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DEFINING OF LOGISTICS PARAMETER STRATEGIES OF A COMPANY ON THE BASIS OF ITS AGGRESSION TOWARDS THE MARKET

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Abstract:

The term "strategy" was first used in commercial jargon in 1950, i.e. at a time of turbulent political and economic changes. According to Ansoff's observation, "this interest in strategy was driven by a growing awareness that the corporate environment gradually became volatile and incoherent, and the struggle for markets, contracts, customers has begun." [1] This resulted to the fact that the goals themselves are insufficient for decision-making rules for the management of companies. Management needed to be adapted to changing challenges, threats and opportunities [2]. The strategies of companies can therefore be classified according to various aspects. Miles and Snow classified the company's strategies on the basis of aggression towards the market [3]. This article defines and describes the rules in logistics that are characteristic of these strategies and need to be implemented to create and application of strategy of selected type (the prospector, the defender, the analyser, the reactor).

Key words:

strategy, logistics, manufacturing company, model, market position

INTRODUCTION

Many definitions of strategy, applied to company management methods, are presented in the publications. One of the first definitions, quoted in most manuals, was formulated by Chandler: "The strategy defines the long-term goals of the company, it adopts the direction of procedures and it defines the resources needed to achieve these goals." [4].

Another of the cited approaches to strategies is presented by Mintzberg. He explained five different views on strategy: as a plan, actions, model (method), position and perspective [5]. Comprehensive insights into different approaches to strategy can be found in the work from authors Weseloh and Campon [6, 7].

The formulated approaches to the definition of strategy constantly bring an aspect of the future of the company and generally present that the strategy should clarify the long-term goals and function of usable stocks [8-10].

The overview of definitions can benefit from comparisons of abstract or material constructions given by different authors as strategies. The following table lists the selected preferences.

Tab. 1 The lists the strategy definition from the selected preferences [11]

Author	Area of interest
Chandler, A. A. (1962)	Basic long-term goals of the company.
Ansoff, H. I. (1965)	Production-business area, growth vector, competitive advantages, synergistic effect.
Andrews, K. R. (1971)	The set of goals, objectives and main policy.
Buzell, R.D., Gale B.T. (1987),	Inventory allocation.
Mintzberg, H. (1987)	Plan, actions, model, position or perspective.
Porter, M.E. (1991)	Creating a unique position.
Gelderen, M. van, Frese M.,	Action plan.
Thurik R. (2000)	
Gibcus P., Kemp R.G.M. (2003)	Proposals for decisions of the activities of a company.
Johnson, G., Scholes, K.,	Direction and area of organization
Whittington, R. (2005)	

It can be assumed that the definition of a strategy includes three basic aspects at some degree of generalization:

1. What is an example (model) of a company? - The required position of a company.
2. What way should a company go for development? - Expected behaviour, plans and perspectives.
3. How to obtain resources for expected tasks? – Ensuring of compliance.

Therefore, the strategies of companies can be classified according to various aspects. Miles and Snow classified the strategies of a company based on aggression towards the market. The choice of strategy should be based on the market position of a company, its strengths, investments, production resources, market segment development in which a company operates [3].

According to their aggression, companies can be classified:

1. **Prospector** – a conqueror, offensive strategy;
2. **Defender** – defensive strategy;
3. **Analyser** – strategy of looking for possibilities (ways), unclear strategy;
4. **Reactor** – no strategy or operational strategy only.

1 RESEARCH METHODOLOGY

In the following, these strategies will be characterized in terms of logistics, what rules and principles a company should implement and apply in the field of logistics in order to prepare the strategy.

The criteria for assessing the type of strategy are defined in three groups:

- a) Market position;
- b) Products, production;
- c) Production capacities - resources.

1.1 The prospector strategy

It is the most aggressive strategy. It is suitable for large companies, multinational companies with a large number of entities, located in a growing market segment, typical especially for the time of boom. One of the essential goals is to maximize production, productivity and profit [3, 12].

A) Market position:

1. Increases the market space (tornado effect), increases the volume of production;
2. Absorbs competition, buys (merges) competing companies;
3. Eliminates competition (e.g. by reducing of prices);
4. Is a dominant part of the SCM (Supply Chain Management) [13];
5. Applies DCM (Demand Chain Management) to chain members;
6. Prepares strategy from 3 to 5 years;
7. Operates in optimal allocation of production, warehousing processes;
8. Uses alternative supply.

B) Products, production:

1. Own products, protected by patents;
2. High level of quality;
3. Own research and development;
4. Optimal layout of machines, warehouses, etc.;
5. Product organization of production processes;
6. Production strategy focused on productivity (OPT, Constraint theory, Synchro MRP)
7. About 20% of products in development;
8. High level of automation, informatization, robotics;
9. High level of standardization, modularity, unification;
10. The first brings innovations to the market;
11. Creation of SCM, DCM.

C) Production capacities – resources:

1. Sufficient financial resources;
2. Reserve production capacities;
3. Preempt of competition capacity strategy;
4. Younger, aggressive management;
5. Strong marketing.

1.2 The defender strategy

It is a defensive conservative type of strategy, suitable especially for medium and small companies in times of crisis, but also for the time of boom and prosperity. The basic idea is to maintain the market position and flexibility [3, 12].

A) Market position:

1. Preservation of the market position;
2. Small stable market;

3. They form the middle and end part of SCM;
4. Fast order fulfilment;
5. Small margins, low prices;
6. Costs minimization.

B) Products, production:

1. Good level of product quality;
2. Own product research and development;
3. Closed production cycle (own development, technical preparation of production, patents);
4. Relative independence from suppliers (make or buy);
5. Narrow assortment of products;
6. Orientation for fast fulfilment of small orders;
7. Bound to large customers;
8. Make to stock production of standard products, demand forecasting;
9. Flexibility is achieved through production planning and scheduling models.

C) Production capacities – resources:

1. Restoration of capacities to the previous level;
2. Maximization of capacity utilization – TOC (Theory of constraints), OPT (Optimum production technology);
3. Conservative capacity strategy – “Wait and see”;
4. Non-investment capacity regulation (motivation, outsourcing, increasing capacity possibilities, extra shift, extension of shifts, maintenance postponement, etc.);
5. Searching for reserves, shortening production times;
6. Older management, older age of employees;
7. Management “For Sure”;
8. “Ringi” system;
9. Has developed a long-term strategy (product, personnel, production).

1.3 The analyser strategy

This strategy is unclear, between the prospector and the defender, the strategy with less risk than the prospector, but with less stability and conservatism than the defender. There are big numbers of companies with such type of strategy. They tend not to undergo radical changes, they expand into related areas of their core business or they expand the market with original (traditional products) or they rather innovate products partially instead of bringing new products [3, 12].

A) Market position:

1. Changing market position, alternating of crisis and development;
2. The volume of production changes - sometimes too many orders, sometimes few orders;
3. Continual struggle for the market;
4. Companies are usually the middle part of chains;
5. Searching for a stable place in the market.

B) Products, production:

1. Wide, unstable product range;
2. Products with an average quality;
3. Low productivity;
4. Relatively large volumes of production and small margins;
5. They do not have its own research and development, they mainly produces products according to customer specifications;
6. The vast majority of products are in the phase of peak and declination;
7. Volume changes though an outsourcing;
8. Bottleneck changes, according to number of orders;
9. Process layout of manufacturing processes.

C) Production capacities – resources:

1. Variable capacity utilization;
2. Regulation of the number of employees according to number of orders, (redundancies or recruitment, 60% work, 4-day or 6-day working week, etc.);
3. Personnel capacity regulation - pensioners, students, temporary workers, etc.;
4. Low rate of investment in new technologies.

1.4 The reactor strategy

It is a passive strategy. The company responds only to events if they occur at the moment (operationally). A company is without a specific strategy. It is the least effective strategy, as a ship without a destination and without a rudder. Miles and Snow defined three reasons when a company can be in such a state [3, 12]:

- The management does not have a clear idea and a clear strategy, it cannot prepare a strategy;
- The management did not agree with the chosen strategy of the owners;
- The management wants to maintain the chosen strategy, but market conditions have been changed radically.

Naturally, this condition can occur at the start a business. If a company does not have its own strategy, then its activities are managed by someone else, e.g. the market itself.

A) Market position:

1. Unclear, unstable market position;
2. No specific, no clear strategy.

B) Products, production:

1. Process organization of manufacturing processes;
2. Low prices of products;
3. Unstable production volumes.

C) Production capacities – resources:

1. The management does not aware of the need for the strategy;
2. The management is not identified with the chosen strategy.

2 THE STRATEGY PROPOSAL FOR THE COMPANY CHEMOSVIT FÓLIE A.S.

Chemosvit Fólie a.s. is the company within the Chemosvit group and its aim is:

- To be a Long-term competitiveness and profitability part of the group;
- To be a stable and prosperous part of the Chemosvit holding.

The **flexibility** is defined as a strategic advantage of Chemosvit Fólie a.s. with a focus on the effective implementation of small and medium-sized orders. The second advantage is the complexity of the offered services, which, in addition to the advantage of a comprehensive service for customers, also helps the flexibility of the company.

Chemosvit Fólie a.s. wants to profile itself as a quality supplier of packaging films to the European market, with an emphasis on the packaging of food products, such as chocolates, biscuits, coffee, instant products, but also barrier films for packaging cheese and meat, as well as hygiene products. In the future, it wants to observe and, in case of perspective, to develop other segments, like technical, agricultural and construction films (e.g. packaging for washing powders or animal feeds).

The strategy was prepared for the years 2012-2014, at the time of still ongoing economic crisis, which began in 2008. In terms of nature and market position, the company can be qualified as the prospector, the defender and the analyser or the reactor. The system analysis, SWOT analysis and comparative analysis, which compare the parameter for particular aggressive strategies with values in the company, create the characteristics of the company Chemosvit Fólie a.s. The company is characterized by the fact that it has a very wide range of assortment and it produces with fully utilised capacities (which has a negative impact on the overload of production nodes and "stretching" the delivery dates), it has a complex production chain including the graphic processes, own product development, strong background and tradition within the Chemosvit group.

The company Chemosvit Fólie a.s. was a typical defender with partial analyser features. The goal of the strategy is to continue directing the company to the position of the defender, of which only some elements have been adopted today. In the short term, it is not realistic for a company to become the prospector.

3 STRATEGIC INTENTIONS OF THE COMPANY

The strategic intention and today reality of the company Chemosvit Fólie a.s. is **flexibility**, where it is necessary to determine its measurable indicators, and which needs to be further systematically developed. This strategic advantage is given by the available premises, machinery, work organization and approach of the people in the company.

It is necessary to create the conditions to be able to adapt to the market situation and to be able to implement small and medium-sized contracts efficiently and quickly, which large companies are not interested in. It does not mean that the company will not try to create conditions and get large orders, however it considers that ready to fast process of small and medium-sized orders is essential for the future, where the company wants to achieve a competitive advantage over large companies.

This topic was quite controversial at the beginning, which led to a long and difficult discussion. However, this strategic intention was finally agreed on the basis of the following arguments:

- The average order is reduced (by more than 30%), because its customers have to be flexible and do not want to have large and unused stocks;
- It operates in a market where there is an overpressure of small and medium orders;

- Experience from tenders – it is better in small and medium orders;
- New investments are built on small and medium orders;
- Large orders cannot be pushed through at high speeds (above 300 m / min) and often cannot be pushed through at once due to capacity blocking.
- There is the idea in the strategy: *“Man survived the ice age and not mammoths (the strongest), because he was able to adapt and he was also flexible.”*

Next, the flexibility as a competitive advantage through partial strategies will be elaborated. One of the indicators of flexibility is also about 90% compliance with long-term contracted due dates. It is about 28 - 45 days (today fulfilled to about 60%) and the ability to deliver in urgent cases ahead of a due date. New KPIs (Key Performance Indicators) have been applied to measure flexibility.

The company's strategy was prepared as a medium-term for the years 2012-2014 due to major dynamic changes in the market. It was processed on the basis of the model described in Figure 1. It is based on the macrologistics model of the company, and follows up the dominant goal of competitiveness, flexibility and the position of the defender on the basis of streamlining processes in terms of logistics.

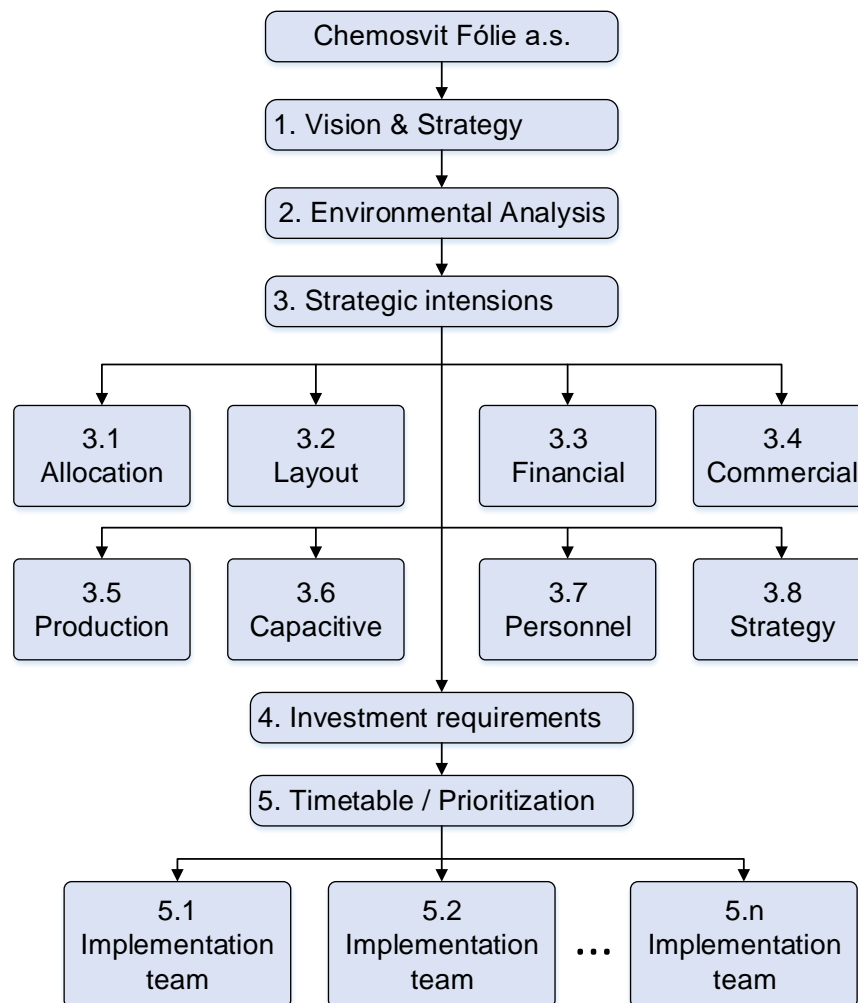


Fig.1 Strategy preparation model

Source: own research

4 CONCLUSION

Processes of the company were divided into 8 areas, which contain comments on the market situation and the conclusions of the analysis, including proposals for new activities and changes [13, 14].

- Allocation;
- Layout;
- Financial strategy;
- Business strategy;
- Production strategy;
- Capacity strategy;
- Personnel strategy;
- Quality strategy.

Proposals from these strategies for individual areas resulted in investment and non-investment plans (change in functions, changes in organization, coordination of procedures, changes in logistics, etc.). Priorities and a timetable have been determined for all these conclusions. Finally, implementation projects were defined, which need to be developed in detail in order to implement the strategy. The strategy was successfully implemented and the company successfully survived the hard times in the mentioned crisis.

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