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# Development of a new strategy for Dpointgroup Ltd

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## DESCRIPTION

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| <b>Abstract</b><br><br>The aim of this thesis is to show the importance of having the understanding of what is strategic process and finding out the innovative selection criteria for the future strategy in order to overcome the recession of Dpointgroup caused by the decline in Spanish economy during world economic crisis in 2009.<br><br>The topic of this thesis is strategic process as one of the strategic management concepts. The work discusses not only the main steps of strategic process: internal and external analysis, strategy formulation and strategy selection but the theoretical part concentrates on different concepts, frameworks and examples showing the importance of strategy as a key factor for financial success of the organization.<br><br>The theoretical framework is divided in 2 parts: the detailed description of strategic process, in details strategic analysis and strategy formulation steps are discussed. The second chapter of theoretical part is dedicated to the strategy evaluation criteria for both corporate and business strategy.<br>The practical part of this work is based on the data collected by the means of the survey among the inters who work/worked in Dpointgroup Ltd and the skype interview with the CEO of the company and the head of Human Resources department.<br><br>As an outcome of this work all the strategic process is applied to the Dpoingroup case and the possible scenario of future company development is formulated. As a result of this thesis, a new detailed strategy is offered to the CEO of Dpointgroup Ltd. Finally, a list of practical improvements is created for different departments of the company. |                            |   |
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## 1 INTRODUCTION

Nowadays, a lot of different companies though having a strategy do not really understand what is it and why they have to formulate it. According to Larry Myler et al. (2012) less than 10% of all organizations successfully execute the strategy. However, the author of the article underlines that strategy is worth the best efforts which explains the relevance and importance of the chosen topic.

Strategy can be considered as a culmination of the work of all departments of any company: marketing, human resource, finance, accounting, top-management and others. Consequently, it is crucial to show the actual importance of understanding the company's strategy and provide recent and historical examples proving that claim.

The chosen case company for this thesis is Dpointgroup Ltd where I had my professional practical training. Dpointgroup is a limited liability company located in Barcelona, Spain. The company's number of permanent employees is 7-10 people. However, each year the company recruits a certain number in interns from all over the world and the number of them can be up to 20 people. Dpointgroup indicates itself as a company focusing on the business-to-business services and solutions. Some of the main areas work of Dpointgroup are online marketing, production of giant inflatable products, training of the personnel, website creation.

As the reader can see from the description itself the area of work of this company is very diverse. Additionally, the company has 3 daughter companies: Dprental – which is a subsidiary company that provides customers with rental of apartments, DpCard – a discount card for the attractions and entertainments in Barcelona and Dpinflatables – branch of Dpointgroup carrying out activities concerning giant inflatable products. During the last several years the company lost its focus and as a result the profitability of Dpointgroup has decreased. Therefore, the problem of this thesis is to study how to improve the performance of Dpointgroup by introducing the new strategy of work.

To achieve this general aim several objectives of this thesis were set:

1. Evaluate the consequences of company work without any strategy behind
2. Propose a solution and different scenario of future strategy, both business and corporate strategy

3. Provide a list of improvements of the strategic process of the commissioning company

As the result of this thesis detailed and general business and corporate strategies are formulate, both internal and external audit is provided to the company. In the future this work can be used by Dpointgroup company as one of possible ways of development and potential growth.

The topic of strategic management is very broad, that is why this work is concentrated more specifically on the strategic process, including the analysis and strategy formulation and the strategy evaluation criteria. As an outcome of this thesis the strategy implementation part of strategic process is developed using such research methods as interview and survey as well as literature review and analysis of electronic sources. Finally, one of the aims is to collect the most recent and up-to-date information in the chosen field in order to create innovative and useful scenarios of Dpointgroup's future development.

The structure of this thesis is the following. The theoretical framework will be divided in 2 parts: the detailed description of strategic process, in details strategic analysis and strategy formulation steps are discussed. The second chapter of theoretical part is dedicated to the strategy evaluation criteria for both corporate and business strategy.

The practical part of this work is based on the data collected by the means of the survey among the inters who work/worked in Dpointgroup ltd and the skype interview with the CEO of the company and the head of Human Resources department. As an outcome of this work I applied all the strategic process to Dpoingroup case and formulated the possible scenario of future company development.

## **2 STRATEGIC PROCESS**

Theoretical framework of this thesis is divided in 2 main chapters: Strategic process and strategy evaluation. The aim is to provide the theoretical background about main concepts of strategic management and process.

## 2.1 Strategy

There are a lot of different definitions of the word strategy not only in business but also in real life. The word strategy itself originates from the Greek word *strategos* meaning a military commander-in-chief. It is very important to understand that the origins of strategy come from the military field. In the times of war and peace in order to be safe and successful every country/community has to have a very detailed, specific plan. One would ask a question: what is the connection between army forces and business? The answer is easy: in business life the companies are always competing with each other in order to achieve some competitive advantage, in order to gain some target group and keep the company profitable. Does not it sound familiar to you? Exactly. There has always been parallels between military world and the world of business. For example, in military they often say that it is not efficient to attack head-to-head, and the same applies to business price wars which usually drive profits down. (Michael Marshall, 2016.) Therefore, one of the definitions of the word strategy is that it is an integrated set of actions leading to a sustainable competitive advantage. (Archana, 2014.)

According to Archana Dadhe strategy consists of three main elements, including

1. Objectives and goals of the company in the future
2. The main guidelines that have to be taken into account while making strategic decisions
3. Action plan that has to be accomplished to achieve goals formulated in point 1.

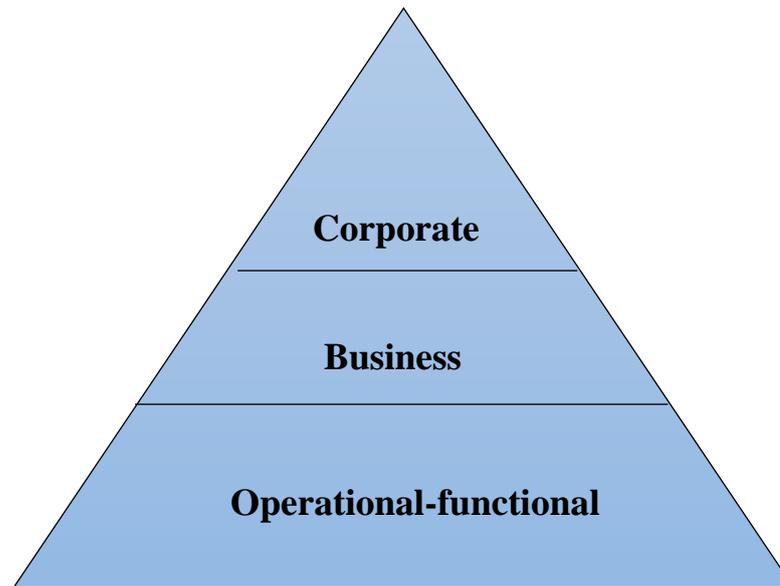
## 2.2 Strategic Management

Strategic management is, first of all, the process of identifying a company's goals, guidelines and action plans in order to reach these aims and bring a plan into action. These activities are usually parts of top-management's work which provide the company with general direction of work.

Basically, in the step of strategy formulation process one can identify three layers of strategies as shown in figure 1:

1. Corporate strategy
2. Business strategy

### 3. Operational(functional strategies).



**FIGURE 1. The levels of strategies (Made by the author)**

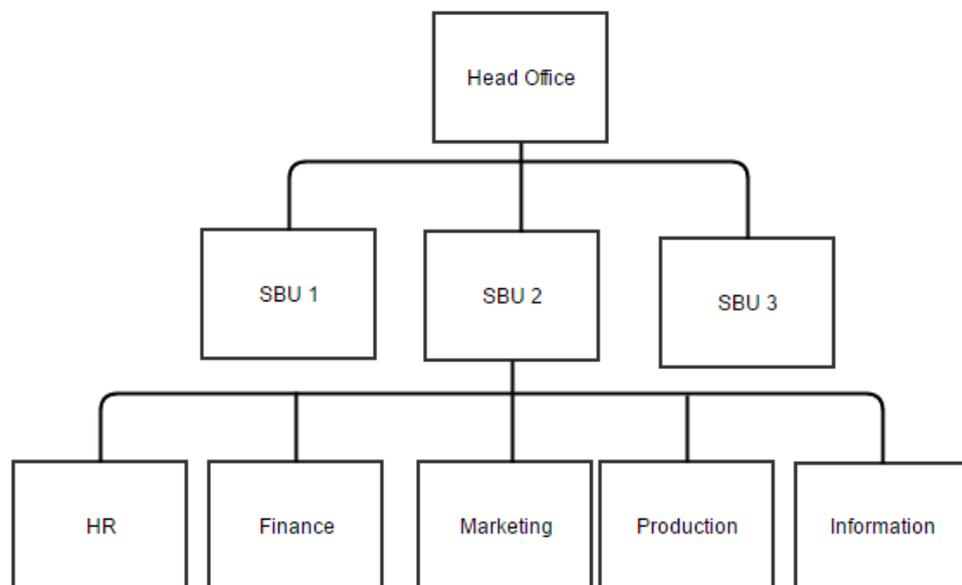
It is important to understand the differences between corporate and business strategies. Of course, there are different definitions of each of them, for instance according to Davis J. Collis and Cynthia A. Montgomery corporate strategy is the way a company creates value through the configuration and coordination of its multi market activities(rephrase) while CA Finacle underlies the importance of understanding that corporate strategy is a higher layer of strategy than business strategy. Moreover, according to the University of Albany, the business strategies are the actual action plans while Archana Dadhe calls these kind of strategies operational-functional. As a result, it is not that important how one calls any type of strategy, it is more important to have a clear understanding for yourself which meaning you put into the words you use.

The corporate level strategies are formulated by top management of the company, including the CEO(Chief Executive Manager) of the company and board of directors. This includes the combination of organisation's goals concerning the external environment of the company, the formulation of long-term goals and allocation of resources for future investments. The corporate level strategies also consider the overall links between managers of the company and shareholders. In case of corporate decisions the organization has to identify if the problem or the opportunity of the company comes from the outside environment, for example is it the industry that suffers prob-

lems(intra-industry analysis) or is it the overall economic situation in the world(macroenvironmental analysis).

According to Archana Dadhe business level strategies belong to the second layer of strategies. In this particular case the company has to identify whether the problem or the opportunity of the organization comes from inside. While formulating the business strategy the company has to identify its competitive advantage and study if this competitive advantage can be developed in new/existing markets. SBU or strategic business units are responsible for carrying out the decisions concerning the business strategy of the organization.

The operational strategies are the actual plans for action of the company for each department: Human Resource, Finance, Marketing, Reaserach and Development and others as shown in the figure 2.. When it comes to the operational strategies, the mid-level managers have to concentrate on the short-term goals that have to be very precise.

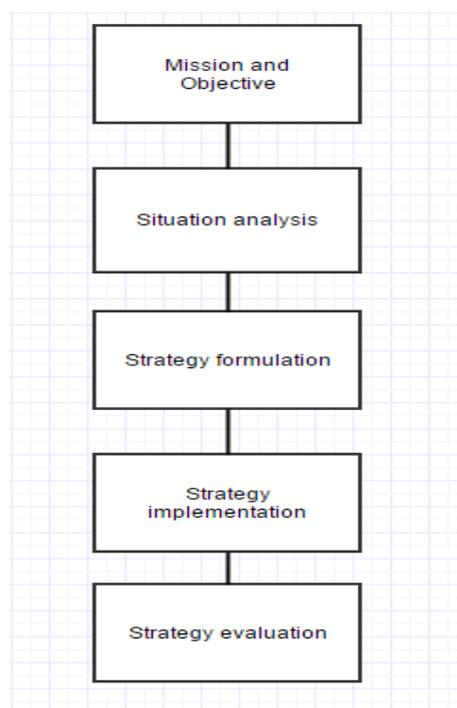


**FIGURE 2. 3 levels of of decision-makers for corporate, business and operationsl strategies (Adopted from Archana Dadhe, 2014.)**

## 2.3 Strategic process

Strategic management as it has been already mentioned is first of all a process. It is a continuous flow of making decisions, setting new goals and taking actions. Therefore, the main topic of this research is to study in details the actual process of strategic management decisions.

Strategic process most commonly includes 5 main steps from formulating the mission and vision of the company to strategy implementation. Each step which is mentioned in figure 3 is very important for making decision.



**FIGURE 3. 5 steps of strategic management process. (Adapted from Archana Dadhe, 2014 )**

Firstly, a short explanation of each step of strategic process which will be later on discussed in details in this work is provided. Therefore the next part of this subchapter is dedicated to the mission and vision statements.

### Mission and Vision

It is of high priority to be able to formulate the goals of the company in order to put your desires into practice. (Julie Goldstein, 2015.) Some researchers, for example Mi-

chael Hyatt, believe that vision of the company is even more important than the strategy of the company. However, this is quite debatable, as vision and mission statements are just a part of strategic process.

Vision and mission statements are the first things that serve as a basis for the whole strategy of the company. Vision states company's desires for the future, providing a view of where the organization is going in the long term. It is very short, usually 1-2 sentences, maybe 1 paragraph, and precise. It is the view of the company about themselves. It is written in the inspirational way so that it will be easy for every employee in the company to understand it. Mission statement defines the current situation in the company, the purpose of its existence in the market and answers 3 main questions: what the organization does, who they do it for and how. Therefore, it is vital for each company to have a clear understanding about the vision and mission of the company.

## Analysis

Basically, the process of analysis and planning should be very careful and requires a lot of time. However, in today's dynamic world it is not only important to create but to create it quick. Chris Outram even formulated 4 main factors in strategic planning that are the most important in current digital world: company's ability to be visual, focus on customers, the ability to seek for large market share and continuous investments of profits back to work. (Outram, 2014.) Even though this work is concentrated on the detailed and traditional way of strategic planning, it is crucial to keep in mind that time is the only resource that we actually have and it is up to us how to use it.

The analysis part is maybe the second important (after strategy selection) part of the whole strategic management process. This will be the main focus of the first chapter of this thesis. The analysis can be divided in 2 main parts: external and internal analysis.

During the external analysis, the aim is to answer the question: where the company is. More specifically one has to identify the major trends going on in the world, what are different political, economical, technological, social and cultural conditions are and also how can we take the opportunities out of them or what should we do in order to avoid threats from them. Apart from macro environmental analysis it is essential to

study the microenvironment, more specifically the industry in which the company operates.

The internal analysis is dedicated to answering the question *who* we are. The researcher has to figure out the strengths and weaknesses of the business, analyze tangible and intangible resources of the company, study the organizational structure. It is important to conclude after the internal analysis whether the structure, culture and the resources that the company obtains are in balance and complement each other.

### Strategy formulation

How to choose the right direction of development? This is maybe one of the most challenging questions one can ask himself not only in business world but also in the real life. No matter how hard a manager tries to avoid mistakes it is impossible. And it is not even needed. Mistakes are great indicators and sources of information whether the company has to continue what it is doing or if it has to change the way of work dramatically. Chris Outram even created 4 groups of most common strategic failures: emotional decision-making, too much attention to the environment, concentrating only on market changes and the ignorance of communication. (Outram, 2016.)

In strategy formulation part managers based on the analysis conducted have to develop the corporate, business and operational(functional) strategies of the company. These have to be some kind of future scenarios of organization's development. All three strategies have to be in a harmony in order to create the competitive advantage of the company. Additionally, it is important to mention, that it is impossible to concentrate on both solving internal problem and trying to overcome the problems coming from outside. The key point is to understand and priorities what is important now and in the nearest future and at the same time keep in mind the company's vision and mission and try to align the operational strategies with them. Moreover, it is important to choose the right criteria for strategy selection. These will be discussed further on in the second chapter of this research.

## Strategy Implementation

Any strategy has no value if it is not put into action. There are a lot of cases when companies create and formulate the strategy and then do not do anything to make it real. (Aileron, 2011.)

This is the step of strategic process when all the formulated strategies have to be put into action. The company has to consider this step very carefully, as even a small change in the way the organization operates causes big changes in whole work of the company. All the resources, structure and policies have to be adopted to the new strategy. At this point of strategic process the communication among all the employees and managers in the company has to be very efficient.

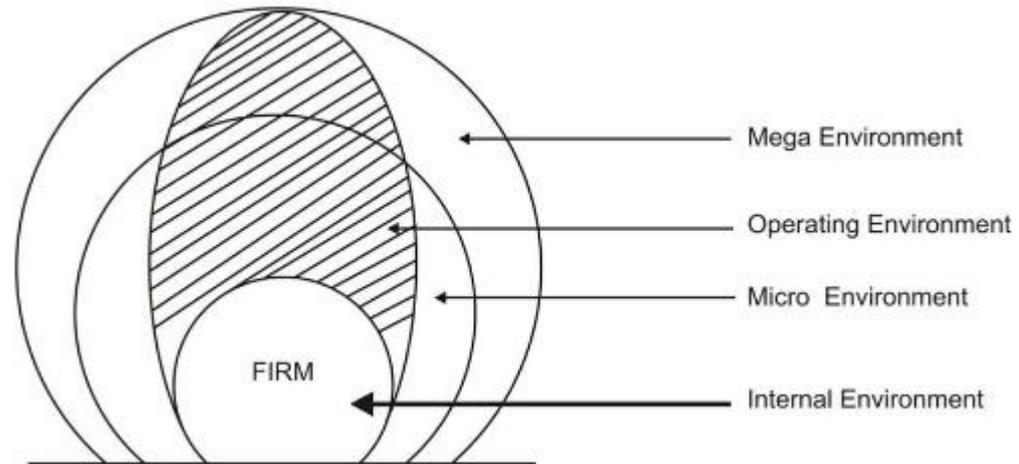
## Strategy evaluation and control

It is a well-known fact that most companies fail when it comes to strategy implementation. According to McKinsey, 70 percent of changes the company is trying to undertake fails in relation to the desired results. (Quy Huy, 2016.) Therefore, it is extremely important to evaluate the consequences and control the work right after undertaking the new strategy. From time to time the company has to check if the actions taken lead the work to the objectives set before the changes were undertaken. If something is going wrong it is crucial to figure out the problems and correct them at the right time.

## **2.4 Strategic analysis**

In business today there are two approaches to strategic analysis: the Inside-Out approach and the Outside-In approach. When the company believes that the changes have to come from inside and they refer to the resources and capabilities of the company – this is the inside-out research. On the contrary, the outside-in approach is oriented in the customers and follows the changes from outside of the company. (Elisabet Lagerstedt, 2014.) Though it really depends on the way you do your business, Rob Tarkoff, general manager of Adobe Systems' Digital Enterprise Solution, believes that the successful companies start from outside-in approach.

The outside-in approach is applied in this thesis. In this subchapter the external analysis is discussed first. Macro and micro environment analysis and all the related theoretical frameworks that can be used in order to evaluate the environment and the industry in which the company operates are assessed and then internal analysis and the tools that can be used to study this are mentioned as shown in the figure 4.



**FIGURE 4. Layers of business environment (Adopted from Archana Dadhe, 2014.)**

#### External environment

When it comes to the analysis of the external environment, the most common tools that are used are the PESTLE analysis and 5 Porter's forces framework. I am not willing to undermine the importance of these 2 models as they are truly fundamental for the analysis. However, it is critical to consider not only them to create the more realistic picture of where the company is operating. Basically, the total external environment consists of 3 environments according to Archana Dadhe:

1. Macro or Mega environment, which is concerned about the major trends happening in the world.
2. Operating or Relevant environment is concentrated around the external shareholders of the company.

3. Industry or Competitive or Micro environment when the analysis of competitors and overall situation in the industry is studied.

Even though these three points might be enough in order to study the external environment, the fourth point has to be added:

4. The intra-industry analysis: the analysis of strategic business groups, more detailed evaluation of the closest competitors in the industry and the segmentation of products(if any) in this particular industry.

## **2.5 Macro-environment**

### Major trends

Starting the macro environmental analysis is essential with the overall trends going on in the world. To state this the company has to consider the following factors:

1. The economic situation in the international context
2. The latest and upcoming global events in the world, such as Olympic games.
3. The availability of workforce and the tendencies in the distribution of it
4. The international laws
5. General political trends

In order to be successful in the highly competitive world, the organization has to be on the edge of all the latest news.

A good examples of social key factors influencing business today include the bigger share of women in workforce, healthy life trends, changes in the way that people prefer to have children later than they used to have.

One of the most commonly used frameworks to study the microenvironment of the company is PESTLE analysis. As this model is one of the most commonly used, it definitely has its advantages and disadvantages.

Jim Makos, founder of the Pestle Analysis website, mentions that PESTLE can support companies to improve their decision making and timing. In contrast to Makos, Sidharth Thakur notices that it takes a lot of time and effort to collect all the relevant data, and PESTLE analysis does not take into account that the factors that are analyzed tend to be dynamic and change dramatically even during the time of data-collection. (Thakur, 2010.)

However, PESTLE and its improved versions still remain the most appropriate tool for macro environmental analysis. The good sign of it is that from time to time the new factors such as Environmental, Educational and Ethical factors are added to it.

This acronym consists of the following:

1. Political, governmental and legal factors consider the political situation in the country(stability), the ruling party, country's international orientation, laws and the government's form.
2. Economic factors: GDP, interest, exchange, unemployment rates and others
3. Socio-Cultural factors: consumer behavior, customers' beliefs and values, customs and traditions, tastes and preferences and their preferences.
4. Technological factors: It is important to study the latest product and process innovations. Some of the fields of today's innovations are biotechnology, genetics, robotics, nanotechnology and others.
5. Ecological factors. In today's community a big attention is paid to the environment and the ecological problems, such as pollution of air, water and land, global warming and greenhouse effect.

### Operating environment

It is essential to study the operating environment of the company in order to assess how the external shareholders influence the firm. Suppliers are the providers of the resources, such as raw materials, electricity, any types of fuel, some parts and components needed for the production. It is also essential to study the consumer behavior in order to create the supply which will meet the specific demand. Another external shareholders, creditors, are important to assess in order to find out terms of credit and working capital position, their perception about the organization and their ability to prolong use necessary lines of credit. Each company decides which external shareholders are most influential for the company. (Dadhe, 2014.)

## **2.6 Microenvironmental analysis**

The most commonly used tool to study the microenvironment in which the company operates is Porter's Five Forces. According Clara Strassenburg it is created to study the competition's intensity and to strategically analyse the types of businesses in the industry. Thus, no matter that some analysts may mention that the results of this analysis are highly debatable since just like PESTLE framework, 5 Porter's forces does not take into account the changes that may happen in the forces, however this model is still the most satisfying for micro environmental analysis.

Each step of external analysis brings the reader closer and closer to the understanding of what is actually influencing the business. The second step of analysis – microenvironmental analysis – studies the forces in the industry that have the highest impact on the company mentioned in figure 5.



**FIGURE 5. 5 Porter's Forces Framework. (Adapted from Chartered Global Management Accountant)**

In order to find out the reasons for the competition in the market and the actual forces that affect the profitability of the market one needs to study the businesses' microenvironment. (Katherine Arline, 2015.) The five Porter's forces is a tool for studying the competitiveness of the industry. Firstly, it allows the company to figure out who their

competitors are but at the same time it helps to identify how these competitors can impact organization's profitability.

The analysis studies 5 forces:

1. Rivalry in the industry
2. Bargaining power of supplier
3. Bargaining power of buyer
4. Threat of new entrants,
5. Threat of substitutes

Rivalry in the industry force studies the intensity of the competition among the industry. During this step of analysis the number of competitors is identified and their core capabilities. This force is high when the market is divided between a little number of organizations (the case of oligopoly), when there are little switching costs for consumers and when the industry is experiencing growth. In case of high rivalry price wars can occur. (Dadhe, 2014.)

In case of bargaining power of supplier how much influence a supplier has over the business, consequently how high it can set the prices and as a result how it can lower the business's profitability is studied. The less is the number of suppliers in the industry, the higher is their power. Therefore, it is better for the company when there are a lot of different suppliers. Another source of suppliers' power could be the switching costs of the firm to change from supplier to another. (Dadhe, 2014.)

Bargaining power of buyers is the step when the consumers' effect on the business is studied. Same as with the suppliers, the lower is the number of consumers the higher is the force. Additionally, the lower the switching costs for consumers are the stronger is the power. On the contrary, the power is low when the products are bought in small amounts and the product offered by the business is very differentiated. (Dadhe, 2014.)

Threat of new entrants force looks at how easy it is for a company to enter the industry. The easier it is for business to enter the market the higher is the force. Therefore, it is essential to identify what the barriers to enter the industry, they can be economies of scale, the reputation of brands, access to the resources and cost advantages. (Dadhe, 2014.)

Threat of substitutes studies the switching costs for consumers to stop using products/services of one company and start using product/services of another one.

As a result, it is needed to know the number of competitors, the way they do their business(level of prices and quality) and how profitable they are. Both long-term and short-term switching costs influence this threat. (Dadhe, 2014.) Not only analysing this forces is important but also giving the actual grade is important to get the quantitative view on the evaluation of 5 Porter's forces

**Table 1. The weight of Porter's forces (Adopted from Archana Dadhe, 2014.)**

| Number | Industry Characteristics      | Attractive | Unattractive |
|--------|-------------------------------|------------|--------------|
| 1      | Threat of new entry           | High       | Low          |
| 2      | Bargaining power of suppliers | Low        | High         |
| 3      | Bargaining power of Buyers    | Low        | High         |
| 4      | Threat of the substitute      | Low        | High         |
| 5      | Industry's rivalry            | Low        | High         |

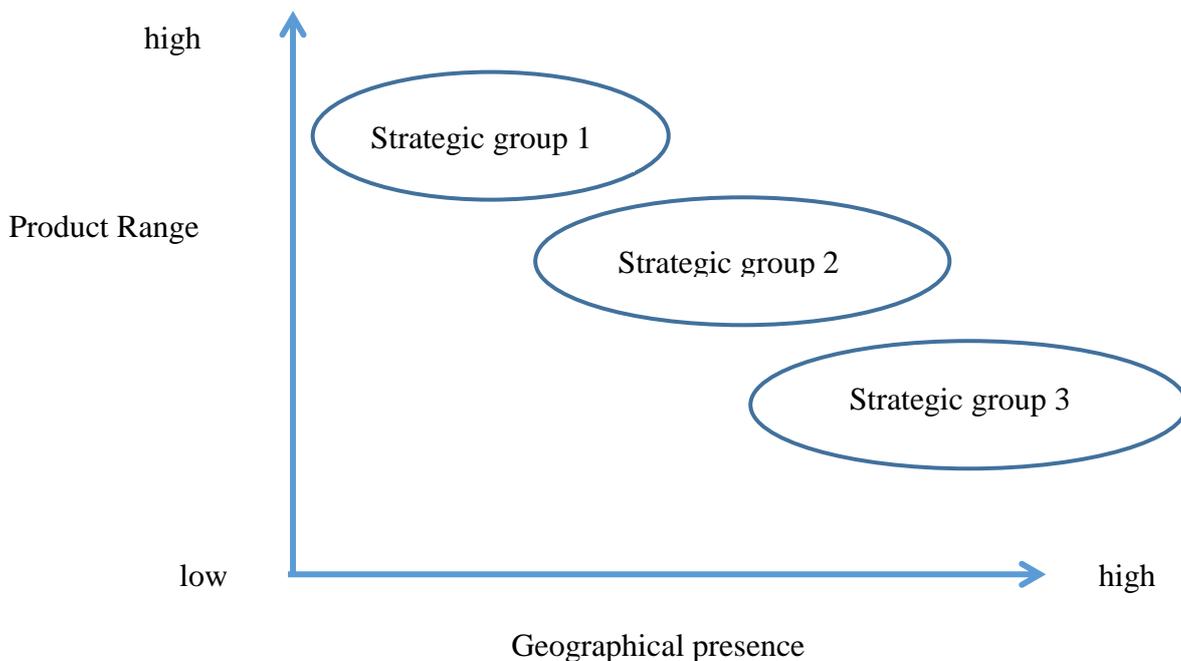
## 2.7 Intra-industry analysis

The last but not least step of the external analysis is the analysis of the main influencers on the organisation. This is studied with the help of strategic groups analysis.

### Strategic groups analysis

According to Innovation for Growth's blog the creation of strategic groups is essential to study and explain the possible strategies in the industry. At the same time it serves to figure out what are the opportunity gaps in the market. Although Graham Leask believes that there is a lack of agreement on which factors have to be chosen for the evaluation of strategic groups and therefore the results of analysis are open to debate.

In each industry there are groups of the competitors which are in general competing with each other but inside the strategic groups they have a much bigger influence on each other. Such groups can be identified on the basis of the graph. The x and y-axes indicate 2 different key success factors in the industry, for example geographical presence and product range.



**FIGURE 6. Strategic groups graph (Made by author)**

Finally, once the company identifies its own strategic group, it has to make a detailed analysis of its closest competitors, figure out their strategic competitive advantage in order to be able to beat them. The very last step of the external analysis is formulation of key success factors of the industry based on all the research done. It is of high priority to have clear understanding which factors are crucial for the success in some particular industry. Once the company is ready with the external analysis, it can start conducting the internal analysis and study the strengths and weaknesses of the company.

## **2.7 Internal analysis**

Tony Morino mentions 2 basic reasons to conduct an internal analysis: find out what are the strengths and weaknesses of the organization and the basis for the strategic decisions. After completing the analysis of external environments it is now time to study the company from inside. It is crucial to identify the strengths and weaknesses of a business by using such tools as SWOT analysis and Value-chain analysis. At the same time the resources and capabilities of the company have to be studied and the core capabilities of the business have to be identified. Finally, the competitive advantage of the company has to be identified. (Morino, 2015.)

### Resources

Usually, all the company's resources are divided in 2 groups: tangible and intangible. The tangible resources are the ones that can be quantitatively measures, for instance physical and financial resources. The first include the land, buildings, plant, machinery, raw materials etc while the second include cash, capital, the company's debts and credits. The intangible resources are usually much more difficult to measure but it is much better if the company's competitive advantage comes from intangible resources because they are much more difficult to copy. The intangible resources refer to human resources, in particular the skills and experience of the workforce and to the intellectual resources, such as the know-how of the company, the patents and brands that company possesses, the reputation of the company, its heritage and etc

### Capabilities

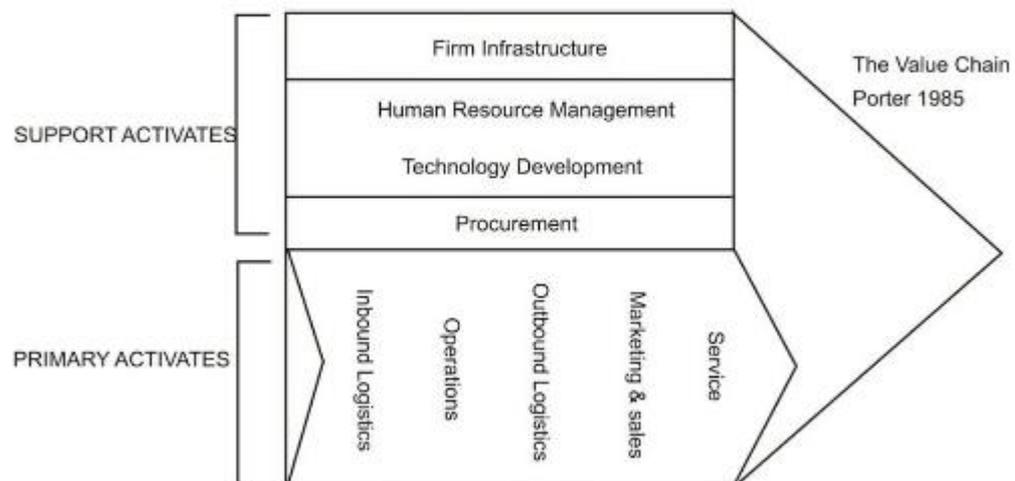
Any resource is not useful without a capability to use it. Thus, any task that a company has to perform requires that the resources possessed collaborate within the organization team. This refers to the organizational capabilities of the company which are a company uses to shift inputs into the results. In other words, the company has to be able to efficiently combine assets, people and processes to achieve the goal.

### Value Chain Analysis

To perform the value chain analysis one has to first find out what is value chain. According to Chad Brooks it is all the activities, from production to the distribution, idea generation to design, that the organization undertakes. (Brooks, 2005.) It is crucial to

mention that some managers who concentrate only on creating the innovation may accidentally dismiss the problems at other steps of value chain. (Hansen, 2007)

One of the most commonly used tools to formulate the activities of the company and identify the most important ones is the value chain analysis. (figure 7.) According to Porter, competitive advantage of a company comes from its ability to act most important activities along the value chain better than its competitors. Michael Porter suggests that the activities of a business can be divided in 2 groups: primary activities that are the ones directly correlated with construction and delivery of the product/service and support activities that are not directly connected with the production but have an influence on the efficiency of company's work. In reality, the company can not put all the efforts to all the primary and support activities and, thus, usually the special attention is paid to the core activities of the company which are associated with the competitive advantage.

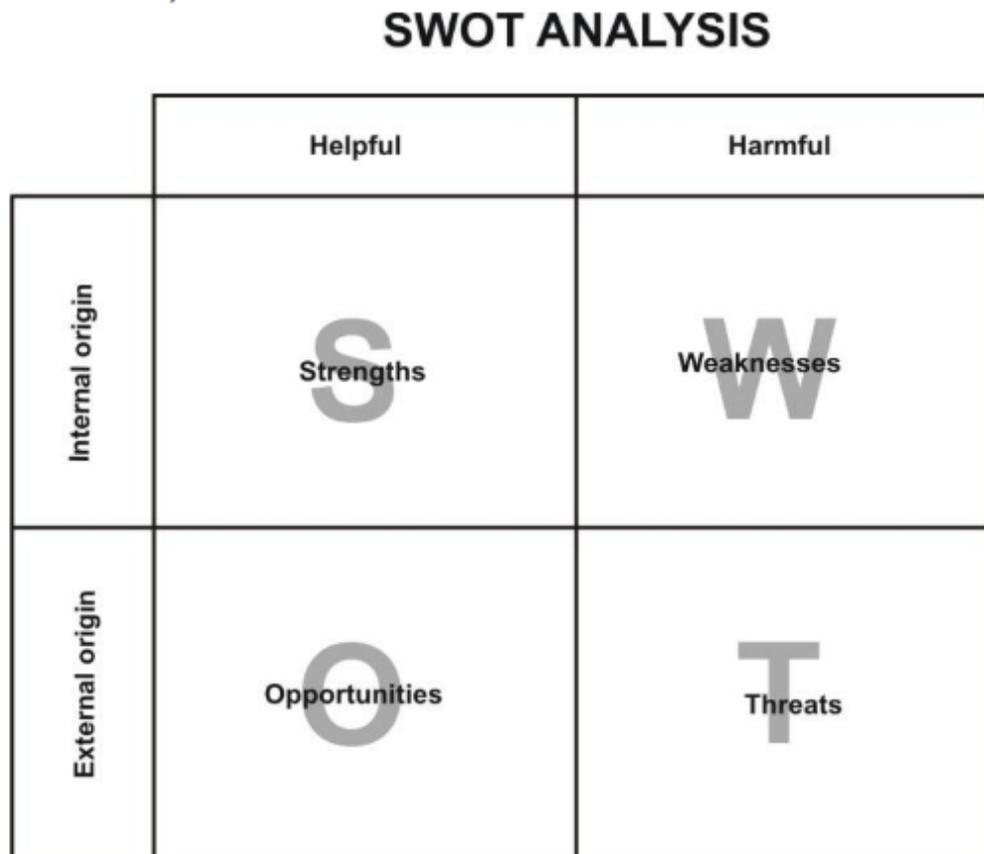


**FIGURE 7. Value-chain analysis framework (Adopted from Archana Dadhe, 2014)**

SWOT analysis

For a very long time SWOT analysis was associated with strategic process. (figure 8.) Already in 1982 Weirich introduced TOWS model. He proposed a 9 step strategic planning process, two of them were the analysis of the external environment of the organisation and the study of companies' strengths and weaknesses.(Clardy, 2013) As this model is used while conducting almost any type of business analysis, there are a lot of critics concerning SWOT matrix.

A SWOT analysis



**FIGURE 8. SWOT analysis framework (Adopted from Archana Dadhe, 2014.)**

The SWOT analysis is a great way to combine both external and internal analysis in one matrix. It identifies the strengths, company's ability to do something good, and weakness, something that the company is not good at, as a result of internal analysis and opportunities, major favourable situation in firm's environment, and threats, unfavourable situations in firm's environment, as the external results.

## 2.8 Strategy formulation

The second part of the first chapter of this thesis is dedicated to the strategy formulation step of strategic management process. Once the company has conducted the whole analysis and understood where does the main competitive advantage of the organization belong, it is time to combine all the knowledge and apply it in order to formulate 3 different strategies: operational-functional, business and corporate strategies.

### Operational-functional strategies

The Accenture company, one of the leaders in the consulting world, recruits the strategist who operate only with the operational and functional strategies. One would ask why? The answer is easy: the operational strategies are the actual plans for action of the company for each department: Human Resource, Finance, Marketing, Research and Development and others. When it comes to the operational strategies, the mid-level managers have to concentrate on the short-term goals that have to be very precise. The easiest way to formulate these strategies is by using the SWOT matrix. This tool differs from the Swot analysis in a way it combines all the 4 factors in order to formulate the action action plans.

**Table 2. SWOT matrix. (Made by author)**

|            | Opportunities   | Threats  |
|------------|---|--|
| Strengths  | SO strategies: taking the strength from inside in order to catch the opportunity from outside | ST strategies: taking the strength from inside in order to avoid the threat from outside           |
| Weaknesses | WO strategies: overcome the weakness inside in order to reach the opportunity from outside    | WO strategies(most challenging): fix the weakness inside in order to avoid the threat from outside |

### Business Strategies

According to Archana Dadhe the business strategies refer to the higher level than operational-functional but still the strategies that state the way the business has to operate from inside, most usually they are concerned about the actual product or service that the company is producing/providing. (Dadhe, 2014.) Igor Ansoff, one of the pioneers of the strategic management has created a framework known as the ANSOFF Product-Market Expansion Grid that is shown in figure 9. (Loganathan, 2015.) It identifies the the ways of growth the company can choose using the existing product in new/existing business or using new product in new/existing market. The whole model is concerned about the intensification route the company has to take. (Spenser, 2015.)



**FIGURE 9. Ansoff matrix (Adopted from Archana Dadhe, 2014. )**

Market penetration indicates the way of increasing market share of the existing product in the existing market by the means of promotion, incentives, sales force etc. while market development indicates the way of increasing market share of the existing product in the new market. Market development strategy can be achieved by entering new geographic areas or acquiring new market segments.

Product development indicates the way of increasing market share by creating new product for the existing market. This can be achieved by quality improvement of the

products, addition of new models or sizes to the existing ones and by creation of new product's features.

Diversification is one of the most challenging types of strategies as it requires entering new market with the new product. Therefore, usually this kind of strategy is not recommended unless the company has a very strong reason to do so.

### Corporate strategies

The corporate strategies usually refer to the integration or diversification strategies. Integration strategies in general attribute to the existing activities of the company. These are all the activities that were mentioned in the value-chain analysis: from procurement to marketing, from production of finished goods to distribution. As a result, the firm that decides to undertake the integration strategies can move forward or backward along the industry chain. Thus, integration can be basically divided in: forward and backward vertical integration and horizontal integration. (Dadhe, 2014.).

### Vertical Integration

There are always controversies while choosing the type of strategy that the company has to employ. For example, Kimberly Amadeo (2016) believes that the biggest advantage of the vertical integration is that the company does not have to rely on the suppliers, while Nicholas V. Beare (2007) mentions that fictional supply chain may have negative impacts on the business.

While applying a vertical integration strategy the company decides to broaden its activities forward into the distribution or backward to the supply side. Basically, this type of strategy is concerned with getting control over supply chain.

Forward integration is associated with acquiring or expanding control over distributors and retailers. For instance, the producer opens new retail stores to sell the products directly to end-users. The producer stays in the industry but now it is not only manufacturing but also selling directly to the customers.

On the contrary, the backward integration is associated with gaining control over the suppliers. In this case the company may, for instance, acquire one of the suppliers or switch from many suppliers to 1 specific.

## Horizontal Integration

According to Sohrab Vossoughi (2012) nowadays the most successful companies employ the horizontal integration strategy. This type of strategy relates to the expansion of organization's control over its competitors. In some sources it is also called as horizontal diversification. In this case, basically, we talk about mergers and acquisitions. This type of strategy, in general, cuts the competition in the industry or even gets rid of it. In addition, horizontal integration brings in new markets and offers economies of scale as well as lets the shifting of resources and capabilities.

## Diversification Strategies

Ravi Randeniya(2010) believes that in many cases diversification strategies are the survival strategies. At the same time Victoria Duff sees diversification as a way of protection the business from negative news about one of your investments. (Randeniya, 2010.)

As it has been already mentioned is related to entering a new market with a new product. In other words, creating a whole new business within the existing. Thus, the company that has implied diversification strategy has to have two or more distinct branches of business. As of any other type of strategy the main aim of diversification is maximizing profits. Finally, as it has been already mentioned applying the diversification strategy is one of the most risky ways of company development. Generally speaking, there are 2 types of diversification: concentric and conglomerate.

Concentric Diversification is about adjoining new but related business to the existing one. For example, this can be a purchase of business related to the company in terms of products/services it produces/provides, markets. To illustrate, kitchen cutlery company wants to acquire a firm producing plates. There are 3 types of concentric diversification:

1. Market-related.

Providing alike product by the means of unrelated technology. For instance, the company that used to produce kitchenware now diversifies into sewing machines that are spread through a retail chain.

2. Technology-related.

In this case the company provides new product or service using the means of related technology.

3. Marketing and technology- related.

Basically, company offers a related product with the help of related technology. For instance, a producer of gloves, starts producing hats, scarfs using the same technology and spreading them through the same channels.

### Conglomerate diversification

The last but not least type of corporate strategy. It is associated with adjoining new and unrelated business to the existing one. In this case the new business has nothing in common with the company's products/services, technologies and markets. Basically, the company opens a totally new branch of work, for example when an airline company starts to operate in the mobile providers business.

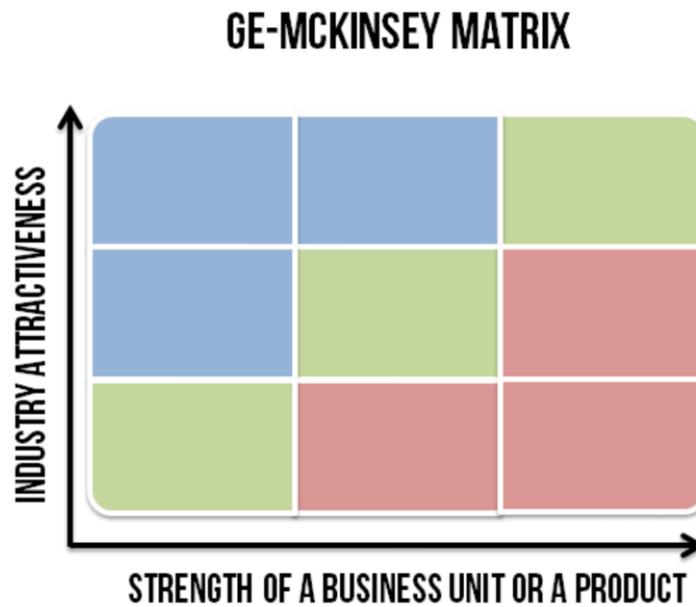
## **3 STRATEGY EVALUATION CRITERIA**

This chapter is dedicated to the moment when the company has to choose which strategy to apply and to evaluation of that strategy. Once the company has made the analysis and formulated the possible strategies it is time to make the decision, evaluate all pros and cons and choose one strategy that it will use.

There are different models to evaluate the analysis done and to make the decision concerning the strategy, for instance Delta or Penta models. (Ionescu, 2015.) A very efficient tool that can be used in order to evaluate the industry and the product attractiveness is GE MicKinsey Matrix.

### GE MicKinsey Matrix

The Ge-McKinsey's matrix is a tool for the companies that operate in different businesses to make a decision concerning the investments.(Spencer, 2015)



**FIGURE 10. GE-McKinsey Matrix (Adopted from Spencer, 2015)**

The GE McKinsey matrix proposes a solution for company which has several unrelated branches of business to allocate its investments and therefore choose the future strategy of work. It evaluates the business units within a company and industry attractiveness serves as a helpful tool for future decision-making concerning each business unit.

Nowadays the problem of lack of resources definitely affects the strategic decisions that the companies make. Having in mind that the resources the company possess are in deficit, the companies have to think twice how to use the opportunities they have to allocate them. Therefore, the question, on which are to concentrate or in which are to invest is always one of the main and most stressful questions for all managers.

Though the GE-McKinsey matrix at the beginning was invented to help the multinational companies with 100s of products in their portfolios, I believe that this tool can be helpful for SME's as well. Basically, it does not matter if the company has a huge number of business units or just a couple, the weight of decision concerning future investment and strategy does not change. Thus, GE-McKinsey matrix, an improved version of Boston Consultancy Group matrix, is a very helpful and effective tool that can be used to deal with this problem by analyzing different business units and allo-

cating them in groups which should be invested in or the ones that have to be divested. (Spencer, 2015.)

### Industry Attractiveness

Industry attractiveness is a debatable issue. Different rankings show that different industries are attractive. It also depends on many factors, whether the industry is worth the investments. For instance, according to Forbes in 2015 the most profitable sector was health technology in general, while in Singapore the most attractive is banking according to DM Advisory. (DM, Advisory, 2016.)

Industry attractiveness shows whether it is easy or hard for a company to perform in the chosen market and to be profitable. The higher the profitability of the industry is the higher is the attractiveness. It is important to keep in mind that analysts have to evaluate at first the long-term attractiveness of the industry since in most cases the investments require long time to pay off and bring profit.

There are a lot of factors influencing the industry attractiveness. In each case the company can use the ones which they think are most appropriate for the firm's case. Some of the most common ones are the size of the market, structure of industry, demand changes, industry's segmentation and others. Each company has to identify which factors are more important for its case and which factors influence the industry most.

### Competitive advantage of the business unit

Another factor which is used in the GE-McKinsey's matrix is competitive advantage of some specific business unit. It is measured along X-axis. Competitive advantage reflects the competitive strength of a distinct business unit. It is important to figure out if the competitive advantage that the company possesses is sustainable or not and for how long it can be sustained. Some of the sources of the competitive advantage of the company can be the brand value, the overall profitability, customer's attitude toward the organization, products differentiation and so on. (Spencer, 2015.)

**Table 3. Advantages and disadvantages of the evaluation model (Adapted from Spencer, 2015. )**

| Advantages  | Disadvantages   |
|---|---|
| Prioritization of scarcer resources                             | A professional consultant is needed                                   |
| Deeper understanding of how the BU's perform                    | Costly model  |
| Step-by-step strategic process to improve company's performance | Doesn't pay attention to the synergies that 2 or more BU's can create |

Step1. Identifying industry attractiveness

| Industry Attractiveness (1/2) |        |                 |                |                 |                |
|-------------------------------|--------|-----------------|----------------|-----------------|----------------|
|                               |        | Business Unit 1 |                | Business Unit 2 |                |
| Factor                        | Weight | Rating          | Weighted Score | Rating          | Weighted Score |
| Industry growth rate          | 0.25   | 3               | 0.75           | 4               | 1              |
| Industry size                 | 0.22   | 3               | 0.66           | 3               | 0.66           |
| Industry profitability        | 0.18   | 5               | 0.90           | 1               | 0.18           |
| Industry structure            | 0.17   | 4               | 0.68           | 4               | 0.68           |
| Trend of prices               | 0.09   | 3               | 0.27           | 3               | 0.27           |
| Market segmentation           | 0.09   | 1               | 0.09           | 3               | 0.27           |
| Total score                   | 1.00   | -               | 3.35           | -               | 3.06           |

**FIGURE 10. Industry attractiveness scoring. (Adopted from Spencer, 2015)**

Figure 10 is the example of the industry attractiveness evaluation. Firstly, the analyst has to make a list of relevant factors for the evaluation of each business unit's attractiveness. Secondly, the weights have to be allocated. Weight is a quantitative measure of

how the factor is important to the market. In this particular case, 0 being the least important to 1 being the most important. At the end, the sum of all weights has to equal to 1. Thirdly, rate the industry attractiveness according to your chosen scale. In the table above is 1 – the low attractiveness of the industry, 5- high attractiveness of the industry. Finally, calculate the weighted score by multiplying the weight of each factor by rating of each factor. As a result by adding all the weighted scores, the analysis gets a number which indicates the industry attractiveness for each business unit of the organization.

Step 2. Determine the competitive advantage(strength)

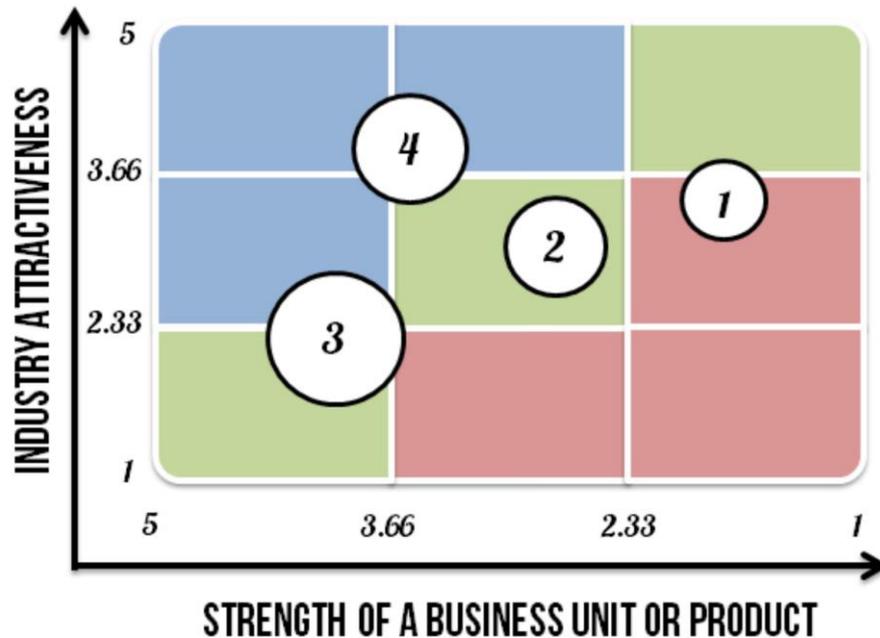
| Competitive Strength (1/2) |        |                 |                |                 |                |
|----------------------------|--------|-----------------|----------------|-----------------|----------------|
|                            |        | Business Unit 1 |                | Business Unit 2 |                |
| Factor                     | Weight | Rating          | Weighted Score | Rating          | Weighted Score |
| Market share               | 0.22   | 2               | 0.44           | 2               | 0.44           |
| Relative growth rate       | 0.18   | 3               | 0.48           | 2               | 0.38           |
| Company's profitability    | 0.14   | 3               | 0.42           | 1               | 0.14           |
| Brand value                | 0.10   | 1               | 0.10           | 2               | 0.20           |
| VRIO resources             | 0.20   | 1               | 0.20           | 4               | 0.80           |
| CPM Score                  | 0.16   | 2               | 0.32           | 5               | 0.80           |
| Total score                | 1.00   | -               | 1.96           | -               | 2.74           |

**FIGURE 11. Competitive strength scoring. (Adopted from Spencer, 2015)**

Basically, as you can see on the table above, steps one does not technically differ at all from step 1. The only difference now is that the factors that are evaluated are the ones that influence the competitive advantage of each business unit.

Step 3. Allocate the business units to the graph

After making all of the evaluations and calculating the weighted scores for each business unit, it is time to put the business units to the matrix. In the figure 16 each circle represents each business unit. The bigger the circle, the higher is the revenue gained from this unit.



**FIGURE 16. Business units allocation to the GE-McKinsey's matrix (Adopted from Spencer, 2015)**

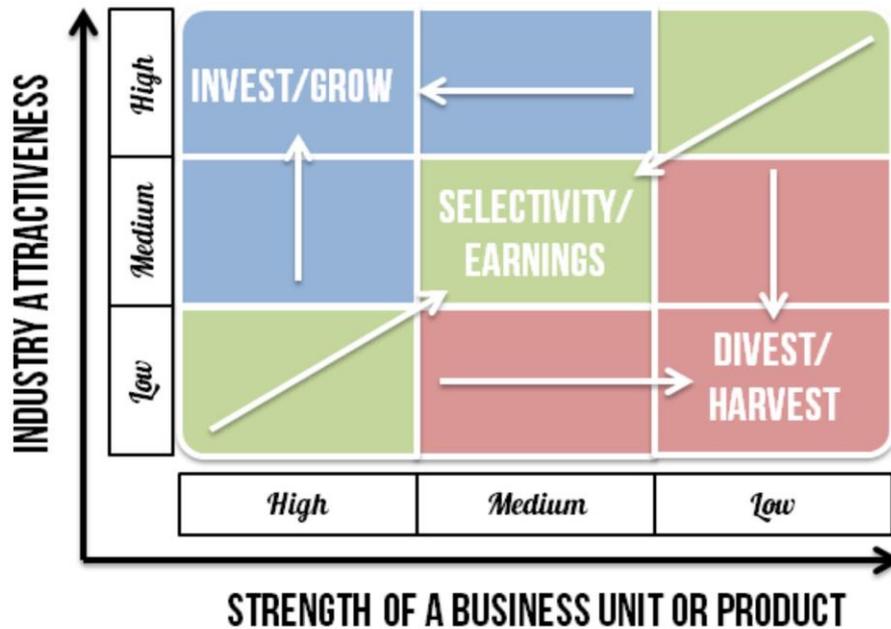
Step 4. Analysis of the results.

In general there are 3 main directions of investments in business unit, depending in which quadrant of the matrix it appears:

1. Invest/Grow – if the business unit appears in the top left corner of the matrix this means that it is definitely recommended to invest in this business unit and put the main strategic efforts on it
2. Select – if the business unit appears in the middle of the graph, it is recommended to invest in it if there are some cash left and there is an opportunity that it will improve and move to the left corner of the matrix

3. Divest/ get rid of – if the business unit appears in the right lower corner, this means that it is only needed to invest just enough to remain the unit or even divest if this unit is non-profitable for the company.

## GE-MCKINSEY MATRIX INVESTMENT IMPLICATIONS



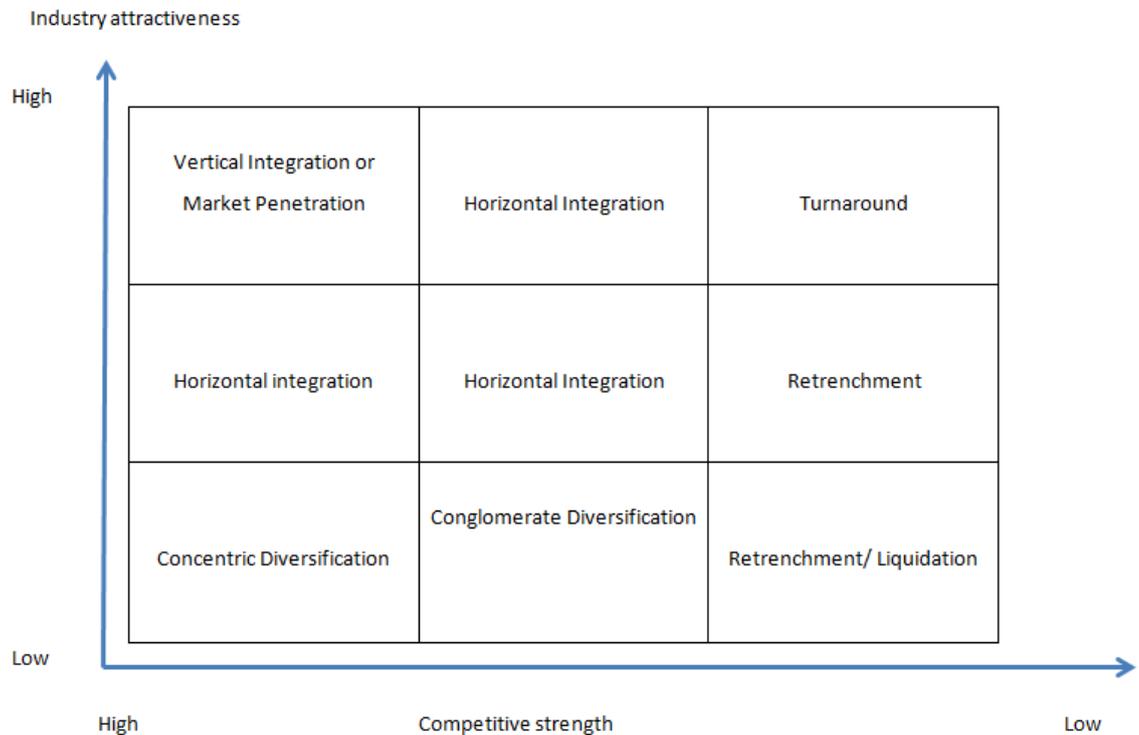
**FIGURE 12.** Investment's directions within GE-McKinsey's matrix (Adopted from Spencer, 2015)

### Step 5. Prioritize your investments

The question where to invest is always something that worries the businessmen. For instance, today a high attention has to be paid to the Chinese market (Smith, 2016). However, Rob Arnott still sees the European stocks as a possible thing to invest in. In general, the managers have to ask themselves 3 questions: should the company invest now, how much should the company invest and where to invest.

Doing the GE McKinsey matrix and answering all the questions takes time, effort and money, but it's still one of the most important product portfolio management tools that significantly facilitate investment decisions. Finally, all the strategies mentioned in the first chapter can be put in the McKinsey Matrix and by choosing the right square the

company decides which type of strategy to apply. In general, it works same as with the investment choices. The manager has to choose the type strategy concerning each business strategy in accordance with in which quadrant the business unit appears.



**FIGURE 12. Strategies applications in accordance with GE-Mc-Kinsey's matrix (Made by Author)**

In the first part of this research covered the main concepts and frameworks needed for the strategic process analysis have been covered. The next chapter of this thesis is dedicated to the description of commissioning party for which this research is developed.

#### 4 COMMISSIONING COMPANY CASE

Dpointgroup is a limited liability company located in Barcelona, Spain. The company's number of permanent employees is 7-10 people. However, each year the company recruits a certain number in interns from all over the world and the number of them can be up to 20 people.



**FIGURE 13. Dpointgroup company's logo (Adopted from company's website)**

Dpointgroup indicates itself as a group of companies that's core business is providing business-to-business services and solutions. The company has 3 daughter companies: Dprental – which is a subsidiary company that provides customers with rental of apartments, Dpcard – a discount card for different attractions and entertainments in Barcelona and Dpinflatables – branch of Dpointgroup carrying out activities concerning giant inflatable products.

**TABLE 4. Facts about Dpointgroup (Adapted from company's website)**

| Denomination                   | Dpointgroup                                |
|--------------------------------|--|
| Juridical form                 | Limited liability company                  |
| Customer catchment area        | Spain, France, Italy, Switzerland, Belgium |
| Annual Turnover                | 350 000 euros<br>80% coming from exports   |
| Foundation date of the company | 2002                                       |

Dpointgroup was created in 2002 by Daniel Gustavo Bukin, a young argentinian entrepreneur who's passion was to create a company that could solve any problem a business that wants to create some kind of event. The company's goal is to satisfy every different need of its customers so that they would contact only Dpointgroup for any request. Thus, Dpointgroup operates in different branches and is working with various types of clients such as town halls, advertising companies, advertising and television

companies, shops, restaurants, nightclubs and bars. At the beginning the company's main focus was the event management business. On the basis of Dpointgroup a daughter company Dpcard was created.

## DPOINTGROUP

Today Dpointgroup is a company that provides different business solutions to the businesses. These business solutions can be divided in 4 different groups:

1. Marketing services
  - a. Market research
  - b. Advertising support
  - c. Social Media
  - d. Online Marketing
2. IT services
  - a. Web-development
  - b. Mobile applications
  - c. Domaining
3. HR services:
  - a. Recruitment and training
  - b. Courses
4. Events and audiovisual services:
  - a. Events
  - b. Audio visuals
  - c. Hospitality

### 3 Branch companies of Dpointgroup:

#### 1. DPCARD

Price: 20 Euros. The card is a kind of discount card that give different benefits to the customers, from discounts to the mobile providers to the free entrance to some nightclubs. The DpCard is personal and cannot be used by many people. The name and surname of the owner is written on the card

#### 2. DPRENTAL

The branch company that offers different facilities for long-term and short-term rent, including

- Design Lofts
- Offices
- Apartments
- Houses
- Top Floor Triplex
- Airport pickup
- Parkings
- Entire Buildings

### 3. DPINFLATABLES

The third branch of Dpointgroup that sells giant inflatable products for events and conferences for advertising mainly. The range of products includes:

- Inflatable Merchandise & Advertising, such as arches, tents
- Giant Inflatable Cans, Bottles and Tins
- Billboards
- Inflatable Screens and Totem Poles
- Static cold air balloons
- Mini Inflatable Product Designs
- Dummies and Logos
- Sky Dancers, Windy Men, Sky Guys

#### **4.1 Problem of no concentration**

From the description it is confusing what is the main focus of the company and this is a very logical a feeling. In my thesis the aim is to apply the strategic process described in the theoretical part to this case company in order to find out the best opportunity for company to overcome the crisis.

## **5 RESEARCH METHODS AND DATA COLLECTION**

Research is an inseparable part of analysis. In today's dynamic world everything is constantly changing. Therefore, a separate chapter of this analysis is dedicated to research methods and data collection. Systematic observation of facts and figures is a way to find out the answers to the research questions. It is vital to choose the right methods to conduct your research. According to George Lundberg, the research method is a consistent way of observing, classifying and analyzing the information. (Shajahan, 2009.)

Generally speaking, research is a very wide notion and includes basically a discovery of the facts that you did not know about before or even the facts that no one knew at all. So to say, expanding the barriers of knowledge. The tools to do the research are called research methods, the way of data collection and analysis that are needed to make the conclusions. (Walliman, 2011.)

### **5.1 Research design and research objectives**

#### Research Design

Choosing the right research design out of many depends on the research hypotheses. Different types of research design require different research methods. For example, such research designs as historical, descriptive, comparative and experimental designs exist.

For instance, the descriptive research design together with comparative and correlation designs have been combined, as the aim of this work is to find the connection between the strategy and the profitability of the company. Some cultural aspect was also taken into account while conducting research as it is impossible to ignore a cultural aspect while conducting macro environmental analysis.

#### Research problem and objectives

Research problem is a reason to conduct the research. Once it is formulated the topic, research questions, objectives and goals can be set. It also serves to find out which types of data are needed for the purpose of solving the research problem. It can be formulated in the form of question or a paradox. In the case of my research the re-

search problem is to study how to improve the performance of Dpointgroup by introducing the new strategy of work.

After setting the research problems, the more specific objectives of the research have to be stated. Usually the objectives have to be explained in accordance with the problem. To achieve the general aim of the research stated in the problem 3 objectives of this thesis were formulated:

1. Evaluate the consequences of company work without any strategy behind
2. Propose a solution and different scenarios of future strategy, both business and corporate strategy
3. Provide list of improvements of the strategic process of the commissioning party

## **5.2 Research Methods**

According to Walliman all research methods can be separated in 2 groups based on the data collected: one group refers to information represented in numbers, the other one in words. The data that is usually represented in numbers is called *quantitative*. It can be analysed with statistics. Nevertheless, some types of information cannot be represented by numbers and these are the opinions, feelings, emotions, beliefs etc. These more correlates with qualities rather than quantities and thus this data is called qualitative

For the purpose of this research the qualitative approach has been applied. The strategic management and strategic decisions usually depend on the opinions and actions of few people who will as a consequence influence the opinion of larger number of people. However, as it will be mentioned below, a survey, a tool for quantitative data collection, was also used on purpose. (Walliman, 2011.)

### Qualitative approach

As it has been already mentioned the qualitative data is usually expressed in words. This is a descriptive feature. Obviously, this does not mean that this kind of information is less important than specific numbers and figures. Qualitative research methods should thoroughly define the meanings, concepts and interpretations

The best research is always a logical combination of both qualitative and quantitative approaches. It is important to mention, that some kinds of research methods can be referred to both quantitative and qualitative research methods. For example, a questionnaire exploring people's attitudes to company's strategy, that is used in my research, may provide qualitative data about respondents' opinions and thoughts, but might also provide useful quantitative data if some open questions are included in the survey. (Walliman, 2011.)

According to Walliman the basic methods of collecting primary qualitative and quantitative data are

- interviews
- observation
- focus groups
- experiments
- conducting surveys

## Interviews

There are different ways to conduct the interviews. Three types of interview are

1 *Structured interview* – prepared in advance questions for the scheduled interview

2 *Unstructured interview* – more flexible way of conducting the interview. Normally, one or two general questions are prepared and then the interviewer and interviewee follow the flow. Requires open format answers.

3 *Semi-structured interview* – a combination of structured and unstructured interviews.

The interviews can be used for both, qualitative and quantitative data collection. The topics of interviews can be very different, from very broad subjects to a very specific problem. They can be conducted once or repeated over a period of time. There are different types of interviews. (Walliman, 2011.)

Face-to-face interviews require a personal meeting. Different locations can be used: home, office, park, café, restaurant etc Focus groups though can be a separate research method but also can be a type of interview. The group is usually combined with people who share some specific knowledge or interest about the topic of the interview.

Telephone interviews/Skype are the solution when the interviewer and the interviewee are far from each other. It saves time and can be held faster than face-face interviews.

It is the best option when it is needed to interview a very busy person. The interviews can be recorded with the permission of the interviewee in order to have access to the full information. However, the process of transcription of the interviews is very time-consuming.

## Quantitative approach

### Survey

Surveys are one of the ways of quantitative data collection. Questionnaires are the organized questions with already proposed options for the answers or the types of answers that are required from the respondent are provided. It can be fully structured with closed format questions or may appear as a combination of different types of questions. Another benefit of the survey is that the respondents may stay anonymous. This is the best way to get the most relevant, honest and important data. Nevertheless, the surveys have to be carefully designed and it requires some time. The best way to have them short, as usually people are not eager to spend more than 5 minutes answering the questionnaire.

Finally, there are basically two question types:

- Closed format questions. The respondents are provided with answer options for the answer. It is quick, however the answer can be biased as the respondent already formulated his thoughts on the basis of the given answer choices.
- Open format questions. The open field is left for the answer. The disadvantage of such type of question is that not many people are eager to spend time and provide full answer from their heads.

## **5.3 Data collection**

### Secondary data

Every research needs a secondary data. With the help of secondary data the researcher can create a background for the analysis, collect the already existing theories and frameworks. Unfortunately, it is quite common in some researches to rely only on secondary data and ignore the primary data at all.

It is definitely important to rely on the information gathered by professionals and experts. However, it is important that the information has such characteristic as the fact that it is constantly changing and updating. Thus, it is extremely important to check the appropriability of the data for the current situation.

Some types of secondary data are:

- Written materials, such as books, online journals that were used for this research
- Non-written materials, such as online videos used in this particular study
- Survey data, including governmental surveys as well as organizational surveys of markets, economic forecasts, databases and others

Additionally, there exist a lot of different sources of secondary data. Nowadays, the most commonly used source of secondary information for university studies is Internet. In the web today the researchers can get access to the world's libraries, data bases and any types of data needed. In this research, the secondary data was very important basis for the theoretical framework of the research. Nevertheless, it was also used for the practical part for data collection of external analysis part of research.

### Primary Data

The collection of primary data has to be carefully planned and the researcher has to outline very carefully the types of data needed. Should the data be gathered by the means of interviews or survey? Which, qualitative or quantitative, data is needed for some specific issue?

The main source of primary data for my research was the 3 interviews conducted with CEO of the company, the head of Human resource department and the ex-employee of a Spanish company with successful strategy. For this study 2 Skype semi-structured interviews were conducted. Questions for the interviews were formulated before each interview, however, as these were semi-structured interviews, some additional questions were asked. When formulating the questions for each interview the correlation between the questions asked and the objectives of my research overall were considered.

Interview questions with CEO of the company:

Research objective 1 Evaluate the consequences of company work without any strategy behind

1. How would you describe the current situation of Dpointgroup?
2. Initially, what was the core business of the company?
3. What were the reasons for the decline of company's profitability?
4. When did things started to change?
5. Why?
6. Which direction did you follow?

Research objective 2 Propose a solution and different scenarios of future strategy, both business and corporate strategy

7. What is the core business today?
8. Is it profitable enough?
9. Where do you see the opportunities?

Research objective 3 To provide a list of improvements of the strategic process of the commissioning company

10. What do you think should be done in order to improve company's performance today and in the future?

Interview with the head of HR department:

Research objective 1 Evaluate the consequences of company work without any strategy behind

1. How would you describe the current situation of Dpointgroup?

Research objective 2 Propose a solution and different scenarios of future strategy, both business and corporate strategy

2. Which department of the company works most efficiently?
3. Which department has the most powerful and skillful workforce?
4. Do you see the human resources as a competitive advantage of the company?

Research objective 3 To provide a list of improvements of the strategic process of the commissioning company

5. What do you think should be done in order to improve company's performance today and in the future?

The combination of open and closed questions in the survey was used in the case of this research. As well as in the interviews each question in the survey is directly connected to one of the research objectives of this thesis.

Survey among the interns who used to work in Dpointgroup in different times:

Research objective 2 Propose a solution and different scenarios of future strategy, both business and corporate strategy

1. Which are of work you can call the core business of Dpointgroup:
  - a. Events(DPcard)
  - b. Events – outsourcing for congresses
  - c. Rental long-term
  - d. Rental short-term
  - e. DpInflatables
2. Do you think the company has to still focus on it?
  - a. Yes
  - b. No
3. If yes, why?

Research objective 3 To provide a list of improvements of the strategic process of the commissioning company

4. If no, which are has to be the main focus of the company and why?
5. Do you think that the company is not focused at all?
  - a. Yes
  - b. No

Research objective 1 Evaluate the consequences of company work without any strategy behind

6. What were the reasons for the decline of company's profitability?
  - a. Economic crisis
  - b. Lack of strategic thinking
  - c. Decision-making of the management of the company
  - d. The emerged competitors in the market

## 5.4 Data analysis

There exist a lot of statistical methods of quantitative data interpretation, however the ways of qualitative data analysis are not well-established yet. The accurate facts and figures are easier to interpret and the methods that are applicable to the quantitative data do not usually work with the words and opinions.

There are 3 steps of data analysis: data reduction – firstly, the data has to be sorted to the relevant and irrelevant; data display – secondly, the data has to be shown in a visual format – graphs, diagrams, tables, and conclusion drawing/verification - finally the analysis can be provided. (Miles & Huberman 1994, 10-12.)

## 5.5 Evaluation of research

It is crucial to evaluate the research work in order to provide a trustworthy work to the reader. The trustworthiness of the research or the reliability and validity of the research can be evaluated on the basis of 4 criteria: credibility, transferability, dependability and confirmability. (Eriksson and Kovalainen, 2008)

Research trustworthiness

Credibility

The whole research is based on the opinions of people and their knowledge. In order to assure the credibility of this, all the respondents were informed that their answers will be used only for the purpose of this work and will not have any impact on them personally or the company. Therefore, some of the respondents who preferred to be anonymous did not provide any of their personal information which guaranteed their honest and credible answers.

Transferability

Normally, it is almost impossible for a researcher to know if the data is transferable to some other study in the future because definitely each research is unique in its own way and some data is created and the other is ignored.

Thus, qualitative researchers should introduce the tools for future researchers to figure out if the data is transferable.

#### Dependability and confirmability

Lincoln stated that dependability designates if all the materials that are used for the research have to be presented in careful way. The confirmability of the research during all the steps of the analysis deals with the main problem and the objectives of the research. They should have been kept in mind during the whole research process and should have led the research to the desired result on the basis of the data collected and not on the basis of the personal opinions of the researcher

### **5.6 Limitations of the research**

As any research there are several limitations of research. In this particular work I do not consider several theories, such as Boston Consulting group matrix and Resource based view of the research. Additionally, such research methods as observation could be added. Finally, it would have been beneficial to hold the interview with one of the competitors of Dpointgroup in order to compare the way the companies operate in the same field. However, these improvements could be considered in the future work.

## **6 RESULTS AND ANALYSIS**

This chapter is divided in 2 parts: the results of the interviews, survey and the data collection from the secondary sources applied to the external and internal analysis and the second part is the application of the analysis to the McKinsey's and SWOT matrix and formulation of the company's next strategies: operational, business and corporate.

### **6.1 Review of the secondary data**

As the second objective of this thesis is to propose a solution and different scenarios of future strategy, both business and corporate strategy it is essential to find out the possible gaps or opportunities for the company development. The following subchapter is therefore dedicated to the macro-environmental analysis of Spain and Barcelona.

The macroenvironment of Dpointgroup, the case company, is basically Spain and Barcelona. According European comision (2016) the Spanish economy is experiencing the imbalances due to the high levels of public and private debt, large external liabilities and low productivity. However, there is a progress in reforming the bank sector in labour market developement. The recovery of the economy strengthened in 2015. Still the unemployemnt rates are very high for youth which leads to pverty.

The service and manufacturing sectors are strong. Additionally the tourism sector is very profitable. A strong influence has the culture to the life of society in Spain and Barcelona which serves as an attraction to the toursists around the world.

Talking about the current situation with refugees, among all the european countries is not the main destination for them. Therefore the attitude towards the refugeses is quite positive among the population. Only 3000 Syrians asked for the asylum in Spain compared to 24000 requests in Germany, for instance. (Carbajosa, 2015).

Another aspectto be kept in mind, that Catalonia, the region where Barcelona is situated, is aiming for independence. Catalonia is also one of the richest regions of Spain. However, the matter that all the Catalans want to have idependence as very controversial. During the last elections less than a half of population came to vote according to BBC. Finally, Barcelona is one of the European capitals of Technology. The World Mobile Congress is an event that is help every year in Barcelona. The largest companies of the mobile industry come to Barcelona to discuss the latest innovations in the industry

Major trends in the world that have to be taken into account:

1. Exchange rates fluctuations
2. Unstable political situation: USA, Russia, Syria
3. Brexit
4. According to IMF forecast Unemployment rate will go down from 5.5% to 4.8% in next five years.
5. Refugees movement to the Europe

When conducting any research it is essential to concentrate on the aspects that do apply to the case of the research. In case of Dpointgroup I believe that political, economical, socio-cultural and legal aspects are of the priority importance.

## **6.2 Microenvironmental analysis**

When it comes to the analysis of the microenvironment, the company with such a broad range of services offered has to apply the Operational and 5 Porter's forces analysis in the following way. It has to find out the applications of each force to each branch of business. In the case of Dpointgroup this will be : DpRental(Short and long-term rent), DpInflatables(production of huge inflatable screens), DpCard(event) and Dpointgroup as a business solutions company. In this work, the aim is to find out which branch of business is offering more opportunities for Dpointgroup and therefore it was important to find general information for each branch of business.

### 5 Porter's forces

#### Threat of substitutes

Dprental. The apartments is differentiated type of service as people do not search for the apartments on the regular basis. They do need the places to stay for short-term while traveling and for long-term while moving to Barcelona for the permanent stay. As the rental industry of Barcelona is full of different options for living the power of substitutes in case of Dprental is high in case of short-term rent. Customers can stay in the hotels, hostels, at their friends places or they can use the couchsurfing.com website. However, for the long term the power of the substitutes is lower. When thinking about staying at some place/city for more than 1 month it is obvious that the person will seek for the apartments rather than hotel or hostel.

DpCard. The concept of the discount card is unique concept itself. However, as it is a combination of the discounts and special offers for different services the substitutes for that can be the discounts and special offers directly at the place or loyalty cards specific to the place. Another substitute could be the vouchers or coupons, such as groupon.com In that case the power of substitute is high.

*DpInflatables*. Basically, *Dpinflatables* are producing the promotional products. Today, the variety of platforms for promotion is very high. Digital screens, banners, visual installations – all of these are the substitutes for the Inflatable products. Thus, the power of is high.

*Dpointgroup*. Being a company that is aiming to provide a big variety of business solutions at once, *Dpointgroup* has a lot of threats from the substitutes. Each organization that is providing any kind of solution that is providing *Dpointgroup* is a direct substitute. In result, the threat is high.

#### Threat of new entrants

*DpRental*. The rental business continues to develop from year to year. More and more new websites are appearing in the market. It is very important to consider that the more and more landlords appear in the market as people realise that this is a very profitable business. Specifically in Barcelona, every now and then more and more new apartments become available for rent. Therefore, the threat is high.

*DpCard*. To create the discount card there are not many entry barriers. Basically, a company has to create a large network of places that will be eager to cooperate with them. One of the entry barriers is the desire of the place, for instance, a restaurant to cooperate with the new company. The owners of the place might not be sure that the partner will bring enough customers to them. Consequently, the threat is medium.

*DpInflatables*. Comparing to *Dprental* and *Dpcard*, there are a lot of entry barriers for the production of inflatable products. Considerable amount of financial, production and human resources is required in order to establish a business. Thus, the threat is low.

*Dpointgroup*. In order to be successful in business solutions the company has to have an enormous network of partnerships. It takes time to create one, therefore the threat of new entrants is medium to low.

### Bargaining power of buyers

DpRental. The housing has always been a paradoxical thing in Barcelona. On the one hand, there is a great variety of different apartments for long and short term rent. On the other hand, the demand for the housing is so high, that whenever a customer is searching for a place for the long-term, it is always a very difficult thing to do. Therefore, I believe that for the short-term rent the bargaining power of buyers is high whereas for the long-term it is medium to low.

DpCard. The discount card is not a vital product for the buyers. The customers can easily live without having it and therefore the switching costs for them are very low. Thus, the bargaining power of buyers is high.

DpInflatables. There are not many producers of big inflatable screens, that are the core product of DpInflatables. The main competitors that the customers can switch to are located in China. The price and quality ratio for the inflatable screens of DpInflatables is considered to be attractive. Thus, the bargaining power of buyers is medium to low.

Dpointgroup. The business solutions branch of entrepreneurship is becoming very inefficient today. With the Internet it is easy to find any service needed to be outsourced. Consequently, the bargaining power of buyers is high.

### Bargaining power of suppliers

DpRental. For the renting business the suppliers are the owners of the apartments which DpRental has contracts with. In Barcelona there are a lot of landlords willing to rent out their apartment. At the same time, the renting market of Barcelona is already crowded with agencies willing to subrent the housing for long and short-term rent. Thus, the bargaining power of suppliers is high.

DpCard. As it has been already mentioned the suppliers in case of discount cards are the bars, clubs, restaurants and other places that are attractive for tourists and young adults. As Barcelona is famous for its huge variety of different places there are a lot of chances to create a large network of partnerships. As a result, the power for DpCard is low.

DpInflatables. For any manufacturing business the suppliers are very important. The quality and amount of suppliers is also very important. In case of Dpinflatables the company is very dependent on the suppliers as they are not many. Therefore, the power is high.

Dpointgroup. As Dpointgroup is outsourcing a lot of different services it is essential to have good partners in this case. However, this type of work is project-based and the partners might not be willing to maintain a long-term partnership. Therefore, the power is high.

#### Industries' rivalry

DpRental. The competition in the industry of renting in Barcelona is very high. For the short-term there are a lot of websites/agencies offering similar apartments for tourists. Airbnb.com is one of them and possibly the strongest one. For the long-term, there is also a considerable number of housing providers, such as shbarcelona.com. Therefore, the power is very high.

DpCard. The main competitor in this case is Barcelona Card. Even though the price of Barcelona card is much more expensive than the price of DpCard, it offers a wider range of attraction, it has great reputation among the tourists and it is available in many more locations. Thus, even though there is only one competitor in the industry, it is very difficult to compete with him.

DpInflatables. As it has been already mentioned, DpInflatables' main product is huge inflatable screen which can be used for different purposes and events. In Europe DpInflatables' prices for it are considered to be very competitive. Among the competitors, there are such companies as The Airscreen company, Airquee, Herva-inflatables. Thus, the force is medium.

Dpointgroup. In case of the range of services that Dpointgroup is offering, it is possibly a unique company in Barcelona. However, the fact that it is unknown and such big companies' as ManPower for human resources should be considered as a big threat. The Zinco business solutions is possibly the closest competitor. As a result, the rivalry in the industry is medium.

## Summary of the microenvironmental analysis

**Table 5. DpRental 5 Porter's Forces (Adapted from Dadhe, 2014.)**

| <b>The name of power</b>      | <b>The level of influence</b> |
|-------------------------------|-------------------------------|
| Threat of substitutes         | high                          |
| Threat of new entrants        | high                          |
| Bargaining power of buyers    | low                           |
| Bargaining power of suppliers | high                          |
| Industry's rivalry            | high                          |

**Table 6. DpCard 5 Porter's Forces (Adapted from Dadhe, 2014.)**

| <b>The name of power</b>      | <b>The level of influence</b> |
|-------------------------------|-------------------------------|
| Threat of substitutes         | high                          |
| Threat of new entrants        | medium                        |
| Bargaining power of buyers    | high                          |
| Bargaining power of suppliers | low                           |
| Industry's rivalry            | high                          |

**Table 7. DpInflatables 5 Porter's Forces (Adapted from Dadhe, 2014.)**

| <b>The name of power</b>      | <b>The level of influence</b> |
|-------------------------------|-------------------------------|
| Threat of substitutes         | high                          |
| Threat of new entrants        | medium                        |
| Bargaining power of buyers    | low                           |
| Bargaining power of suppliers | high                          |
| Industry's rivalry            | medium                        |

**Table 8. Dpointgroup 5 Porter's Forces (Adapted from Dadhe, 2014.)**

| <b>The name of power</b> | <b>The level of influence</b> |
|--------------------------|-------------------------------|
| Threat of substitutes    | high                          |
| Threat of new entrants   | medium                        |

|                               |        |
|-------------------------------|--------|
| Bargaining power of buyers    | high   |
| Bargaining power of suppliers | high   |
| Industry's rivalry            | medium |

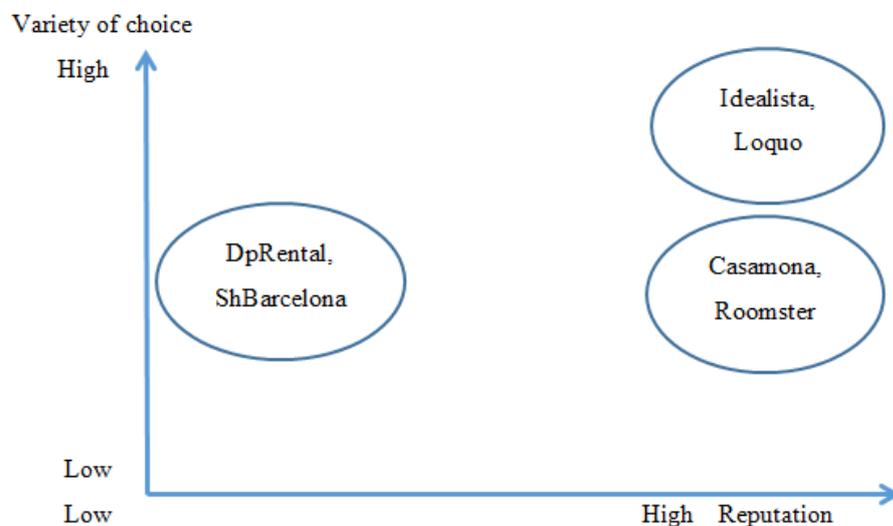
In a classical way, the 5 Porter's forces are now applied to different branches of business and are not generalized. However, my aim here was to find out which areas of business are more attractive for each branch.

### 6.3 Strategic Groups analysis

For every strategic analysis it is important to get a closer look to the competitors. In this subchapter 3 graphs are provided, 1 for each branch of the business and analyse 1-2 main competitors of each branch of the business in order to see in which industry there are possible gaps for achieving the competitive advantage.

#### DpRental

While conducting the interview with CEO of the company, he mentioned that rental business is today one of the most attractive for him. It requires a lot of work at the beginning but today when DpRental has a network of partnerships it is easy for the boss to get passive income rather than work on improving some other branch of his business.



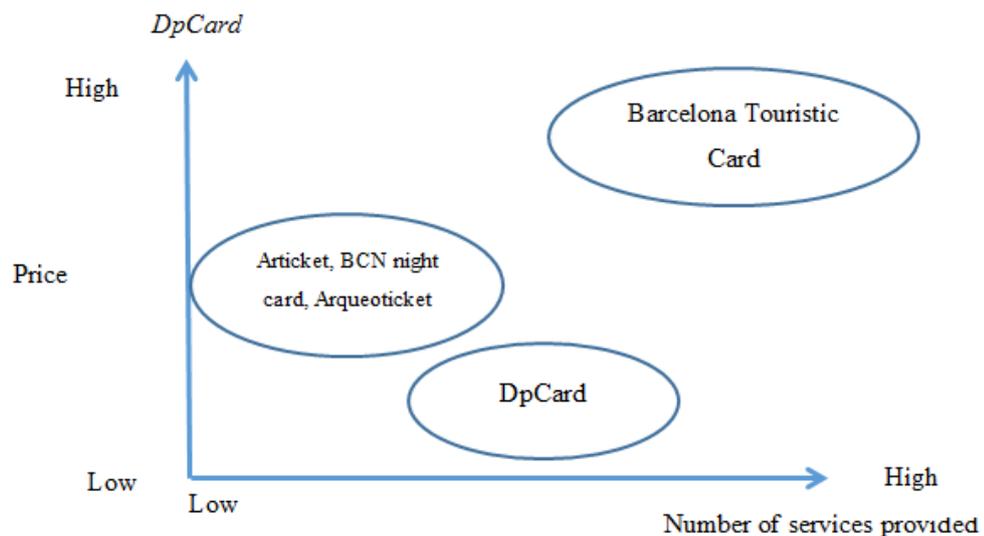
**FIGURE 14. Strategic groups – rental (Made by author)**

As shown in the figure 14 DpRental is in the group which has low reputation and medium variety of choice for the apartments. The closest competitor is ShBarcelona.

According to the official website of the company Sh Group is a company providing the real estate services since 2000. The most common option that attracts the tenants is monthly rent, the same as in Dprental.

As a result, DpRental is in the group that is not attractive for now. Dprental has to aim to move first to the group of Casamona and Roomster and afterwards move to Idealist and Loquo group. However, as DpRental already has the medium variety of choice working on the reputation will be easier. The practical steps of improving the reputation will be mentioned in the Recommendations part.

### DpCard



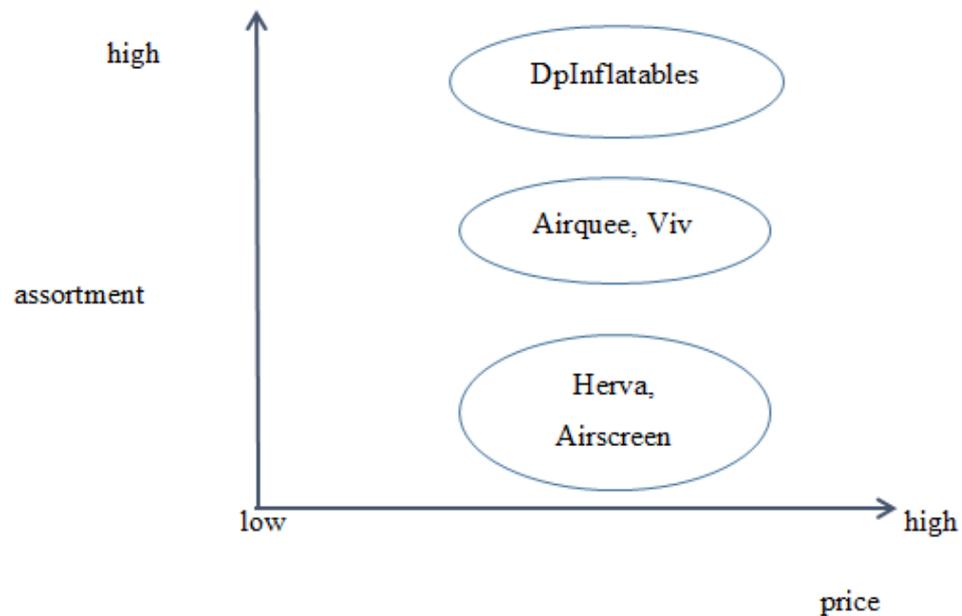
**FIGURE 15. Strategic groups – DpCard (Made by author)**

Figure 15 shows that there are not many competitors in the area of the discount cards. However, even among these competitors the Barcelona touristic card has the biggest amount of partners and has a stable target market of tourists. In order to reach the competitive advantage the DpCard has to increase significantly the number of its partners and then it will be able to move to another strategic group.

### Barcelona Toursitic card

This card can be obtained for 2-5b days. Such services is ublic transportation, free admission to the Barcelona’s attraction and discount asre offered. It comes with free map of Barcelona and guidebook. The card provides the owners of it with free oyublic transportation and allows more than 80 discounts to the main touristic attractions, such as nuseums, restaurants, parks, nightclubs etc (BarcelonaYellow, 2016.)

#### DpInflatables



**FIGURE 16. Strategic Groups – DpInflatables (Made by author)**

As it is shown in figure 16, DInflatables is the company with the biggest assortment of all the companies. It sells and rents promotion inflatables, attractions, cinema screens and has artistic services for a competitive price. There are companies that are more specialized in what they sell, but the big assortment is one of the strong points of DpInflatables.

According to the company’s official website Airquee is the biggest European producaer and supplier of inflatables. All the bouncy castles and inflatables are customly designed. The company supplies its products to private people, event agancies and everyone who would be interested.

Viv Ltd is another competitor of DpInflatables. It is an international company that sells products in different parts of the world, including Europe, Middle East and Russia. It is specialised in the recreational equipment.

It might seem at first that DpInflatables is a very attractive branch of business that could have been taken as an opportunity for growth. However, in reality during the interview the CEO of the company mentioned several times that today DpInflatables is definitely not the business that he is willing to develop. The number of customers has decreased dramatically and the company was not developing from the last 4-5 years. The whole equipment has to be renewed and the CEO of the company stated that the company does not have now enough capital to invest in production.

### Dpointgroup

The last but not least – business solutions. When typing in Google *Barcelona business solutions*, the first website that is shown in the list is the website of Dpointgroup. In reality, again Dpointgroup is the only company that has such a wide range of services that it can outsource. The closest competitor to Dpointgroup in this market is Zinco business solutions.

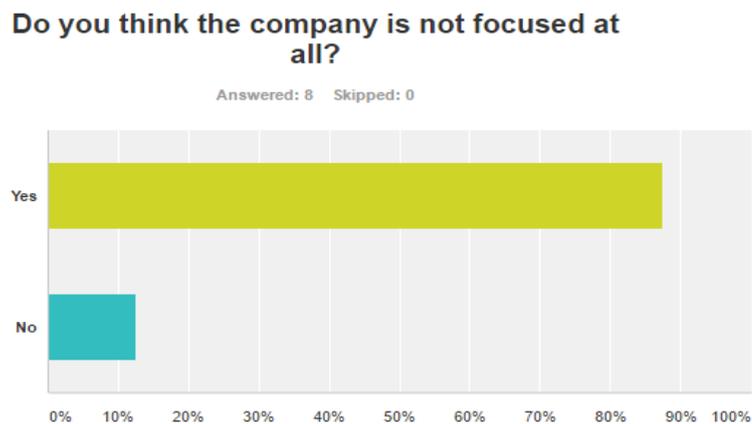
Zinco business solutions is a company providing outsourcing services for a wide range of companies. According to the company's website, the organisation is offering the following range of services from business management and patenting to engineering and automation. Some of the services are the same as the ones of Dpointgroup, such as business administration, training, real estate, transport, while the others differ a lot.

All in all, after the analysis of the macro and especially micro and intra-industry environments, one can get a false feeling that Dpointgroup is doing well. However, when taking a closer look inside the company that will be discussed in the next subchapter, the reader will understand that in all the areas and branches of business, Dpointgroup is trying to reach everything and everyone without having one specific idea about what the company is. Consequently, the result of such work is the decline of the company's profitability, no motivation to work within the departments and top management and stagnation.

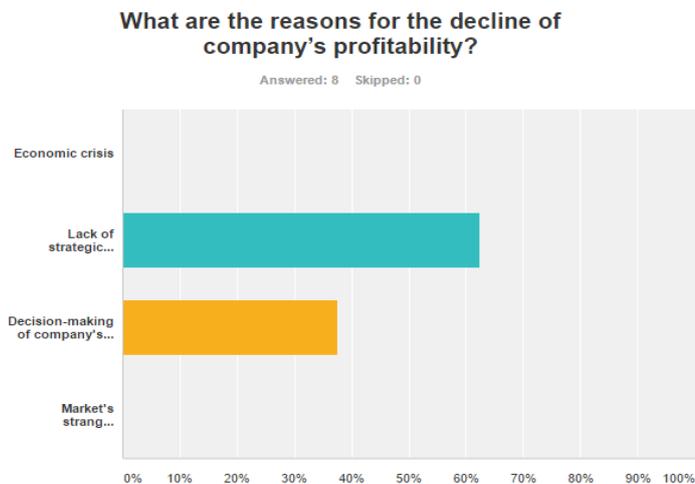
## 6.4 Internal analysis

During the interviews and the survey one of the main objectives was to find out the answer to the objectives of the thesis. The questions were formulated in a way that they show the reasons why the company is not doing well today and what should be done in the future in order to overcome crisis

The CEO of the company mentioned as the reasons for decline the crisis of the Spanish economy in 2009. At the same time the survey among 8 interns who worked in Dpoingroup in spring and summer 2016 has shown that the main 2 reasons for the company's decline were lack of strategic management of the company and the decision-making of the top-management. Additionally, the respondents think that the company is not focused at all.



**FIGURE 17. Survey summary 1 (Made by author)**



**FIGURE 18. Survey summary 2 (Made by author)**

The same thinking shares the head of the HR department. Here is her answer to the first question of the interview:

How would you describe the current situation of Dpointgroup?

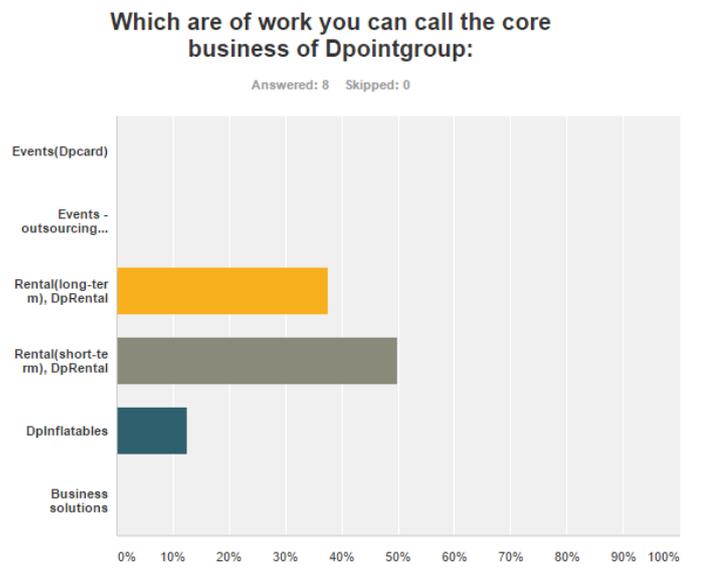
It is a bit messy. I mean we do our work but I do not see where it is all going. When I recruit new interns I am always thinking about the tasks I have to give them and the departments in which we do need more workforce. However, I see that the interns are doing the same work from year to year and this is not leading us to any development.

However, while comparing the interviews with the CEO of the company and the interview with the head of HR department and the survey among the interns the controversy was found out. The CEO thinks that the company is still focused and doing quite well, while the rest of the employees are convinced that the company is not focused at all.

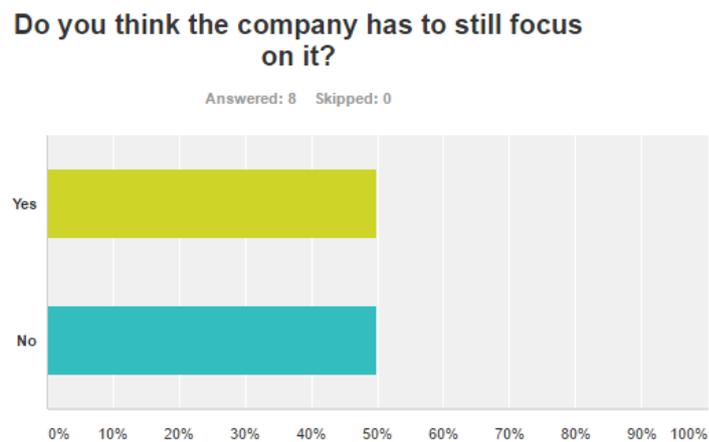
Therefore, the first result of the research is that the communication among the management and company's employees is very weak, as the opinions even about the core things in the company do differ a lot. The survey has shown that 7 out of 8 respondents believe that the core business of the company is the rental business. Additionally, half of the respondents believe that the company has to still focus on it. Nevertheless, the CEO of the company thinks differently. His answers to both what was initially the core business and what is the core business today were different from what the employees of the company have in mind.

According to the CEO:

The company started with the event business. We were quite known in Barcelona, we created parties with the cooperation with biggest night clubs in Barcelona: Shoko, for instance. We also supplied services to huge conferences such as Mobile world congresses. I believe that today the core business is business solutions. We do different things and they support different business purposes.



**FIGURE 19. Survey summary 3 (Made by author)**



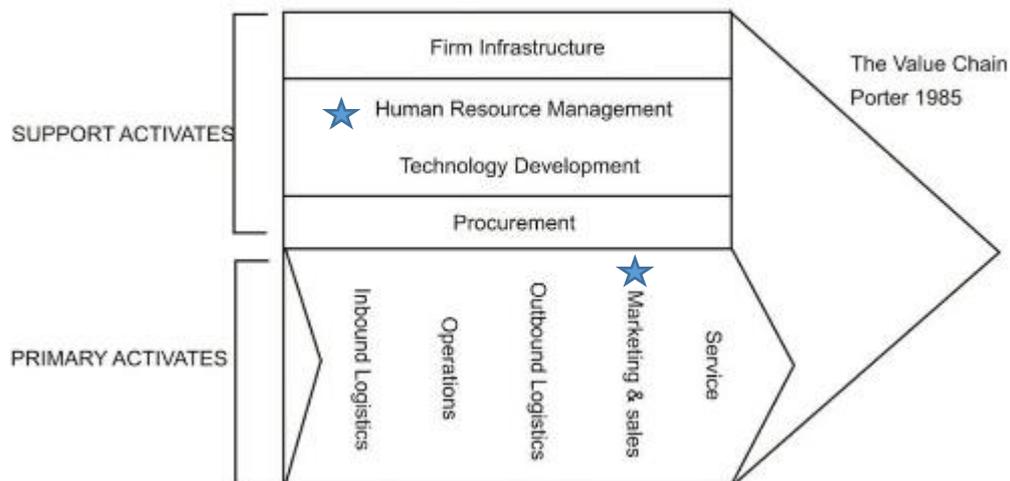
**FIGURE 20. Survey summary 4 (Made by author)**

Finally, the last objective of the interviews and surveys was to find out what can be done in order to improve the current situation in the company. The respondents of the survey who believe that the company has to still focus on the rental business have mentioned the following reasons for that:

1. It is the only business that brings everyday profit
2. Barcelona attracts a lot of tourists and students
3. It is the main source of revenue
4. It is the only department that is doing well

As a support for that the idea of the head of the HR department that the most efficient department of Dpointgroup is marketing, specifically promotion and the company a very well established database of different online marketing channels and it is working well can be used in order to increase the demand for the rental.

### 6.5 Value-chain analysis



**FIGURE 21. Value chain analysis (Adapted from Archana Dadhe, 2014)**

When analyzing the primary and supportive activities of Dpointgroup, the interviews have shown that the Human resources and Marketing and sales departments are the 2 departments that are working the most efficiently. Below, the answers of CEO and the head of Human Resources department are provided.

According to the CEO:

We do concentrate a lot on training Each year we recrute interns from all over the world in order to train them in different area. Most commonly it is marketing, HR and web development.

At the same time the head of HR department said that she believes that human resource department is very strong. It does recruit talented and professional young adults from all over the world. HR department has a structure and everything is work-

ing well. The interns who work with in HR find great candidats, hold the interviews and manage all the paper work. They are real professionals.

Therefore, the company has to take the advantages of what is already working well.

### SWOT analysis

As a conclusion of the internal and external analysis the SWOT analysis was conducted on the basis of the interviews, survey and the analysis of the secondary data. As the CEO, the head of human department and the interns mentioned, the following are the Dpointgroups's strengths and weaknesses.

#### Strengths:

1. Big potential of the workforce
2. Large network of partners
3. Big variety of services offered
4. Stable profit from the rental business

#### Weaknesses:

1. No focus of the current work
2. Lack of strategic thinking
3. No motivation of the workforce
4. Weak communicatin within the company
5. No free capital for the future investement
6. Lack of the reputation
7. No loyal customers

#### Opportunities:

1. Barcelona is a city with high demand for the housing
2. The current recovery of Spanish economy
3. Friendly attitude towards refugees
4. A big number of cultural events, conferences and other events to participate in.
5. Low level of competition in Inflatables and business solutions branches.

#### Threats:

1. The political instability in the world

2. The exchange rates fluctuations
3. Big threat of new entrants and substitutes in all 4 branches of businesses
4. High level of competition in rental, discount cards businesses.

All of these factors, are the most important for the future decision making for the company. The strategy of the development that will be described in the following subchapter.

### 6.6 Evaluation of the results and choice of strategy

The last and most important step of strategic process is the evaluation of all the factors that have been found during the research and putting them all together to the McKinsey's matrix. In this subchapter the McKinsey's matrix is provided according to the evaluation of industry attractiveness and competitive strength of each branch of Dpointgroup's area of work.

#### Industry attractiveness

The tables 9 and 10 show the evaluation of the industry attractiveness for each branch of business of Dpointgroup. The weight in the table shows the level of importance of each factor for the branches of business and the Rating shows the level attractiveness of this factor on the scale 1- low attractiveness, 5 – high attractiveness. The factors chosen for the industry attractiveness evaluation have been discussed with the CEO of the company.

**Table 9. Industry Attractiveness (Adapted from Spencer, 2015)**

| Industry Attractiveness |        |          |                |        |                |
|-------------------------|--------|----------|----------------|--------|----------------|
|                         |        | DpRental |                | DpCard |                |
| Factor                  | Weight | Rating   | Weighted Score | Rating | Weighted Score |
| Industry in long term   | 0,15   | 4        | 0,6            | 4      | 0,6            |
| Level of Demand         | 0,25   | 4        | 1              | 4      | 1              |

|                        |      |   |      |   |      |
|------------------------|------|---|------|---|------|
| Threat of new entrants | 0,15 | 1 | 0,15 | 3 | 0,45 |
| Threat of substitutes  | 0,2  | 2 | 0,4  | 1 | 0,2  |
| Size of competition    | 0,25 | 1 | 0,25 | 1 | 0,25 |
| Total                  | 1.00 | - | 2,4  | - | 2,5  |

**Table 10. Industry Attractiveness (Adapted from Spencer, 2015)**

| Industry Attractiveness |        |               |                |             |                |
|-------------------------|--------|---------------|----------------|-------------|----------------|
|                         |        | DpInflatables |                | Dpointgroup |                |
| Factor                  | Weight | Rating        | Weighted Score | Rating      | Weighted Score |
| Industry in long term   | 0,15   | 1             | 0,15           | 2           | 0,3            |
| Level of Demand         | 0,25   | 1             | 0,25           | 2           | 0,5            |
| Threat of new entrants  | 0,15   | 4             | 0,6            | 3           | 0,45           |
| Threat of substitutes   | 0,2    | 1             | 0,2            | 1           | 0,2            |
| Size of competition     | 0,25   | 4             | 1              | 3           | 0,75           |
| Total                   | 1.00   | -             | 2,2            | -           | 2,2            |

In the result of the calculations, the industry attractiveness is low for each branch of the business. However the attractiveness of the industry for them still varies in the following way (from the best to the worst):

1. DpCard 2,5
2. DpRental 2,4
3. Dpinflatables 2,2

#### 4. Dpointgroup(business solutions) 2,2

The result of this is also confirmed by the CEO of the company. He mentioned in the interview that he sees a high potential in the events and entertainment business in Barcelona.

#### Competitive strengths of business fields

Tables 11 and 12 show the evaluation of the competitive strength for each branch of business of Dpointgroup. The weight in the table show the level of importance of each factor for the branches of business and the Rating shows the level attractiveness of this factor on the scale 1- low attractiveness, 5 – high attractiveness. The factors chosen for the competitive strength evaluation have been discussed with the CEO of the company.

**Table 11. Competitive strength (Adapted from Spencer, 2015)**

| Competitive strength          |        |          |                |        |                |
|-------------------------------|--------|----------|----------------|--------|----------------|
|                               |        | DpRental |                | DpCard |                |
| Factor                        | Weight | Rating   | Weighted Score | Rating | Weighted Score |
| Brand Value                   | 0,15   | 3        | 0,45           | 2      | 0,3            |
| Profitability                 | 0,35   | 5        | 1,75           | 2      | 0,7            |
| Customer's attitude           | 0,15   | 3        | 0,45           | 2      | 0,3            |
| Level of differentiation      | 0,1    | 4        | 0,4            | 4      | 0,4            |
| Flexibility toward the demand | 0,25   | 4        | 1              | 4      | 1              |
| Total                         | 1.00   | -        | 4,05           |        | 2,7            |

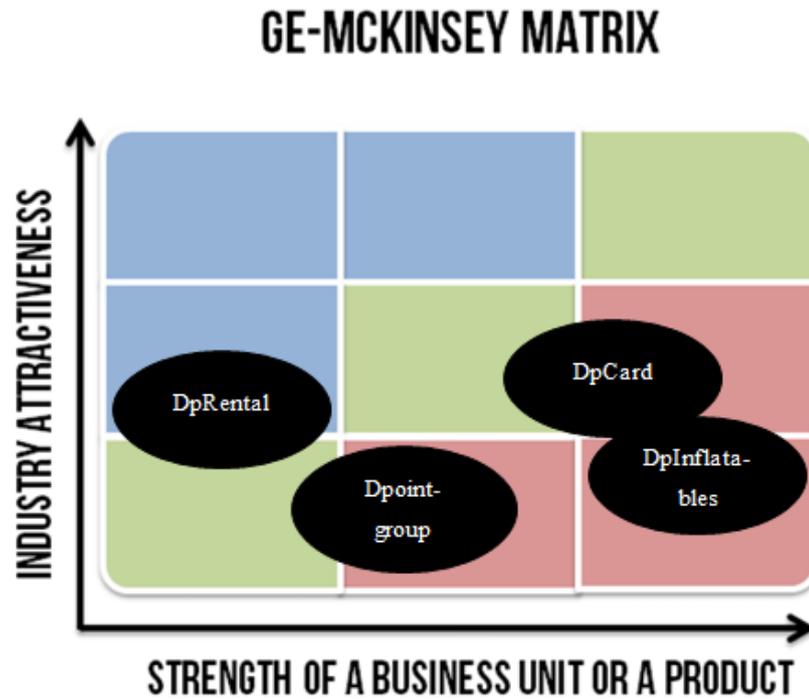
**Table 12. Competitive Strength (Adapted from Spencer, 2015)**

| Competitive strength          |        |               |                |             |                |
|-------------------------------|--------|---------------|----------------|-------------|----------------|
|                               |        | DpInflatables |                | Dpointgroup |                |
| Factor                        | Weight | Rating        | Weighted Score | Rating      | Weighted Score |
| Brand Value                   | 0,15   | 2             | 0,3            | 3           | 0,45           |
| Profitability                 | 0,35   | 3             | 1,05           | 2           | 0,7            |
| Customer's attitude           | 0,15   | 1             | 0,15           | 2           | 0,3            |
| Level of differentiation      | 0,1    | 4             | 0,4            | 4           | 0,4            |
| Flexibility toward the demand | 0,25   | 2             | 0,5            | 4           | 1              |
| Total                         | 1.00   | -             | 2,4            | -           | 2,85           |

The results of the calculations for the competitive strength of the 4 branches of Dpointgroup differ a lot from the results of industry attractiveness and they do differ a lot one from another. As a result this is the rating of competitive strength from the best to the worst:

1. DpRental 4,05
2. Dpointgroup 2,85
3. DpCard 2,7
4. DpInflatables 2,4

The next step of the McKinsey's matrix evaluation is putting the results of the calculation to the matrix. These results are shown in the figure 22.



**FIGURE 22. McKinsey's matrix application (Adapted from Spencer, 2015)**

Figure 22 shows that the most attractive branch of business is finally the Dprenal business, which lies in the quadrant of the investment and growth. As it was already mentioned this quadrant represents the concentric diversification strategy. The specific strategies proposition will be described in the last part of the thesis with the specific operational-functional strategies.

### **6.7 The summary of the analysis**

The analysis that has been applied in the 6<sup>th</sup> chapter has shown at first sight controversial results. All the industries in which the company operates are not attractive as well as the competitive strength of each business unit is quite low. However, on the basis of the interviews, survey and the data collected Dprenal has appeared to be the most attractive branch of business to invest.

## 7 CONCLUSIONS

The problem of this thesis is to study how to improve the performance of Dpointgroup by introducing the new strategy of work. To achieve this general aim several objectives have been set:

1. Evaluate the consequences of company work without any strategy behind
2. Propose a solution and different scenarios of future strategy, both business and corporate strategy
3. To provide a list of improvements of the strategic process of the commissioning company

Research objective 1 Evaluate the consequences of company work without any strategy behind. After the analysis of the interviews and the the main sources of problem in the company have appeared to be:

1. Problem of commiunication between the top management and the employees
2. The desire of the company to everywhere at the same time
3. The absence of strategy

As it is already discussed in the results part all the respondents to the survey mentioned that the company is in a stagnation right now. When the new interns come they do not see the motivation to improve something as they do not have clear understanding of what is the core business today and what is going to happen in the future. Therefore, the suggestion that the absence of strategy can cause real problems on the revenue in the company has been approved.

Research objective 2 Propose a solution and scenario of future strategy, both business and corporate strategy. After conducting the analysis of macro, micro, industry and internal environments of the company the development scenario has been created.

### Scenario

The McKinsey's matrix and the calculations of the industry's attractiveness have shown that the most attractive business unit in the company is DpRental. Even though the attractiveness of the industry is quite low, the actual competitive strength of DpRental is very high. Moreover, the results of the interview with the head of the HR

department and survey among the interns of the company have shown that the majority of the employees perceive the DpRental as the only possible way of the company development.

Based on the McKinseys' matrix the company has to apply the concentric diversification corporate strategy. This types of strategy seeks for adjoining new but related business to the existing one. However, in the case of the DpRental the actual product is the apartments for rent. In this case, my suggestion is not concentrated on the adding the new product but the new types of housing.

For the long-term DpRental is offering only the shared housing, meaning that the company possesses big apartments and rents out the rooms. The company is losing considerable part of market: people who seeks for the whole apartments.

According to the HomeSearch Barcelona the real estate industry is woerful in Barcelonaand there is a continuously growing demand to that. More than 90% of housing is in full ownership. Therefore, DpRental has to concentrate on searching new partners and expanding its database of different housing facilities for people with different needs which brings us ro the business strategy that the company has to follow.

The market penetration is the strategy when the company the company is using the existing product to expand in the existing market. Basically, what DpRental has to to is to improve the variety of the housing offers and improve the quality of the existing ones. The demand for the housing is existing constantly. Me, as one of the customers of DpRental, I was not fully satisfied with the quality of the apartments. The fact that they are fully-equipped and well-located does correlate with the price of housing. However, the following things that can be done in order to improve the existing product and expand it in the existing market:

1. Renew the furniture in the rooms and in the kitchen
2. Make the general cleaning of each apartment once in 2-3 months.
3. Carefully instruct the inhabitants of the apartmentsd about the rules of living.

Finally, the operational-functional strategies are formulated for the this scenario in the SWOT matrix which is attached in appendix 4.

The main operational-functional strategies that the company has to develop are:

1. Use the word-of-mouth among the existing customers in order to reach new ones
2. Add an option of renting the whole apartment
3. Protect the current database of customers to prevent the threat of new entrants
4. Increase the quality of the apartments in order to create one more competitive advantage

### **7.1 Contribution to the case company**

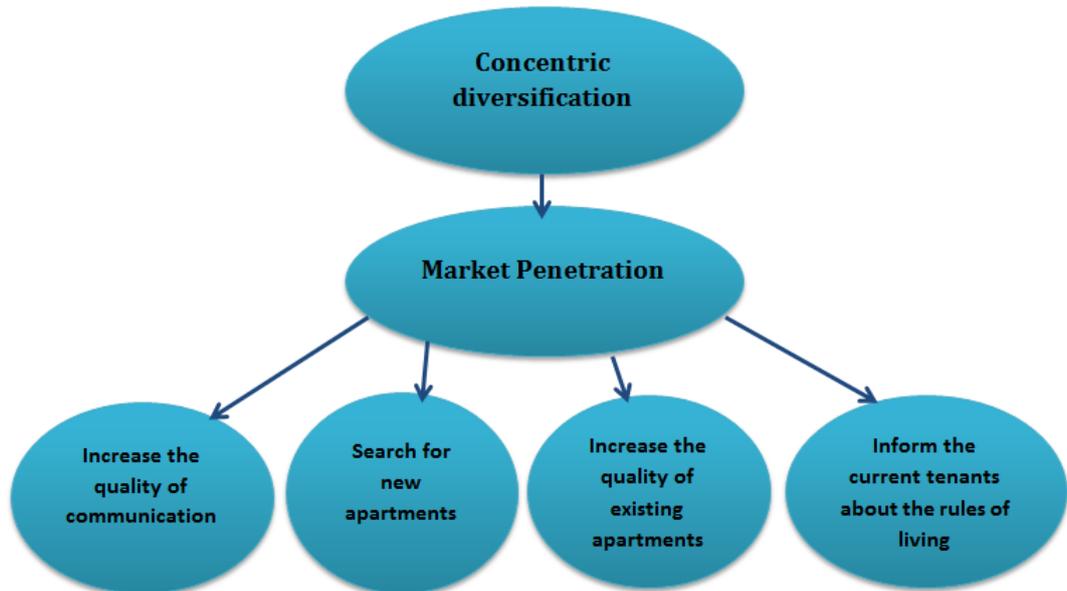
The contribution to the case company is the answer to the last objective of my thesis which is to provide a list of improvements of the strategic process of the commissioning company. This research was created as a response to the desire of the CEO of the company to create a strategy of future work of Dpointgroup.

While conducting the research very controversial things appeared. However, one thing was always the same. The interviews, survey and the analysis of secondary data, the opinions of academic and business people, everything has led me to the only 1 possible answer to the problem of this thesis study how to improve the performance of Dpointgroup by introducing the new strategy of work: it is a lot of work. Here is the list of practical improvements for Dpointgroup in order to apply a new strategy into action:

1. Increase the quality of communication in the company. The interviews and the survey have shown the controversial results which can be explained by the lack of the communication in the company. My suggestion is to handle a meeting of the top management and the employees of the company once a week in order to discuss the current situation of the company.
2. Search for the new apartments. As it has been already explained in the conclusions, the possibility to reach new customers is to provide not only shared housing but also the full apartments.
3. Improve the quality of the existing apartments. Renew the furniture in the rooms and in the kitchen and organize once in 2-3 months the general cleaning of the apartments

4. Inform the tenants of the apartments about the rules of living. In order to prevent the apartments from the damage the company has to make a code of rules of living in the apartments that has to be provided to each tenant.

The summary of the results of this study can be seen in figure 23. The 3 layers of strategies in the relation to Dpointgroup Ltd case are provided.



**FIGURE 23. Results summary (Made by author)**

## 7.2 Reliability and limitations of the research

### Research trustworthiness

In this work the main focus was on the data that is double-checked before it was put in the corresponding chapter in order to insure the credibility of the research. For each concept used in the thesis the clear explanation and examples where needed were provided to insure the transferability. This research is presented in logical order which was explained at every stage of work to prove the dependability. Finally, the whole work was led by the problem and the objectives of the thesis that were set before the research to insure the confirmability.

## Limitations

The strategic management and strategic process in particular is the concept that was open to debate for a very long time. A lot of different and controversial theories were developed over the years. Therefore, the information used in this thesis is anyway biased. The concepts used in the study were suitable for the case company and some of very strong and powerful frameworks were left for the future development of this work.

## **8 CONCLUDING REMARKS**

This study was designed in order to show the importance of the strategic management in the company. It is important to have a clear understanding of what is lying behind the word strategy. The main results showed that the SME can not be profitable if there is a lack of concentration and focus in all the activities. Furthermore, the results of the research have supported the hypothesis about the importance of strategic decision-making in the company.

In conclusion, the application of this thesis is the actual strategy that is proposed to the company. During the interview with the CEO of the case company he told me that he prefers to see the information in the graphic format, meaning several tables, graphs and diagrams, lists. Therefore, the results part is both descriptive and graphic. The presentation of the findings will be sent to the CEO and the results will be discussed with him.

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**APPENDICES**

**APPENDIX 1 Survey questions**

Survey among the interns:

1. Which are of work you can call the core business of Dpointgroup:
  - a. Events(DPcard)
  - b. Events – outsourcing for congresses
  - c. Rental long-term
  - d. Rental short-term
  - e. DpInflatables
2. Do you think the company has to still focus on it?
  - a. Yes
  - b. No
3. If yes, why?
4. If no, which are has to be the main focus of the company and why?
5. Do you think that the company is not focused at all?
  - a. Yes
  - b. No
6. What are the reasons for the decline of company's profitability?
  - a. Economic crisis
  - b. Lack of strategic thinking
  - c. Decision-making of the management of the company
  - d. The emerged competitors in the market

APPENDIX 2 (1) Interview with CEO of the company

1. How would you describe the current situation of Dpointgroup?

The company is doing quite well. Today the main source of the stable finance is the short and long term rent. However, we do concentrate a lot on training. Each year we recruit interns from all over the world in order to train them in different area. Most commonly it is marketing, HR and web development.

2. Initially, what was the core business of the company?

The company started with the event business. We were quite known in Barcelona, we created parties with the cooperation with biggest night clubs in Barcelona: Shoko, for instance. We also supplied services to huge conferences such as Mobile world congresses.

3. What were the reasons for the decline of company's profitability?

I believe that the recession of the Spanish economy in 2009. The number of events in Barcelona and generally in Spain declined dramatically and we lost a lot of our customers. It also influenced Dpinflatables and we could not provide a lot of the products.

4. When did things started to change?

When we realized with my brother that the things are not going well we decided to concentrate more on the rental. We have contracts with 2 partners and provide shared housing for people. Step by step it became one of our main businesses but I still believe that this is just a supportive branch of the business

5. Why?

People always come to Barcelona. It is a huge attraction to the students, workers and tourists. That is why we also started to provide short-term stay but this did not work quite well as I experienced a lot of troubles which were not worth this work

6. Which direction did you follow?

I would not say that we are following 1 specific direction. Dpointgroup is changing over the time.

7. What is the core business today?

I believe it is business solutions. We do different things and they support different businesses purposes.

8. Is it profitable enough?

APPENDIX 2 (2)

Well, it is profitable. It is enough profitable for me now but I understand that the company has to grow. I would like to reconcentrate back to the events business and have Rental as a support for that.

9. Where do you see the opportunities?

The economy of Spain is now recovering in my opinion. Barcelona is becoming again a city where a lot of events are happening. When big companies come to the congresses, conferences, fashion weeks and so on to Barcelona they need someone to help them with a lot of stuff. I believe Dpoint could be their solution.

10. What do you think should be done in order to improve company's performance today and in the future?

I do not think a lot of things have to be done, we just have to be more visible and participate and spread the knowledge about the company in all possible ways. We already do a lot of promotion in Facebook and other social networks.

APPENDIX 3 Interview with the head of HR department:

1. How would you describe the current situation of Dpointgroup?

It is a bit messy. I mean we do our work but I do not see where it is all going. When I recruit new interns I am always thinking about the tasks I have to give them and the departments in which we do need more workforce. However, I see that the interns are doing the same work from year to year and this is not leading us to any development.

2. Which department of the company works most efficiently?

It is marketing I guess. Not the whole marketing department but the promotion team. We do have a very well established database of different online marketing channels and it is working well.

3. Which department has the most powerful and skillful workforce?

It depends. I believe that my human resource department is very strong. We do recruit talented and professional young adults from all over the world. We have a structure and everything is working well. The interns who work with me in HR find great candidates, hold the interviews and manage all the paperwork. They are real professionals

4. Do you see the human resources as a competitive advantage of the company?

I really do. Every year we put a very big attention to finding great professionals for each department of the company and I see that talented and fantastic people come. I am always a bit sad when I see that they can not realise all their potential due to the mess in the company's structure.

5. What do you think should be done in order to improve company's performance today and in the future?

I guess we need to find out where we are going, which business we concentrate on. After that we need to divide the work between departments and improve the communication in the company. We need to find the most powerful and skillful personnel and work, work and work.

APPENDIX 4 Swot strategies matrix

|   |   |  |
|---|---|--|
|   | <p>Strengths:</p> <ol style="list-style-type: none"> <li>1. The most profitable branch of DPGroup</li> <li>2. Already exiting customer base</li> <li>3. Large number of apartments</li> <li>4. Different locations of the apartments</li> <li>5. Competitive price</li> </ol>   | <p>Weaknesses:</p> <ol style="list-style-type: none"> <li>1. Low quality of the apartments</li> <li>2. Possibility to rent only room</li> <li>3. The top management does not see DP Rental as the core business</li> </ol>   |
| <p>Opportunities:</p> <ol style="list-style-type: none"> <li>1. Constatly growing demand for housing</li> <li>2. The diversity of the customers' desires</li> <li>3. The end of the Spanish crisis</li> <li>4. Positive attitude toward the refugees</li> </ol> | <p>SO strategies:</p> <p>1-1 Using the capital from previous work in order to expand the number of apartments</p> <p>2-1 Use the word-of-mouth among the exsting customers in order to reach new ones</p> <p>3-4 The ability to reach new target group using the existing resources</p> <p>4-2 Use the resources to attract more customers</p> <p>5-3 The increase in the Spanish economy may allow Dprental to set higher prices</p> | <p>WO strategies</p> <p>1-2 mrove the quality of the apartments to reach new customers</p> <p>2-2 Add an option of renting the whole apartment</p> <p>3-1,2,3,4 Make a presentation to the top management to propose the reasons why DpRental is the future of Dpointgroup</p> |
| <p>Threats:</p> <ol style="list-style-type: none"> <li>1. High level of com-</li> </ol>   | <p>ST strategies</p> <p>3,4,5 – 1 Use the competi-</p>  | <p>WT strategies</p> <p>1-1 Increase the quality of</p>  |

|  |  |   |
|--|--|---|
| <p>petition</p> <p>2. High threat of substitutes</p> <p>3. High threat of new entrants</p> <p>4. Low switching costs for the customers</p> | <p>tive advantages in order to beat the competitors</p> <p>2-3 Protect the current database of customers to prevent the threat of new entrants</p> <p>4,5 – 4 Add value to the customers to increase the switching costs</p> | <p>the apartments in order to create one more competitive advantage</p> <p>2-2 Create a larger variety of housings to prevent the threat of substitutes</p> |
|--|--|---|