing" the sales force.

The marketing plan turns strategy into tactics, bridging the gap between ambitions and actions, and ensuring that the business prospers (Cheverton, 2004, 45).

The tactical implementation graph



Source: (Cheverton, 2004, 45)

Businesses die when direction is poor and application is poor – that goes without saying - but the businesses that die the fastest are those with poor direction but enthusiastically applied tactics. Think of it as a person, a sales representative, and instead of referring to good or poor application we describe the person as lazy or hard-working. The lazy but well-directed rep will always survive, but the last thing any company wants is a hard-working but misdirected sales rep; such people just make trouble for all concerned! Making the wrong decisions and then applying resources with energy and enthusiasm is a terrible way to go (Cheverton, 2004, 45). We are dealing with steep contradictions, but

the lesson here is to use this strong polarization as a catalyst for perceiving the need to specify direction and its application to the specifications of your own company. Due to smaller sizes and closer interpersonal relationships this application of direction and tactics (turning the sales force into a more proactive and creative one as discussed earlier) can be perceived as being easier in the SME context but still requires adequate management commitment.

In accordance with the previous it is viable to ask the question, which plan comes first, the business plan or the marketing plan, and what is the actual difference between the two?

A common response is that a marketing plan is a business plan without the financials – but it would be a worthy cause of concern if one was to read a marketing plan that took no concern over issues such as revenue, investment and profitability. Another response is that the marketing plan represents a functional view, while the business plan is cross-functional, but that can be seen as another worrying scenario – an island mentality (Cheverton, 2004, 47).

A third definition has it that the business plan is about resources and the marketing plan about the opportunity, but that polarizes marketing towards a right-sider mentality, and we have seen enough by now to know that marketing must bring the two sides together (Cheverton, 2004, 47).

The importance of drafting a plan that is coherent and structured and renewed within reasonable time-frames will, in conjunction with the strategy, enable the company to address the risks regarding to their current situation and where they are headed and it will help in a great deal to avoid past mistakes.

3 IDENTIFICATION OF THE CRITICAL SUCCESS FACTORS AND RELATED PROCESSES

The next step in regards to the current situation of the company is the identification of the critical success factors (CSFs), a term used to mean the most important sub-goals of a business or organization. CSFs are what must be accomplished for the mission to be achieved. The CSFs are followed by the core business processes for the organization – the activities which must be done particularly well for the CSFs to be achieved (Oakland, 1999, 14). The definition of these are important to any company, but for an SME that either works in a smaller segment or niche-oriented markets it's a question of life's blood for the company. Defining and clarifying them and then engaging the sales force to support them does a very good start to any company wanting to excel in their respective industry.

An SME is often strongly based on the owner's know-how and expertise. The role of the owner is important. SMEs are often subcontractors for large firms and they operate in a great hurry in tight competition dictated by the markets. In a hardening and internationalizing competition, new skills and knowledge are needed. Especially the pursuit of growth requires that the owner can learn new skills and change from a doer to a manager – he or she must spend less time doing and more time managing (Rantanen, Ukko & Rehn 2001; Churchill & Lewis, 1983, 38 in Forsman, 2005, 41). This shows additional correlation with what was discussed in the preceding paragraph about time management. The owners and head executives have to be able to recognize the forces that play the most major role in their success and also their relation to their own personal performance and the performance of other managers and employees in the company; as Cheverton informs us in the following.

Cheverton addresses that the identification of critical success factors and core processes can be further defined by answering to the following questions:

- How will we grow?
- How should we aim to compete?
- What will drive us?
- Who should we sell to?

And then the more tactical ones:

- What price?
- What quality?
- How much to make?
- How to get the product to the customer?
- How to promote?

This focus will help us keep control over what can become a massive and never-ending search for data (Cheverton, 2004, 56). Majority of these decisions and their preliminary phases fall upon the entrepreneur themselves.

The most important person in the SME is the owner-manager. She or he participates in most of the SME's operations. However, much of her or his time is spent in solving various everyday business problems. Thus, finding time for development projects can be a problem. The SMEs have the best chances with production development projects; because that is the field they usually know best. Projects aiming at business not previously known to the small enterprise very seldom succeed (Hyvärinen 1993, 36 in Forsman, 2005, 42). I concur with

these previous statements and they offer a good reminder to the fact that our purpose in combining these theories and findings is to formulate a basic structure that will not aim for business previously unknown, but helping to clarify and enhance the company's already successful endeavors.

In regards to this identification of opportunities, we must take a clarifying look at the important aspects of the segmentation process that needs to take place. Segments are made up of people with similar needs, attitudes and behaviors. Those attitudes, in particular, can take us away from the world of facts (and logic), and into the world of perceptions (Cheverton, 2004, 150). In order for the company to be profitable it must have a conscious view of the buying public's opinions and behavioral patterns. This can be seen as the only way for providing real customer value and being a clear ingredient in regards to the segmentation. Segmentation and "customer-mapping" is also crucial if the entity wants to embody Kaario's concept of an outside-in perception on the company's business which means using market and consumer insight for business development (Kaario, 2009, 239). This is a straight contrast to the more common perception that is constructed from inside-out, meaning that the company's own resources and capabilities are the starting point for business development (Kaario, 2009, 239). For the transformation towards organizational excellence and sales-focused organic growth, the adoption of this contemporary point of view is adamant. As with all communication, the message received is of more significance than the message sent, and this is a vital truth to remember when seeking to position the product or service in the chosen segment (Cheverton, 2004, 151). As recognition grew, both among scholars and policy makers that knowledge was also a key factor shaping economic growth, a new set of public policy instruments for generating economic growth became prominent, with a focus on research, intellectual property, and human capital. If anything, the inclusion of knowledge as a factor of production served only to reinforce the view that small firms were anathema to economic growth (Bretherton & Chaston, 2005, 33). This last statement ties in well what has been

discussed in the chapter; continuously updated knowledge of the market and especially its dynamics are crucial when formulating the strategy in an SME based on the CSFs.

As both the psychographic (interest, activity and opinion related) and demographic (measurable characteristics of the population) variables on the consumer side are a changing force by nature, the management team has to be on top of this. From basic marketing knowledge we can devise that the 4 P's (product/service, price, place, promotion) play a crucial role at the beginning of sorting the mix and their output is combined later to the quantitative and qualitative data from the research. The point of all this is to create an individual proposition for each segment, so that the company's product and service portfolios can be utilized to their best effect. This positioning of the products is usually a "do-or-die" question for many SME's and in addition it has to be implemented correctly in order for it to function, as Cheverton sums up; The sum total of this mix is what many would call the proposition: the reason a customer should buy your product or use your service (Cheverton, 2004, 149). Once conducted, the market research must be combined with the strategic plan so that the customer engagement may proceed through, offering value that is really relevant from the client perspective. Again, the outside-in point of view is a significant part of this endeavor.

3.1 Reviewing the management structure.

Defining the corporate mission, strategies, CSFs and core processes might make it necessary to review the organizational structure. Directors, managers and other employees can be fully effective only if an effective structure based on the process management exists. This includes both the definition of responsibilities for the organization's management and the operational

procedures they will use. These must be the agreed best ways of carrying out the core processes. The review of the management structure should also include the establishment of a process team structure throughout the organization (Oakland, 1999, 14). The management structure and its function are naturally as important in smaller companies as in larger entities. In a sales-oriented approach those managers responsible must be able to coordinate and communicate in regards to the appropriate organizing of the sales force. In even smaller companies, where there can be only one person responsible for the transactions with the customer with added responsibility, he/she has to be able to make valid decisions on their own and also enjoy the trust of the top management in such entities. Thus the capabilities of the management are reflected to their subordinates and the whole equation starts from the selection process of the person.

According to Winch and McDonald (1999, 50), the shorter internal lines of communication and the faster response times allow speedy problem solving and reorganisation. Martinsuo and Karlberg (1998, 7) continue that the SMEs' decision-making process is effective, but disadvantages in SMEs are their limited capacity for marketing, strategy, acquisition of the new knowledge and technology, and finally sensitivity to external pressures and risks (Winch & McDonlad 1999 and Martinsuo & Karlberg 1998 in Forsman, 2005, 41)

The key role in any sales organization is that of the salesperson. This person has traditionally been a product expert capable of presenting the product and also of getting the order from the customer (Kaario, 2009, 110). Naturally this also relates to the service aspect of the company, as the person in charge of the sales is expected to be a service expert also. Most often cases, especially in SMEs this person or at least the manager/executive above them has to be somewhat of an expert on both, products and services. Because as Kaario has stated throughout his findings that the concept of sales has to be transformed to

a more wholesome concept of customer service and recognizing and solving present and future issues. In my opinion this transpires to the fact that in SMEs with a lesser sales force the role of the salesperson often requires a lot of aspects and capabilities of that of a service specialist/expert, thus organically transforming to be one and the same. This also relates to what was mentioned by Oakland in the beginning of this chapter, that the process through which those sales/service experts are managed becomes crucial in order for the company to fully operate the sales/service propositions and their priorities. Kaario takes this a step further in the following.

I propose that the name and concept of account management should be changed to engagement management. The role of the engagement management is defined from the outside-in viewpoint. The engagement manager ensures that the customer's business challenges are understood and that the relevant parts of the provider's organization are engaged in a meaningful dialog with the customer. Managing an account or being engaged in dialog are very different ways of interacting with customers (Kaario, 2009, 113). Kaario's view on the importance of dialog and engagement correlates with my personal view of being on the same page with the customers current and future needs, this is especially important when operating in a service based company. Many SMEs could enhance their prospects on conducting transaction through this alternate perception on sales. The term Engagement manager may sound foreign to many but in a way it is the perfect namesake to sum up an individual who has embraced this wholesome view on complete customer service through sales and future acquaintances. In my opinion the engagement manager term and the engagement procedures altogether relate to the fact that has been discussed earlier, in which the concept of engagement is further defined to mean the understanding of the preferences and the needs of the customer in tailoring and promoting the services (i.e. learning of the markets, entrepreneurial development and strategy formulation).

3.2 Empowerment/engagement of the work environment

In the modern operating environment an increasing amount of value is added by human beings. In many companies, and particularly in the service industries, competitive differentiation rests within the discretionary gift of employees. The world is pretty well convinced that motivated, empowered, self-directed people are the cornerstone of high performance (Colenso, Boake, 2003, 11).

For effective leadership, it is necessary for management to get very close to the employees. They must develop effective communications – up, down and across the organization – and take action on what is communicated; encourage good communications between all suppliers and customers (Oakland, 1999, 14). As implied earlier, this communication from top down and vice versa becomes an important piece of the puzzle when the management and employees are working towards the same focus of fully realized customer service. If management vs. employee communication is firmly in place, then the concepts of engagement that Kaario presents can begin working for the service of the SME.

A SME may easily find itself with limited indigenous management skills - not only in change management itself, but also in the new skills that will be necessary to manage the enterprise after a change has taken place (Winch & McDonald 1999, 49). The SMEs will more likely to engage in informal management practices than to adopt sophisticated planning and control techniques (Martin & Staines 1994 and Winch & McDonald 1999 in Forsman, 2005, 40).

As a final notification Oakland presents three respective segments that must be addressed for fluent managerial communication to take place.

Attitudes – The key attitude for managing any winning company or organization may be expressed as: ‘ I will personally understand who my customers are and what are their needs and expectations of me; I will measure how well I am satisfying their needs and expectations of me and I will take whatever action is necessary to satisfy them fully. I will also understand and communicate my requirements to my suppliers, inform them of changes and provide feedback on their performance’ (Oakland, 1999, 14). Oaklands valid statement concurs with Kaario’s in the sense that everything must revolve around the customer and all links and associates the company has, have to be driven towards that end, the service from a wholesome perspective, in other words; engagement.

This attitude must start at the top – with the chairman or chief executive. It must then percolate down to be adopted by each and every employee. That will only happen if managers lead by example (Oakland, 1999, 14). My experience and personal view concurs with Oakland’s as the only way for real development and natural growth to take place is for the employees to be fully taken in for the ride. In other words we are talking about engagement again, this time from an internal perspective but the concept is definitely just as relevant here. This also relates to the fact presented earlier that in the concept of SME’s, and especially in smaller organizations learning proceeds only if the owner-manager has a positive attitude towards it and is ready to implement the results to practice.

Abilities – Every employee must be able to do what is needed and expected of him, or her – but it is necessary to decide what is really needed and expected. If it is not clear what the employees are required to do and what the standards of performance are expected, how can managers expect them to do it (Oakland,

1009, 14-15)? The final section of this theory informs us of the employee's responsibility and role in this model for organizational excellence, as the organization's performance is intimately linked with to the direction and responsibilities given by the owner-manager.

Participation – If all employees are to participate in making the company or organization successful (directors and managers included), then they must also be trained in the basics of disciplined management. They must be trained to:

- E Evaluate – the situation and define their objectives,
- P Plan – to fully achieve those objectives,
- D Do – implement the plans,
- C Check – that the objectives are being achieved, and
- A Amend – take corrective if they are not (Oakland, 1999, 15).

Participation is the final and thus the most important cornerstone towards employee empowerment. Without pro-active continuous self-assessment very little can happen in the sense of organic advancement for the whole company. This evaluation and selection is again further defined and augmented by Kaario's observations on the functions of engaging the customers.

Engagement management represents the core of the sales organization. It is the strategic part of the tools and processes. These tools define the customer segmentation model, i.e. which customers are targeted, how are they segmented and what is the sales investment in each segment (Kaario, 2009, 123). As one can perceive this segmentation is clearly related to the "evaluation

process” that Oakland was talking about and they both have engagement in the centre (although Kaario naturally names and defines it better since it is the leading concept in his work).

The SMEs are susceptible to business failure primarily due to the poor risk management associated with inadequately informed decision-making (Barnes, Coulton, Dickinson, Dransfield, Field, Fisher, Saunders & Shaw 1998 in Forsman, 2005, 40). The decision-making processes that were addressed before to some extent (related to being owner-centered in the SME context and planning for risk management) come to play in the choosing and division of the customer segments and how to serve and attract them properly. The owner-manager may have very little experience in the field and they may take the risks and make the decisions through the pin-hole perspective that is in relation to their own field of expertise, not necessary from a service or a marketing point of view. This is where the manager-employee interaction is very viable, so that the knowledge pool can be shared.

Notwithstanding the considerable improvements from the “modern or transformational approach”, over the past few years it has become clear that something else is needed, as organizations recognize they are faced with complex challenges, operating in a world of accelerated change, turbulence and uncertainty. In general there appears to be two main responses to this crisis. The first is to go back to basics – to get a grip on things, strengthen centralized hierarchical control, issue priorities, allocate resources, devise and disseminate plans. And somehow this does not work! (Boydell, 2004, 5).

“The alternative to this approach is in a sense its opposite, namely acknowledging that “the center cannot hold”, and that complex problems require the active engagement of many diverse stakeholders – people who care about the issues, whose lives are affected by them, who have particular knowledge

and expertise related to them, who have the power to support/block solutions. Such leadership is based on a picture of people not as human resources but as resourceful humans – “beings on purpose” – wanting to do good work, to delight customers, to provide a valuable service, to create and achieve something worthwhile outside of their own immediate rewards, to leave the world a better place for their grandchildren”(Boydell, 2004, 6). Especially for an SME with limited resources and shortcomings in man-power and scope of business but with the valuable know-how of the entrepreneur-manager, quick-response times and the flexibility in their operation.

4 SYNTHESIS OF THE THEORETICAL FRAMEWORK

The theoretical framework assures us that the role of the owner-manager is the cornerstone of an SME in a high number of cases, and the company lives or dies by their vision and related decisions. This leads to the fact that even though the companies are often based around their particular fields of expertise they have to be able to foster a culture of learning in the company and have a very enthusiastic attitude towards self-development; without those two, the organic growth of the company and enhanced customer engagement are without value.

The employees are to be involved in matters that concern them and they are to be encouraged to creativity and new practices by the owner-manager as they most often are the most important resource in an SME.

The importance of planning, networking and constant renewal of the service base is an aspect that will keep the company alive in situations where new competitors enter the market or old-ones start becoming more aggressive, or in cases where there are market changes that will hinder or threaten the business to a great extent.

In addition to these, the company must continuously monitor and research its customer base and understand the trends that might shape their preferences or opinions and through such studies along with the vision of the owner-manager the company can solidify their brand image; thus becoming a stronger entity.

5 METHODOLOGY

The Mixed Methods Approach

I completed the data gathering for my thesis utilizing the mixed methods approach which enabled me to gather a substantial amount of comparable information to be used in drafting the finalized version of the business plan for the case company.

Mixed method research uses quantitative and qualitative data collection techniques and analysis procedures either at the same time (parallel) or one after the other (sequential) but does not combine them. This means that, although mixed method research uses both quantitative and qualitative world views at the research methods stage, quantitative data are analysed quantitatively and qualitative data are analysed qualitatively. In addition, often either quantitative or qualitative techniques and procedures predominate (Saunders et al. 2009, 153).

In contrast, mixed-model research combines quantitative and qualitative data collection techniques and analysis procedures as well as combining quantitative and qualitative approaches at other phases of the research such as research question generation (Saunders et al. 2009, 153).

The data collection for my thesis was done by using the mixed method research process but in the conclusion stage (the business plan) I opted combining the results as in the mixed-model research design. Majority of the data collection for my thesis was conducted on-site as I worked for the company for five months (work placement) and was able to see the day-to-day operations there and make a lot of remarks and notes in the process.

Quantative research includes such things as demographics (numbers of households, population aged 25-40, etc), market size, brand shares and price points. This is the realm of hard facts, though the famous dictum “lies, damned lies and statistics” should be a warning to us all. The problems usually lie in the definitions and interpretations (Cheverton, 2004, 57).

In this particular thesis, quantitative research was carried out in the form of a customer satisfaction survey presented to the clients of the case company (or their parents in case of minors). The survey was conducted online in the late autumn of 2010 (12.11.2010) by using the web portal of freeonlinesurveys.com. The questions were based around the general topics found in the theoretical framework and the basic preliminary questions were;

1. The Gender of the Responders.

- The answers to the enquiry were almost equally distributed among the genders. From this we can draw the conclusion that the services provided by Lifeline attract both genders in a nearly equal manner.
- Female: 42.2 % (19 responses); Male: 57.5 % (26 responses).
- The responses signify a slight male dominance in the answers (a difference of 7 responses) but it is a minor phenomenon and should not affect the marketing of the company in any regard.

2. The Age of the Responders.

- The age division of the responders was along the expected lines with young people and younger adults dominating. With this in mind that the group from 30 to over 50 years of age had the combined results that were almost within the scope of the under 20 to 30 years of age. This means that the music education of

younger adults is still the main concern of the company but there is evident potential in the elder groups as well (a definite marketing concern).

- Under 20 years of age: 33.3% (15 responses); 20 – 30 years of age: 40% (18 responses); 30 – 45 years of age: 20% (9 responses); over 50 years of age: 6.7% (3 responses).

3. From where did you first hear about Lifeline?

- These replies give a further guarantee about the significant importance of the company's web page and its availability through different search engines. The company has done good work at optimizing the results and it has certainly paid off.
- From a family member / a relative / some other acquaintance: 26.7% (12 responses); from the internet: 60% (27 responses); through some other mean: 13.3% (6).
- Even though the internet is the most relative way the company is reached by the people, these results imply that word to mouth makes almost a quarter of their overall amount of acquiring new clients.

Qualitative statements deal with preferences, opinions, latent wants and needs. Such comments are often prompted by the much-vaunted and oft-maligned focus group. A group of customers carefully chosen to represent the target market are encouraged to discuss the merits or otherwise of anything from chocolate bars to television programmes. How much reliance can be put on the remarks of half a dozen such guinea pigs is open to much debate – but what a great way to have your ideas challenged or tested (Cheverton, 2004,58).

The qualitative statement for this particular thesis was gathered by interviewing the owner/manager of case company Lifeline productions during the autumn of 2010 (8.10.2010). The questions were formed around the management-related aspects found in the theoretical framework.

6 CASE COMPANY LIFELINE PRODUCTIONS

Lifeline Productions is a private enterprise that has a long service record for providing musicians with solutions to many of their needs. The company is situated in the centre of Turku, in Varsinais-Suomi, Finland and was formed in the September of 1999 by Sami Heino, a musician and an entrepreneur. The company began by offering drum lessons to aspiring and semi-professional musicians in the Turku region, but during the following years the operations and provided services broadened to that of a music school and a recording studio. The initial vision of Mr. Heino was that the school would provide a personalized learning plan for the students, as well as the best equipment and rehearsal spaces available. In the early stages of the company, this idea received strong opposition from the financier's side but was overcome with the determination and purposefulness of Mr. Heino. Eventually the company got its start according to his vision and has expanded during the last ten years in a manner that stays true to the original concept of the company.

The purpose of my thesis is to construct and formulate an organic and sales-oriented development plan for Lifeline's business processes that has the customer as a focal point. This will be carried out by assessing their current operations from an internal perspective, as well as their relation to the competition on the market and customer response. The internal perspective along with the market and competitor situation will be assessed with a SWOT analysis and the customer aspect of this study will be carried out with a customer satisfaction enquiry. Owner-manager Heino was also interviewed to fully comprehend his motivations and methods of working.

During the last ten years Lifeline has grown significantly as a company and this has been evident from the constantly increasing number of students per week

as well as in the recent development of their studio and sound-processing facilities. Along with the steady growth of the demand the company has acquired new spaces to be commissioned for recording, tutoring classes or rehearsal spaces for younger artists.

In a nutshell, the company's services include:

- Tutoring in various instruments, including vocals, guitar, bass and drums (primary)
- A professional studio with separate rooms for recording, mixing and mastering thus providing a complete package to the artist (primary/secondary)
- Additional services include; Rental of rehearsal space, band coaching and equipment leasing (secondary)

SWOT analysis of Lifeline Productions

<p>Strengths:</p> <ul style="list-style-type: none"> - The location in the Centre of Turku, in Southern Finland - Many of the most important music related services under the same roof (teaching, studio services and rehearsal space rental) - A long history and experience in the business (especially Sami Heino, the entrepreneur) - Good networking possibilities in the Turku region (main business associate includes the oldest and most well-known musical retail store in Turku, Soitin Laine) - No single competitor that could offer such broad and high quality services under the same roof (in the best case the same client can utilize a variety of services provided by Lifeline). - Professional teachers that teach in a manner less structured and more tailored to the needs of the client than for example in a traditional conservatory - A large customer base that covers all demographics - More clients willing to come learn instruments than the company can currently provide teaching to, a greater demand than the ability to provide 	<p>Weaknesses</p> <ul style="list-style-type: none"> - The studio services are operating poorly compared to the teaching (One large competitor that's specialized in just recording takes the lion's share of the clients) - Some of the classes are held in the studio rooms where post-production, mixing and mastering of the tracks is also done. This sometimes leads to confusion and overlapping of the timetables - There has been some minor conflicts with a few residents living in the same building, and they have been accusing the school of misconducts without any tangible proof - There is a lot of demand for teaching in regards to some instruments (vocals, drums), whereas less for others. Creates imbalances business-wise and also between the teachers. - Not an "official" music school such as a conservatory, cannot acquire external funding (government or EU) - During the summer the teaching usually subsides for approximately two months, this should be compensated by accumulating studio clients during that time or by arranging workshops that would generate revenue for the company - A shortage of formal training in management.
<p>Opportunities:</p> <ul style="list-style-type: none"> - the same potential client base for a number of services provided by the company if they can be marketed properly to already established clientele - The location in the centre of Turku can be very lucrative for the possible studio clients that are from further away and value the proximity of services (in addition to the possibility to sleep within the studio premises) - The possibility to acquire new spaces if the relationship between the landlord remains well - The possibility to network with other companies situated in the region that could prove valuable in some other area of business that is not Lifeline's core competence (for example promotion) - The organization of workshops or theory based lessons for those times when business is slower (the summer holidays being the main issue) 	<p>Threats:</p> <ul style="list-style-type: none"> - The inability to use the established networks with other music related stakeholders or the inability to network more - The inability to accumulate the needed customer base for the studio services - The overall responsibility for the business can become too much for one man (the entrepreneur mr. Sami Heino) - In accordance with the previous, the management capabilities and internal resources may prove to be insufficient if the company enters a rapid growth phase (almost in progress already) - The shortage of resources and employees if the amount of people demanding teaching services becomes too large for the company to handle - There are more problems arising with the residents in the building and thus the landlord

Conclusion of the SWOT

Lifeline's location and an already established and well-retained market position due to service and knowhow affirm us that it has eliminated most of the serious threats coming from competitors. In addition, the demand of these services has also been in constant growth. The main concerns at this point for the company can be found in three major areas; the studio and recording services are still suffering a shortage in clients (they have high investment costs), the summertime is too quiet for business and there needs to be a boost in management style and vigor (all these issues relate to management decisions in the end).

Some of these issues are external in nature (especially minor the issues with the premises and other residents) but with enough time and effort spent in careful management even their repercussions could be alleviated. In terms of these internal issues that demand attention and time, the CEO and his team should really take a careful look at their past and present practices and how these procedures could be augmented.

Since a lot of the weaknesses and threats are related to management and shortage of management time some repurposing should take place in the company in order for the CEO to have time to attend to these issues that can have a serious long-term effect if not taken care of.

7 THE OWNER-MANAGER PERSPECTIVE OF ENTREPRENEUR SAMI HEINO

This interview was conducted on 8.10.2010. I did not ask the questions in straight relation to theory in order not to negatively affect or imbalance and restrict the answers (for example enquiring what the person considered themselves to be on the 'four leadership styles' schematic). Instead I focused on providing an overall picture that would give a personal perspective from the owner-manager's point of view but with the basis on the general implications and themes found in the theoretical framework of this thesis.

Personal Background

1. Background experiences in the music business?

Mr. Heino's first music-related experience came to him between the age 4 and 5 when his cousin had a drum kit in his house that he was allowed to try out. That spurred an interest that led to acquiring his own drums, which led to his first bands being formed at sixth grade at the age of eleven. He played his first live performance at seventh grade with his first "real" band in school related gatherings. When he turned 15 he was playing steadily in clubs and did a few festival performances with other band members that were at least 10 years older than him.

As his experiences grew he started to establish personal networks that offered him the chance to play different types of music in various projects during his youth.

His social nature along with his out-going personality helped him to meet new people and because he was very technically-oriented people started to ask and look up to him for advice mostly because his own equipment was always in great working condition.

“I had been very interested in the technical aspects of sound production and how everything must work together. I thought it was absolutely cool. It all started with my own equipment being in tip-top shape, then people started coming to me for technical advice and assistance. After a while the word started spreading that I was a guy who had some equipment for lease. People found me easy to work with and I knew how to solve the problems that other drummers had from my own personal experience. It was not about money, just my desire to be involved”.

Later on his expertise led to being asked to work in the construction of festival sets and arranging the backline logistics. In addition to that he also worked in the construction of the famous festival Down By The Laituri in Turku and as the chief of security at the electronic festival Konemetsä.

“I had always liked working with younger people and I already had some experience as an assistant coach in football and ice hockey teams that played in the minor leagues. Teaching and assisting had always felt natural to me, thus I also considered being a professional school teacher, but music still felt as the number one priority to pursue. I became a teacher’s assistant for the lower

grades in order to apply to the university to study pedagogy. But things took a different turn”.

By being in different bands and establishing himself in the local scene he was able to network with other musicians which gradually helped him to recognize the need for professional mentoring, especially for drums. He practiced every day and was constantly asked for information and advice. *“The passing of knowledge and problem solving in these issues have always been very natural to me”.* He considers his social skills and easy-to-approach nature to be as important as the technical expertise in teaching situations.

In the beginning he taught almost a year in an already established music school in Turku but the resources there were very limited and as he was progressing as a teacher with good results among the students, his own vision started to formalize. *“As my own confidence as a teacher grew and the clients were very supportive I felt that the resources just were not enough as I wanted every music lesson to be **an experience worth remembering**. This was only possible with state of the art equipment and a modern approach to tutoring”.*

Strong in his resolve Mr. Heino headed to an entrepreneurship course in which he was taught the basics on building your own venture and managing it, in addition to conducting a business plan. At first it was a challenge to acquire finance from the bank but his persistence paid off in the end. *“I just did not give up no matter what, even if they said “no” so many times at first”.*

“I wanted every music lesson to be a tangible phenomenon and experience to the student this could only be attained with the combination of professional teachers and state-of-the-art equipment”. According to Mr. Heino the overall

playing experience is much more than getting sounds from the instrument, it's about support and progress that has to be present in every lecture.

*“Our main difference with other music schools is that because we have a very contemporary approach we don't have to follow the traditional and very structured study plan schematic. **Every teaching plan is tailored to each individual student with their present knowledge and future goals in mind**”.*

Mr. Heino said that after struggling to get the company to where it is now he is grateful that the business is in steady growth, and that his vision of the “musical experience” has gradually been realized more as the years have passed and the client base has solidified. He also rejoices that he can see his own students perform well and with good equipment, so that the experience provided to the people by the company can now be presented forward through their students.

He stated that he was tremendously happy that he is able to do what he likes the most for living and that he can provide that experience for others as well. *“I'm undeniably proud that I am able to do what I love the most and where I know that I excel in for a living and that I can provide work opportunities for like-minded people with natural talents for teaching”.*

But he also added that they have a lot of expenses in relation to their vision of offering good teaching and great equipment and that he has had to take a lot of risks that have paid off in the end.

As for the current main strategy of Lifeline, Mr. Heino stated that he wants to accumulate the means and service structures to provide the similar profound

experience that has been the major factor in his passion for music but in an even enhanced way. *“When the client hears what they play through state of the art equipment, accompanied by a professional teacher we will achieve the outcome that our company is aiming towards”.*

Mr. Heino further stressed that what differentiates them from other musical learning institutions is that their tailored study plans give them a great tangible advantage over traditional and rigid formal education. According to him when everything is tailored towards the customer and their development they usually achieve a level of inspiration that provides those aforementioned musical experiences and their progress and development remain organic.

Personal and team-skills

As having no formal management education, other than what was attained in the army he has built his style around clearness and fairness with an emphasis on social skills. He also added that this type of management is especially hard because everything is based around an inner desire rather than money, and because the other teachers are artists as well. *“Conflict situations are sometimes hard because you have to respect the teachers as artists and individuals but still you have to lay down the ground rules and monitor that they are being followed. This is especially hard in such an art-oriented setting.”*

He claims that the situation would be completely different if he was managing a company where people are on monthly salaries with the basic motivation being financial sustenance. In Lifeline’s case though, the teachers also have other jobs, or are artists or are studying full-time so they cannot make a full-time salary yet, which leads to the fact that there has to be a lot of flexibility from

behalf of the company but with necessary ground rules in place. This grey area can be very hard to manage at times and according to Mr. Heino, experience is the most valuable teacher.

Learning by doing has been the main force in personal development and the learning curves have been very steep at some point. He has a very positive attitude towards education and networking with other entrepreneurs and states attending seminars or workshops would be highly valuable. He considers management to be a natural talent that needs constant nurturing in order for the organization to function well. But the time constraints have been serious as he is constantly under pressure to manage all the operations in the company. ***“I consider all education of pivotal importance, but I have noticed a personal problem in time management, as the whole company is under my responsibility and things are getting increasingly more difficult due to the business growing. I would still love to have further education, tips and hints in solving conflict situations and difficulties in the work place”.***

Mr. Heino stated that the main aspect that makes the team well-functioning in his company, is his ability to make people trust him and vice versa. *“Unfortunately I do not have the time to continuously monitor the students under the teachers, and this is mainly perceived through their willingness to attend on a weekly basis and their willingness to pay for their classes. Currently the situation seems to be in order”.* He also said that he tries to foster an atmosphere of feedback from the teachers in case they have any issues related to their work that they would like to have under scrutiny.

“I consider that our staff, along with me personally, would really benefit from additional formal training to augment their artistic presentation and teaching skills”. As stated earlier, his attitude towards training is very positive and

acknowledges that even though such endeavors might not teach anything new, they would give new ideas and views to approach things from a new perspective at the least.

“I think that the outlook of the company still suffers from a few bad decisions made in the past, as I sometimes have an issue of being too kind and trusting, which in the past led to the employment of some teachers who weren’t able to perform their work properly. This becomes highly costly for the company and the worse thing is that people talk around the town and it may affect the company in a serious negative light as it did a few years back”.

Mr. Heino also stated that more formal training in management and assessment of situation and employees could enable him to make better decisions in quicker time-frames and alleviate the possible negative outcomes.

The strategic future of Lifeline

Mr. Heino said that he still has a lot of enthusiasm to improve and continuously update the technical equipment in the company, which would enrich the teaching experience for both the teacher and the student. The amount of tools available for both is something that he is aiming to increase in the future. *“A good example of this is the renovation we did to the vocal class, and I consider it to be a much better facility and a representation of our company now. But by no means is it complete, as we are planning to improve it in a year”.*

According to Mr. Heino the company has a few issues that hinder its performance in its current state, namely the mornings, in which there is usually

not a lot of teaching or other functions going on in the premises. *“As the main time-frame of operation in the company starts from mid-day onwards to the evenings we would need to come up with something to do in the mornings”*. One relevant and mostly speculated view that Mr. Heino presented is that they would offer musical consultations to schools and their music teachers in equipment investments and other teaching-related aspects as that is their specialty, the bands in the schools could also utilize the company’s studio services as they are not available in schools. Their services could also include vocal training and performance coaching for teachers in addition to free-time choir activities or other music related recreational actions. There has already been some preliminary discussion going on with the administration of the schools. *“The major challenge in this has been to get into discussion with the right people managing the institutions”*.

The development of the studio services is another important topic for the company and Mr. Heino stated that it will be a tremendous focus for the company in the future. *“As for the moment, the equipment is somewhat in order at the moment after we did the last investments but we need to find the right avenues to market it. The competitor’s in the region are very strong when it comes to the recording services and they even have queues, it would be great to offer the public an option.”*

The marketing agencies have already started the studio for doing sound production to them and Mr. Heino sees this as a valuable endeavor to be taken during the mornings and there would be many other agencies in the region to be contacted with direct marketing functions.

This also leads to the importance of Lifeline in social media, mainly Facebook and Myspace. *“I would consider these services a tremendously important*

addition to our basic marketing functions that are working very well as people find us from the internet. This continuous interaction with potential target groups is something that we are completely lacking currently and it is quite stressful as I don't personally have the time to attend to these matters and I don't know if we can afford to hire a new person at the moment to attend to these."

When talking about overcoming the greatest challenge in Lifeline's history so far Mr. Heino remembered a water spillage that completely filled the main studio and proved to the entrepreneur that anything can happen and even if it wasn't business-related in any way it can still mess up your hard work in a critical manner. *"I consider a sheer miracle that the company survived that catastrophe and we got everything rebuilt after 6 months of turmoil, but once again it showed me **that through sheer determination and pushing forward no matter what we survived in the end"**.*

In such occurrences, the internal competences of the owner-manager are truly tested according to Mr. Heino, and as the theory implies these strong characteristics, such as determination are those that will make all the difference in tough situations.

*"I would like to see the company twice as large in the future, with more manpower and spaces and with better equipment that would take the quality of the service to a level that we cannot even fully perceive now. **I would also like to have the opportunity to have more free-time at some point and spend time with the family as it currently seems very hard to organize."***

As for other possible ventures in the future Mr. Heino stated that record publishing is something that they would not likely consider in the future as it

would require a lot of dedication and resources. In addition it could not be carried out through mere expansion as a merger of some sort would most likely be the only possible avenue with trained professionals working in the background.

Mr. Heino would like to see the sound production done in the company to be at the level where they are involved with a lot of commercial recordings and this is only attained through gaining recognition and establishing a solid brand for the company that portrays the services that they provide in a lucrative light.

*“We are proceeding at a good pace currently and development is something that I personally am headed towards and taking the company with me, it takes a lot of investments and resources but most importantly a great amount of creative lunacy. In the future the establishment of **a solid brand image** is something that we will take very seriously”.*

Conclusion

Mr. Heino was very honest and forthcoming in the interview and it was very interesting to notice that the issues discussed in the theoretical framework were also present in his personal situation as the owner-manager of the company.

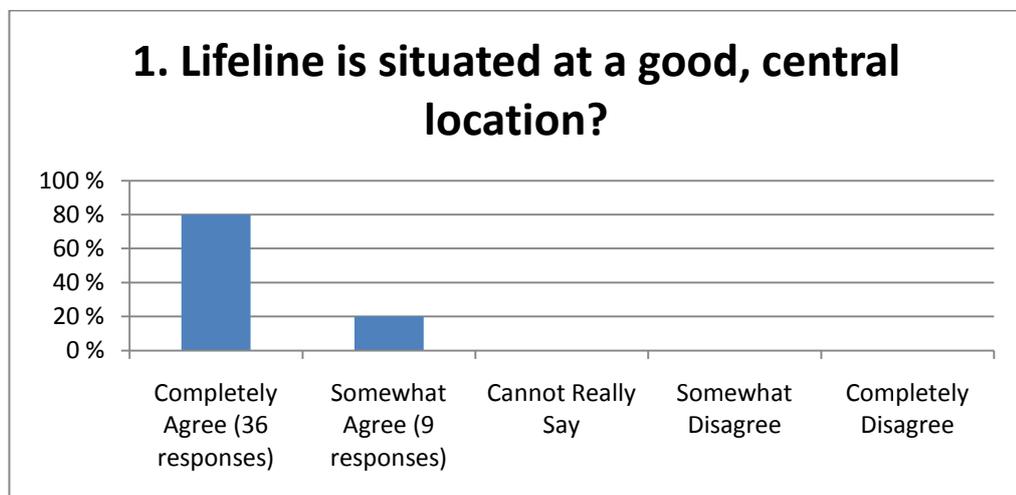
Issues such as the personal know-how of the owner-manager, along with their relentless vision and determination where things that the theory had a strong emphasis on, but also the more negative issues such as the difficulty of time-management and the company's reliance on that particular person.

8 ASSESSMENT OF CUSTOMER SATISFACTION IN CASE COMPANY LIFELINE PRODUCTIONS

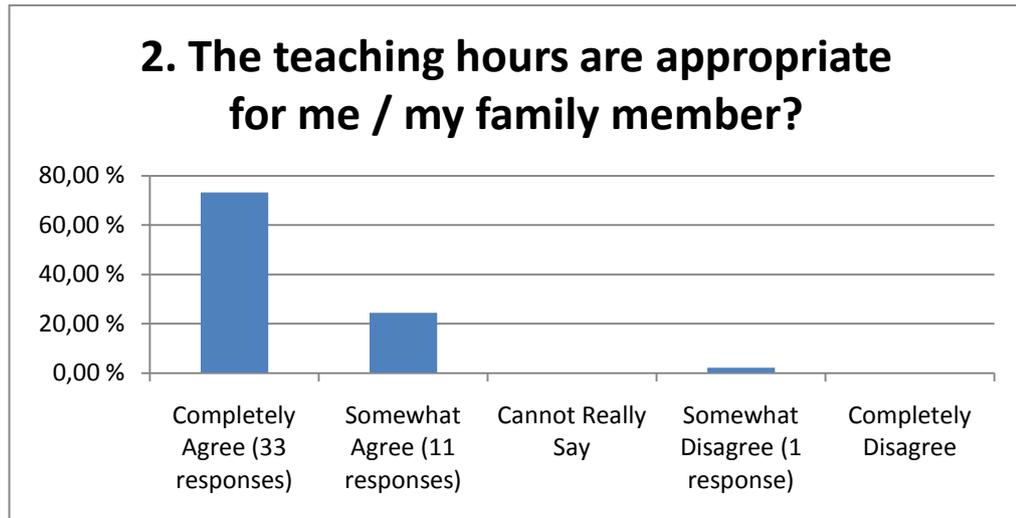
Results of the customer satisfaction survey in case company Lifeline Productions. In the case of minors (under 18) the questionnaire was to be filled by the parents, this is to be taken into account when reviewing the results. The Likert Scale (from 1 to 5) was used in this questionnaire to get the most thorough and comparable responses (Saunders et al. 2009, 378). **Total responses: 45 / 150 (The reply percentage was 30%** which makes this an academically relevant study as 25% is the minimum required amount of responders). The survey was conducted in Finnish on 12.11.2010.

The main body of the questionnaire.

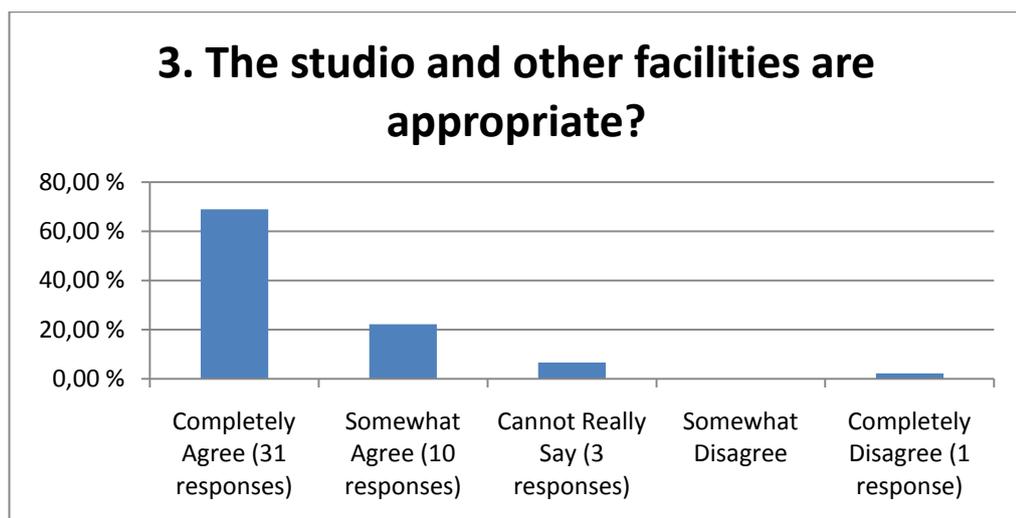
- The overall appearance of Lifeline Productions (SECTION 1)



- The location of the company has been a major factor in their success and the results seem to confirm this without a question. It makes it a lot easier for the customers to reach the premises by themselves or with their parents and implies a lower threshold for new clients to choose their service once they have discovered it.

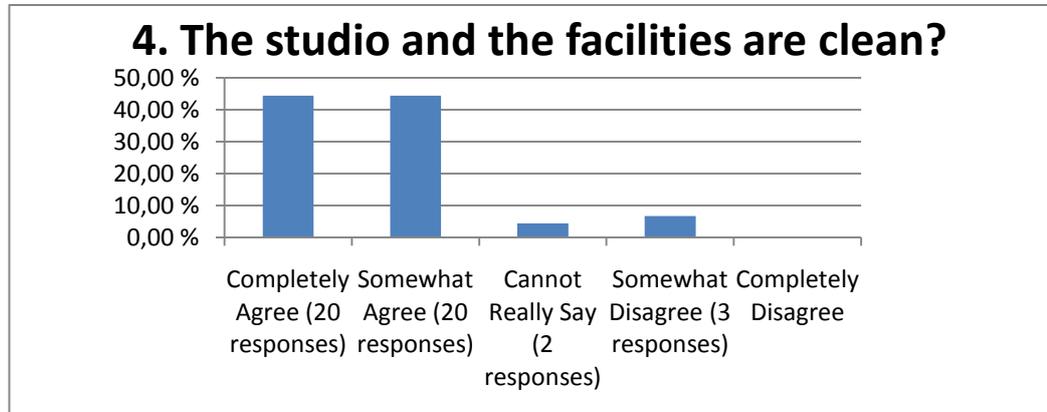


- As majority of the company's teaching hours are from 13:00 pm to 19:00 pm, the bulk of their service is tailored to people that either are studying or working within the normal timelines (from 8:00 – 16:00). But those earlier hours before 16:00 are also in use every day as most of the younger people often get out from school at around 12:00. It is also to be noticed that a lot of people work in shifts or have unconventional working hours and the replies seem to inform us that the company has done a good job at being flexible with their customers and helped to find mutual time in the schedules of both.

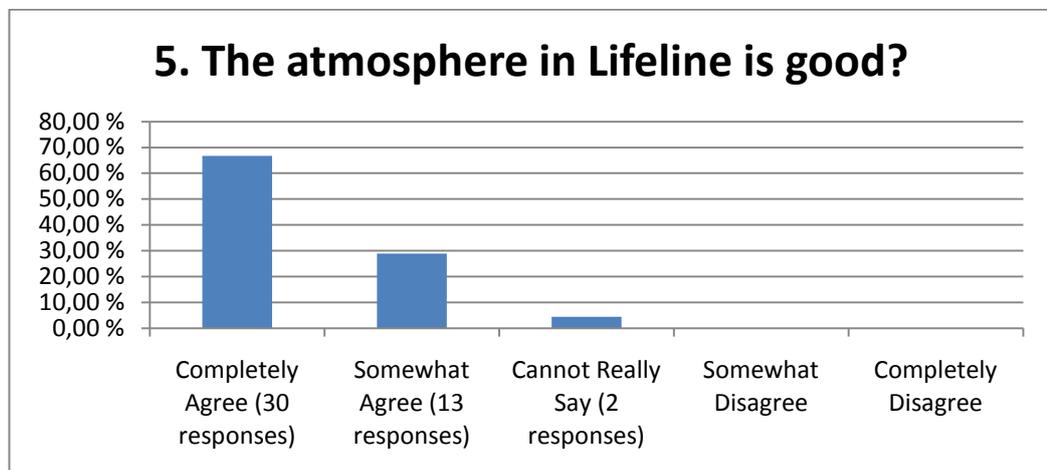


- The company has put significant time and money to the constant upgrade and renewal of their spaces and facilities and it seems that it

has paid off well as the general opinion seems to be favorable of their investments.

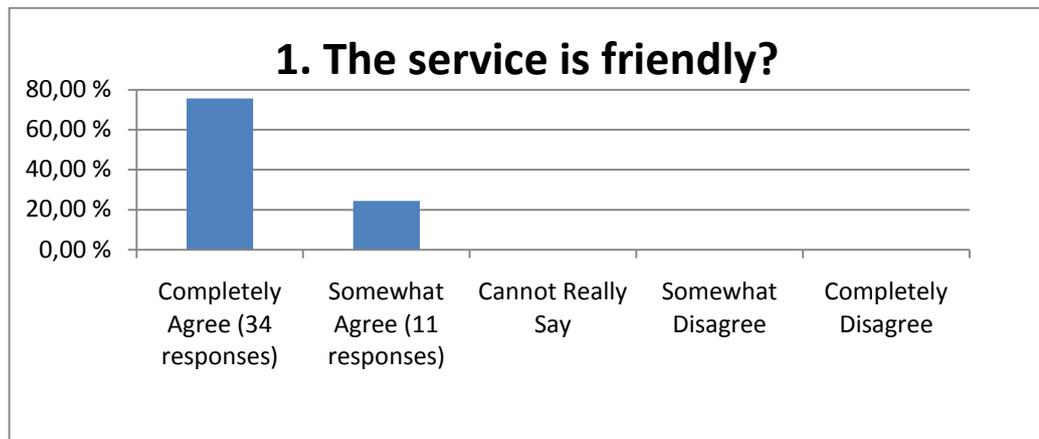


- In relation to the facilities being appropriate and up to date, majority of the responders valued their cleanliness as well. This is naturally an important factor in a company where a lot of different people go in and out daily and the tidier surroundings make everyone feel welcome and also help to prevent bacteria and diseases from spreading among the employees and the clientele.

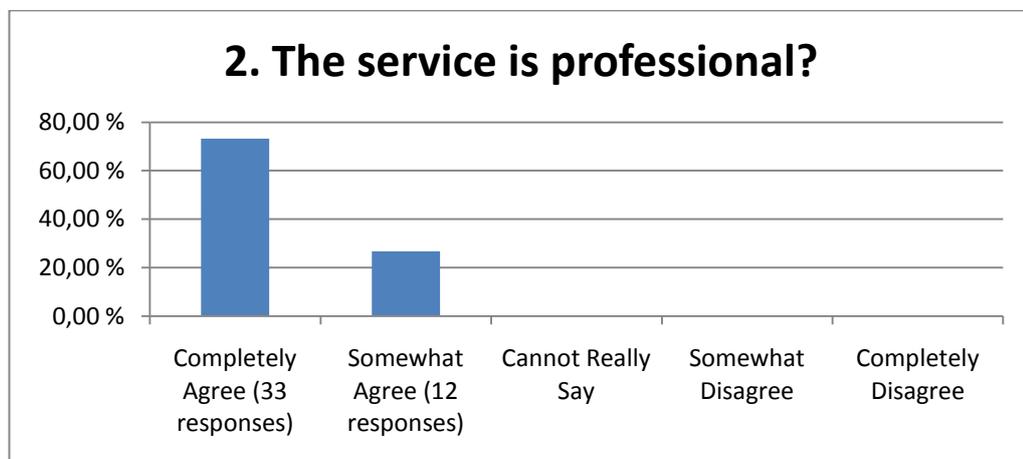


- The atmosphere among the teachers and students is one of the most important intangible facets of the company. In my opinion these results correlate in many ways with the vision of the entrepreneur Sami Heino (“Every lesson with music has to be a profound experience to both the teacher and the student”). With these results in mind I think that Mr. Heino’s vision is being realized quite well in the company.

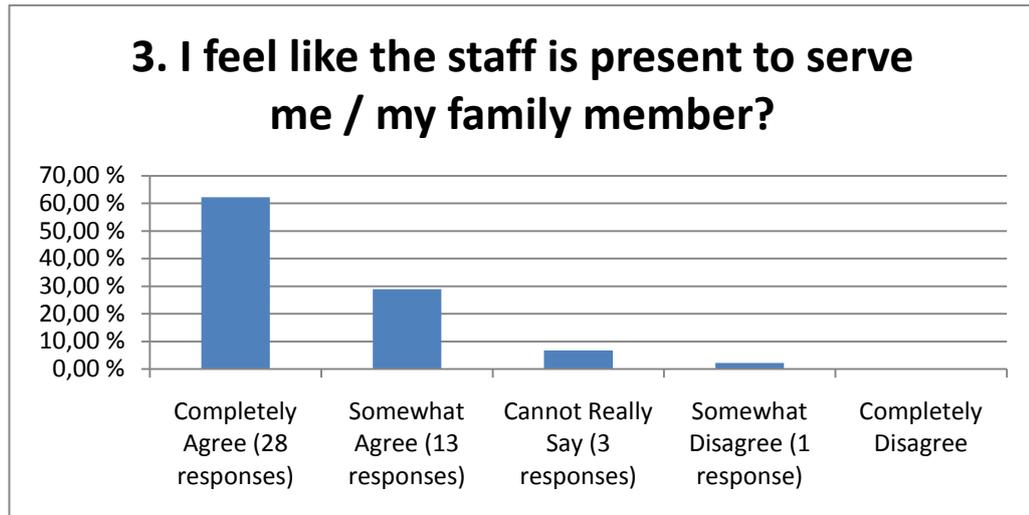
Your opinion on Lifeline's staff / teachers (SECTION 2).



- This question is strongly related to the previous ones, as the friendliness of the service also relates to that initial vision of Mr. Heino and to the nature of the experience. The replies are a strong indicator that the services are being carried out accordingly and in a manner that makes each lesson worthwhile to the customers.



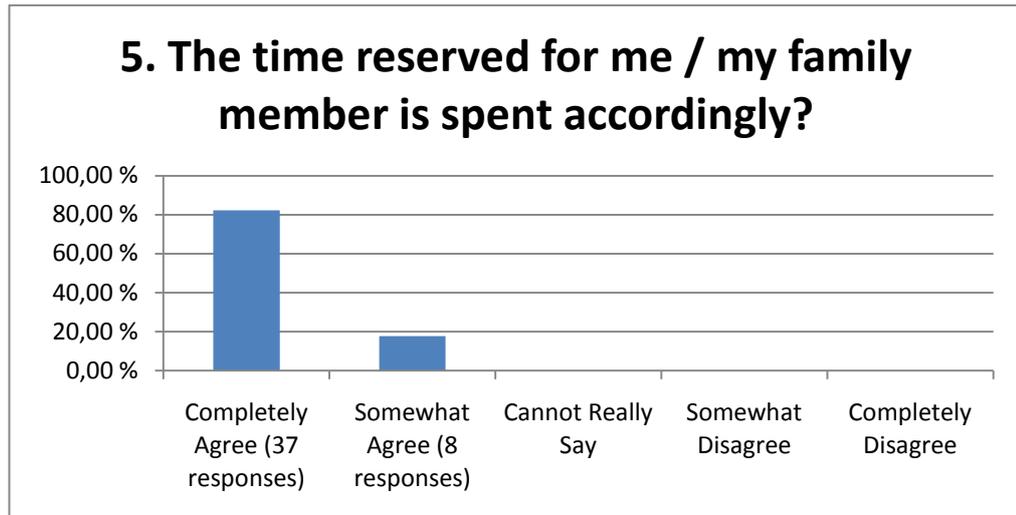
- The professionalism of the service is a cornerstone in the music education business, as it defines to a great extent whether the clients consider receiving worth for their money. The company seems to fair very well in this regard and in addition to the perceived friendliness the execution of their service portfolio seems to be in good hands.



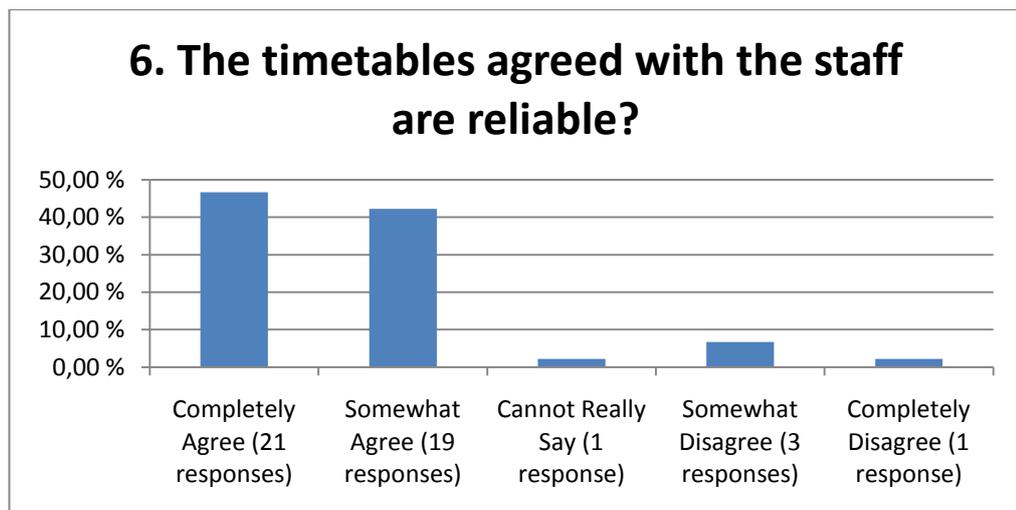
- The presence of the employees is mainly considered positive and this shows correlation to their overall service attitude, which has been a crucial matter to Mr. Heino.



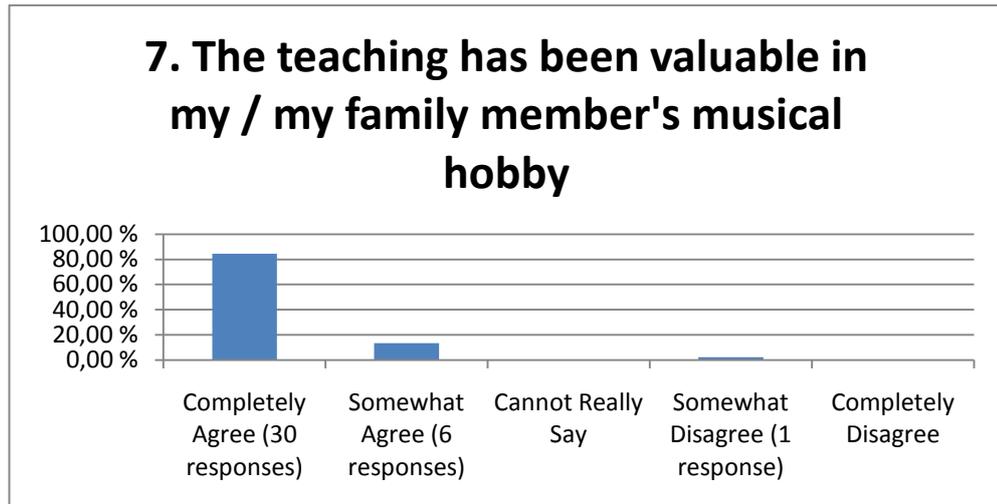
- Another worthy consideration about the employees staying true to Mr. Heino's vision of the music school experience is the fact that there is a positive attitude amongst the clients in regard to them being helpful and easily approachable in addition to their service-attitude.



- This part is highly relevant for the customer, as it is of critical importance that they feel that each lesson contributes to their learning and that they get their money's worth of that proverbial "experience". The results seem to imply that the company is excelling in this regard also.

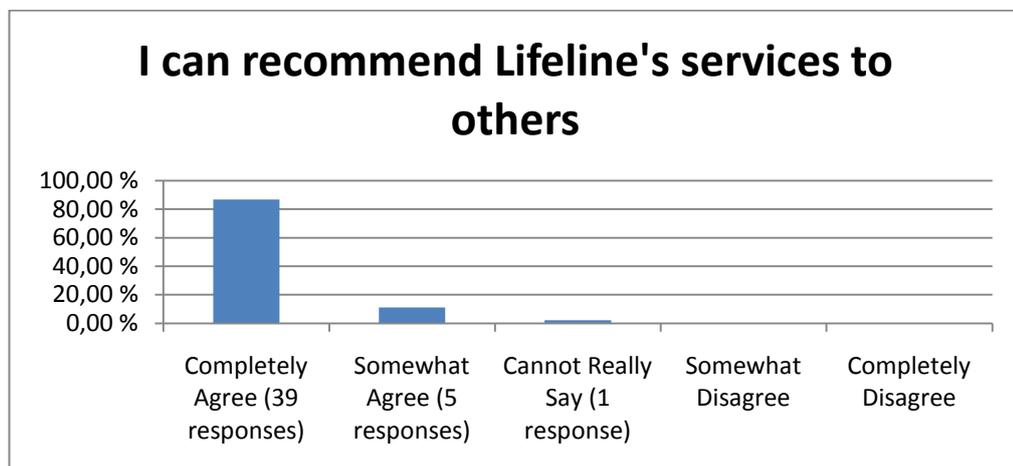


- The scheduling and the coordination of the timetables in addition to the share of mutual spaces for teaching among the teachers has sometimes been problematic and caused a few misunderstandings in the company. As can be seen from the slight dissonance in the replies, but with that in mind almost 90% of the replies tip towards the positive so the company has certainly done a few corrections in this regard.



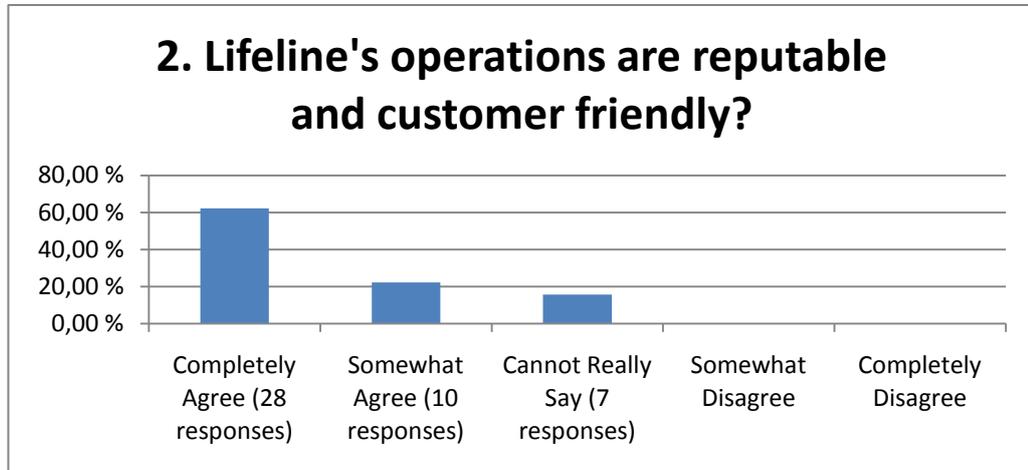
- In regards to Lifeline's services, this question can be seen as the most relevant. As it sums up everything related to their service (the professionalism, the friendliness, the use of time and the scheduling). This overall positive response is a good indicator that the company is doing the right thing and that Mr. Heino's vision of "each lesson being a musical experience" can be seen to manifest.

Your opinion on Lifeline's operations (SECTION 3)

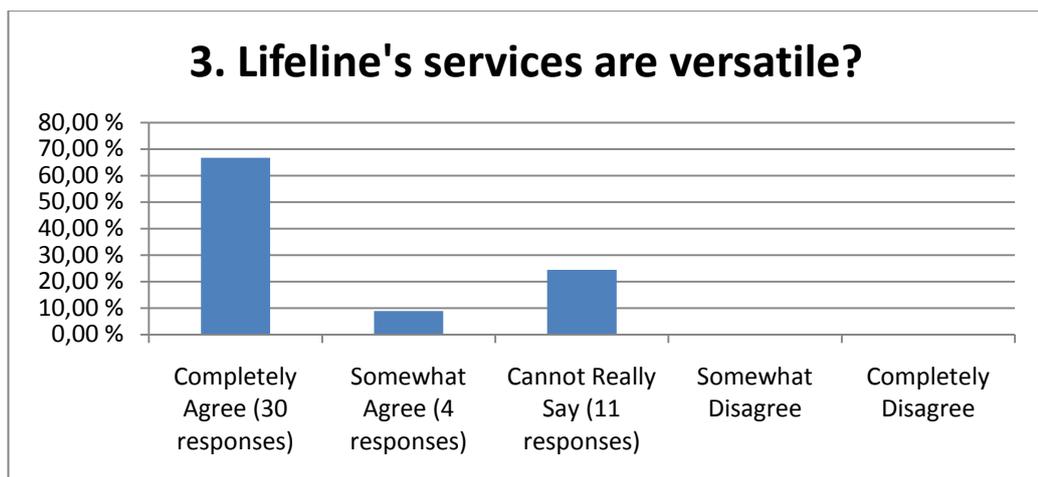


- The established customers feel almost unanimously positive that their own experience has been so good that they can freely recommend the services to other people they know. This is a tremendously positive fact since as mentioned earlier the "word-to-mouth" and possible opinion

leaders are very likely to speak well of the company among their acquaintances.

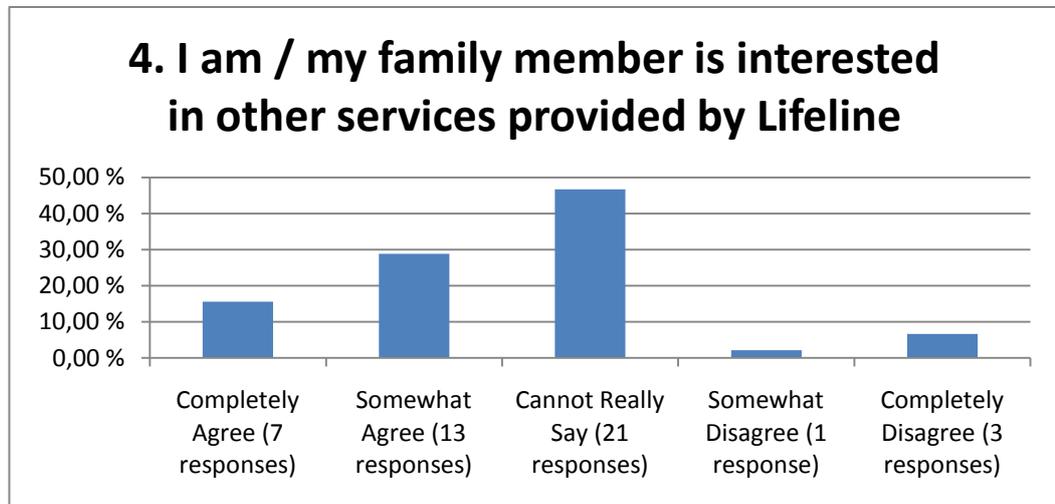


- This particular question had the most mixed replies and we can only speculate on the cause of that (in the light of the previous one). There were no negative answers as such but there were 7 whom were not sure about the approach that Lifeline has to their business but since the previous question indicates that the customers are likely to recommend the services to others, either they misunderstood the question or it was not formed correctly (the author's mistake).

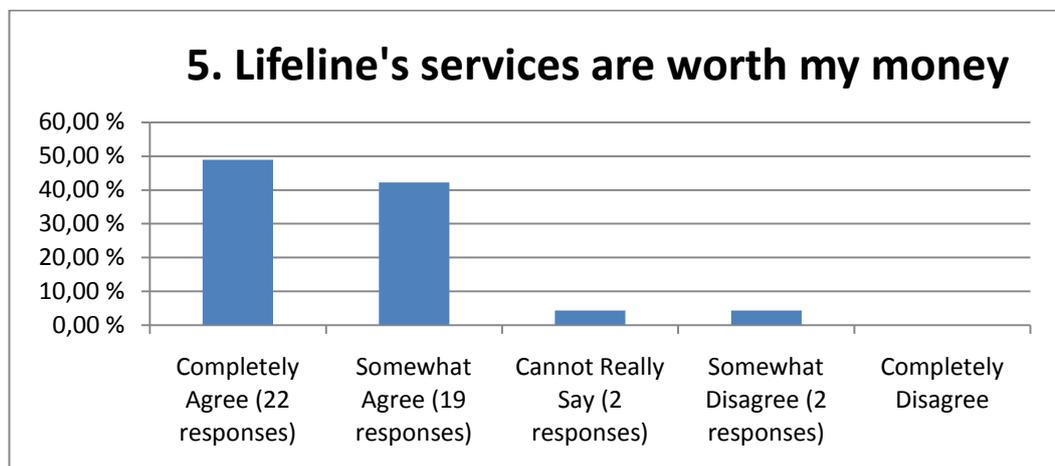


- The customers consider Lifeline's service portfolio to be mostly versatile and adequate to their needs. In this case however we must pay attention to the third answer with 11 responses in total. This seems to imply that

the company should inform and advertise their services more to already existing clients.

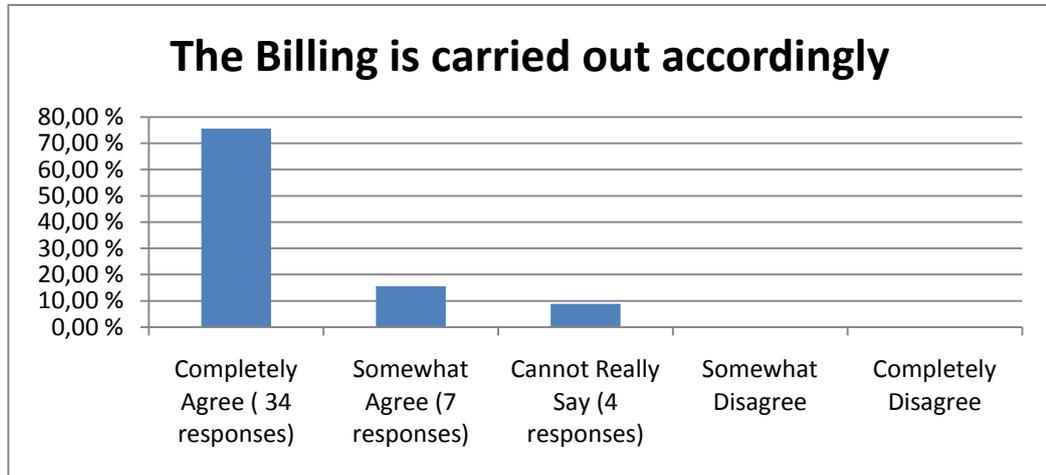


- These replies give added credibility to the statement that the company should inform its existing customers more about the other services they provide as the single majority of the replies seem to be hinting towards not knowing. This is something that should be corrected as soon as possible.

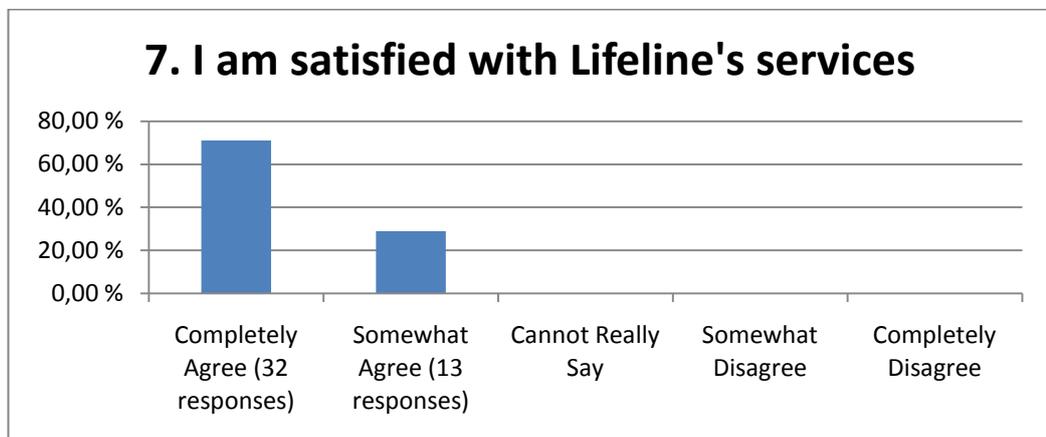


- Because private professional music education lessons are relatively expensive it is of utmost importance (as previously explained also) that the clients receive expected value to their money. It would have been expected to get more replies that show the lessons as expensive (even if the customers feel they get their money's worth) but since there were

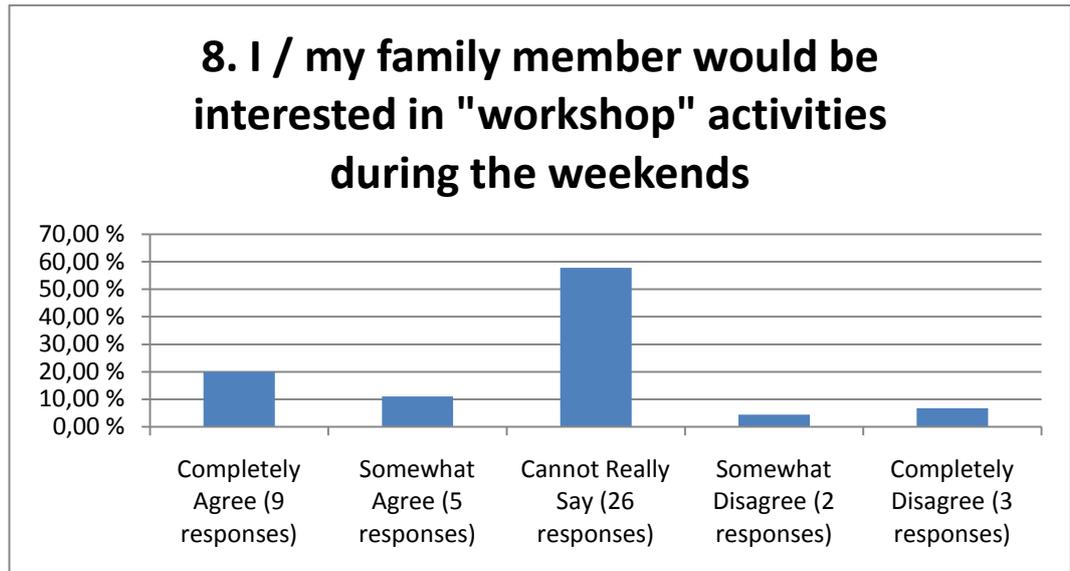
only 2 responses that implied such the company can be satisfied at the overall execution of their operation.



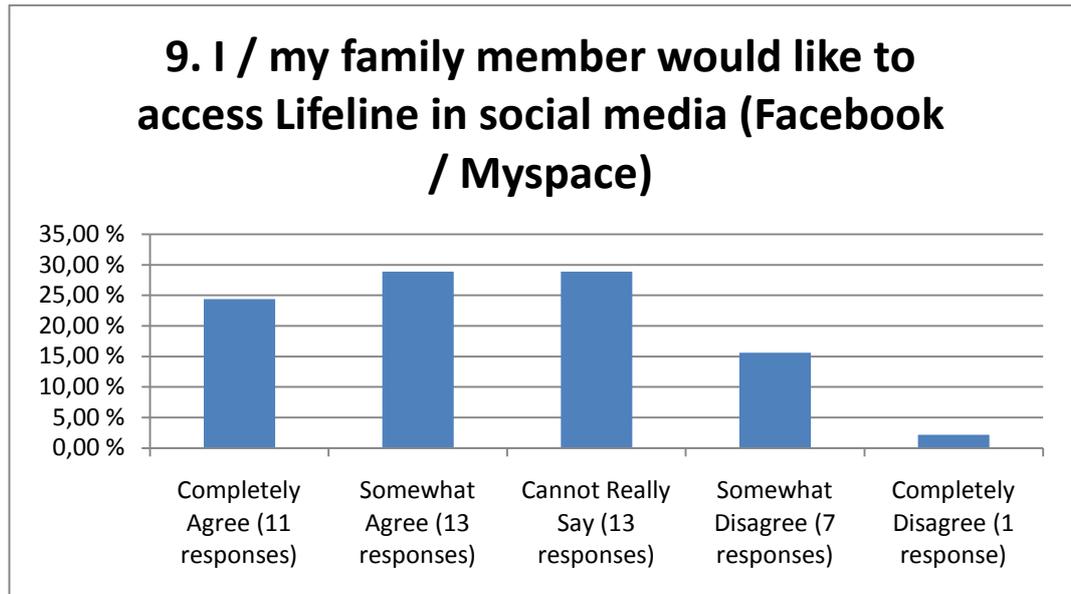
- For a good client experience to take place it is very relevant that the billing of the services follows the right procedures and is conducted within the agreed timelines. In this regard we can see that the company is doing a good job, even though they have a lot of students with different teachers.



- This can be seen as the single most definitive question of this segment and it shows a positive correlation with Mr. Heino's vision of satisfying every customer by following their personal needs and demands. This is another tangible evidence that the company's service proposition and general strategy are executed well.



- As for the company's considerations on kick-starting monthly workshops that would be taking place during the weekends (and otherwise apart from their normal teaching schedule) these results imply that some of the students would already be interested in taking part in such activities but the majority of the replies indicate that the people are uncertain whether such workshops would be of relevance. With this positive correlation towards the workshops but still the majority being uncertain it would be advisable for the teachers to interview their students personally on if they would be interested and what would they like to have given that such activities took place. The more they listen to their customers (as they have done well so far) the more they follow Mr. Heino's initial vision and the chance of these workshops being successful grows accordingly.



- As for the relevance of social media to Lifeline's operations the replies seem to shift towards positive but there is also a significant amount of uncertainty involved among the customers. The uncertainty and negatively associated answers must relate to the fact that the people might be on their toes about whether the company would use those tools as their way of communicating and informing or to shameless advertisement. If implemented correctly it is of relevance that the company engages them into the social media since the majority of their existing clients probably already exist there and Myspace is the best hub for bands, artists and other music related entities to network.

9 DEVELOPMENT OF THE BUSINESS FUNCTIONS IN CASE COMPANY LIFELINE PRODUCTIONS

Introduction

As the basis for tailoring a business development plan for Lifeline Productions I will **divide the goals into short-term, long-term and immediate**. Short-term are those that can likely be solved within a smaller time-frame, whereas the long-term ones are those that can take a wider time-span to be achieved. The immediate ones are those that require being paid attention as soon as possible and are absolutely crucial for the company. Naturally all specifics will be taken from those empirical researches that have been presented previously (SWOT-analysis, customer survey study and the interview of the entrepreneur).

The purpose of this plan is to provide tangible ideas that would help the company when it decides on directing its resources in order to develop some of its core aspects; I will also provide references to theory presented in the preceding sections of this work. I have only used those parts from the survey's that I personally consider to be relevant to discuss at this particular time in the life-span of the case company, I will not try to tackle everything that the company faces in order to remain focused and on topic. The major point of observation will be on management from the owner-manager perspective and some additional emphasis on marketing functions (as found important in the theoretical framework).

In the first phase of operation, the company should utilize the Model of Organizational development in the following manner;

MODEL OF ORGANIZATIONAL DEVELOPMENT				
Stage of Organization's Development	Stage 1 Product Based	Stage 2 Customer Acquisition	Stage 3 Customer Retention	Stage 4 Customer 'Partnership'
Primary Focus of the Organization	Developing a product / service which meets competitive standards	Finding new markets for successful products / services	Assuring customer satisfaction Adding value to the customer relationship	Shared product development Joint ventures
Processes and Systems needed	Reliable manufacturing Good raw material / component suppliers Distribution system	Marketing ability Good selling systems Fast service and distribution	Adding new features to product or service Ability to customize Flexible manufacturing	Project management systems Multi-sourcing ability
Employee Skills and Abilities needed	Disciplines of quality Learn fast from mistakes	Selling ability Customer care skills Customer service skills	Develop relationships with customers Ability to achieve high customer satisfaction	Understand the customer's usage of the product or service Know the detail of the customer's business Know the customer's customer Win/win thinking partner approach
Probable Measures of High Performance	Robust manufacturing capability Few rejects Acceptable manufacturing cost	Sales growth Many new customers Falling manufacturing costs	Increased sales per customer Increased product range Share in more markets	Joint ventures New/different markets entered New/different products

(Source modified from Colenso & Boake 2003)

When analyzing the the research outcomes from the SWOT and the two distinct surveys we can reach a conclusion on the company's current position in the organizational development chart. **The company currently resides between stages 2 (highlited in red) and 3 (highlighted in orange).** This is due to the fact that all their core operations are now in a smooth run (as apparent from the surveys) but they still have a lot of work to be done in the sense of building relationships to the customers that would enable them to utilize their portfolio better and engage them by providing additional complementary services (for example studio services). This gentle leap to the next stage of evolution in the company can be attained through the following measures.

9.1 Management Focus / Training (Immediate)

As Mr. Heino stated in his interview he acknowledges that some formal management courses would be of great value to him personally and to the overall operation of the company. Mr. Heino should also use the theoretical framework in this particular thesis and interview his employees to assess his leadership style in order to gain personal insight of his methods. **The main tools for this process include the four leadership styles by Colenso and Boake and the power distribution styles by Byrnes.**

Such an undertaking towards personal development has been postponed "due to lack of time" but it would be wise to be perceived as an important investment into the company as it would most likely help in solving a few of the key issues involved;

- strengthening his entrepreneurial resolve and decision-making abilities with the employees

- giving him better skills to manage the company while saving time and money (a big issue, according to Mr. Heino and theorized by Zhang in the framework)
- Motivating the employees through his personal commitment to the company in a way that is not limited to purely artistic aspects.
- Giving him a broader perspective to the service industry and offering new commercial avenues to pursue through the added knowledge.
- Enabling him to distribute responsibilities to his employees in a more coherent manner and giving him more tools to recognize the beneficial qualities they have (this is also important in the phases of expansion as the interview informed us that bad employee selection has caused significant problems in the past).
- Because the company is currently in a growth phase that can be seen as somewhat withheld due to an inability to decide where to invest and put the resources, some formal training in the aspect would be of benefit in order to keep the growth process organic and smooth.

This additional knowledge could be gained from entrepreneurial forums / seminars, books, online courses or through other mediums available today, either governmental or private. **These investments into the intellectual capital of the entrepreneur are crucial in such SME settings** because every undertaking in the company is conducted by their consent (as was explained in the theoretical framework by Forsman and Zhang).

At some point it would also be advisable for the company to invest into hiring someone with formal sales and marketing skills and related competences to work part-time for the company, this would most likely increase the overall productivity and offer them new marketing avenues and perception that has not been considered previously. This would also relieve a lot of stress from the entrepreneur Mr. Heino as he could rely that the highly important marketing functions are carried out accordingly. I am positive that it would prove to be

worth the financial sacrifice if they choose the right person for the job. On the other hand, they could offer some form of training to someone who is already present at the company, but this involves a higher risk in my opinion than choosing an already proficient person.

9.2 Marketing focus (short-term)

The business rationale requires the company to pin-point its vision and service proposal which in Lifeline's case means that they should conduct an assessment of their whole service portfolio with clear prioritizing of services according to the current market situation, hence updating their whole business plan and strategic outline through the help of the aids presented in the theoretical framework and the customer satisfaction survey.

This should be done because the company is currently offering secondary services that are either not interesting to their customers or are communicated poorly. For example, if they want to add more resources to the appeal and approachability to the studio services they should focus on marketing them to the existing customer base at first, because as the customer survey indicates their overall satisfaction with the company is very high (see Section 3, question 7) but their current interest on other services provided by the company was very mixed (see Section 3, question 4).

It would be wise for the company to invest money into info-screens that would show what is going on currently and they would also add a professional visual touch for example to the waiting room. They could show what classes are currently going on, who were the last clients to enter the studio and what special offers or happenings are coming up etc. In addition to this they should comprise

a mailing list to existing customers (they already have one general that is accessible to everyone through their web page) that could offer similar info (except more focused) as the screens but could also be used to deliver more current information. The emails could be delivered for example once every other week to the customers (or their parent's if under-aged).

The questionnaire indicated that majority of the current clients have gained their knowledge of the company through their web page (see the survey) which gives away the fact that the web page optimization service that the company uses is working accordingly and is a tremendous help in their operation. This also means that they might have to pay additional attention to the redesign and constant updates on the web page, as it is the main hub of contact for new clients and is currently somewhat outdated in appearance.

The web page has a lot of highly relevant information in it, but for marketing purposes some of it is too specific and the amount of text makes the reading experience somewhat cluttered which is why some editing would be appropriate. The videos on the web pages are much more interesting and offer immediate value to the viewer in a more tangible way and they should add more of those to the web pages and invest into their quality and presentation when possible.

The company should also increase their networking with other ventures working in the music service industry in the region (first priority) and on some other locales in the country (secondary priority). They have done this to an extent but even though they have the largest and well-known music merchant in Turku (SoitinLaine) as their associate among a few others, they should contact and network with more companies in the region. This would tremendously increase their visibility and it would also enable them to establish

the company into the midst of the people that are most likely interested in the services they provide in a way that makes them engage the public.

As 86,7% (section 3, question 1) of the responders completely agree that they would likely recommend Lifeline's services to others it would be worth consideration for the company to start a campaign that would engage the existing clients to recruit potential new customers for a free preview lesson (the first lesson is already free in the company), this would also introduce some benefit to the clients that would bring their friends etc to visit the company.

This brings us to the next topic, which is the relevance of social media to the existence, promotion and overall development of Lifeline Productions. As Mr. Heino stated, they have been neglecting the existence and participating in the social networks, due to unfamiliarity and time constraints. But as the company is moving on in its development they have to embrace those applications, Myspace and Facebook at the least. The answers from the customer satisfaction survey were highly mixed in this particular case (see section 3, question 9) and we can only speculate on what the reason was. Yet for networking and social representation these would offer tremendous aid for free, only costing the time spent in using them. Myspace is the most valuable hub for bands in the region and all over Finland, thus it would enable the company to present their services immediately to those that have the highest potential to be interested. In this particular case they could create a separate profile for "Lifeline Studios" in order to specify the service as a separate brand so that they could make a tailored outlook for targeting specific clients (bands, individual artists etc.) this would enable them to input sound samples, studio diaries, specific offers and other things to attract the potential customers.

9.3 Creating a distinguished brand identity (short-term)

According to my personal experience during my stay at the company, the visible presentation of the company has stayed more or less the same during its 11-year existence. This is also a hindrance, as they are operating in the music service industry and according to Mr. Heino's vision of "every music lesson being an experience", their whole outlook should communicate that message, and it might even work as a slogan for the company. This is especially important concerning the fact that their web page is their main tool for attracting new customers and in its current state the presentation is very low-key and visually unattractive. A bland and utterly straightforward visual outlook may work very well for companies who are operating in other lines of business, but for a music-education company that has its principles in contemporary rock and groundbreaking teaching methods, these designs have to be according to the same uncompromising vision. The importance of brand image was also highlighted in the theoretical part by Furu, Salojärvi and Sveiby. Here are presented some personal ideas for renewal:

- A more youthful and enthusiastic color scheme done with taste, currently the mix of black and grey with red out-linings give a very old-fashioned and rigid image of the company (which is absolutely contradictory to what they are trying to portray).
- Creating a logo that symbolizes the company instead of the old one with white text on black background in a standard text type. It doesn't portray the company according to Mr. Heino's vision of flexibility, passion and new experiences.
- Some ideas for the logo could include; Mr. Heino's Rottweiler "Rocky" is a usual guest at the company, loved by his owner and well-received by the customers, his appearance in a sense also symbolizes the headstrong attitude of the company, so that might be something the

company could consider as one option for their new, updated logo. As the word “lifeline” is the graphical interpretation of the heart rate or pulse, which in this case can be considered the company’s passion for music might also be used in some way in their visual design.

- The overall visibility must be invested in, so that it is done professionally and in a manner that portrays the company as the owner-manager intends.

9.4 Interior Design (Long-term)

As Mr. Heino replied in his interview, the company has been investing into the best equipment available for their students and now they are at a point where they are able to provide their customers with a new level of quality in the technical sense, the customer satisfaction survey seems to correlate with this as 68,9% (section 1, question 3) completely agree that the facilities are appropriate. While 44,4 % completely agree and 44,4% somewhat agree that the facilities are clean (section 1, question 4), from personal experience in the company I can state that they might want to consider some minor renovations that would have a similar color scheme / design as the other aspects of their visual identity (once they have revamped it as advised previously). As currently the color scheme inside the company follows the same mix of black and grey as the web page. This is currently a minor issue and probably not under scrutiny for a while but it is of importance in terms of following Mr. Heino’s vision of the “music lesson experience”, that the same vision is also communicated visually on the premises. This has been partly done already in some of the studios (with the furniture and wood paneling), but it would still need some finishing touches so that they are even less rehearsal space like and give a more “wholesome” and professional impression without sacrificing the functionality.

9.5 Future expansion of the service portfolio

Even though Lifeline Productions already offers a multitude of services in their portfolio, the future will most likely demand them to come up with new solutions and innovative service proposals to provide for a larger customer base. As the company has already done some amount of sound production for various advertisements and radio programs this would be something that they should consider as a major services that they would market straight to those most likely to buy them. This would increase the usage of the studio and if they got it up and running properly the word-to-mouth on their services would certainly increase.

As 57,8% of the responders (see section 3, question 8) were uncertain whether they would be interested in the workshops during the weekends (or on some other specific time), if the company wants to pursue having them, it will all come down to the design, execution and especially promotion of such undertakings. But they would certainly add their own flavor and enable the company to try new things with clients and also target them to different people that may want musical education in a shorter time-span and not during the office days, or who just want to have fun.

Lectures in traditional music theory could also be relevant in the future as some of the clients have been asking the company to supply them as an additional service along with the primary music teaching that is more practical in nature. These theoretical lessons could also be focused along with the workshops during summer dates, as that's when the education normally slows down (as evident from the SWOT and the interview).

The company has also done some services for bachelor parties (recording one of the couple singing a song etc.) and they are occasionally contacted by a group who want to visit the studio and put something on tape together. The company could enhance this service by marketing it in full force on their web page (or through Facebook).

As Mr. Heino stated in the interview, it would be a great deal for the company to engage in cooperation with schools and other learning institutions that offer standardized musical education and the company could offer consultancy services related to equipment investments, vocal training for the teachers, and choir activity during past-times and rent their studio for student projects. These activities would most likely be able to “fill” the morning schedules and be a great help for the company in terms of networking, cross-marketing and giving a rightfully good image of them to the community.

9.6 Conclusive statement

Lifeline is currently doing well and the potential for growth in many areas is significant, but for it to take place in a controlled and well-directed manner the company must take manageable risks and strive towards new horizons. All this comes down to appropriate skills in the management, and as we have been informed by the theoretical framework, the personal competences of the owner-manager are the ones that ultimately steer the company to victory or ruin. My personal recommendation is that Mr. Heino gets insightful with his own leadership style and consults his employees on what they think he does well and on what he most likely needs to improve upon. Through such an open discussion he might acquire information that is of crucial value to the management of the company, while the employees gain needed recognition in the voicing of their opinion in a constructive way. As stated earlier, it is also very

important that he accumulates additional knowledge from sources available to him.

As has been stated many times in the theoretical framework (and confirmed by Mr. Heino himself), such an SME is only as capable as the owner-manager and their trusted employees.

Since the studio and teaching equipment in Lifeline are already in good order quality-wise, I think that their next big investments should be directed towards the further branding, marketing/promoting and networking of the company (as both Mr. Heino and the authors agree upon this). Even though the technological investment is important and a never-ending slope, in order for the company to grow organically into the right direction I would advise that they put effort and resources into those three aspects. This is mostly due to the fact that the customer satisfaction survey indicates that there is a high amount of satisfaction to the company's services which also indicates that Mr. Heino's vision of the "music lesson experience" is a good invention, the company however lacks the capabilities to market that invention to larger masses due to time constraints, lack of competence and a lack of effort (as previously explained). In my opinion this is to be corrected as soon as possible. By concentrating on the marketing of those additional services discussed earlier the company might be able to gain the required clients to fill the schedule in the mornings (cooperation with schools and other learning institutions), have more activity during the summer (workshops and theory lessons) and ultimately establish the studio and recording services as primary, along with the education they provide. This would naturally increase the resources available for further expansion.

The most important aspect in this is that resources are allocated correctly, responsibility is shared in a proper way and the vision, direction and strategy

are communicated throughout the organization; this can be seen as the major responsibility of owner-manager Heino (also confirmed by the theory)

10 IMPLICATIONS FOR FURTHER ACADEMIC RESEARCH

As for the conclusion of this thesis in general, I personally think that I have only scratched the surface of business development practices and application of theoretical frameworks related to the subject. In my opinion SME's are the lifeblood of regional economies in Finland and those related to music, art and other related subjects have a lot of untapped and overlooked potential in them. I am also positive that there are other companies in Finland that are in a similar position as Lifeline in terms of growth and development, either in the music-service industry or in some other art-related industry, for example design and handicrafts.

If I plan to continue my studies I will definitely choose another subject that has a lot of emphasis on art and creativity, but it may not have anything to do with music.

Forsman gives a profound conclusive statement related to this particular subject; There are not many answers to the question of how the development projects launched to improve the business performance in SMEs have succeeded. The academic interest in the business development project success has mainly focused on projects implemented in larger organizations rather than in SMEs. The previous studies on the business success of SMEs have mainly focused on new business ventures rather than on existing SMEs. However, nowadays a large number of business development projects are undertaken in existing SMEs, where they can pose a great challenge (Forsman, 2005, 5).

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Appendix 1 (the interview)

Sami Heino (owner-manager of Lifeline Productions) interview:

1. Background experiences in the music business?
 2. The personal reasons for starting Lifeline?
 3. The vision/mission of Lifeline?
 4. The main strategy of Lifeline?
-

5. What skills do you consider most relevant for your position?
 6. How have you developed those skills, or are planning to further develop them?
 7. What are the aspects that make the team at Lifeline well-functioning?
 8. How have you developed those skills, or are planning to further develop them (of the team)?
 9. What are the three main characteristics of your management style?
 10. What are the three most memorable achievements so far in the history of Lifeline?
 11. Describe a past management decision that wasn't successful? Why wasn't it successful? How would you deal with it differently today?
-

12. How has Lifeline needed to develop its strategy in terms of adding more value to its service throughout the years?
13. What strategic dimensions need to be developed in the future?
14. What has been the greatest challenge in Lifeline's history so far and how have you overcome it?
15. Where do you see yourself (personal goals) and Lifeline Productions in 10 years?

APPENDIX 2 (the customer satisfaction survey in Finnish)

Lifeline Productions Asiakastyytyväisyyskysely

Palvelujemme jatkuva kehitys on meille äärimmäisen tärkeä asia jotta voisimme paremmin vastata juuri Sinun odotuksiasi. Kiitämme palautteestasi!

Vastaajan Tiedot (ympyröi oikea vaihtoehto)

Sukupuoli: Nainen Mies

Ikä: alle 20 v. 20 – 30 v. 30 – 45 v. Yli 50 v.

Opettajasi Lifelinessä:

Mistä sait ensimmäisen kerran tietoa Lifelinesta? (rastita oikea vaihtoehto)

- Sukulaiselta/Perheenjäseneltä/Tuttavalta
- Internetistä
- Muualta, Mistä?

Ohjeet Kyselyyn vastaamiseen:

1. Vastaathan mielellään jokaiseen kysymykseen
2. Ympyröi mieleisesi vastausvaihtoehto
3. Ympyröithän vain yhden (1) kohdan per kysymys

Vastausvaihtoehdot:

Täysin samaa mieltä **1** Jokseenkin samaa mieltä **2** En osaa sanoa **3** Jokseenkin eri mieltä **4**
Täysin eri mieltä **5**

Lifelinen Yleisilme

- | | |
|--|-----------|
| 1. Lifeline sijaitsee keskeisellä ja hyvällä paikalla | 1 2 3 4 5 |
| 2. Tuntiopetuksen ajankohdat ovat minulle / perheenjäsenelleni sopivat | 1 2 3 4 5 |
| 3. Studio ja opetustilat ovat asianmukaiset | 1 2 3 4 5 |
| 4. Studio ja opetustilat ovat siistit | 1 2 3 4 5 |
| 5. Lifelinen yleisilmapiiri on hyvä | 1 2 3 4 5 |

Mielipiteesi Lifelinen henkilökunnasta / opettajista

- | | |
|--|-----------|
| 1. Palvelu on ystävällistä | 1 2 3 4 5 |
| 2. Palvelu on ammattimaista | 1 2 3 4 5 |
| 3. Koen että henkilökunta on paikalla minua / perheenjäsentäni varten | 1 2 3 4 5 |
| 4. Henkilökunta kuuntelee ja auttaa tarvittaessa | 1 2 3 4 5 |
| 5. Minulle/ perheenjäsenelleni varattu opetusaika käytetään tehokkaasti hyödyksi | 1 2 3 4 5 |
| 6. Henkilökunnan kanssa sovitut aikataulut pitävät | 1 2 3 4 5 |
| 7. Opetuksesta on ollut selkeä apu harrastuksessani / perheenjäseneni harrastuksessa | 1 2 3 4 5 |

Mielipiteesi Lifelinen toiminnasta

- | | |
|---|-----------|
| 1. Voin omasta/ perheenjäseneni kokemuksesta suositella palveluja myös muille | 1 2 3 4 5 |
| 2. Lifelinen toiminta on hyvämaineista ja asiakaslähtöistä | 1 2 3 4 5 |
| 3. Lifelinen palvelut ovat monipuolisia | 1 2 3 4 5 |
| 4. Myös muut Lifelinen palvelut kiinnostavat minua/ perheenjäsentäni | 1 2 3 4 5 |
| 5. Lifelinen palvelut antavat rahoilleni vastineen | 1 2 3 4 5 |
| 6. Palveluiden laskutus hoidetaan täsmällisesti | 1 2 3 4 5 |
| 7. Minä/ perheenjäseneni olemme tyytyväisiä Lifelinen palveluihin | 1 2 3 4 5 |
| 8. Minä/ perheenjäseneni olisimme kiinnostuneita viikonloppuisin tapahtuvasta "Pajatoiminnasta" | 1 2 3 4 5 |
| 9. Minä/ perheenjäseneni olisimme kiinnostuneita seuraamaan Lifelinä sosiaalisessa mediassa | 1 2 3 4 5 |

Muita Huomioita ja terveiseni Lifelinelle:

Your opinion on Lifeline's staff / teachers

- | | |
|--|-----------|
| 8. The service is friendly | 1 2 3 4 5 |
| 9. The service is professional | 1 2 3 4 5 |
| 10. I feel like the staff is present to serve me/ my family member | 1 2 3 4 5 |
| 11. The staff is helpful and easy to approach | 1 2 3 4 5 |
| 12. The time reserved for me during classes is spent accordingly | 1 2 3 4 5 |
| 13. The timetables agreed with the staff are reliable | 1 2 3 4 5 |
| 14. The teaching has been valuable in my/ my family member's musical hobby | 1 2 3 4 5 |

Your opinion on Lifeline's operations

- | | |
|--|-----------|
| 10. I can recommend Lifeline's services to others | 1 2 3 4 5 |
| 11. Lifeline's operations are reputable and customer friendly | 1 2 3 4 5 |
| 12. Lifeline's services are versatile | 1 2 3 4 5 |
| 13. I am/ my family member is interested in other service provided by Lifeline | 1 2 3 4 5 |
| 14. Lifeline's services are worth my money | 1 2 3 4 5 |
| 15. The billing is carried out accordingly | 1 2 3 4 5 |
| 16. I am/ my family member is satisfied with Lifeline's services | 1 2 3 4 5 |
| 17. I/ my family member would be interested in "workshop" activities during the weekends | 1 2 3 4 5 |
| 18. I/ my family member would be interested in following Lifeline on social media | 1 2 3 4 5 |

Other opinions and my greetings to Lifeline:

