STRATEGIC MANAGEMENT ACCORDING TO AN EXAMPLE OF "BALTIC POLYMERS" COMPANY

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Annotation
Article problem: Strategic plan formulating
Objective: Strategic plan of "Baltic Polymers" company
Work tasks:

- literary analysis,
- literature customizable analysis of the problem,
- analysis of available data,
- formulation of conclusions and recommendations.

The study hypothesis: The strategic plan has an influence on business success.
Methods: Literature reading and selection of all information.

Introduction. This article is about making a business more successful. The key things are to discuss the analyses of all internal and external factors which can have an influence on running a company. Furthermore, there are the explanations how to make these analyses and how to interpret the results. A detailed interpretation of how to make the vision and mission statements, PEST/STEP analysis, Porter's five forces, EFE and IFE Matrix, BCG Matrix, QSPM Matrix and alternative strategies were done.

Strategy – a plan of action designed to achieve a long–term or overall aim.
Regulation – a rule or directive made and maintained by an authority.
Alignment – arrangement in a straight line or in correct relative positions.
Purchase – acquire (something) by paying for it; buy.
Unforeseen – not anticipated or predicted.

Nowadays everything is changing very quickly. What was powerful yesterday can be powerless today. This is the same concerning any business. Therefore having a strategy is nothing but the extra air in case of drowning and the North star as a guide in the case of being lost. The objective of strategic management is to achieve better alignment of corporate policies and strategic priorities. It shows the most efficient way to achieve the goal of the company. Business is affected by many external and internal factors, that is why currently only a simple plan is not enough anymore. Strategic management is nothing but planning for both predictable as well as unforeseen contingencies. It is applicable to both small as well as large organizations as even the smallest organizations face competition and, by formulating and implementing appreciated strategies, they can attain a sustainable competitive advantage. My goal is to give a better understanding of what strategic management is by giving real examples and explanations.

Mission and vision

The first step when one is analyzing a company is to set a vision and mission. Vision defines the future state what an organization wants to achieve over time. It is something that reminds a company's long term future goal in the daily work. In essence, it is where the company is going. It is important as well, to know where the company is standing now. A mission statement talks about it. It defines the present state or purpose of an organization. It has to answer three main questions: what a company does, who it does it for and how it does what it does. In a very simple way a mission tells the reason for the company's existing [1].

PEST/STEP Analysis

When the mission and vision are set, it is time to analyze external and internal factors. Firstly, the external analysis which is called PEST (Political, Economic, Social and Technological) or in other words STEP. This analysis is the key to understand the four forces that can significantly affect the company's performance and activities – social, technological, economical, political forces. Politics influence organizations in many ways. It can create both opportunities and duties for a business. Legislation, market regulations, tariffs, taxes etc. all that what stands for political forces. Economics has a lot of indicators – interest rates, GDP, export, import, inflation etc. Social issues analyze the demographic and cultural aspects of the company's market. These factors help businesses examine consumer needs and determine what pushes them to make purchases. Among the items that should be examined are demographics, population growth rates, age distribution, attitudes toward work, job market trends, religious and ethical beliefs, lifestyle changes, educational and environmental issues and health consciousness. Technological factor takes into consideration technology issues that affect how an organization delivers its product or service to the marketplace. Among the specific items that need to be considered are technological advancements, government spending on technological research, the life cycle of current technology, the role of the Internet and how any changes to it may play out, and the impact of potential information technology changes [2].

EFE Matrix

Another method how to evaluate external factors is Porter's five forces. It includes supplier power, buyer power, competitive rivalry, threat of substitution, threat of new entry. Every company should consider each of these factors and finally make External Factor Evaluation (EFE) Matrix. All the threats and opportunities are evaluated and estimated when using the above mentioned Matrix.The total sum of weight given to every factor should be equal to 1. Also, in the scale from 1 to 4 the rate of importance should be given to every threat and opportunity. After all, rate is multiplied by weight and the result is a weighted score, which shows how much a factor can have an influence on the business activity. If the result is nearly 4, it shows that there a lot of factors that have a big influence on one's **business** activity, and one is highly dependent, while the having the figure one, it is the opposite and shows that one does not depend on external factors[3,4].

SWOT Analysis

To determine an organization's overall outlook three analyzes can be combined: Porter's five forces, PEST/STEP analysis and SWOT analysis. SWOT analysis talks about both strengths and weaknesses of the company. For example the strength can be up–to–date technology or a strong management team, while weakness can be high maintenance costs, not a well–known brand. After all, for a better view and understanding Internal Factor Evaluation (IFE) Matrix should be done [5,6].

BCG Matrix

Another, Boston Growth Matrix (BCG), helps to determine where acompany stands. Basically, it is comparing to competitors. To do that, some steps should be done. The first step is to divide the company's products to some categories and then evaluate what size of all products it makes and what size of market it takes compared to the one biggest rival. Furthermore, after evaluation, thecompany's position can be set into chart which is divided into four types of scenarios – Stars, Cash Cows, Dogs and Question Marks. The Stars is the scenario where there is the optimum situation of high growth and high share, this method requires an increased investment due to the continuous growth. The Cash Cow cycle deals with low growth and high share. This scenario requires a low investment, but the growth is very slow. The Dogs method is the situation where the growth is low and the market share is low, this is one of the worst situations. In this situation if the products are not delivering the cash then it is best to liquidate. The last part of the cycle is the Question mark which is high market growth but low shares. In this situation there is a high demand but low returns. It is best to try and increase market share or get it to deliver cash [7,8,9].

GE Business Screen Matrix

Moreover, the General Electric Business Screen (GE Business Screen Matrix) was developed to help marketing managers overcome the problems that are commonly associated with the Boston Matrix (BCG). Two things should be discussed – business strength/competitive position and industry attractiveness. Three possible positions can be chosen. They can be strong, average and weak positions.

When it is decided where the company stands, it is better to choose to grow the company, invest or to divest [10].

QSPM Matrix

After all these analyzes are done, alternative strategies should be considered. To avoid influence of volatile environment of business and be prepared to control emergencies there should be four alternatives prepared. Usually they are price focus, differentiation, diversification and adjacent business. To have an objective view of which is the best alternative or which one is the most needed, each can be rated with Quantitative Strategic Planning Matrix (QSPM). As a total attractiveness score is bigger, that means alternative is more useful, successful and attractive [11,12].After all these steps are done, thefull strategic plan is done.

An Example of "Baltic Polymers" company

To put matters into a clearer perspective "Baltic Polymers" and its strategic plan is presented .The company is located in Riga, Latvia and produces packaging materials mostly for foodstuff. Firstly, it has set its vision and mission statements. "To expand and give our clients the most qualitative packaging solution that is not only trying to be environmental friendly, but also fit their needs with the best price, time of delivery and production" is the vision of the company. As the mission statement – "The company that highly evaluates its employees who are working to produce the best and most qualitative packaging solutions mainly for food products". Both in the vision and mission the company has identified where it stands, what kind of values it has and where it is going. Subsequently, analyzes to evaluate internal and external factors were performed. STEP/PEST analysis showed that external factors have a big influence on the company's performance. For example, laws and regulations are very strict for the company and have a big effect on how the company works as well as economical, social, technological factors. Five Porter's analysis just expended the circle of external factors that might have influence on the company which are threat of new entry, threat of substitution, competitive rivalry, buyer power, supplier power. According to all these factors, company has made an EFE Matrix, where it had calculated the weighted rate of opportunities and threats. The total weighted score was 2.85 which is above average (2.5), that means the company has more opportunities to grow and expand itself in the future. To make it true or to have a better understanding what kind of things a company should do better, it has not only carried out a SWOT analysis and but also expanded SWOT analysis. It has listed all the threats, opportunities, strengths and weaknesses. For example, as a strength it has named loyal employees, as a weakness lack of new young specialists, opportunity – demand of growth and threat as a trend of using other packaging material. The expanded SWOT analysis gave four small plans how to deal with both, external and internal factors combined, according to the factors listed in the former analysis. As external factors have to be evaluated, internal factors should be evaluated as well. IFE Matrix total weighted score was 2.57 , which is really close to the average, but still indicates strong internal position. The result can be interpreted that thecompany should expand. While BCG and GE Business Screen Matrix showed that "Baltic Polymers" company is standing in a strong business competitive position and industry's attractiveness is high, so the results show it should also invest and grow. As for alternative strategies, company has made four and has chosen one best strategy with Quantitative Strategic Planning Matrix.

Conclusions

All in all, a business strategic plan is important for every company. It helps step–by–step to achieve a company's goals and to better understand the company itself both through an internal view and to evaluate the impact from the outside. Firstly, it is very important to better understand the external factors which show the company's threats and opportunities. Secondly, it is crucial to identify the internal factors and the company's strengths and weaknesses. Moreover, BCG Matrix allows to compare the company with the biggest rival to get a better view of how one can pursue the goals and to evaluate the market share. Subsequently, a GE Matrix should be made, which shows where the company's position is at the moment and what kind of movements it is better to make. Besides, the IE Matrix can help do the same. Finally, time should be allocated to consider alternative strategies. Nowadays, every company should make use of it, because it helps not to be misplaced in critical situations and to evaluate all the matters which can make an influence on a business.

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