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CASE STUDY

Developing a transformational digital strategy in an SME: The role of responsible management [version 1; peer review: 1 approved, 1 approved with reservations]

Paul Levy ¹, Joe Morecroft¹, Mona Rashidirad ²

¹Brighton Business School, University of Brighton, Brighton, United Kingdom

²Sussex Business School, University of Sussex, Brighton, United Kingdom

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Abstract

Based on the case study of an SME company in the United Kingdom (which we will call SweetStar Cloud), this paper examines the attempts of the company to achieve significant strategic change. The company is attempting to move from being a tradition managed service provider of Information Services towards becoming a significant influencer in the market for digital services in the UK. As part of a Knowledge Transfer Partnership (KTP), a local UK University has been closely involved in developing this new strategic direction and it is well poised to present and analyse the story. From the use of tried and tested strategic tools, including Porter's Generic Strategies and segmentation and targeting, the company has also embraced digital-specific approaches for developing partnerships with clients, developing pilot projects and experimenting with its use of social media. At the heart of this research is an analysis of the move from push marketing towards models of attraction. This paper aims to explore how traditional strategic tools are still applicable in the digital era alongside new tactical approaches in the digital sector. This aim has led to an approach to business that is responsible, in terms of moving away from a traditional push-selling model to one of partnership with customers at a strategic level. Strategy in dynamic markets often highlights responsiveness as a key success factor. The ability to respond (a response-ability) requires more agile companies. As SweetStar Cloud has developed its strategy, it has focused in achieving this more effective ability to respond through a more collaborative approach. In this sense, agile response-ability converges with business responsibility, as new abilities in communication, cooperation and trust development become key.

Keywords

Responsible management, SME, digital strategy, Porter's Generic Strategies, pull vs push strategy

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1. **Fátima Guadamillas** , University of Castilla-La Mancha, Facultad de Ciencias Jurídicas y Sociales, Toledo, Spain
- Mario J. Donate** , University of Castilla-La Mancha, Facultad de Derecho y Ciencias Sociales, Ciudad Real, Spain
2. **Zorica Bogdanović** , University of Belgrade, Belgrade, Serbia

Any reports and responses or comments on the article can be found at the end of the article.



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Corresponding author: Mona Rashidirad (m.rashidirad@sussex.ac.uk)

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Introduction

Businesses have always been advised to develop a strategy (Porter, 2008b). Strategy is taught at every Business School in the world, though different approaches to developing a strategy exist. Strategy grew out of the military and settled well into the competitive world of capitalism. Businesses need competitive strategies in order to win their chosen markets. Strategy invariably involves setting a direction, exploring different scenarios, locating the business in relation to its competitors, collaborating where this serves the interests of the business. It involves deploying “best practice” in terms of business processes, technology and approaches to marketing, managing risk, managing people and developing an appropriate culture to deliver the company’s goals and objectives (Argyres *et al.*, 2019).

Before digital technology became more widely used, some businesses developed a technology strategy. Factories looked to develop a long-term vision of how machinery could enable them to survive and thrive. In other sectors, communication technologies such as the telephone and fax machine were used as part of a strategy to be leading edge in terms of communication. Technology was a core enabler of business strategy. The advent of mainstream digital technology, the rise of the computer and the Internet elevated technology to become central to the business strategies of many companies. Where this was ignored, many companies found themselves quickly going into administration. One example is high street retail, where early innovators invested heavily on online shopping, and some retail companies such as Amazon rose without appearing on the high street at all. The first casualties of poor digital strategies found themselves, not only behind the curve, but also too late to do anything about it.

A similar process to the service sector is happening in manufacturing, where early adopters of computer-aided design and more recently, artificial intelligence (AI) and 3D printing, robotics and automation, are the survivors in many sectors (Ghobakhloo, 2020). Digital Technology is more than just a subheading in a strategy document under technology. Digital technology and innovation have become the central elements weaved throughout many business strategies. Yet, there is also growing evidence that a broader business strategy is vital to ensuring that a business’s transformation into a digitally successful enterprise takes place (Kane *et al.*, 2015). This broader approach takes in a wider context, identifying more recent developments in best-practice SME’s management that are grounded in customer-supplier relationships that focuses on partnership and collaboration. (Nevrlka, 2018).

Research background

When many companies began to use communication technologies, they made use of the land-line telephone. These have developed from analogue to digital; yet many companies still rely on some form of telephony for the customer interface. Call centres are still a baseline business function for many companies in many sectors across the world. The development of the fax machine and then email led to non-voice-based communication. Yet the telephone and email largely remain as a prime form of

communication. In a field so crowded with digital innovation, many business strategists seem surprisingly reluctant to adopt new digital technologies, (Son & Han, 2011) and they are using a wait-and-see approach (passive), or are simply ignoring it at their peril. In this era, it would be interesting to explore an example of a responsibly managerial approach adopted in an SME which has led the company to proactively transform their digital strategy.

This SME which has been selected as the case study in this research is a small company in the UK, called SweetStar Cloud that has quickly developed from a managed service provider to an innovative cloud-based service provider. SweetStar Cloud used to offer traditional fix-it services for B2B contracts, i.e. fixing broken laptops, solving software issues and selling physical data storage space and maintenance. The company is now innovating its offering towards offering strategic level IT advice, support and longer-term development work, alongside services in the “Cloud”. Indeed, the company has revolutionised its offering from being a fairly narrow service provider towards a broader value offering.

What does that truly mean? It means the company has put digital technology and innovation at the heart of its internal business strategy and then it innovated its service offering to be attractive to current and new B2B markets. To do so, the company started to present itself, not as a seller, but a more strategic partner, enabling its customers to realise this. This development of a partnership approach raises concerns, such as trust, information-sharing and cooperation to become the company’s high priorities in the strategic agenda. To become a more responsive and effective business, SweetStar Cloud has had to become a more socially responsible business. This involves being more open, less transactional, more trusting and trustworthy basing innovation less on push-selling and more on emerging customer needs. The business develops towards becoming more of a “conscious business” (Kofman, 2014). The following section outlines the journey of change and innovation in the case study.

Methodological considerations

The authors of this paper had particular roles in relation to the case study presented. One was a KTP associate for two years, with the specific role of being an internal change agent. The other one was the lead academic on the project, attending formal meetings with the senior management team as well as being a mentor of the project. While the authors took the standpoint of observer, one of them specifically was a participant observer in what was essentially a process of action research that went through stages of project vision and design, diagnosis, experiment, change adoption and review. The diagnosis formed a significant part of the time commitment and both internally and externally focused research were key in helping to move the company into a new direction away from a current strategy which could signal business stagnation or decline (Levy *et al.*, 2006). This case study describes not only a process of business improvement and innovation, but also a necessary process of unlearning traditional habits and behaviours. This is therefore a case

study of strategic level learning, enhanced by a partnership with a local university bringing objective challenge, evidence-based knowledge, on-the-ground change agency, as well as a relevant practice-focused theory (Hamburg & O'Brien, 2014).

Apart from the authors, two other members of the University, partner in the KTP acted as advisors in marketing, strategy and operations. The KTP associate became immersed in a role in the business, though formally employed by the University Partner. This creates a dual potential of both the university partner staff and the associate offering fresh perspectives and experience to assist the business in a process of change (Walmsley *et al.*, 2012). Meetings with the company's senior management team took place monthly and regular one to ones accrued between lead academic and KTP associate. In writing this case study, notes were drawn upon from those meetings which became points of reflective practice during the two years of the KTP. An informal process of action learning took place enabling reflection on action (Kuhn & Marsick, 2005; Levy & Knowles, 2004) which helped to form the basis of business change and transformation. This ran in parallel to, in worked with, the day-to-day leading, managing and running of the business. This case study is an act of storytelling which is a combination of historical retelling as well as analysis based on after-the-fact reflection. The name of the company has been changed to uphold confidentiality and respect commercial sensitivity.

Case study: SweetStar Cloud

The story of SweetStar Cloud highlights how an SME can change over time and improve its business outcomes with strategic thinking. SweetStar Cloud is an established managed service provider, who provides IT and cloud solutions for SMEs. The company has gone through three phases in its 30 years since its incorporation, and its change of name reflects each chapter in its history: SweetStar Computer Resources LTD, SweetStar and SweetStar Cloud.

As it was initially known, SweetStar Computer Resources Ltd. began life in 1998 as an IT recruitment specialist and hardware provider in the South of England, UK. As a decade past, the company switched its primary focus from recruitment to IT products and services, whilst adding training and software development to its portfolio. The company then continued to trade; however, this was a reasonably unspectacular time. A new lease of life began for the company in 2008, when two people who had recently left senior corporate IT positions bought the company. They then relaunched the company, as SweetStar (dropping "Computer Resources LTD"), and focused solely on providing IT support and infrastructure managed services, discontinuing its recruitment, training and software development services.

Their mission was to use their experience they had both gained in working with corporate IT solutions to offer the SME market products and services that were of a better quality. They planned to offer corporate-level solutions to the SME market. The vision worked and in the subsequent years, the company grew and made three acquisitions, growing the company from seven

staff and £500,000 annual turnover to 50 staff and £3.4 million annual turnover.

The company has innovated most in the products it offers, while it has been slower to react and more cautious in terms of its own strategy. A part of that can be due to the caution of the founders; another cause is often the lack of cash available to invest. A third reason can be the conservatism of its own customers, suppliers and partners. There is a danger here that the whole product and service supply chain becomes a collusion of mediocrity, where too much change will be viewed by its customers, collaborators and suppliers as being irresponsibly risky, disruptive and uncomfortable.

The company has tended, from its founding, to avoid risk and any kind of disruption that often goes with digital technology. As we know, digital technology (i.e., the rise of the personal computer, the mobile phone, the development of AI and robotics), and looking into the future (i.e., human-like robots, the self-driving car, the advent of 5G and the Internet of things), has changed the game. It requires companies to radically rethink their businesses to face the significant danger of being left behind competitively. Thus, more recently, SweetStar Cloud is beginning to make more radical changes.

These changes are particularly in forms of offering more proactive and strategically important service offerings to move the company away from a private data storage to the more secure public cloud. In the future, it may have to begin to look at introducing new customer-facing technology, if demand moves away from a call-centre based customer interface due to new technologies such as AI and operate in an industry where a client can begin to switch automatically to a competitor's offering in literally minutes.

Developing a sustainable digital business strategy

The question now is how a company such as SweetStar Cloud should develop an effective and sustainable business strategy in this digital age. It begins, as you will see, with tools that are not unique to the realm of digital technology. Indeed, many of the strategic tools developed in the 70s and 80s are still relevant (see Kim *et al.*, 2004; Rashidirad *et al.*, 2015).

First, SweetStar Cloud had to appraise its current and potential markets, its strengths, weaknesses, opportunities and threats, its risks and its competitive position. The company needed to develop scenarios and look at who its collaborators and partners might be. It also needed to conduct business forecasting and planning. As a result, the strategic development of the company became more digitally specific as it identified new digital innovation opportunities. In this regard, the company looked at moving away from being solely a linear seller in an increasingly cost-driven, competitive market towards becoming a leading brand in its field. New clients and value then arose from a vibrant and dynamic sales funnel, as the business moved away from push selling to being a more disruptive thought leader, an influencer and innovator. The company then had to be seen as being in the evolving conversation in the digital field, present

and effective on social media, a broadcaster and media channel for issues and questions of strategic interest for its current and potential clients. This could involve putting strategic effort into developing and innovating products and services in new sectors where market potential was greater.

In order to realise the overall business strategy and the significant digital aspect, a third aspect of the company's strategy became key: the change strategy. As a company in existence for over ten years, there is a culture that not only began when the company was formed, but also a pre-history: the previous ownership structure, the assumptions, attitudes, values and behaviours of the owner-founders, as well as the cultural norms of the more traditionally managed service provider of IT services. As in many industries and sectors, this tended to be a more linear buyer-seller behaviour with associated business processes. Founders were often the main salespeople, and this was the case in our chosen case study company. The aim to hook a client is very different from being an influencer, an attractive business in the exciting digital realm where clients come and find you. This, of course, is not always the case and most digital businesses today are a mix of old and new. They still advertise and go out selling, yet increasingly go viral on LinkedIn and Twitter. Not only do digital businesses need to be following the conversation, they also need to be in that conversation, influencing it, and even initiating it.

Where rates of change are fast and getting faster, and where company's cultures are risk-averse and lack investment resource, the strategy to 'wait and see', to observe but not influence, can be disastrous. A me-too and wait-and-see strategy can only work if at the time the company decides to finally act, it has enough resources to market, launch and win clients from an already established market. In many cases, the me-toos in the digital space move too late. Some critical change management questions include: (i) What strategic, organisational, cultural, financial and operational changes are needed to embrace digital in our strategy? (ii) Will digital impact on our business strategy? (iii) How do we become a more partnership and collaboration-based business using digital technology? (iv) What new training, new behaviours, new forms of communication and new values will be needed to become successful in the digital realm? (v) How do we ensure that our new business approaches are responsible and aligned with the values of our customers?

One example is the notion of digital services partner, where a major provider and platform owner such as Microsoft becomes a partner, preferring the company as a licensed seller of its products and services. There is a danger here for a small business to become too dependent on one supplier/partner, so the imperative arises to spread risk and engage in new areas of digital innovation and potential new markets, such as cybersecurity services. There is also an opportunity for SweetStar Cloud as both a user and a supplier of the major provider's product and service to become a collaborative innovator, enhancing product and service deployment further along the supply chain as well as sharing innovative capability and learning with the first-tier supplier, fuelling trust and longer-term relationships (Bogers *et al.*, 2010). This high trust and cooperative approach

very much aligns with the concept of responsible business (Avram & Kühne, 2008).

The next level: University collaboration

The role universities can play in relevant knowledge transfer has been documented by Piterou & Birch (2014). In 2017, SweetStar Cloud developed a strategic relationship with the local university on knowledge sharing partnership. The purpose of the partnership was for the university to better understand industry, while SweetStar Cloud would receive expert advice and government funding to fund the academic consultancy. As part of the two-year project, the university would provide marketing expertise in the form of two academic consultants, and a full-time graduate to apply best practice strategic tools to the company. The ultimate purpose was to help SweetStar Cloud take the next step in their journey and become a market leading company, with the owners having ambitions on growing the company five-fold in the next five years.

The project came at an opportune moment. During this time, several interesting opportunities had presented themselves within the market. Large technology companies such as Amazon, Apple, Google and Microsoft were embarking on developing cloud infrastructure and service offerings. New technologies, such as AI and blockchain were also becoming popular (the latter with which SweetStar Cloud had experimented). Due to recent years of growth, the mood was one of confidence within SweetStar Cloud's leadership team, and excitement as to what the future may hold with the new strategic partnership.

Strategic issues

In late 2017, issues began to arise, or 'growing pains', as management had termed it. There was a hint of cognitive dissonance amongst senior management, which resulted in confusion and in-fighting. As the company had worked on a short-term basis, there was a lack of vision and direction for the type of clients SweetStar Cloud should attract, and the types of products and services they should provide. A notable point came when a major new client was turned down due to perceived difficulty and the company cost of the client, which later emerged to be a false assumption. It was a case of groupthink and conflicting motivations.

Further poor decisions became apparent, as the focus on winning a large prestigious client took precedence over other new and existing prospects. As a result, SweetStar Cloud failed to sufficiently acquire new customers and look after existing customers. After an unfortunate series of events, the large client left SweetStar Cloud, as a result of a poor client-supplier match, and problems caused by third-party relationships. Due to the effort and time the client required, hints of complacency within the company's culture set in as service levels dropped and long-term planning and continuous improvement were deprioritised for more short-term solutions.

Further woes and turning point

A fleeting look at the Boston Consultancy Group (BCG) Matrix helped SweetStar Cloud understand the technologies and products which were entering the market and, without losing

site of its market orientation, how they would impact their customers' demands, needs and wants (see [Figure 1](#)).

Our analysis showed that the use of its own private cloud was the SweetStar Cloud's current Cash Cow, while the public cloud was quickly moving from a Question Mark to a Star as it became apparent that this was a superior solution. The public cloud would also have major benefits within the target segment including security, value, mobility and reducing consumer lock-in. Thus, it was evident to SweetStar Cloud's management team that they would invest resources into developing public cloud solutions and become the experts in public cloud. Here business improvement meant a shift in the activities prevalent within this matrix ([Turkes et al., 2014](#)). However, the call for change came shortly after, as a result of further industry analysis and financial forecasts. The forecast highlighted that the current projection showed very little real-term growth, and the industry analysis suggested diminishing future margins.

Due to new emerging technology of the public cloud, industry dynamics began to change. After conducting [Porter's \(2008a\)](#) 5-Forces analysis, it appeared the industry structure was becoming tougher for SweetStar Cloud and they could expect lower future average industry margins. As an SME, cash was also a priority and it had been an issue for the company in previous years. This scenario was a long way off the five-fold growth they had imagined. A long-term view of the industry trends is provided by the analysis presented in below.

Riding the industry wave: Porter's 5 Forces Analysis

Threat of new entrants

Barriers to entry are a key element in understanding the threat of new entrants to this market. Private cloud infrastructure requires large capital input for SMEs and new entrants. It also requires specialist knowledge and it is labour intensive with regards to maintenance ([Doelitzscher et al., 2011](#)). Private cloud infrastructure, held in data centres, also requires high security

and safety standards that many companies may struggle to meet. Alternatively, companies can outsource their private cloud to a third-party data centre; however, this is still labour intensive with moderate capital input. In contrast, the public cloud vastly reduces these barriers to entry.

With public clouds, it is the responsibility of the cloud provider to build and maintain data centres and hardware ([Hofmann & Woods, 2010](#)). Therefore, companies such as SweetStar Cloud (who would previously provide private cloud solutions), can now access their cloud services via a software-interface and provide a vast range of cloud services via an online portal. Due to this simplified approach, managed service providers (MSPs) are no longer required to inject capital into private cloud data centres and can begin using public cloud services for their clients within minutes, thus, greatly reducing the barriers to cloud technology.

Bargaining power of buyers

The purpose of public clouds is to create a simple and powerful cloud platform that is flexible and cost-effective due to the economies-of-scale that large cloud providers, such as Microsoft and Amazon, can provide. One of the benefits of hosting a large number of clients on a public cloud infrastructure is that it is easy to transfer client licences from one MSP to another. Previously, this was more difficult as MSPs physically controlled clients' data in private cloud infrastructure. However, the transition to public cloud offers clients simple, fast and effective transferring of data between intermediary suppliers, such as SweetStar Cloud. Ultimately, this hands technological control back to the client and the public cloud provider, and away from the MSP, who becomes less integral in the supply chain.

Bargaining power of suppliers

The decision for large technology companies, such as Microsoft and Amazon to offer public cloud services competes directly with the private cloud offering. Due to such size and

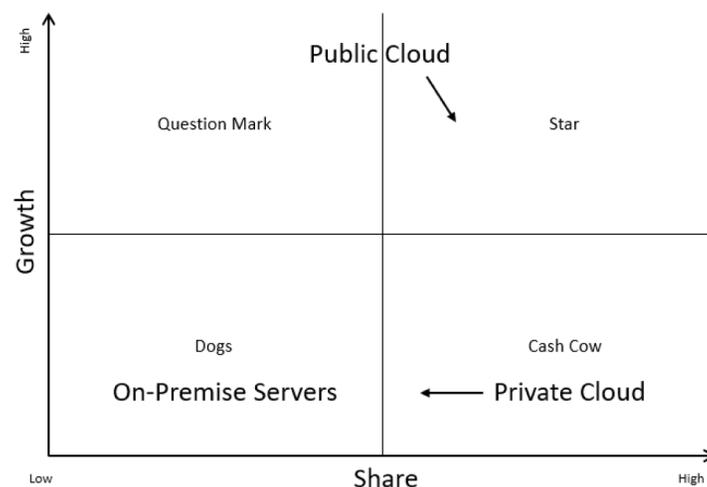


Figure 1. Sweetstar Cloud's BCG Matrix.

financial backing, it is virtually impossible to conceive how an SME can compete with what is quickly becoming a commodity service (data storage). The inevitable service offering for MSPs and SweetStar Cloud is likely to include embracing the public cloud over proprietary cloud offerings. MSPs then have a decision to make, whether to compete with the large technology companies or to embrace their solutions, thus, most likely placing greater reliance on suppliers.

Threat of substitute products

There are two methods for companies to store data: physically and virtually. Physical storage methods, including storing data in papers-based files and documents, are now outdated. Such techniques no longer meet business demands, nor security standards and legislation. Virtually, companies can store data in public clouds, private clouds or on-premise. As discussed earlier, the benefits of the public cloud outweigh any benefits of the private cloud. On-premise solutions require companies to manage and maintain their own servers, which is becoming unpopular due to the lack of scale and infrastructure costs. Thus, the threat of substitutions for public cloud services is weak. They largely offer the same outcome, but with lesser security, higher costs and less flexibility. The public cloud offers a superior technology to meet existing market demands.

Intensity of competition

The wider IT industry has also been affected by cloud technology. Indeed, alongside MSPs, hardware providers of servers and accompanying products to SMEs are having to adjust their business models likewise to adapt to the changing environment. The obvious route for this type of company is, similarly, to embrace the public cloud, and some large hardware providers have begun to offer public cloud services as their traditional hardware business diminishes. Though, this poses separate core competency challenges. Added to this are pressures arising from responsible business, especially the need for more ethical

and environmentally responsible business practices, which can become both critical success factors and barriers to entry. Indeed, many larger clients and suppliers are incorporating these elements into preferred customer and supplier approached (Ambec *et al.*, 2013).

Lower barriers-to-entry, lower customers’ switching costs, an increasing reliance on suppliers, lower threat of substitutions and an increased competition suggested to SweetStar Cloud that average profit margins were in danger of reducing over time.

Even considering reducing revenue and profit margins, the company’s current activities, such as customer acquisition rate meant that over time growth would be modest. However, at net present value (NPV), SweetStar Cloud’s revenue figures were forecasted to reduce (see Figure 2). Indeed, this was far below the company’s expected growth ambitions (see Figure 3).

As a final blow, due to circumstances outside of their control, four large clients served notice for SweetStar Cloud’s services. The short- and long-term future of the business was now in a critical condition, and SweetStar Cloud faced an uncertain future.

Going against the grain

This analysis became the turning point for SweetStar Cloud, as the company’s owners realised the business needed a course of action. They knew that their current business offered innovative services, and they were already more advanced than their competitors, who were yet to fully embrace cloud technology. There can often be conflict between key shareholders with different personal opinions and values in an SME (Barnes & Rubin, 2010). In the case of SweetStar Cloud the approach allied more with responsible business as an approach, where competitive advantage focused on collaborative and open

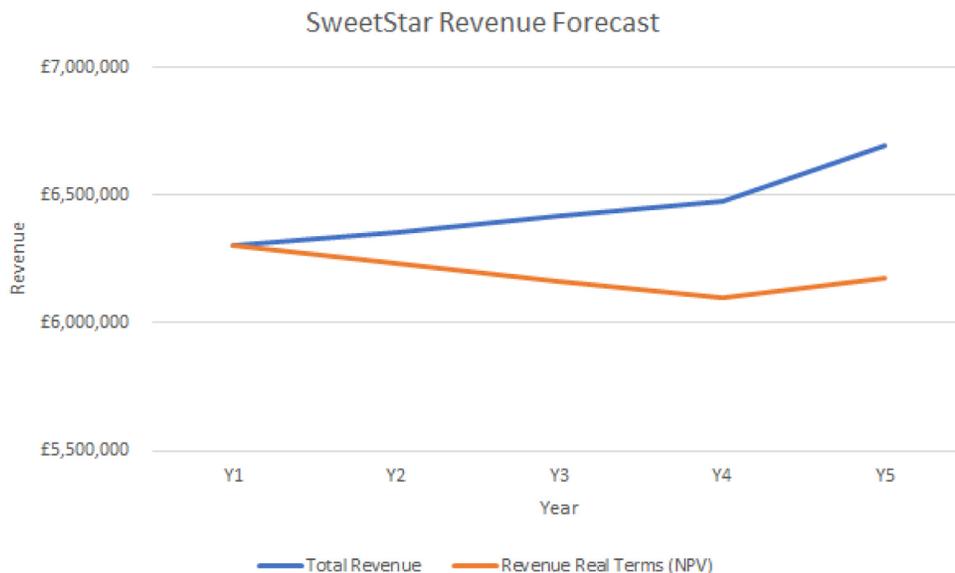


Figure 2. Revenue forecast.

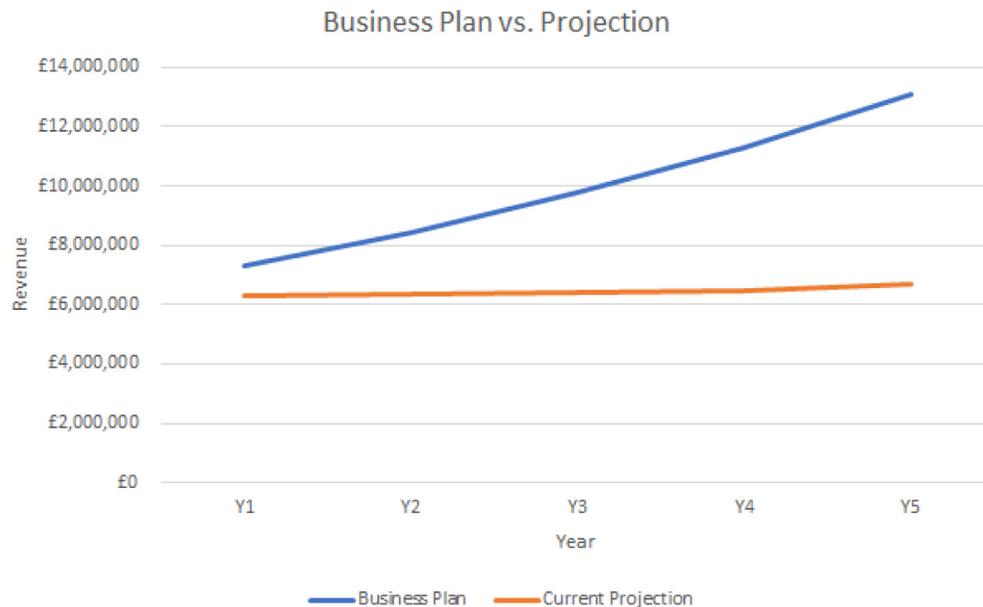


Figure 3. Projection vs. business plan.

approaches to working with current and new clients (Owen *et al.*, 2013). At this point, some of their larger competitors were making notable investments in expanding their data centres and acquiring businesses who had private cloud solutions with a view to scale up their current cloud services. Indeed, one of their major competitors acquired a company for £13m for its data private cloud competencies.

SweetStar Cloud were not naïve to the strategic challenges that faced them, which included changing technology and decreasing average industry margins and commoditisation. The industry shift should not be downplayed. In one strategic meeting, the company’s owner commented that this was “the most significant change to IT since we acquired the business” comparing the shift to the automotive industry and “replacing combustion engines with electric vehicles”. The challenge was not only becoming a strategic issue for growing the business, but maintaining its current size, profitability and its ability to generate cash.

Further research, ideas and best practice were shared between the University and the company at several away-day strategic workshops, based on extensive market research. The team’s collaboration resulted in a comprehensive transformational strategy to regain long-term success. The action-orientated document was a first for SweetStar Cloud and invited new thinking in strategic planning. This openness to collaboration helped move the business away from its traditional push-selling approach to a more responsible and responsive partnership mindset and practice, rooted in knowledge and experience sharing and the practice of informal as well as formal communication and learning (Straub, 2009).

Strategic opportunities and challenges

The first step in spotting the opportunities consisted of addressing its segmentation, targeting and positioning. This would be particularly vital to identifying innovative opportunities that can arise from finding new and more collaboration-ready clients.

Segmentation and targeting: Who and who not to target

The company’s owners reasoned that SweetStar Cloud could be more effective by adopting a narrower competitive scope, rather than broad appeal. In a mature industry, with figures ranging from 10,000–30,000 IT-related companies operating in the UK alone, they decided that focusing on a niche strategy could help carve out a competitive advantage for the company and differentiate it from its many competitors. Adopting a niche or focused strategy can also assist the company’s owners to avoid the “IT companies are all the same anyway” perception, which had been mentioned before in market research interviews.

SweetStar Cloud’s strategic positioning meant that it was targeting broad appeal, while striving for high quality and a below-market average cost position. Using Porter’s (1980) Generic Strategies, SweetStar Cloud were stuck in the middle. The management understood that the company needed to strategically reposition itself out of the middle, and firmly in one of the quadrants by using good segmentation and targeting. A cost-focused competitive strategy was disregarded as the company could not easily benefit from economies of scale, nor did it have the volume to support this. Their core competencies resided more in quality, rather than quantity, so neither a cost-leadership nor a cost-focused position would play to the strengths of the company. As a result, the management knew they had to become differentiated. A narrower competitive scope meant the

company had to make trade-offs within segmentation, targeting and brand positioning. SweetStar Cloud realised that the market was segmented mostly by size, location and industry. Further research indicated that the recruitment industry displayed particular characteristics that played to the strengths of the company. Certain management personalities were also identified as being particularly beneficial. Although SweetStar Cloud chose to focus on this segment, it did not disregard other potential business, but focused its activities and budget on attracting the desired market segment.

Brand positioning

SweetStar Cloud’s positioning in the market had become weaker over time due to inconsistency in their messaging and a lack of attention to advertising. As a result, their brand-awareness had also decreased over-time (see Figure 4). Customer research also indicated that consumers were unclear what SweetStar Cloud stood for as a brand. It was also understood by management that price sensitivity was perhaps higher than it should be, with some customer conversations suggesting that the cost of the service may not be representative of the perceived quality for the brand and service, even though data suggests that they were under-pricing themselves.

Their positioning was understood as a result of a strategic workshop held by an agency years earlier. Simply put, SweetStar Cloud’s brand positioning was to personalise and innovate IT. The positioning statement meant to harmonise business outcomes and technological solutions in a friendly manner that non-technical decision-makers could understand, in order to make the correct decision for their business and reduce IT stress. They were to be the brand that their market should feel comfortable to approach for clear and understandable IT consultation and support. This positioning was reinforced by a set of codified brand assets, including imagery, tone-of-voice and a modernised logo and strapline. However, a lack of brand consistency and diminishing share of voice had reduced the brand impact. SweetStar Cloud set an objective to build on their brand,

not only in their communications, but organisational culture, ensuring that quality and customer satisfaction were measured in key performance indicators (KPIs) and the narrative of the company was customer orientated. They also increased their advertising spend, share-of-voice and became more rigorous about the use of their brand assets across multi-channel campaigns to ensure the same consistent message.

Pricing

An analysis of their price-per-user for support costs against their competitors showed that prices were well below the industry average. Indeed, SweetStar Cloud offered amongst some of the lowest support prices in its category (See Figure 5). Market research also indicated that there was low perceived uniqueness from the customer when considering SweetStar Cloud. This was likely due to a lack of focus and under investment in its brand.

With regards to quality, customer perception and innovation, the company were amongst the industry leaders with customer satisfaction scores over 96%, while its private cloud technology was amongst some of the best solutions for mid-market companies, providing 20%–50% better value than traditional services over a medium to long-term period. A value-based pricing approach served as a tool to demonstrate that customers were receiving the best value from their IT. New cloud products also worked on a subscription basis, which meant companies switched from large capital expenditure (CAPEX) payments to manageable operating expenditure (OPEX) payments. The new affordable pricing model also meant more free cash was available for clients than expected, thus existing client budgets could be used to purchase other services and products, increasing the life-time value of the customer.

Communications

Communications is often thought of the entirety of the marketing function, whereas in reality it is only the tip of the iceberg. When considering the decreasing brand metrics and



Figure 4. SweetStar Cloud’s brand index.

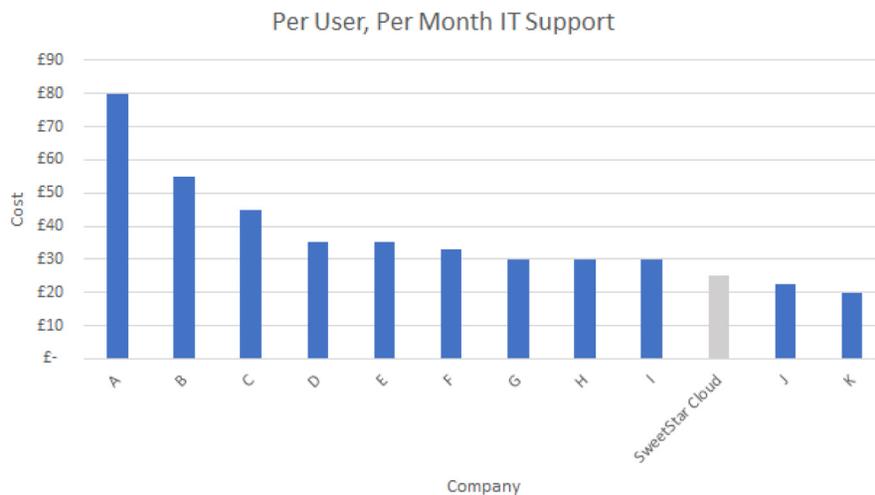


Figure 5. SweetStar Cloud pricing.

loose positioning, the communication plan became centred around building the brand within its target markets. SweetStar Cloud firstly modernised its brand assets. A new website was designed which incorporated an updated logo. The new look and feel showcased SweetStar Cloud in a modern light, but keeping in line with its tradition, with the primary objective to reinforce its positioning. Alongside the website, other marketing materials were updated, including social media channel images, event banners and other marketing collateral.

SweetStar Cloud began writing targeted content in the form of articles and blog posts, which were hosted on their website and promoted via social channels. They would also post similarly relevant content from third parties, engaging on-brand images and customer testimonials on their social channels. SweetStar Cloud also purchased space in local business magazines, and published industry related content, as well as advertising. The owners also had links to various different business groups within the local area, which held local award ceremonies and events that they were able to sponsor.

Results

The company had become slightly lackadaisical, with future projections showing no significant growth. The loss of several key accounts meant that they would be in significant trouble if something dramatic did not happen. A year on from SweetStar Cloud's troubles, the financial results began to show promise and hope for the future. Indeed, there was an impact on the company's financials with both revenue and earnings figures lower than set targets. However, considering the nature of events, both revenue and earnings could have, and perhaps without intervention would have been much lower. Earnings before interest and tax were down 16% on the previous year, with revenue down by 6.9% (see Figure 6 and Figure 7). Raw data underlying each of the figures are available as *Underlying data* (Levy *et al.*, 2020).

In context, this was pleasing for management, although not what they may have imagined a few years earlier. This rescue mission was largely due to the impressive new client acquisitions in the same period. SweetStar Cloud's strategy and drive to acquire new clients to mitigate further losses was a success, with more than double the number of new clients added than in the previous years combined (i.e., number of new clients in 2017: 4, 2018: 1 and 2019: 12). These clients were typically smaller companies; however, this had been intended, in order to reduce risk and to position themselves accordingly in the market. This increase in new clients coincided with improved brand metrics, with SweetStar Cloud's brand awareness index score sharply growing in the short-term (see Figure 8).

The cash position also significantly improved. Cash and liquidity are the highest priority for SweetStar Cloud's owners, even more so than earnings. Good management of the company's debts, changing product sets and its pricing model meant that there was a significant jump in the company's working capital and acid ratio (see Figure 9 and Figure 10). The company also finished the financial year with a positive cash position, which was a first for many years.

The additional cash has improved SweetStar Cloud's potential to invest and grow, as well as increasing the attractiveness of the company for outside investment.

Discussion and analysis of the case study

Gupta (2018) suggests that digital has to be a fundamental business-wide change and cannot be hived off into a typical business function or silo. It involves a re-imagining of the business, its values, and customer and supplier relationships and may even lead to a redesign of the company and a repositioning in relation to its competitors (Porter, 2008a). SweetStar Cloud has combined both traditional business strategy tools with more recently developed ones unique to the digital world. Alongside

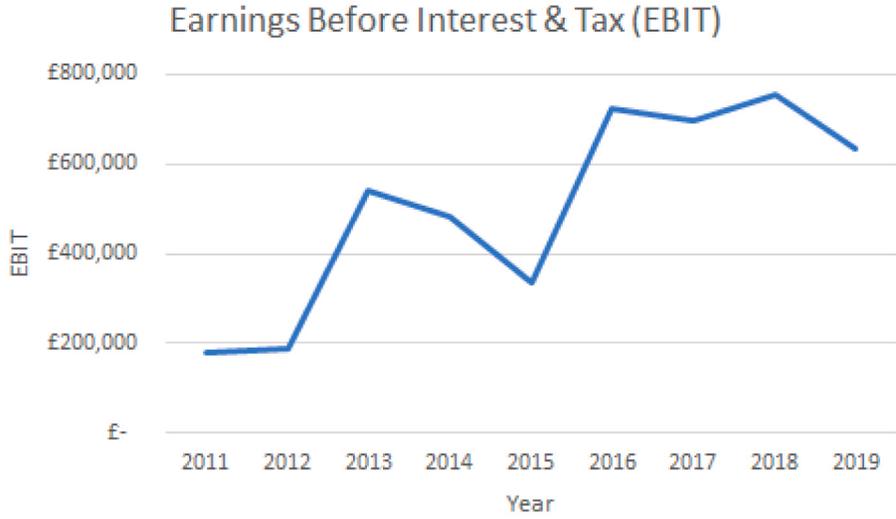


Figure 6. SweetStar Cloud earnings before interest and tax.

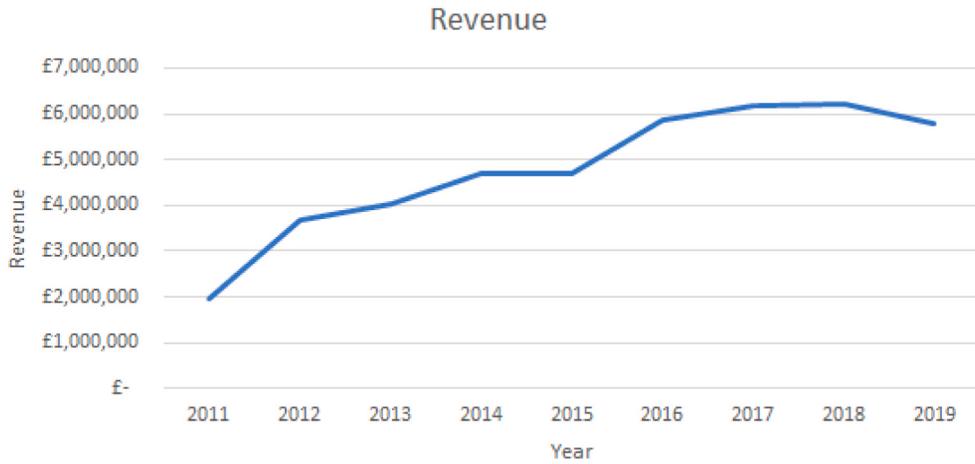


Figure 7. SweetStar Cloud's revenue.



Figure 8. Brand awareness index improvement.

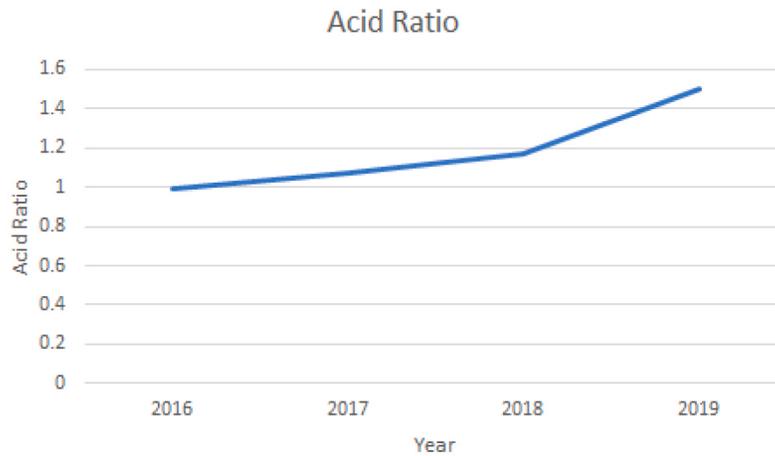


Figure 9. Acid ratio.

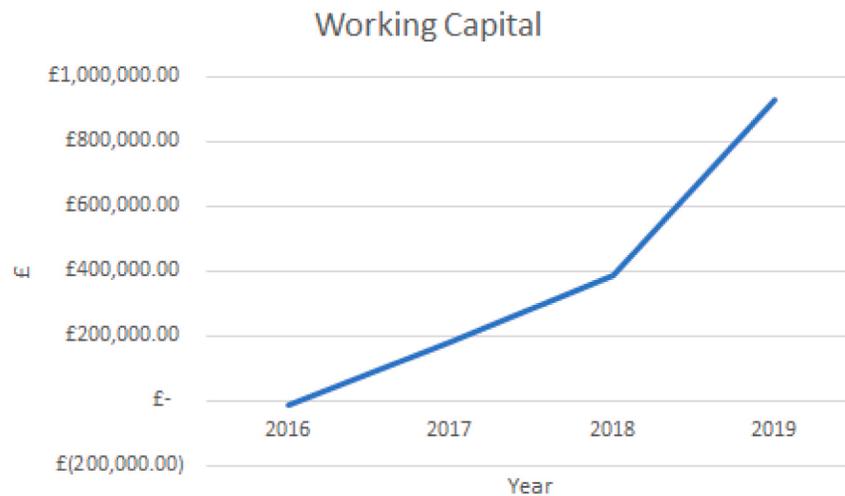


Figure 10. Working capital.

exploring its competitive position, service profitability and brand strength, it has begun to look at the level and quality of its activity as a digital influencer, e.g., examining its social media presence and potential. Certainly, it has moved towards an integrated marketing approach (Belch & Belch, 2011) and continues on this path. It also is seeking to create a more coherent brand story as it moves towards being known as more of an influencer and partner than a traditional push-seller (Dahlen, 2010). This involves adopting a style that is less based on persuasion and more based on attraction. This has involved a necessary reimagining of the business (Dahlen, 2010). This has also involved a recognition that it is fundamentally strategy and not technology that drives business success (Kane *et al.*, 2015). The company's cash position has meant that funds have not been available for large investment in new technology. Being an influencer and a partner locates the business more squarely within the value set of being a responsible business, focused more on authentic attraction of new business as opposed to traditional push-selling (Weber, 2019).

As suggested by Bones *et al.* (2018), leaders should be encouraged to take a step back and not rush headlong into implementing the latest digital fads and fashions. Bones *et al.* (2018) take a pragmatic view of digital strategy, which aims to find a balance between the need to be lean and competitive and to invest mindfully in technology that will sustain and enhance that competitive position. Our case example confirms this view and showcases that the use of traditional strategic tools is still vital and relevant.

Raskino & Waller (2015) remind us that there is no single approach to digital strategy due to its complex nature. Successful change becomes difficult and ever more challenging as uncertainty becomes hyper turbulence. Yet there is no time to wait and see either. This paradox lies at the core of the digital strategy challenge. In our case study, the company looks to become a leader in the area of cloud services, looking to become established quickly in new markets (such as the Legal sector) which themselves, experience rapid and complex change in technological

possibility. Here there is a useful convergence between our case study company's developing expertise and the legal sector's opportunity and need to embrace secure cloud services and the adoption of disruptive technologies such as AI.

We understood that the company has had to work smartly within its current resource base. This has resulted in a pragmatic approach to strategy of which digital innovation has formed a part but has not led the way. Change at SweetStar Cloud has been fairly cautious, and its approach has been incremental in many ways rather than based on large-step, higher risk change (Moore, 2014). In particular, the company's cash position means it has had to act carefully in terms of investment. Early experiments in advertising itself more innovatively, using social media platforms, have been tentative and based largely on cash in the business rather than seeking significant external backing. That may need to change in the future, if it seeks to achieve significant and quicker, more lasting growth.

Sacolick (2017) portrays a successful digital strategy as being highly data driven, which requires more evidence based data-driven decision making. Alongside this is the need to create innovative digital products and services, being experimental with emerging digital technologies and speeding up the whole process as rates of change in markets increase. Traditional IT departments and functions need to become more agile, legacy practices need to be challenged and redesigned, and senior leaders need to align with the digital strategy, not standing outside of it but demonstrating commitment and ownership. SweetStar Cloud has certainly invested in enhancing and radically altering its legacy service offering. It has taken some early steps in becoming more of a pull-influencer rather than a push seller. But, the "lackadaisical" approach could mean opportunities are missed as it drifts from being an early adopter towards being part of the early-following majority. Certainly, the strategy has been significantly influenced by analysing its competitors (Magretta, 2012), but also looking to lead on its strengths for example, in cloud services. An early and ongoing analysis of its strengths, weaknesses, opportunities and threats (SWOT) - a classic business strategy tool (Ifediora & Onyebuchi, 2014) - has also helped the company focus on the steps forward that it needs to take in order to transition from a push to pull marketing strategy. A pull strategy is more business responsible based on more creating an attractive "invitation" into the market as opposed to a model based on persuasion and even pressure. SweetStar Cloud developed a refined ethos that is more aligned to a responsible business approach.

According to Raskino & Waller (2015), a more embracing and involved leadership style is key. In smaller businesses such as SweetStar Cloud, the leaders of the business are owner-managers. They cannot buy in digital leadership. They can buy in technological capability and change management support (and this is what they did through the University programme), but they need to remain in the forefront of visioning and driving successful change. Leadership has to be flexible, adaptable and responsible of rapidly changing technological fields.

As stated by Moore (2014), there is a large gap between early adopters and the "early majority" who often wait and see, which, in increasingly hyper turbulent markets can turn into "just too late"! SweetStar Cloud's move into the public cloud and also into offering more mature partnership-style working with clients may lead to significant growth for the business. Becoming a major influencer and innovator in cloud services could make it a leader in some sectors. The use of cloud technology may be the digital transformation that SweetStar Cloud and its clients need (Westerman *et al.*, 2014). The use of traditional business strategy tools has allowed SweetStar Cloud to identify legacy services and customers that it needed to quickly move towards becoming an early adopter in emerging technologies such as public cloud. It has also shown innovative vision on looking to move away from traditional buy-sell, transactional relationships with customers towards a more strategically essential companion (to clients) in its own process of sustainable success. The next step will be to identify which emerging and potentially disruptive digital innovations SweetStar Cloud needs to be an early adopter in, such as AI, big data, cybersecurity and robotics.

Conclusion and recommendations

Looking towards the future for SweetStar Cloud, a number of challenging questions are worth considering: How will the company operationalise its current early success in adopting its strategy in a way that it can cope with significant growth and expansion into new markets? Where and how will it source new investment in innovating current products and services as well as developing new ones? What effective balance needs to be struck between being a pull strategy based on being a partner and influencer, and a more traditional push one where it needs to reach its markets and find new clients in a crowded, noisy market?

Certainly, SweetStar Cloud has shown signs of early success. It has correctly identified and innovated its service offerings to embrace change, finding new clients as well as changing its product and service offering. It is experimented with new forms of "reach" and changed its ethos partially away from push to pull selling. These are early days of developing a business that was more responsible in terms of communicating to its market with authenticity. The world of pull selling, where platforms such as LinkedIn and YouTube encourage businesses to become akin to media broadcasters seeking to be heard and noticed in the noisy conversation, requires a new, more open ethos. As stated by Ritz *et al.*, (2019, p. 193): "Small business owners and managers invest time and effort to foster loyal customers through personalized experiences. Having a website or digital storefront enables owner/managers to participate in two-way communications with current and prospective customers more frequently and efficiently than other forms of marketing media." SweetStar Cloud are innovating their product and service offerings and core business ethos towards a more interactive, open and collaborative approach with clients and customers. At a marketing level, this involves a less static approach to opening or more dynamic online relationship with current and new markets. This also requires a more responsive and 'real-time' relationship with emerging

data from the use of digital marketing and communication tools. Further to this, it is not only marketing and communication that opens up, but also core business relationships as well, including how the business innovates and responds to change signals.

Open Innovation (see Faems, 2008) is all about breaking down traditional secure boundaries, protecting intellectual property and keeping threats outside the boundaries of the business, towards sharing knowledge, learning in communities and developing partnerships. This may be the next step for the company. Traditional tools still need to stand alongside tools in the field of innovation, such as Open Agile Adoption (Mezick *et al.*, 2015), crowdsourcing and pre-competitive research and development. All of these approaches embody a responsible business ethos.

The following steps for SweetStar Cloud could be even more challenging. On the evidence so far, they are certainly rising to the challenge. The challenge is to align responsiveness with responsibility, the concepts which are problematic to define and align Okoye (2009), and to be competitive though being seen as a 'worthy and business-critical partner' to a client. This opens up a further major challenge. As potential new clients in current and

new markets for SweetStar Cloud prioritise responsive business in terms of corporate social responsibility (CSR) (Roobeek *et al.*, 2018), the company will need to develop further its own approach to CSR, demonstrating with evidence its strategic action in evolving its approach to business responsibility. Currently this is embedded in its developing values and practices, but it will need to become more explicit and measurable. Exciting and challenging times lie ahead.

Data availability

Zenodo: Developing a transformational digital strategy in an SME: The role of responsible management. <https://doi.org/10.5281/zenodo.3929719> (Levy *et al.*, 2020).

This project contains the data underlying each of the figures.

Data are available under the terms of the [Creative Commons Attribution 4.0 International license](https://creativecommons.org/licenses/by/4.0/) (CC-BY 4.0).

Acknowledgements

We would like to express our gratitude to Professor Debbie Keeling (University of Sussex) for her continued support and valuable feedback on this work.

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Zorica Bogdanović 

Faculty of Organizational Sciences, University of Belgrade, Belgrade, Serbia

The paper is well written and easy to read. It provides a case study about the development of digital strategy in an SME. The paper gives valuable insights from a real company. I have a few recommendations and suggestions that should be taken into account when revising the paper:

1. References are old, and should be significantly improved; the works on digital strategies have blossomed in the past 2 years
2. A more detailed analysis about the competition issues with big players (Microsoft, Amazon) should be given.
3. Figure 5 is unclear. It is not clear what letters A, B, C... mean. If these are competitors, than no real conclusions can be made, because we cannot compare prices when we don't know anything about their offerings
4. The discussion section should include the bulleted list of lessons learned

Is the background of the case's history and progression described in sufficient detail?

Yes

Is the background of the case's history and progression described in sufficient detail?

Yes

Is the work clearly and accurately presented and does it cite the current literature?

Partly

Is the work clearly and accurately presented and does it cite the current literature?

Partly

If applicable, is the statistical analysis and its interpretation appropriate?

Not applicable

If applicable, is the statistical analysis and its interpretation appropriate?

Not applicable

Are all the source data underlying the results available to ensure full reproducibility?

No

Are all the source data underlying the results available to ensure full reproducibility?

No

Are the conclusions drawn adequately supported by the results?

Yes

Are the conclusions drawn adequately supported by the results?

Yes

Is the case presented with sufficient detail to be useful for teaching or other practitioners?

Yes

Is the case presented with sufficient detail to be useful for other practitioners?

Yes

Is the argument information presented in such a way that it can be understood by a non-academic audience?

Yes

Does the piece present solutions to actual real world challenges?

Yes

Is real-world evidence provided to support any conclusions made?

Yes

Could any solutions being offered be effectively implemented in practice?

Yes

Competing Interests: No competing interests were disclosed.

Reviewer Expertise: e-business, cloud computing, internet technologies

I confirm that I have read this submission and believe that I have an appropriate level of expertise to confirm that it is of an acceptable scientific standard, however I have significant reservations, as outlined above.

Reviewer Report 19 March 2021

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Fátima Guadamillas 

Department of Business Administration, University of Castilla-La Mancha, Facultad de Ciencias Jurídicas y Sociales, Toledo, Spain

Mario J. Donate 

Department of Business Administration, University of Castilla-La Mancha, Facultad de Derecho y Ciencias Sociales, Ciudad Real, Spain

The study covers an interesting case about strategy in times of change and adaptation towards new digital tools (and mindsets). The case is well written and organized, and the provided information is useful to understand key landmarks, pitfalls, and challenges that the company has faced (or it is currently facing). We think that the case study methodology has been well applied by the authors, and the case itself, the results and conclusions offer a very nice picture of a firm that it is struggling to survive in a new, hyper-competitive environment. We also find the paper abstract finely detailed, by including the main points of the case study.

A main question this case analyses is whether “classic” tools in Strategy can be effectively used to take decisions in the digitalization era. The analyzed firm is a very good example of a positive response to such a question. The authors have been able to compile a large quantity of data to show how decisions based on these tools have helped this company to re-focus and change its strategy to adapt its key resources to the new market conditions (basically, digital-based technologies).

Summary of the case study sections

- The *Introductory* section deploys in a comprehensive manner a logically structured evolution of the digital strategy in companies from the outset until nowadays, which grounds the investigation interest for examining the customer-supplier relationship's role in developing a Transformational Digital Strategy in an SME.
- *Research background* explains the origin of the study problem that nurtures the investigation proposal. The choice of the case study company is clearly reasoned. The overview of the partnership approach maturity that took place at the case study company contributes to the targeted exploration process.
- *Methodological considerations* include the stages of the case study development process undertaken by the authors and the scientific collaborators alongside with a strategy to design an after-the-fact reflection.
- *The Case study: SweetStarCloud* stands for highlighting how an SME can change over time and improve its business outcomes with strategic thinking. The *development of a Sustainable Digital Business Strategy* section describes the practice of SweetStar in developing the pillars of an effective and sustainable business strategy in the digital age.

- *The next level: University collaboration* reveals one of the focal strategy levers pursued by the SweetStar, particularly, to establish a knowledge sharing partnership with a local University.
- *Strategic issues* section highlight the antecedents of the advent of the transformation or “a turning point for the transformation” of SweetStar (consequent failures in CRM, client-supplier, and third-party relations) provoked by the short-term working model, the lack of vision and direction for the wrongly targeted clients.
- *Further woes and turning point* section addresses and explore the opportunity from the digital perspective solutions to take a revenge on the failed strategic decisions (including the development of the public cloud solutions and the Porter's 5 forces analysis).
- *Riding the Industry Wave: Porter's 5 Forces Analysis* provides a long-term view of the industry trends and, thus, serves as a turning point determination for the SweetStar company: the openness to collaboration as a driver for moving the business away from its traditional push-selling model to a more responsible and responsive partnership approach.
- *Strategic opportunities and challenges* address segmentation, targeting, positioning, pricing, quality, customer perception, innovation, customer satisfaction and communications peculiarities as main aspects of SweetStar new strategic orientation.
- *Results overview* brings the light to the impact on the company's “earnings” (profit, clientele, positioning, brand image, attractiveness for investments).
- *Discussion and analysis* of the case study shows the current situation, prospects and drawbacks & avenues for improvement resulting from the transformation campaign towards a digital and responsible business model carried out by the case study company. Meanwhile, the discussion establishes the links between the company's approach and the academics' view (Bones et al., 2018¹; Raskino & Waller, 2015²; Sacolick, 2017³) in respect to the digital whilst responsible management model.
- Finally, *Conclusion and recommendations* section suggest some challenging questions to be considered by the firm in the nearest future as well as promising areas for strategic advantages, based Open Innovation, responsiveness, and social responsibility.

Interesting points of the case study and remarks:

- Key aspects. Sector. This company is a good example of an IT firm that has been capable to make a transition from IT “analog” products and services to “digital” ones, adapting its characteristics to market and environment continuous change.
- Tools. Porter's five forces model, segmentation tools, targeting, BCG matrix or brand analysis are management tools that have been used wisely in the case study to show how managers can think “strategically” to adapt their business to new scenarios.
- Evolution. Three stages of evolution for the firm are well established and documented, allowing the reader to understand how specific internal and external aspects affect the company in different timelines.

- Business models. A main point in the case is that business models (value offered to customers along with the activities and resources needed to cover the proposal of value) should be adapted as technology, customers, competitors and the general environment change over time.
- An interesting idea is that a digital strategy does not involve necessarily radical change or high-risk bets by firms (this is especially important for SME's, as their availability of financial resources is often very limited). For SweetStar, digital strategy has been an incremental approach rather than a radical one. The authors say (p. 13) that "change at SweetStar Cloud has been fairly cautious, and its approach has been incremental in many ways...". Our point here is that in digital markets, radical change can be necessary sometimes, but conservative approaches based on existing resources can also be successful if they are supported by "good" strategies. And good strategy encompasses both analysis/formulation and right implementation, for which a fit between the external context, resources and the internal organization is an essential aspect to be considered by managers.
- Collaboration and change in relationships (value chain). The first model used by SweetStar Cloud (SweetStar Computer Resources Ltd. in that time) was based on autonomous entities working each other under certain closed (contract) conditions, with a push-marketing strategy based on traditional channels. The company thus served a market with its traditional services (and products), and the value chain and market rules were well-established, and working out for the firm. However, new digital services (public Cloud and others) pushed firms to change their role in the value system. In many cases, they are now partners, and they need other firms to support their business models, changing their roles for the entire market. This is an interesting aspect analyzed in this paper.
- Firm organization. Other interesting point is that internal systems had to adapt as well, since the firm needed to be more responsive, but more responsible at the same time. Customers currently have more bargaining power and companies enter the conversation to deliver services to customers by allying with suppliers and other companies, even working with common technological platforms. Management styles have obviously to change to the new situation as well as internal structures, culture, and human resource management. Companies are increasingly dependent on networks, and social capital development in digital environments. This is a very important and interesting result of the case study.

Suggested improvements (they are, in any case, minor changes).

- I think that an illustration showing the evolution and key developments (landmarks) of the firm over time would be very useful for readers to fully understand SweetStar Cloud. Something like this, adding key questions in each timeline, for example (using circles or something similar) see [figure 1](#).
- In page 4, in section "developing a sustainable digital business strategy", the authors talk about three aspects, but I do not find the second one. Please, revise and include clearly what this "second aspect" would be.
- Sections. I think that being Porter's 5 forces analysis treated as a section in "Strategic Issues", "strategic opportunities and challenges" should also be a new section, and not a continuation of Five forces analysis. Please, check.

- In conclusions, two points. The first one is referred to social responsibility. I would enlarge the discussion by including a reference to the Stakeholders theory. For example, the authors may cite Freeman (1984, Strategic management, a stakeholder approach). This is an analysis not applied to the case study but very interesting from our point of view in relation to the assessment of SWOT aspects, especially with the firm taking a position of responsiveness and social responsibility (marketing attraction model). For this to happen, I think that would be very important for the firm to consider stakeholders objectives (and their relative power) to design and implement business (and digital) sustainable strategies.
- Lastly, it would be interesting to include a table summarizing key aspects in relation to changes in strategy for this firm. See [table 1](#).

Congratulations to the authors for the case study; we wish them very good luck for their future research.

References

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Is the background of the case's history and progression described in sufficient detail?

Yes

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Yes

Is the work clearly and accurately presented and does it cite the current literature?

Yes

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Yes

If applicable, is the statistical analysis and its interpretation appropriate?

Not applicable

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Not applicable

Are all the source data underlying the results available to ensure full reproducibility?

No source data required

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No source data required

Are the conclusions drawn adequately supported by the results?

Yes

Are the conclusions drawn adequately supported by the results?

Yes

Is the case presented with sufficient detail to be useful for teaching or other practitioners?

Yes

Is the case presented with sufficient detail to be useful for other practitioners?

Yes

Is the argument information presented in such a way that it can be understood by a non-academic audience?

Yes

Does the piece present solutions to actual real world challenges?

Yes

Is real-world evidence provided to support any conclusions made?

Yes

Could any solutions being offered be effectively implemented in practice?

Yes

Competing Interests: No competing interests were disclosed.

Reviewer Expertise: Strategic Management; Innovation Strategies; Knowledge Management Strategies; Corporate Social Responsibility.

We confirm that we have read this submission and believe that we have an appropriate level of expertise to confirm that it is of an acceptable scientific standard.
