

Growth in a declining industry

PRINTING OR LEAVING?

Evelien Leferink | 980130510060
Supervisor: Prof. Dr. Jacques Trienekens
Second examiner: Dr. Emiel Wubben
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Abstract

This thesis is a literature review to gain a better understanding of how SMEs in the declining printing industry can continue to grow. The research was conducted via desk research, which retrieved academic papers through systematic keyword research and the snowball sampling method. The objective of this research was to identify the right strategy for SMEs in the printing industry to keep growing. Future predictions for the printing industry are that the revolution of online printing will halve the printing companies between 2019 and 2024. If this prediction is correct, managers of various companies in the printing industry have to find the right strategy to continue to exist. This study aims to answer how managers of SMEs can ensure their company keeps existing. Therefore, the main research question of this study is: 'How can SME managers/owners in the declining printing industry ensure that their company can continue to exist?' Literature about declining industries, SME characteristics and their strategies, strategies in declining industries and success factors for strategy implementation has been identified. Furthermore, an analysis of the printing industry has been added in this study, to link the obtained information to the printing industry. Based on the obtained information this study answers the main question. The results of this study showed that a SME manager or owner can ensure that their company continues to exist in a declining industry. The manager should mainly informally focus on strategic planning, as that is the outcome of most of the studies. However, it is important to analyse the environment the company is acting in to be able to formulate the right strategy, this can be done throughout a strategic framework. Thereafter, it is crucial to implement the strategy successfully. Two recommendations are given at the end of this study. The first recommendation is to formulate a niche, a merge or a hybrid strategy which combine the two strategies. The second recommendation of this study is to develop a handbook for strategic planning focused on SME owners, with no technical language and written with a hands-on approach. Further research suggestions are that more research should be done on how SMEs formulate their strategies and on how SMEs would strategically act if the industry they are acting in would not vanish but transform into another industry.

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1. Introduction

1.1 Problem statement and research objective

In 2018 trend watcher and print expert Bernd Zipper stated that the revolution of the online print will halve the number of printing companies between 2019 and 2024. In the past five to ten years the printing industry had already to endure quite a lot. The digitalization in combination with the recession began to have a major impact on this particular industry. In 2016 the European printing industry consisted of around 112,000 companies. These companies accounted together for a turnover of €79,5 billion. However, the turnover of businesses decreased by approximately 25% in comparison with the last decade (2008–2018). Graphic printing markets continue to fall with a decrease of 2.8% in real terms in 2017 (Intergraf report, 2018).

When a company encounters a declining demand it means that a business which is able to adapt their capacity to growth areas will be among those that appear stable or stronger over time. The so-called growth areas formulated by Barbero, Casillas and Feldman (2012) are as followed: marketing and financial capabilities, market expansion and innovation. When companies in the printing industry want to continue to exist, the companies have to grow in those areas. Nowadays, the market moves fast and is constantly changing. It is crucial for a company to continue to meet the needs of the end-consumer. Customers switch easily to the competitor, which reduces the turnover of a company (Godfrey, 2008).

The printing industry traditionally exists of smaller companies because they have more opportunities in this industry (Facta Consult, 2019). The smaller companies are more flexible and when the demand falls off in one month, it does not hit the company real hard (Verhees and Meulenberg, 2004). The larger companies (in the printing industry) seem, however, to grow and the smaller companies seem to vanish (Intergraf Report, 2018). The larger companies can more easily scale up operations, make bigger investments and can easily improve. This means that there is a challenge for smaller companies on how they can continue to grow. It raises the question of how smaller companies can ensure they continue to exist in a declining market.

This study seeks to find ways to discover how smaller companies can ensure to continue to exist by identifying different strategies that SMEs can follow. Strategy management is important for SMEs and can contribute to the growth of SMEs and can make sure that SMEs survive (Bellamy, 2009). The research objective can thus be stated as: analysing different strategies which will make it possible to develop the right strategy for printing industry SMEs in order that they can continue to exist. This will be inspected through literature research, consisting of the following components. First, the evolution of industries will be studied. Secondly, there will be an analysis of SMEs and their strategy formulation. Furthermore, the most used strategies up till now in declining industries will be mapped out. Lastly, there will be a thorough analysis of how to make strategies successful.

This four analyses would give more insight about the main question of this study, being how strategy models can help SMEs in the printing industry with the right strategy formulation to make sure that SMEs can continue to exist.

1.2 Research questions

In line with the research objective, the main research question can be defined as followed: How can SME managers/owners in the declining printing industry ensure that their company can continue to exist?

The sub-questions to answer this main question can be defined as followed:

- What are the characteristics of a declining industry and how can these be recognised in the printing industry?
- What characteristics of SMEs have an influence on their strategies?
- What are the most used strategies in declining industries?
- How can SMEs make sure their strategy is successful?

1.3 Definitions and basic concepts

To be able to answer the main question and the associated sub-questions it is important to create a basic theoretical framework. In the following section, the basic definitions and subjects will be described. A more detailed description of these topics will be given in the chapters that follow in this research.

The first element to define is the printing industry. Printing and reproduction of recorded media are being defined by the European Federation for Print and Digital communication as followed: “it includes the printing of products, such as newspapers, books, periodicals, business forms, greeting cards, and other materials and associated support activities, such as bookbinding, plate-making services and data imaging”. All companies that are involved in part of this process are part of the printing industry.

In this research, the focus will be on small and medium enterprises (SMEs). The main factors determining whether an enterprise is an SME, according to European Recommendation 2003/361 are:

1. “staff headcount
2. either turnover or balance sheet total.”

Table 1.

| Company category | Staff headcount | Turnover | or | Balance sheet total |
|-------------------------|------------------------|-----------------|-----------|----------------------------|
| Medium-sized | < 250 | ≤ € 50 m | | ≤ € 43 m |
| Small | < 50 | ≤ € 10 m | | ≤ € 10 m |
| Micro | < 10 | ≤ € 2 m | | ≤ € 2 m |

Strategy and strategy formulation can be defined in many different ways. A few examples listed:

- “.. the determination of the long-run goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these goals.” (Chandler, 1970)
- “A firm’s theory about how to gain competitive advantages” (Drucker, 1985).
- “A pattern in a stream of decisions” (Quinn, Mintzberg & James, 1988).

- “Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value.” (Porter, 2008).
- “The long-term direction of an organisation.” (Johnson, Whittington, Scholes, Angwin, & Regnér, 2018)

For this study, the best choice is to make use of the first definition. In this research namely, there will be looked at how SMEs in the printing industry can continue to exist, which is a long-term goal. It is also expected that different resources will have to be used to ensure that a company can continue to grow. For these reasons, it was decided to use the first definition.

1.4 Methods

This study consists of a literature review and an analysis of existing theories that are related to growth strategy formulation. Qualitative research will be done. The databases which will be used in this study are such as Google Scholar, the Wageningen University Library and Scopus. The literature review will begin with the search for basic articles on the printing industry, strategies and SMEs to learn more about these components. The more specific knowledge can be obtained by searching for more articles for an in-depth analysis, using the snowball sampling method. In the reference list of a basic article will be looked for titles which can contribute to this research. After that, the abstract of such articles will be read. After reading the abstract, it will be determined whether the article can provide sufficient information. In this case, the entire article will be read afterwards.

For the first sub-question different articles about industries and their life cycles have to be reviewed. A narrow analysis has to take place and the strong and weak points of the industry life cycle theory have to be identified. Key search terms for the first question can be: “industry life cycle” or “evol* industry”. Hereafter, the analysis for the second sub-question can take place. For this question, there will be a general analysis of different kind of SMEs strategies. Key search terms for this question can be: ‘strategy formulation’, ‘strategy formulation SMEs’ and ‘strateg* SMEs. For the third sub-question there has to be found literature about the most frequent used growth strategies in declining industries. Key search terms that can be used for this search are: ‘strategies declining industries’ and ‘growth strategies’. For the last question, it is important to find literature about the successfulness of strategies or how to make strategies successful. A search term for this sub-question can be: “success* SME strategies”. In the table below an overview can be found of the search terms for this research.

Table 2: Search term categorized by sub-question.

| Block | Search term |
|--------------------------------------------------|---------------------------------------------------------------------------------------------------|
| Industry evolution | ‘industry life cycle’ or ‘evol* industry’ |
| SME strategies | ‘strateg* SMEs’ or ‘strategy formulation’ or strategy formulation SMEs’ or ‘characteristics SMEs’ |
| Growth strategies in declining industries | ‘strategies declining industries’ or ‘growth strategies’ |
| Success strategies | ‘success* SME strategies’ |

The findings of this literature research will eventually lead to an answer to the main research question.

2. Declining industries

2.1 Introduction

In this chapter the first sub-question “What are the characteristics of a declining industry and how can these be recognised?” will be answered. This chapter starts with a general introduction about how industries evolve and later on there will be a more detailed explanation about the decline of an industry.

One of the most used theories for industry evolution is the industry life cycle theory (Klepper, 1996, 1997). This theory explains the different stages that industries go through. The theory is a broadening of the product life cycle theory (Vernon, 1966).

2.2 Product life cycle

The product life cycle theory is introduced by Raymond Vernon in 1966. According to Vernon, every product has a certain lifetime, starting with the development and ending with the decline of a product. Vernon elaborates that every product goes along four phases. The introduction, growth, maturity and decline phase. How long it takes for a product to get through a phase, is different for every product. In the table below characteristics for each phase are listed. Although the product life cycle theory is over 53 years old, the theory is still relevant (Peltoniemi, 2011).

Table 3: The product life cycle theory, Vernon (1966).

| Phase | Profit | Competition | Sales | Production costs | Marketing & promotion costs |
|---------------------|--------|-------------|---------|------------------|-----------------------------|
| Introduction | Low | Low | Low | High | Low |
| Growth | High | High | High | Low | Low |
| Maturity | High | Highest | Highest | Low | High |
| Decline | Low | Low | Low | Low | Low |

In the table above, the four phases of the product life cycle theory are presented. During the introduction stage, there will be a low profit, low competition and low sales. If the introduction of the product is successful, the growth stage will begin. The sales and profit will increase, whereas the competition also grows. After a time, market saturation will lead the product into the maturity stage, where the sales will be at its highest and revenue will come from only existing customers. After the maturity stage, the product enters the decline stage in which the profit will go down, sales will decrease and the competition will be again low. (Yoo, 2010).

2.3 Industry life cycle

To introduce the industry life cycle two examples of explanations will be given. Oliver Williamson (1975) mentions that there can commonly be recognized three stages in the development of an industry: “the early exploratory stage, an intermediate development stage, and a mature stage”. In the first stage, there is an introduction of the supply of a new

product, this product is manufactured with unspecialized machinery and has a relatively primitive design. The volume of this product is low because there is a high degree of uncertainty whether the product will be sold or not. In the second stage of industry development production techniques are more refined, the output of the product grows and the degree of uncertainty is low. The third stage is the mature stage. The production technique is refined, the market growth stabilizes and the innovation process of the product stops. Particular for this stage is that product innovation is no longer more the focus of the companies. Instead, the focus tends to shift to the research and development process for a new product.

Kim Clark (1985) analyses the development of an industry more or less the same way. He talks about an early state which transforms into one that is highly specific and rigid. In the first period, the criteria for the new product are not clear and there are manufacturing difficulties. Clark states that innovation has to develop quick and is very important. The manufacturing process, however, has to be flexible. Later, it is important to standardize the manufacturing technique. As Williamson stated earlier: in the mature stage innovation is not that important anymore, there are just little changes to the product which lead to more variety.

These two short explanations of the industry life cycle show that the industry life cycle is based on the product life cycle. The difference is that the industry life cycle theory studies how a whole industry evolves and the product life cycle theory focus is more limited. The origin of the product life cycle is more marketing related. Klepper (1997) however related it also to how industries can evolve. The industry life cycle concept distinguishes between the degree of dynamics of the development of process and product innovations. The dynamics of development of the industry are defined by two types of threats: an ageing threat for the main events and threats to the most important assets of the business. The threat to past events refers to the threat to activities in the industry that have realized income in the past years. The threat to the most important assets is a threat to the resources, the knowledge and the brand which made the company unique in the market (Xuemei, Alam and Wang, 2018).

The industry life cycle theory will help understanding strategy in a declining industry. The theory elaborates namely how a strategy can best be adapted in a certain stage, at a specific time in the industry. For this research, the industry life cycle theory of Klepper (1997) will be used. The theory of Klepper consists of one stage more than the theory of Williamson (1975). Therefore, only the additional stage will be elaborated below.

Klepper (1997) states that the last stage of the life cycle is the *declining stage*; this stage will be the focus of this research. Porter & Harrigan (1983) mention that there is no clear strategy for this particular stage and actions of companies highly vary in this stage. One of the reasons for the decline is shrinking demand in the industry which results in decreasing output and pressure to exit the industry (Ghemawat and Nalebuff, 1985). Other reasons for the begin of the declining stage are for example new regulations or less availability in resources (Cameron, Kim & Whetten, 1987). An example is Stanford University; different departments were attempting to get resources which lead eventually to financial problems (Manns & March, 1978).

Table 4: Industry life cycle theory, Klepper (1997)

| Phase | Manufacturing volume | Output level | Level of competition | Focus of the company |
|--------------------|----------------------|--------------|----------------------|--------------------------------------|
| Exploratory | Low | Low | Low | Meeting wants/needs of the consumer |
| Growth | Higher | Higher | High | Being better than competitors |
| Maturity | High | High | Highest | Research and development process |
| Declining | Low | Low | Low | Not clear, differs for every company |

The general belief is that when industries go in decline, companies should try to exit as soon as possible. This belief comes from the interpretations that the only end-goal of an organization is growth (Cameron and Zammuto, 1983). On the other hand, the last stage of the industry life cycle could also be seen as ‘a waiting game’ where organizations exit and a few companies are able to survive (Ghemawat and Nalebuff, 1990). A declining industry can thus be seen as an opportunity where a small number of companies can survive and be smarter than the competition (Kim, Chan & Mauborgne, 2005).

However, the industry life cycle theory has some limitations. Most of the research with this theory is based on manufacturing industries. The reliability of this theory on non-manufacturing industries is debatable because there are large differences between manufacturing and non-manufacturing industries. A second criticism is that of Anderson and Tushman (1990), they observed, based on a longitudinal study, that industries with a high innovative level, such as glass cement and mini-computers, do not follow the standard bell, which is shown in figure 1, shaped curve. Instead of following the standard curve, these industries develop so rapidly that their profits reach a higher point earlier in time, which can be seen in figure 2.

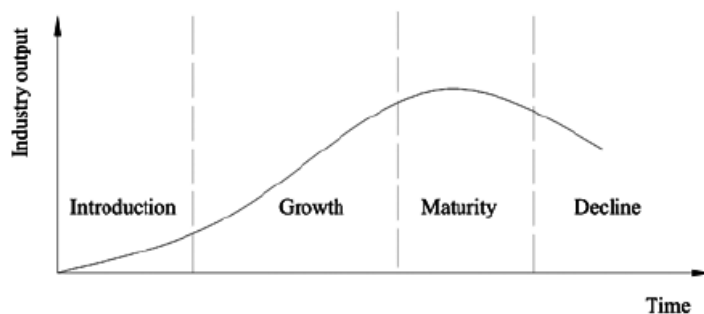


Figure 1: Standard curve of industry life cycle

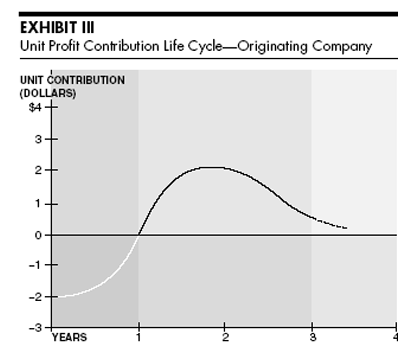


Figure 2: Adjusted curve industry life cycle

2.4 Definition and causes of a declining industry

To go further in on the declining stage of the industry life cycle theory, there will be a detailed analysis of the characteristics of a declining industry in this sub-chapter.

2.4.1 Definition of a declining industry

As first, the decision for the definition will be made. There are several definitions for the declining industry. An example of a definition is: “An industry declines when the decline is not caused by the business cycle or short-term discontinuities, like material shortages or employee strikes. It is about a true situation in which end-game strategies must be developed by incumbent firms to survive.” (Porter, 1980). This view is supported in a later article by Porter & Harrigan (1983). They advocate that there have to be no other options in the industry than the option to just deal with the decline itself when this is the case.

Another option and one of the most common ways to define declining industries is to do it in measures such as the size of the market share, amount of profit, the number of employees (Greenhalgh, 1983). The problem with this kind of definitions of decline is that these numbers only become available when the decline already occurred. The size of these measures can thus not predict decline, only point it out. At the moment that decline cannot be prevented anymore, is it too late to stop the decline.

Therefore, in this research the definition of Weitzel and Jonsson (1989) will be used. They define a declining industry as followed: “Industries enter the state of decline when they fail to anticipate, recognize, avoid, neutralize, or adapt to external or internal pressures that threaten the organization’s long-term survival.” The reason for the choice of this particular definition is that the need for a proactive organizational approach is involved. That particular fact is important because the main question of this research is about whether or not an organization has to change its strategies. With choosing another strategy than before, there may be a change in the operations of a business. For example, a business can change its strategy into a service strategy. To implement this strategy, several departments of the business will have to adjust to the new form of doing business.

2.4.2 Causes of a declining industry

Up till now, there is a lot written about the reasons why industries are declining. One of the main articles is the article by Porter (1980). According to Porter, there are three categories of factors that activate the start of a decline. “*Technological substitution, demographics and shifts in needs.*”

Technological substitution is the notion that concerns a rapid technological innovation which makes certain products look old with the result that consumers do not buy them anymore.

Demographics is all about adjustments in the consumers who buy the product. It can be that the group of end-buyers is shrinking. Furthermore, *shifts in needs* is a category of factors which influences the decline of an industry. It can be that there is new knowledge available for consumers (an example can be the bad influence of smoking). Besides that, Harrigan and Porter (1986) list two more factors: *the cost of inputs and complementary products*. This factors can influence demand for a product and therefore can be a source of the decline. Hall (1980) indicates decreasing growth, stricter regulation, high inflation and increasing competition between companies as determining factors to start a decline in industries.

According to Schreuder et al. (1991), it is possible that companies not have the same ability to predict future demand in industries. Some companies can make the prognosis that industries can recover where other companies can make the prognosis that the industry will not recover due to decreasing demand or a product that is not necessary anymore. They found that successful companies most of the times have implemented market-oriented strategies and have a management which is well informed and can make rapid decisions when there is not much time. The more unsuccessful firms are more focused on their costs of production.

In Gripiaios' research (1977) another reason for the industrial decline is cited. The data in this research was collected from different sources: the Department of Industry, Census of Population data on economic activity and a conducted survey across several firms in London. The analysis highlights that geographical influences, mergers and acquisitions and policy also can contribute to industrial decline. Geographical influences can lead to decline for several reasons: lack of room for expansion or have difficult access to resources. In the 60s a big wave of merges took place in London, forced several little plants to close which led to an industrial decline.

2.5 Conclusion sub-question 1

To conclude this chapter there will be an answer formulated on the research question. The research question is: "What are the characteristics of a declining industry and how can these be recognised?".

One of the most used theories to describe the evolution of an industry is the industry life cycle theory. This theory is a broadening from the product life cycle theory. The theory consists of four stages: exploratory, growth, maturity and the decline stage.

In the last sub-chapter, the definition for a declining industry which will be used in this research is given, namely: "Organizations enter the state of decline when they fail to anticipate, recognize, avoid, neutralize, or adapt to external or internal pressures that threaten the organization's long-term survival." Also, the main causes of a declining industry are detailed described, in the table below an overview of the main causes of a declining industry discussed in this research can be found.

Table 5: Overview causes declining industry

| Author | Causes |
|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| Porter (1980) | Three categories of factors that activate the start of decline: technological substitution, demographics and shifts in needs. |
| Harrigan & Porter (1986) | Extension of Porter (1980), add two more factors: the cost of inputs and complementary products. |
| Schreuder et al. (1991) | Companies are not able to predict future demand in industries, companies are too |

| | |
|------------------------|------------------------------------------------------------------------------------------------------|
| | much focused on own costs rather than implementing market-oriented strategies. |
| Gripaios (1977) | Geographical influences, mergers and acquisitions, and policy influence also decline of an industry. |

2.6 Link to the printing industry

To link this sub-question to the printing industry, the characteristics that are found in this question are going to be tested for the printing industry.

In the report of Facta consult (2019) the following pressures came forward:

- Competition (external pressure): new technologies and low prices of national and upcoming markets, in combination with the economic depression lead to a number of closures of companies which the industry has never seen before.
- The demographic shift in needs (external pressure): fewer youngsters in Europe, the potential impact of generation Z. The new generation does not know better than those things are digital.
- Technological substitution (external pressure): shift from exclusively print production to the application of technology solutions that add value for customers through non-print services such as web design.
- Shrinking demand (external pressure): according to the companies mentioned in the Facta Consult report, one of the biggest threats is the overcapacity in the sector which can be seen in the figure below. Overcapacity means that there is too much capacity for the work which implies that there is too little demand.



Figure 3: Overcapacity in the sector, adapted from: Facta Consult (2019).

- Quality of education employees (internal pressure): most employees are educated for one machine; the knowledge of the employees cannot be used broadly which can mean that a company cannot fulfil the work they want.
- Need for increased labour productivity (internal pressure): demand from the market for shorter lead times, more personalization and smaller runs.

To conclude, the characteristics described in paragraph 2.6 are recognized in the industry as can be found above. From this recognition, the conclusion can be drawn that the printing industry is located in the declining stage of the industry life cycle.

3. SME strategies

3.1 Introduction

In this chapter, the second research question will be answered: “What characteristics of SMEs influence their strategies?” To understand how SMEs can best develop their strategies it is important to know what characterizes SMEs.

3.2.1 SME characteristics

Small and medium-sized enterprises are companies with less than 250 employees or companies with a turnover of less than €50 million a year or a balance sheet total less than €43 million according to EU Recommendation 2003/361. The problem with this definition is that such a definition tells too little about what characterises a small or medium firm exactly. According to Merz & Sauber (1995,) most SMEs are defined as: ‘simply structured, high centralized organizations with little formalization.’ Merz & Sauber (1995), evaluated in their research SMEs based on three contingency factors: entrepreneurial orientation, environmental turbulence and past growth performance. Merz & Sauber (1995), defined entrepreneurial orientation as the orientation for the product strategy of a company and the degree of innovation to create new products. Environmental turbulence is the tendency between environmental changes, environmental danger and the variation of environments of SMEs. Keats and Hitt (1988) elaborate in their study that this turbulence affects the structure of a company. There can be presumed that SMEs can be easily influenced by changes in the environment due to their size.

Another characteristic of a successful SME could be that such companies need more employees with more specialized capabilities and are more in need of a decentralized structure. With that decentralized structure comes also that leaders of SMEs need to learn how to trust subordinates (Schlosser, 2015).

The study of Schlosser (2015) refers eventually also to Mintzberg’s research (1979) where different types of organizational structures are considered. Small firms in the research of Merz & Sauber (1995) meet the requirements of ‘simple structure’, ‘adhocracy’ and ‘divisional sized form’. Merz & Sauber took a sample of 1000 firms. All the firms meet the requirements of the definition used in this research. From this sample four clusters were identified. Firms in profile I meet the requirements of the simple structure. Firms in profile II do not conform to any particular structure, these firms are a mix of profiles I and IV. Profile III meets the requirements of the divisionalized firm. Lastly, the firms in profile IV meet the requirements of the adhocracy structure. Typical characteristics for the structures discussed above can be found in the table below.

Table 6: Characteristics structures Merz & Sauber (1995).

| Type of structure | Characteristics |
|-------------------|-------------------------------------------------------------------------------------------------------------------------------------|
| Simple structure | Young firms, small with little growth. Use minimum planning and control, highly centralized and operate in homogenous environments. |

| | |
|-----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Adhocracy | Operate in highly dynamic, diverse and hostile environments. Operating entrepreneurially, decentralized with little formality, delegate authority to lower management levels, interaction via internal communication among personnel. |
| Divisional sized form | Relative large size, high formality and decentralization of activities. They operate in dynamic, diverse and competitive environments. Mostly medium businesses which tend to evolve to a large business. |

Besides that, another typical characteristic of an SME is that these organisations have in general a higher level of innovation than large companies (Abouzeedan, 2012). This is caused by the level of being internal flexible and being able to assimilate new developments (Verhees & Meulenber, 2004).

On the contrary, the study of Beynon, Jones and Pickernell (2018) shows that reduced staffing levels in SMEs are associated with a lower likelihood of innovation. However, due to the fact that this conclusion was drawn from a sample of 89 companies the validity of this study is limited.

Fombrun and Wally (1989) formulated ‘structuring elements’ to distinguish small firms from larger firms. They summarized their findings as can be found below, where the extreme for small firms is stated left and the extreme for big firms is stated right.

Table 7: Structuring elements of Fombrun and Wallt (1989).

| SMEs | Large business |
|--------------------------|--------------------|
| Cultural elements | |
| Autonomous | Formalized |
| Risk-taking | Risk-averse |
| Entrepreneurial | Bureaucratic |
| Staffing and development | |
| Technical skills | Development skills |
| Specialists | Generalists |
| External hiring | Internal hiring |
| Appraisal and Reward | |
| Participative | Formalized |
| Subjective | Objective |
| Equity based | Incentive based |

Furthermore, Robinson and Pearce (2011) elaborate that SMEs are operating very local rather than national or international markets. Most of the SMEs own just a little share of the market. The capital of the firm is most of the time owned by one or a few persons. Also, the

performance of a company depends for the biggest part on the owner, his or her characteristics determine whether the firm is going to make it or not (Sarwoko et al., 2013).

3.2.2 Characteristics of printing industry SMEs

The characteristics of SMEs that are mentioned in this research are as followed:

- Informally organized
- Risk-taking
- Entrepreneurial, small management/only one owner
- Higher level of innovation
- Flexible
- Local operating
- Dependent on the owner's characteristics
- Acting in a dynamic environment

From the list above the most distinctive characteristics will be highlighted and applied to the printing industry. The most distinctive characteristics are: having a higher level of innovation, acting in a dynamic environment and risk-taking.

The first characteristic can be confirmed according to the following quote: *“However, survey participants also point to the potential benefits for small businesses, in particular the ability to be more flexible and respond (within the confines of available technology) to market demands. Several research participants emphasize the potential for innovation and creativity.”* (Adapted from: Facta Consult, 2019). In the report of Facta Consult (2019) the second distinctive characteristics can also be confirmed. This appears from an interview with an owner of a SME: *“The market determines how we should operate. We need to be dynamic and move faster - for example, look at the big players like search engines and how we can become a partner to them. There must be leadership and entrepreneurship. We must be dynamic and have creative ideas. In addition, we must also use process and management skills.”* Lastly, the third characteristic can also be confirmed in the Facta Consult report (2019): *“While SMEs are at great risk, they also have the advantage of easily adapting and responding more quickly to market needs.”*

3.3.1 Defining strategy

For the second part of this sub-question, there will be first a short explanation about strategy and strategy formulation. Thereafter, strategy and SME characteristics will be linked to each other.

In this research, *a strategy* is defined as followed: the long-term direction of an organisation (Johnson, Whittington, Scholes, Angwin, & Regnér, 2018). This definition comprises three parts: long-term, direction and organisation.

It is important to have a long-term strategy as an organization because companies should act as they have three types of business or activities, defined by their ‘horizons’ in terms of years, according to the three horizons framework (Baghai et al, 2000). Horizon 1 activities are the current core activities of a business. The way of looking forward in these businesses is that their activities need defending and extending but in the long term the profits will be flat or declining. Horizon two activities in companies have developed activities that should

administer new revenues. New revenues are important because a company cannot rely too long on one way of earning revenue. This way of looking forward in these businesses is by accomplishing innovations (Petkovska, 2015). Lastly, there is horizon 3. Horizon 3 is looking ahead by creating new options to remain viable for a longer time. The most important conclusion of the three horizons framework is that company management cannot focus only on short-term challenges, this framework encourages managers to look forward and also include horizons 2 and 3 in the strategy.

The second part of the strategy is the direction. The direction of your strategy points in the way of your long-term objectives. This can differ between companies, examples are: maximizing profits, making social impact, become the market leader.

Lastly, the organisation is the company itself and all the involved relationships, internal and external. Companies have to align their strategies inside their organisation, considering the employees and their different ways of viewing, but it is also important to align your strategy with external stakeholders. Another difficulty with setting the strategy is to decide where the organisation sets the boundaries, what to hold inside the organisation and what to keep outside of the company.

3.3.2 Strategy formulation in SMEs

Earlier research elaborates that strategies in SMEs follow rather a bottom-up process than a top-down planning process for strategic planning (Wiesner and Millett, 2012). Formal strategy formulation is rare in SMEs according to Ates (2008). Reasons for this are lack of time, resources and flexibility, experiences and knowledge of the owner/manager and informal decision making. Besides these reasons for not having strategy formulation in SMEs, on the other hand Bellamy (2009) elaborates in his research the following: *“the success of SMEs would probably not be enhanced by forcing them to act like a large company and go through prescriptive strategy formulation processes, as it is incongruent with their resources.”* Bellamy’s research discusses the fact of whether or not SMEs should have strategic planning. The outcome of his research is that the strength of SMEs does not lie in their strategic planning and that SMEs not necessarily need strategic planning.

The study of Bellamy revealed that strategic planning is not necessary for SMEs. To examine this Löfving, Säfsten and Winroth (2014) searched in their paper for characteristics of successful strategy formulation frameworks for SMEs throughout evaluating case studies and identifying 15 strategy frameworks. The results of this study were that the companies in these cases barely used strategy formulation frameworks. SME managers relied on own experiences and knowledge because most of the frameworks are developed for larger companies and therefore are not descriptive enough for SMEs. The SMEs in this study were all healthy companies and successful in their own way. The managers of the SMEs did indicate that they would like to broaden or deepen their skills in strategic planning. Therefore, the managers requested an easy-to-use and visible framework. However, none of the identified frameworks in this study fitted the easy-to-use and visible criteria.

The above-mentioned studies support all that SMEs do not need or use formal strategic planning. The study of Kraus, Harms and Schwarz (2006) argue this point of view. In their

study, they analysed the degree of performance in combination with several aspects of strategic planning. They concluded that when an SME has formal management the SME performs better. More formal planning can include a business plan. In a business plan risks and opportunities can be identified which can lead to better performance. They recommend also in their research that managers of SMEs should use more strategic planning tools, such as the SWOT analysis. Besides that, another recommendation is to develop handbooks without technical language and which is written with the typical hands-on approach.

Besides the above-mentioned studies, other studies also indicate that there has to be done more research in this area of strategic planning (Azari, Madsen and Moen, 2017).

3.4 Conclusion sub-question 2

To conclude this chapter there will be an answer formulated on the research question. The research question is: "What characteristics of SMEs influence their strategies?" In this chapter, the two elements of this question are separately answered. Therefore, as first there is given a short overview with the most decisive characteristics of SMEs:

- Informally organized
- Risk-taking
- Entrepreneurial, small management/only one owner
- Higher level of innovation
- Flexible
- Local operating
- Dependent on the owner's characteristics
- Acting in a dynamic environment

Most of these characteristics come back in the strategic planning process of SMEs. Formal strategy formulation is, for example, rare in SMEs. Most SMEs are informally organized because there is a lack of time or knowledge. However, research proves that more formal planning leads to a higher degree of performance in some SMEs. On the other hand, other research mentions that being flexible and being organized in an informal way ensures the success of an SME.

4. Strategies in declining industries

In this chapter, the third research question will be answered: “What are the most used strategies up till now in declining industries?”. In the study of North, Bergstermann and Hardwig (2014) SME managers were interviewed. The companies of these managers, although acting in declining markets, kept growing. They were asked to explain the factors that contributed to their growth, one of these factors was “a sound business strategy”. Therefore, in this chapter, there will be given an overview of the most used strategies in declining industries.

4.1 Strategies for companies in declining industries

The most known end-game strategies are the strategies of Harrigan and Porter. Harrigan and Porter (1989) developed four strategies, each dealing with the decline in another way.

Table 8: End game strategies of Harrigan and Porter (1989).

| | Has competitive strengths | Lacks competitive strength |
|---------------------------------|----------------------------|----------------------------------|
| Favourable industry structure | <i>Leadership or niche</i> | <i>Harvest or Divest Quickly</i> |
| Unfavourable industry structure | <i>Niche or Harvest</i> | <i>Divest Quickly</i> |

Source: Harrigan and Porter, “End-game strategies for declining industries.” (Harvard Business Review 1983, vol. 61, iss. 4, p.111)

Choosing a leadership strategy can ensure that the focal company remains profitable for a long time by becoming one of the remaining companies in the industry which can result in market power. The market power is caused by more control over the process of decline and being able to avoid a price competition. The leadership strategy can result in a cost leadership or differentiation strategy, which are already explained in the previous chapter. This position allows the company to let the assets recover in the period of decline even when the company decides to reinvest. Companies can achieve this position by retiring other companies from the industry with for example aggressive competitive actions in pricing. Another option is reducing the exit barriers from competitors by for example overtaking competitor’s long-term contracts. The last option elaborated by Porter and Harrigan (1989) is by developing and disclosing valuable information about the market. With that information about the market, the market leader will know much more than the other competitors in the market. In this way, the exit barriers will be reduced for the other competitors. This strategy is mostly used by larger companies, smaller businesses often do not have the resources to become a market leader (Frentzen & Lampadarios, 2016).

When implementing a niche strategy, the objective is to identify a part of the industry that is either achieving the desired demand or experiences a slower decline compared with other parts of the industry. This can ensure that the company keeps having a decent turnover, while the company is moving to a stronger position in that particular segment through

investing and disinvesting in other segments. On how this is done, from a managerial perspective, some characteristics from the leadership strategy can be recognized (for example reducing the exit barriers of competitors). For smaller businesses this strategy has numerous advantages, for example reducing competition in the market, extending the product portfolio and obtaining new customers (Frentzen & Lampadari, 2016).

Following the harvest strategy means that a company mostly focuses on liquid assets. This strategy involves generating cash flow, cut unnecessary investments and only producing the most profitable products. Generating more cash flows can be done in several ways, an example is to decrease advertising costs or cut costs such as maintenance of buildings. Companies that follow this kind of strategy will eventually experience problems with the market, mainly confidence difficulties. Businesses that chose following this kind of strategy will eventually sell or liquidate the company.

The last strategy Harrigan & Porter (1983) distinguish is the Quick Divestment strategy. Managers that implement this strategy believe that the business can make more return on its investment by selling it the moment decline is detected rather than harvest first and then sell the business. The managers assume thus that the earlier the business is marketed the less chance there is that any buyer sees that there is a reduction in demand for the product.

However, in current research there are found limitations to the generic strategies of Porter. Salavou (2014), argues that the era where companies could follow only one competitive strategy is over, and the era in which companies use hybrid strategies has begun. A hybrid strategy is a combination of, for example, the differentiation and low-cost strategy. The objective of this kind of strategies is to deliver the expected benefits to the customer at a low price. At the same time, it is necessary to manage that the company keeps having acceptable margins for reinvestments to develop options for differentiating (Baroto, Abudllah & Wan, 2012). According to Salavou (2014) companies do not just implement a single strategy but implement a wider range of strategies.

Anand and Singh (1997) discuss two kinds of strategies in their research. They argue that acquisitions are a way to create value for your business. According to their article, the first strategy requires an out-of-market acquisition. In this way, the company can change compared to other companies in the industry. A company should take over another company which has not the same assets as the core company. This will lead eventually to an increase in the corporate scope. The second strategy is to take over a company from within the industry, which results in a more intense focus on existing competencies and markets. That will eventually lead to a decrease in the corporate scope. However, when the firm is able to make it work, its performance will rise steadily.

In the study of Soosay, Nunes, Bennett, Sohal, Jabar and Winroth (2015) six Australian and six Swedish manufacturing companies were followed on two occasions, 30 years apart. Half of the companies in this study are SMEs. In those 30 years there has been a shift in the competition in both countries because of technological changes and consumer expectations. Also, there has been an economic downturn which has led to declining industries. The Swedish companies have mainly adopted resource-based strategies. A resource-based strategy can be focused on internal generation of resources, for example, training for

existing employees or educate new employees. This kind of strategy is in the interest of small businesses because this strategy is associated with low up-front costs (Frentzen & Lampadarios, 2016). Most of the companies improved manufacturing and testing capabilities which caused more knowledge of the risks and benefits from operating worldwide. On the other hand, the Australian companies mixed resource-based and market-based strategies. Market-based strategies that the Australian companies used were for example: producing “Australian-made” wine which leads to an increase of confidence by the consumers. An example of resource-based strategy is that one of the Australian companies replaced its manufacturing plant to China for cost reasons (Soosay et al., 2015). The findings provided implications for the manufacturing companies that followed a resource-based strategy. From the data they obtained the conclusion can be drawn that those companies are better prepared for the future, increasing demand and upcoming competition.

Another strategy a company can follow is more focusing on services, a company in the printing industry could offer maintenance service to other companies. Mastering the difficult challenge of establishing different organizational capabilities needed to offer services may help some product firms prevent exit and survive longer. The reason may simply be the increased income and profits generated by services. Another way in which services can affect the industry structure is when product firms promote or give away particular services simply to encourage more product sales and get faster product adoption (Cusomano, Kahl and Suarez, 2015).

4.2 Conclusion sub-question 3

Several strategies are discussed in this chapter. An answer to the sub-research question will be given in chapter 4.2 and in chapter 4.3 implications for the printing industry will be formulated.

First, the end-game strategies of Harrigan and Porter (1989) are discussed. They distinguish four types of strategy:

- Leadership: can ensure that the focal company remains profitable for a long time by becoming one of the remaining companies in the industry which can result in market power.
- Niche: the objective of the niche strategy is to identify a part of the industry that is either achieving the desired demand or experiences a slower decline compared with other parts of the industry.
- Harvest: this strategy involves generating cash flow, cut unnecessary investments and only producing the most profitable products.
- Divest quickly: managers that implement this strategy believe that the business can make more return on its investment by selling it the moment decline is detected rather than harvest first and then sell the business.

Salavou (2014) however, mentions that companies should use hybrid strategies. The objective of this kind of strategies is to deliver the expected benefits to the customer at a low price. At the same time, it is necessary to manage that the company keeps having acceptable margins for reinvestments to develop options for differentiating (Baroto,

Abudllah & Wan, 2012). Anand & Singh (1997) argue that firms can follow two kinds of strategies. An out of market acquisition or acquisition which takes place within the market. Soosay, Nunes, Bennett, Sohal, Jabar and Winroth (2015) conducted a study in which companies followed a resource-based strategy or a market-based strategy. The insights they obtained from this research implicate that firms who follow a resource-based strategy are better prepared for increasing demand and competition. Lastly, the service strategy of Cusomano, Kahl and Suarez (2015) was discussed. This strategy could increase the sales of a particular product by promoting this product intensively.

Concluding, the most used end-game strategies are the following strategies: leadership, niche, harvest strategy, quick divestment, acquisitions, resource-based or market-based strategy, or a hybrid strategy which combines two of the previously mentioned strategies.

4.3 Link to printing industry

Based on this chapter, the strategy options for companies in the printing industry will be explained. As first, in the table below the overview of the strategies discussed in this chapter can be found. All strategies are included in this table; this has been done to ensure that the overview remains complete. The focus for the implications will eventually be on end-game strategies, the implications will be given in chapter 8.

Table 9: Overview strategies discussed in this chapter.

| Strategy | Categories |
|---------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| Leadership | <ul style="list-style-type: none"> - Strategic alliance - Merger - Specialization |
| Niche | <ul style="list-style-type: none"> → Look for new market opportunities - Specialization - Education of employees |
| Harvest | <ul style="list-style-type: none"> - Offer services |
| Quick Divestment | <ul style="list-style-type: none"> - Reduction of site, machines or employees - Quit |
| Out-of-market acquisition | <ul style="list-style-type: none"> - Merger |
| In-market acquisition | <ul style="list-style-type: none"> - Merger |
| Resource-based strategy | <ul style="list-style-type: none"> - Invest in a new machine - Invest in the education of employees |
| Market-based strategy | <ul style="list-style-type: none"> - Look for new market opportunities |
| Service strategy | <ul style="list-style-type: none"> - Offer services |
| Hybrid strategies | <ul style="list-style-type: none"> - Combine two of the above |

In the table above the 'main strategy' is stated left and the 'sub-strategy' is stated right. The strategies on the right are a way to achieve the main goal on the left. Printing companies

could follow a leadership strategy, to become a market leader. However, not many companies will remain in this industry because the printing industry is declining. So this strategy is not relevant for this study. A niche strategy could be a better choice. The niche could be accomplished by specialization, more education of employees. Whether the company should specialize or re-educate employees off-market research must show where new market opportunities could be defined. When the industry is, like the printing industry, in decline the option of harvest or quick divestment could be an option for companies. Harvesting could be reached by offering services and increase sales, a printing company could offer the sales of a machine and offer maintenance service of machine equipment. With the harvesting strategy, short-term growth will be realized. Quick divestment could be reached by selling parts of the building, selling machines or firing employees. The reduction could eventually lead to the liquidation of a company. Out and in-market-acquisition could be reached by mergers. The difference is between whether the company merges with a company from within the industry, which can lead to benefits of for example knowledge or machines. From an out of market acquisition, a company could benefit from the increase of the corporate scope. When a company is still economic healthy, the choice for a resource-based strategy could be made. With the investment in a new machine or education of employees, differentiation or specialization could be reached. Last but not least, a hybrid strategy could be chosen. With a hybrid strategy, for example, the niche and merge strategy combined, a company can be more flexible in the demands of the end-consumer these days.

5. Success factors strategies

5.1 Successful strategies

In the previous chapters is studied how industries evolve and in particular what the declining stage entails. Characteristics of SMEs and strategies were studied in the second sub-question and in the previous chapter the third sub-question: “What are the most used strategies up till now in declining industries?” was answered. Before the main research question of this research can be answered, one remaining aspect is missing: how to make a strategy successful. Therefore, in this chapter the following sub-question will be answered: How can SMEs make sure their strategy is successful?

According to Candido and Santos (2015) and Shah (2005), 50 to 90 per cent of the attempts to implement strategy fail. Booz Allen (1989) stated in his research that: “73 per cent of the managers believed that implementation is more difficult than formulation; 72 per cent that it takes more time; and 82 per cent that it is the part of the strategic planning process over which managers have the least control.”

According to the literature research of Fernandez & Rainey (2006), eight factors can help to make the strategy formulation and implementation successful. Managers have to ensure that the need for change is clear, they have to provide a plan, build internal support for change and have to overcome resistance, build external support, provide resources, institutionalize change and pursue comprehensive change. For the larger medium businesses, it is also important that there is support and commitment from the top management. In the table below a description of all these factors is given.

Table 10: Description of the factors of Fernandez & Rainly (2006).

| Factor | Description |
|-----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Ensure the need for the strategy change | To persuade individuals in the company that there is a need for change, crafting a vision is a good start. In the vision the image of the future can be made clear to all the employees of the company. |
| Provide a plan | Only creating a vision is not enough, managerial leaders should also develop goals and an actual plan to achieve these goals. Two aspects are important here: the degree of specificity of the strategy and the extent to which the strategy rests on an earlier event where a mistake has been made. Specific goals help ensure that the measures correspond with the formal policy. A plan that is based on an earlier event helps to avoid inconsistencies. |
| Build internal support for change and overcome resistance | Managers can acquire internal support from the ‘shock effect’. When people feel the urgency is high, they tend to accept the change sooner. There exist a variety of tactics that managers can use to minimize |

| | |
|----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | resistance to change, two examples are guarantees against personal loss, inducements and rewards. |
| Build external support | Another critical factor is support from key stakeholders. These stakeholders can be responsible for particular resources that the company need. |
| Provide resources | Change in a company is not cheap or without arrangements. In the planned change will also be a relocation of several resources. This must be well planned because a failure in providing adequate resources can lead to higher levels of stress and obstruct the daily activities of the company. |
| Institutionalize change | Employees and management of the company have to adopt the new strategy into their daily activities. The change can only be implemented if everyone uses the new way of working. Thereby is it important that managers monitor the implementation process. Even after the change is implemented is it crucial that employees not do not fall back into old habits. |
| Pursue comprehensive change | Managers must make sure that they adhere to their approach. To make a successful change it is crucial that the systematic changes are aligned with the desired end state of the company. |
| Ensure top management support and commitment | To lead a company to a successful change, a step for the bigger SMEs is to have support from the top management. If a respected individual shows support, the behaviour of other actors in the company can be influenced more easily. For the smaller SMEs this step is easier to take. Most of the time an SME is owned by one person which is committed to developing and sustaining their business and will thus support the strategic change. |

Yukl, Gordon and Taber (2002) argue that transformational leadership is key for promoting change. Transformational leadership is defined as: *“the leadership style that stimulates and inspires followers to extraordinary outcomes and, in the process, develop their leadership capacity”*. Also, entrepreneurial competence can be considered as a factor for making the strategy successful. Entrepreneurial competence can be defined as the knowledge, skill and ability to envision, recognize and take advantage of the opportunity and drive to see firm creation (Chandler and Jansen, 1992). This combination of competences will make it able to have a successful strategy. Another crucial competence is technical competence which can be defined as: *“knowledge and skills about and proficiency in a specific work area or activity and the abilities to use the appropriate tools, techniques and procedures to analytically tackle technical and functional issues in specific industries”* (Chandler and Jansen). Enterprise success, according to Rhee, Park and Lee (2010), is also depending on innovativeness. Innovativeness can be a source of competitive advantage. Concluding there can be said that SMEs are more successful in adhering their strategy if they are under the dedicated

leadership of owner/managers. SME owners/managers should embrace the four core metrics, transformational leadership, entrepreneurial competence, technical competences and innovativeness (Ng and Kee, 2015).

The study of Lewin (1951) revealed a successful change as a process with three steps:

1. *unfreeze or unlock the existing level of behaviour*
2. *move to a new level*
3. *refreeze behaviour at this new level*

To make a success a change it is crucial to not overlook the last step. Thereby, the feedback on the new strategy must be effectively organized and monitored. Bhava (1994) presents in his research two categories of feedback: strategic and operational. Strategic feedback is the flow of information between the business concept and the customer and market.

Operational feedback is the flow information between the creation of the organization and business technology, product and the customer and market.

5.2 Conclusion sub-question 4

To ensure a strategy in a company is successful the following things are most important:

- Make sure that there is a clear plan with clear actions formulated. In this plan, the need for change has to be made clear. Managers have to provide an actual plan, in which the ambitions are detailed described. Everyone has to be aligned.
- After the internal support is ensured, external support is as important as internal support. The key stakeholders of a company have to understand why the company is going in a particular way. When the firm is not aligned with her key stakeholders, resources the company may need, are endangered.
- Make sure the resources which are needed are available. Implementing a change cannot go without costs.
- Institutionalize the way of working of the employees in the daily activities.
- Department managers have to monitor the change intensively, they can collect feedback from the employees.

In these steps the process of Lewin can be recognized (1951): unfreeze the existing level of behaviour, move to a new level and finally refreeze the behaviour at this new level.

6. Conclusion

In this chapter the main research question will be answered which is defined as: How can SME managers/owners in the declining printing industry make sure that their company can continue to exist?

The answer to the main research question can be formulated with combining the identified characteristics of a declining industry, the typical characteristics of SMEs, the literature on the most used strategies in declining industries and the identified success factors for strategies.

Starting with the characteristics of the declining printing industry: the printing industry has to deal with new competition, demographic shift in needs, technological substitution, shrinking demand, need of re-education employees, need for increased labour productivity because of the shorter lead times. All these factors lead to more and more bankruptcy in the industry. This leads to a need for a strategy change. A new direction for the companies has to be found. To find this new strategy, first off the start was with defining the characteristics of SMEs. The characteristics of SMEs that most influence their strategies are being informally organized, being flexible, risk-taking, local operating, and acting in a dynamic environment. After that, the SME characteristics were linked to the strategic planning process. It turned out to be that there was little strategic planning in most of the SMEs, not in formal ways at least. On the other hand, some studies showed that when SMEs use more formal strategic planning, it will lead to a better performing company.

After that, the most used strategies in declining industries were identified regarding the leadership strategy, niche, harvest strategy, quick divestment, acquisitions, resource-based or market-based strategy, or a hybrid strategy which combines two of the previously mentioned strategies. To implement the new growth strategy successfully it is crucial to create internal and external belief, to create a well-written plan and monitor the implementation of the strategy. To ensure the company eventually keeps growing, the lead or the management team of the company has to take care of the implementation process and monitor the process closely.

This leads to suggesting that a SME manager or owner can make sure that their company continues to exist in a declining industry. The manager should mainly informally focus on strategic planning, as that is the outcome of most of the studies. However, it is important to analyse the environment the company is acting in to be able to formulate the right strategy. Thereafter, it is crucial to implement the strategy successfully.

7. Discussion

To answer the main question of this study literature research has been used, this also applies to answer the sub-questions. The articles used in this study were obtained in search engines like Google Scholar, Wageningen University Library and Scopus. The conclusion of this research is not based on new research, so it could be considered as a complement on the existing and used research. This research attempted to answer a yet unanswered question with existing research. There was found enough literature to answer the sub-questions about how industries evolve, characteristics of SMEs and their strategies, and enough literature was found on how to ensure that the strategy of a company is successful. However, enough literature about strategy formulation turned out to be difficult because most SMEs are not formal enough to formulate their strategy by following a framework. Literature research is not the best form of research for this subject. There is a need for more qualitative research on this topic, this can be done by, for example, conducting semi-structured interviews. In semi-structured interviews respondents can further explain their answers which may add new theoretical approaches which have not been addressed before.

Besides that, in this study the assumption has been made that the printing industry will eventually vanish. Based on that assumption the literature research is conducted; how will SMEs act if they want to grow in a declining industry that will eventually disappear. It could be interesting to research how SMEs will formulate their strategic position when an industry not vanishes but transforms. Therefore, it is recommended to do further research on this particular topic.

It is recommended that more research should be done on how SMEs formulate their strategy and on how SMEs would act if the industry would not disappear but transform into another industry.

8. Management implications

Based on the findings of this study, an advice can be given to the printing industry. It is important to say that it will be an advice, further research has to be done. This study has revealed that having a growth strategy can ensure that a small business can continue to exist. The recommendation is therefore to choose one of the following growth strategies: niche, merge or a hybrid strategy which combines the niche and merge strategy. With this strategy a company can be more flexible in the demands of the end-consumer these days.

This research has also shown that some SMEs do not engage in strategic planning because managers do not have the knowledge or experience to do this. Therefore, the recommendation is to develop a handbook for SME managers without technical language and written with the hands-on approach. With a handbook, managers could start with using more strategic tools.

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