

Why and How Swiss SME Need to Redesign their Businesses in the Face of Digitalisation

Outline of Research Topic submitted for the Degree of Doctor of Business Administration

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DECLARATION OF AUTHENTICITY

I the undersigned declare that all material presented in this paper is my own work or fully and specifically acknowledged wherever adapted from other sources.

I understand that if at any time it is shown that I have significantly misrepresented material presented here, any degree or credits awarded to me on the basis of that material may be revoked.

I declare that all statements and information contained herein are true, correct and accurate to the best of my knowledge and belief.

Place, Date

Signature

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1 BACKGROUND

With the advancement of society, technology and commerce, business and industry disruptions are an on-going phenomenon. New sectors were created; new business models evolved. Of course, the clash of new and old has changed the landscape of many industries (Anderson, 2014). Needless to say, that we can escape of this rapid development. Digitalisation has caught up on us (Chhachhi et al., 2016).

In the 19th century, steam engines changed the world, and triggered the transition from agriculture to industrial society (Foster, 2014). Today, digital networking is about to cause similar profound changes in the economy and society. Whole industries have to watch how their business model becomes almost obsolete overnight, swept away by the disruptive force of digital change (Berman, 2012; Ng, 2014; Westerman, 2015). While there is no conclusive definition for this term [business model¹], the author refers to following understanding: “A business model describes the rationale of how an organization creates, delivers, and captures value” (Osterwalder and Pigneur, 2010), and “A business model shows why an organization will be successful – or not. The 7 Keys to getLaunched® Model summarizes this in the seven elements clients, goods/services, competition, market entry, cash, person(s), and resources [...] serves as a ring to keep the keys together [...]“ (Meyer and Tavic, 2015). Basically it is about how an organisation can address a (customer) need with an added value in a profitable way (El Sawy and Pereira, 2013; Timmers, 2000; Meyer and Tavic, 2015). El Sawy and Pereira (2013) introduce a framework, a digital business model composed of five categories ‘Value proposition’, ‘Interface’, ‘Service Platform²’, ‘Organizing Model³’ and ‘Revenue Model’ (VISOR). Thus, [...] “deliver the greatest value proposition [...] with the ability to minimize the real cost (tangible and intangible) [...] through the optimal mix of interface experience, service platforms, and the organizing model” (El Sawy and Pereira, 2013). This model attempts to integrate elements such as the user experience and interface factors (Remane et al., 2017; Berman, 2016).

The next five to ten years will show who will be among the winners and who will be among the losers of this digital transformation (McKinsey, 2016; PwC, 2017). Organisations must reinvent themselves, abandon their habits and ways of thinking, and adapt to the pressure of the new environment (McKinsey, 2016). Every company has to put its business model to the test, its way of communicating with customers, its market understanding, and its work processes. This covers all areas of a company, from sales to purchasing, from marketing to logistics, from production to human resources (PwC, 2017).

How do organisation have to redesign their business models to be able succeed in the face of digital (global) competition? An organisation’s strategy has an essential influence on the (development) of a business model (Wirtz et al., 2016). Derived from the vision, mission, and strategy a business model is conceptualized (Rüegg-Stürm, 2015; Wirtz, 2016) whereas the elements such as activities, resources, value proposition, cost structure, customer relationship, customer segments, channels, and revenue (Osterwalder, 2010) are illustrated. While the component ‘value proposition’ (products and services), as well as the target group are defined, it is essential to plan the ‘market entry’ (Meyer and

¹ Also: business idea, business concept, revenue model, economic model (Magretta, 2002)

² IT platforms that enable, shape, and support business processes and relationships that are needed to deliver products and services, as well as improve value proposition

³ Describes how an organization or a set of partners will organize business processes, value chains, and partner relationships to effectively and efficiently deliver products/services

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Tavic, 2015). Distribution channels, marketing, advertisement, and other sales activities must be developed and defined so that customers can connect with the products/services. Hence, through digitisation, the existing business model needs to be modified (e.g. additional dimensions, components or characteristics) (El Sawy and Pereira, 2013; Remane, 2017) whereas primarily the component/element 'market entry' respectively 'Service platforms' (from VISO) will be redefined with regard to the market positioning.

This research aims to identify the reasons for and results of a redefined market positioning of Swiss SME companies in times of digitalisation.

2 PURPOSE STATEMENT AND RELEVANCE

The purpose of this study is to learn about required tools for organisations in order to successfully (re-)position themselves in the highly competitive, digital, and fast-moving (global) market.

By doing so, the study will help to:

- Identify companies who (have to) modify their existing business model through the digital transformation.
- Identify companies that are changing their market positioning due to digitalisation in Switzerland.
- Illustrate tools that are required for an organisation to successfully change its market position.
- Understand the commercial benefits of an organisation that implements possible tools.
- Present the best practices (case studies), and design a market positioning strategy for the respective organisations.

2.1 Research Objectives and Research Question

To obtain the necessary information and fulfil the above-mentioned purpose, the thesis will research the following research question (RQ). Several sub-questions (SQ) as well as hypothesis (H) will be answered in order to contribute various aspects of interest to the research question (RQ):

What are the drivers and approaches of a redefined market positioning of Swiss SME companies in the service industry in times of digitalisation?

In addition, a set of sub-questions (SQ) can be formulated:

- (A) *What types of companies (regions, size of business) are modifying their existing business model, and changing their market positioning driven by digitalisation?*
- (B) *What tools are required for an organisation to successfully change its market position in a digital environment?*
- (C) *How can organisations successfully implement a redefined market positioning strategy (through a powerful marketing concept)?*

The research will test five hypothesis (H), which are aligned to the research question:

(H1): Existing business models of companies need to be modified to suit the digital era.

(H2): There are differences (industries, regions, size of business) in the type of organisations that redefine their market positioning in times of Digitalisation.

(H3): Organisations require a tool set in order to drive a change in their market positioning.

(H4): A best practice framework/methodology is required for organisations to drive changes to their positioning.

(H5): *There are commercial benefits for an organisation to redefine their market positioning in a digital world.*

2.2 Empirical Research Methodology

The thesis will make use of quantitative and qualitative research methods, and is therefore considered a mixed method containing a triangulation (Bryman and Bell, 2007).

The three common approaches of conducting research are a) quantitative, b) qualitative, and c) mixed methods (Bryman and Bell, 2007; Williams, 2007). A mixed approach requires both numerical and narrative data (Molina-Azorin, 2012; Williams, 2007; Starr 2014).

In the research field of digitalisation, the use of mixed methods is rare. Usually, a single method research design is used. As a relatively new field, the quantitative method is normally employed. An investigation has identified the key research design applied:

Topic	Research Design	Sample size	Author
Digital Transformation	<i>Qualitative: Case study</i>	17 interviews	Liu, Chen and Chou 2011
Digital and Social Media	Quantitative: Questionnaire	145	Järvinen et al. 2012
Digital Marketing Strategies	Quantitative: Questionnaire	571	Smith 2011
Strategic Innovation	<i>Qualitative: Case study</i>	20 interviews	Kodama 2001
Digital Business	Qualitative: Case study	2 organisations	Keen and Williams 2013

Table 1: Research design of selected articles (own illustration)

The criticism of a quantitative method lies in the anecdotal nature of the evidence generated that makes validity difficult. The use of a mixed method enhances the contribution to knowledge because its epistemological base is considered concrete (Hohenthal, 2016). Mixed methods have the additional advantage that they are capable of generating data that is ‘thick’ and allowing for generalisations, which are both features that quantitative and qualitative methods respectively lack on their own (Cooper, 2001; Hohenthal, 2016). Consequently, the validity of a study employing a mixed method is significantly boosted (Hohenthal, 2016). The aim using this mixed methods approach to research is to draw from the strengths and minimize the weakness of the quantitative and qualitative approaches (Hohenthal, 2016; Johnson and Onweugbuzie, 2004).

For the survey, a representative sample should be selected which represents the Swiss company structure (by size) in order to validate hypothesis 2, 3 and 5). The survey⁴ will include multiple questions with regard to company size, industry, a set of strategy related questions as well as specific questions with regard to the digital transformation.

⁴ This survey will be a joint-survey with the Institute of Competitiveness and Communication at FHNW

Survey results will be analysed using SPSS and those companies which successfully transformed their business with a new market positioning, shall be further examined through qualitative research.

15-20 in-depth interviews from the randomly selected organisations will be conducted for developing case studies in terms to define best practices. For this research, a multiple case study, will be applied in order to define best practices for organisations for a successful implementation of a redefined market positioning strategy (SQ C and validation of H 4).

Moreover, secondary data related to each case will be analysed in order to determine the respective organisation's business type, industry, size of business.

2.3 Data Analysis Methods

The interviews will be transcribed and analysed in various steps, using a coding scheme to identify categories and sub-categories. A priori codes for an initial coding frame will be derived from the SQ and H and might contain terms such as (*not completed*):

- Business Model
- Digital Business Model
- Digitalisation
- Market Positioning
- Digital Strategy
- Market Positioning Strategy
- Tools/instruments
- Strategy/Communication Strategy
- Successful implementation
- Commercial/Economic benefit

To allow for flexibility, emergent codes will be developed using the obtained data. Jointly, themes and topics will be identified to achieve a structured overview of the collected data. To assist in the coding process a software (atlas.ti) will be used.

2.4 Research Ethics and Confidentiality

During the whole research, potential ethical concerns will be addressed. The confidentiality and privacy of the interviewees and their companies will be fully respected in this study. All participants will be given the choice to remain anonymous and permission to record the interviews will be requested for approval.

Pattons (2002) created a checklist on ethical issues for research (see below). The list will be used to reflect on the ethical issues that will be faced during this study.

- Explaining purpose of the inquiry and methods to be used

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- Promises and reciprocity
- Risk assessment
- Confidentiality
- Informed consent
- Data access and ownership
- Interviewer mental health
- Advice (who will be your counsellor on ethical matters)
- Data collection boundaries
- Ethical versus legal conduct

Prior to the research, participant's consent must be obtained. The purpose of the study must be disclosed to the participant, an agreement on anonymity and confidentiality will be offered, and informed consent will be assured.

3 LITERATURE REVIEW

The review will provide the relevant theoretical background of the field to be studied in the thesis. It will reflect on the topics of the digital ecosystem in Switzerland, mega trends, drivers of digital transformation, value chain in terms of the unique selling proposition in the marketplace, business models, as well as strategic market positioning processes through digitalisation.

In order to have a grounded overview on the topics, a literature matrix will be developed (Table 2).

Issues	Definition: Digitalization, digitalisation, digitisation, digitization	Digital ecosystem	Mega Trends	Drivers of Digital Transformation	Business Model	Market positioning	Market positioning strategy	Tools within marketing/Digital Marketing	Commercial benefit through digital transformation
Authors									
Andal-Ancion, A. et al. 2003		X							
Anderson, J. and Vakulenko, M. 2014		X					X	X	
Armitage, J. 2015								X	X
Berman, S. 2012	X								
Berman, S. et al. 2016					X				
Billson, S. 2009								X	
Chahal, M. 2016				X					
Chhachhi, V. et al. 2016		X				X			
Darling, M. et al. 2008		X							
El Sawy, O. and Pereira, F. 2013					X				
Järvinen, J. et al. 2012							X	X	X
Lanzolla, G. and Anderson, J. 2008	X		X						
Li et al. 2016	X								
Maw-Liann, S. et al. 2015								X	
Meyer, R. and Tavic S. 2015					X				
Osterwalder, A. and Pigneur, Y. 2010					X				

Remane, G. et al. 2017					X				
Slywotsky 2001	X								
Smith, K. 2011			X					X	
Timmers, P. 2000					X				
Vien, C. L. 2015								X	
Wirz, B. et al. 2016					X				

Table 2: Literature matrix (own illustration)

Digital is one of those terms that mean different things to different people, depending on the perspective or context. To avoid any misunderstandings for the purpose of this research, it is worth spending a few words defining the term of digitalisation. The terms ‘digitalisation’, ‘digitalization’, ‘digitisation’, and ‘digitization’ will be used interchangeably. Employing the notion of ‘digitalization’ rather than ‘digital’ involves an on on-going process (Hagberg, 2016).

Digitalization seeks to answers the key question, how new technologies can be developed through innovative technologies and how business values can be created in order to respond more flexibly and dynamically to changing customers needs (Berman, 2012; Li et al. 2016; Lanzolla and Anderson, 2008). Following four key areas are the focus of the digitization process (Berman, 2012; Slywotzky and Morrison, 2001):

1. Data-based decision-making: Traditional processes are often based on assumptions; Digital organizations have the appropriate data to produce what the customers want. This data can be used by the customer, and can also be provided directly to the user's own decision making (e.g., by means of online tools).
2. Information Speed: Due to new technologies, digital organizations can collect, process and use information faster. Accordingly, services and products can be provided more quickly.
3. Self-service: The existing service model is shifted to a self-service approach.
4. More productive processes: Employees become more productive and can work more customer-oriented by means of digital technologies.

According to Chahal (2016) digital transformation involves much more than just creating a fully responsive mobile website or developing a social media strategy. She holds the view that it is an approach (Chahal, 2016). Ivan Menezes, CEO of Diageo, supports this view „It’s not about doing ‚digital marketing’, it’s about marketing effectively in a digital world“ Chahal, 2016). A similar view is held by Chhachhi et al. (2016). They describe that it is rather about using digitalisation to enhance business performance than it is about creating the ultimate digital platform (Chhachhi et al., 2016). This is in line with the view of Järvinen et al. (2012), and Smith (2011) expressing that digital marketing refers to the use of all kinds of digital and social media tools that allow companies to foster interactions with customers. Results of the collected data show that the two most important objectives of digital marketing are creating awareness, and enhancing brand image (Järvinen et al. 2012). This is in line with Smith (2011) findings that one successful approach is the development of a brand community.

Anderson and Vakulenko (2014) suggest that a) redefining the market in terms of what the customer needs, b) creating complementary products/services, and c) boosting the demand of complementary products/services by partnering with other companies are successful approaches and strategies. These should be considered when designing a digital marketing mix (Armitage, 2015).

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Armitage (2015) emphasise the importance of the need for a digital strategy as the key element of customer interaction as “today’s consumer want what they want, when they want it”. She proposes that the need for a digital strategy as the key element of customer interaction is important for a company’s success (Armitage, 2015; Smith, 2011). Armitage (2015) emphasises the importance of both a digital strategy (focus on devices/channels), and a digital communication strategy (developing strategy based on customers needs and preferences) as a successful approach.

The research will develop approaches and tools on how organisations can successfully implement a redefined market positioning strategy (grounded theory approach).

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