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Strategic process as an essential part of  
strategic management process for  
achieving success  
Research of the Russian Chain of Pharmacies

Bachelor's Thesis  
Business Management


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## DESCRIPTION

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<b>Abstract</b>  <p>This thesis is about strategic process which includes strategic analysis, choice of the strategy and its implementation and control. The thesis describes how important this process is. It has descriptions of the most common analysis, types of strategies, their implementation and classification of controlling system. The objective of this thesis is to show the importance of the strategic process. To show how the analysis, the choice and the implementation can lead an organisation to the success.</p> <p>The theoretical framework is divided on the 2 main parts: strategic management and the strategic process. The first part includes general descriptions and an introduction about strategic management so the reader could have a point of view what about this thesis is. Further there goes description of the strategic process. This part is divided on the 3 parts: the strategic analysis, the strategic choice and the strategy implementation.</p> <p>The theoretical framework is well-described on the example of the Russian chain of pharmacies through qualitative research. The research problem of the company: the need of changes. The research design includes an analysis of the interview with the one of the company's representative who was participating in the strategic process which was going on in the company in 2004-2009.</p> <p>The results part contains all the theoretical knowledge in practice; it explains how the analysis, the choices and the implementation with the control were made. All these steps go each after one, in the same way as they were described before in the theory. All these steps were done through the answers analysis of the interview. Also there was a research through the Internet for clearer results.</p> <p>In conclusion, there is a discussion which concludes if the strategic process was successful. This conclusion is based on the interview information and results of the strategic process. The main finding was that the success comes if the strategic process is going on step by step and there is a control on every level.</p> <p>And the final part of this bachelor's thesis describes the writer's impression on the thesis process.</p>		
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## 1 INTRODUCTION

Strategic development is one of the main components of every company that wants to expand. This is an important process in company's lifecycle which describes its purpose of existing, direction of development, different aims and other significant things. Strategy helps an organization to choose right direction, to review all aspects of it and involve all the departments. It will ensure the economic development of the company, the growth of the competitiveness among other organizations.

Strategic management is becoming more and more popular nowadays as operational management is not enough for gaining some special purposes which need a lot of time to be spent. Also it needs a big amount of special investments (for example, usually it is financial investments and human resource).

The importance of the strategic management can be shown on the everyday example. If the person is hungry at the moment he/she just will go and buy something to eat. But if this person could think in advance that he/she would like to it in the future this person could buy food in advance. So the same is with operational and strategic planning.

The strategic process which is an important part of the strategic development and management will be the main purpose of this thesis. Effectiveness of strategic process effects on the company's results in future. If strategic process was well thought-out it would bring much better results than not considered process. Effective using of elaborated strategy is a path to success in business for the company and also it is a check of all organizational aspects.

If the company wants its results were assessed as perfect it should develop and involve a high-quality strategic planning. Strategic planning is another huge topic for discussion and analysing, but what is made and analysed for strategic process that is the draft and framework for strategic planning. So the better and more carefully strategic process is analysed the better plan the company will have.

The objective of this bachelor's thesis is to show the importance of strategic process. And the main question on which it will answer is 'How the strategic process helps the

company to achieve the success.’ Thesis includes description of different types of strategic analysis, big range of strategy choice and how important it is to implement strategy correctly at the right time and how control all the things which can influence on the achieving the success.

The final part of the thesis will be described as a qualitative research of Russian pharmaceutical company ‘Russian Pharmacies’ in the ‘Research design’ and ‘Results’ parts of this thesis. All parts of theoretical framework will be shown in practice in the example of this company. The company is medium-sized organization and it is a huge chain of pharmacies in Saint-Petersburg and in Moscow with a big market share.

## **2 STRATEGIC MANAGEMENT AND ITS ROLE IN THE ORGANISATION**

One of the most amazing and demanding things is strategic management, which takes all the decisions for company’s future development. The strategy includes in itself all the organisational aspects such as staff, economics, manufacture methods and external surroundings. (Lynch, 2009, 2).

### **2.1 Definition of strategic management and strategy**

Strategic management is the recognition of the main goal of the company and its activities in obtaining this goal (Lynch, 2009, 5). Another definition of strategic management describes it as a set of corporate decisions and activities which define company’s long-run execution. Moreover, strategic management is a process of surrounding research (internal and external scanning), formulation of the strategic planning, strategic realization, and assessment and control. (Wheelen & Hunger, 2002, 1). Strategic management basis are absolutely different from management features. It is shown in the table 2.1 (Johnson & Scholes, 1993, 15).

**Table 2.1 Strategic management and operational management**

Strategic Management	Operational Management
Ambiguity Complexity Non-routine	Routinised
Organisation-wide Fundamental	Operationally specific
Significant change	Small-scale change
Environment or expectations driven	Resource driven

Strategic and operational management are very different and it can be explained in following points:

- Operational management is linked with day-to-day operational and production activities of the company. While the strategic management includes in itself all the levels of the company from top to bottom;
- Strategic management concentrates on long-term activities, while operational management concentrates only on short-term;
- Strategic management includes unique activities in itself which are very doubtful and static. While operational management is concerned with daily operations which are really monotonous, exact and accurate;
- Managers should have extra skills and be highly-experienced for strategic management, while for operational management there is no need in well-skilled staff;
- Existence of the company is concerned with strategic management as it takes into account all possible risks and all environmental factors. Operational management is linked with the existence of the company only in daily operations and activities which make strategic management possible. (Hajara Saleeth, . [referred 30.01.2012]).

Strategy defines activities that organization and its personnel do (Tompson & Martin, 2010, 9). Strategy explains how these activities are prepared for the external surroundings and how they are concerned with organization's resources (Lynch, 2009, 6).

There are three different types of strategies which every company examines: corporate, business and functional. Corporate strategy defines organization's general direction for the future development and the management of company's different product

lines and businesses. There are usually three general types of this corporate strategy: growth, stability and shortening. (Wheelen & Hungler, 2008, 15).

## 2.2 Strategic management process

Strategic management is not linked with making decisions about all the necessary questions which are encountered to the company. It is linked with guarantee that the strategy is going to be implemented. There are three important components: strategic analysis, strategic choice and strategy implementation in strategic management process (Figure 2.1). Strategic analysis explains the company's strategic position in the market. Strategic choice defines all the activities which should be taken into account, assessment and choice of these activities. And strategic implementation explains how to plan the strategic choice that it could have a positive effect and if it is required to make any changes. (Johnson & Scholes, 1993, 16).

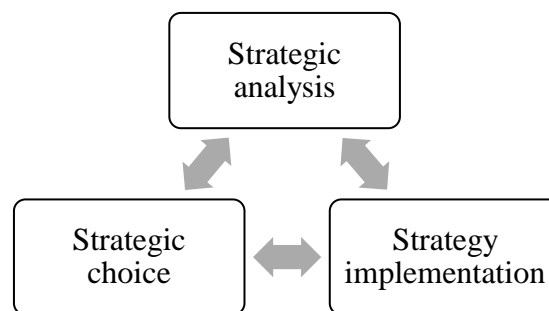


Figure 2.1 A basic model of the strategic management process

Strategic management process does not describe exact instructions how to do strategy in the company. It just helps to understand main parts of it and summarize them together for the better vision. (Johnson & Scholes, 1999, 25-26).

## 2.3 Strategic management in practice

The strategic process is more theoretical, while it is very significant to know how the strategy takes place. Strategy is not only the direction for the future; it is an infinite cycle of lots of processes. It is very clearly seen in so called punctuated equilibrium. Punctuated equilibrium shows how development of strategies goes through the time (Figure 2.3). (Johnson & Scholes, 1999, 45-47).



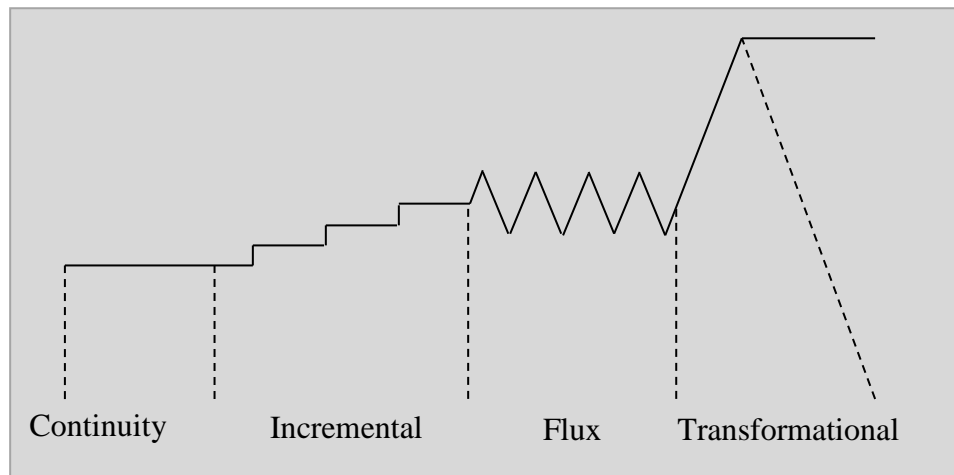


Figure 2.3 Punctuated equilibrium

It is also very important to have a clear vision of managing time and tasks together and strategic planning can help with this. Strategic planning was introduced in 1960s and it means a progression of evaluative and analytical processes which helps in formulating and implementing the strategy. (Johnson & Scholes, 1999, 51).

Another very important part in practice is building organisational culture. Organisational culture means beliefs and estimates that all the individuals of the company share between each other. It is a long-term process and it cannot be built in a short time, and all the members take part in its building. (Johnson & Scholes, 1999, 58).

### 3 STRATEGIC ANALYSIS

Strategic analysis explains company's condition concerning its surroundings, resources and abilities, and what stakeholders expect and how they influence on the organization. All the questions which are shown up in this stage help to make a decision about the strategic choice. For instance, if there are any changes in the market and if these changes have an effect on the company and what it does. Also internal analysis must have been done to understand all the company's advantages which it has. (Johnson & Scholes, 1999, 17-18).

### **3.1 PEST-analysis**

PEST-analysis is an abbreviation for political, economic, social and technological factors which influence on the organization. It is made for a close and intensive analysis of macro environmental influences which can affect the company. (Johnson & Scholes, 1999, 104).

Political factors are linked with legal and governmental regulations and rules such as taxation system, laws, stability and others. Economic factors influence on the consumers' demand and company's costs. Social factors influence on the market size and needs of consumers. They are concerned with cultural and demographic situation. Technological factors reduce risks for entrance on the market, decrease production costs and analyse research and development activity. All these factors are a start point for further environmental research of the organization and can be included in the SWOT-analysis. (Pest analysis [referred 10.09.2012]).

### **3.2 5 forces analysis**

One of the important factors in strategic planning is analysing market, competitors and other aspects in the environment that can effect on the company (Johnson & Scholes, 1999, 115). And these environmental factors and aspect are very important in choosing the right strategy. Industry and market can make the company to change decisions about strategy as they influence on it a lot. Even those forces which are out of the market can influence on the company and there must be special relationships and deals with them. 5 forces analysis shows the competition within and beyond the industry and market. (Porter, 1980, 3).

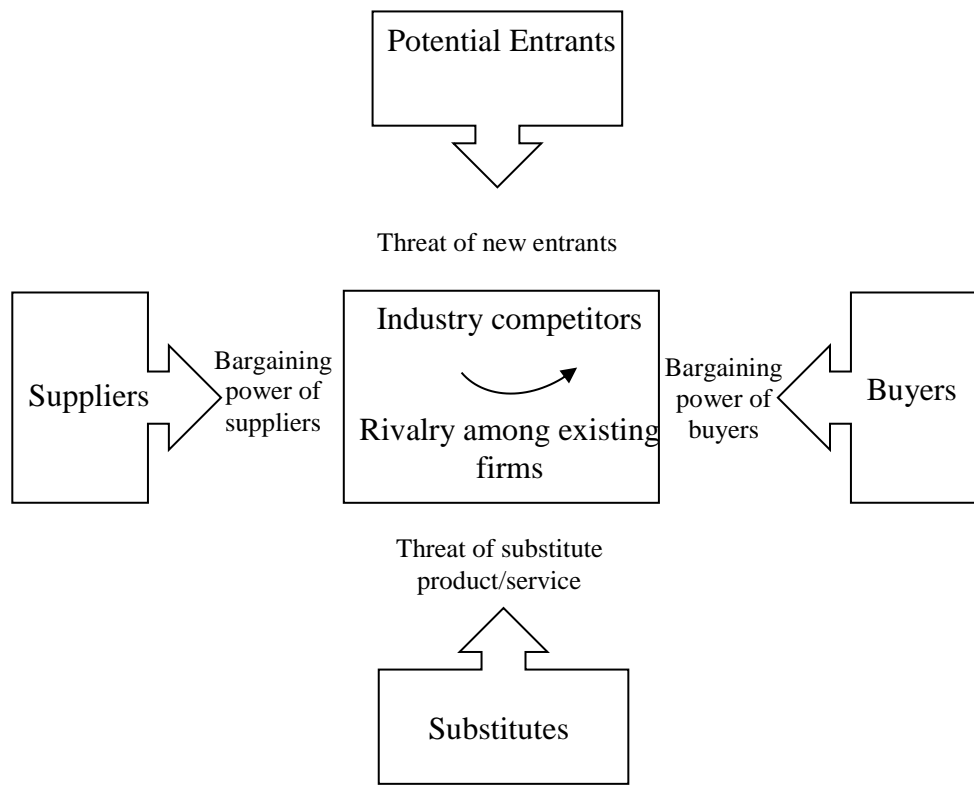


Figure 2.3 Five forces analysis

### *Threat of entry*

There are different barriers which effect on the entry to market. Economies of scale can be very important for several industries – FMCG, distribution and etc. The capital requirement of entry can differ from industry to industry and it depends on the cost of entry and technology. Access to distribution channels helps make strong connections with possible distributors which make it more difficult for competitors to enter the market. Cost advantages do not depend on the size of the company. It is very important to be experienced and to know how exactly enter the new market. Company reputation and experience should be transferred to the new market. The decision about new entry should be planned and done very wisely. It is very difficult to enter the market with a very strong competitor, the market leader, and it can cost too much. Legislation of the government can have lots of restrictions not only in industries, but also in the whole market. It affects a lot on the organisations as it can have some limitations and sanctions which prevent or cut down operations of the company. Differentiation can cause the problem in competition for the company itself. (Johnson & Scholes, 1999, 115-117).

It is very significant that all the barriers are different and it depends on the industry, market, and product/service. So the barriers should be analysed very properly, which exact problems for entry can occur, and the company's position. Moreover, if it is possible, avoid competition, and analyse all the activities for entry to be realized. (Johnson & Scholes, 1999, 117).

#### *Bargaining power of buyers and suppliers*

These two forces are connected to each other so it is easier to mention them together. Every company offer services or products by getting resources. This link is usually called value and supply chain or value system, it will be described in this chapter, section 2.1.7. Both supplier and buyer powers should be high as it gives higher competition and more power on the market. (Johnson & Scholes, 1999, 117-120).

#### *Threat of substitutes*

Types of substitution:

- *Product-for-product* – it is when one product can be substituted for another similar, but more modern one;
- *Substitution of need* occurs for new service/product returning previous service/product extraneous;
- *Generic substitution* is concerned with need competition between services/products;
- *Doing without* means that it is very difficult to make a product without something. (Johnson & Scholes, 1999, 120).

#### *Competitive rivalry*

Direct competition should be reached by companies as it is very important for them. There are several forces that affect the competition on the market:

- The market where competitors are equal to each other has very intensive rivalry. Both of them try to dominate over another;
- Life cycle and growth rates of the market can affect competition too;

- Gaining global and international consumers rise up rivalry among suppliers;
- Opportunity to cut fixed costs can affect on the market price and influence on customers choice;
- Differentiation place an important role in the increasing the competition;
- Purchasing of smaller and weaker organisation by bigger ones can increase competitive power for them. (Johnson & Scholes, 1999, 123).

### *Collaboration and competition*

Partnership between competitors, sellers or buyers can be very advantageous in some markets and industries. Such collaboration can bring more opportunities for further growth of the companies, for cutting costs. In general, such partnership brings much more for the company than it were operating alone. (Johnson & Scholes, 1999, 123).

### **3.3 Market segmentation**

Market segmentation is a division of the market members due to its similarities and likeliness. This division help the organisation to improve its competitive advantage inside this segmentation. There are several types of segmentation: geographical, demographic, distribution, media, price, time and lifestyle. (Thomas [referred 09.09.2012]).

### **3.4 Portfolio analysis**

Due to define strategic business units (SBU) of the company there is a portfolio analysis. It helps to see the balance between these SBU. One of the most famous ways to describe it is Boston Consulting Group Matrix (BCG) (Table 2.1.4 ). Boston consultancy group has suggested a special matrix which helps to classify and clearly see the positions of SBU due to market share and market growth. If SBU wants to be a dominant in the market it is much easier to achieve it when the market is growing. But it is not that easy to obtain the share if the market is stable. The competition in such a situation will be very high which will lead to setting lower prices and spend a lot on the promotion. (Johnson & Scholes, 1999, 186-188).

**Table 2.1 Boston Consulting Group Matrix**

		Market Share	
		High	Low
Market Growth	High	Stars	Question marks
	Low	Cash cow	Dogs

BCG matrix is divided on the stars, question marks, cash cow and dogs. Stars represent a SBU which has a high market share in a fast growing industry. It means that this SBU spends a lot on the promotion to obtain the share, but all these costs can be cut down after some time. Question marks are also in the fast growing industry, but it has low market share. Such a SBU should spend a lot to have a bigger share in the market, but it does not mean that it will lead to cutting down costs. The cash cow represents SBU with large market share in a stable and low-growing market. It prevents business unit from high wastes for promotions. Cash cow can become an investor for question marks. Dogs are in a decreasing industry and SBU have very low share on the market, so it is the worst position for SBU. (Johnson & Scholes, 1999, 188).

Portfolio analysis is very important for the better understanding potentiality of SBU, but it must be done very carefully. For instance, some problems can occur in defining in which share and growth SBU is. All SBU must be referred to market segments, not to the industry and they must be included into analysis as it gives correct view on the organisation activities. Portfolio analysis helps to understand if cash flow must be planned. For instance, cash cow needs to invest in development and innovation of stars and question marks. (Johnson & Scholes, 1999, 189).

Not only cash is a resource for planning, such resources like creative capability which is essential for stars and question marks (Johnson & Scholes, 1999, 189).

### 3.5 SWOT-analysis

Such an analysis like SWOT helps to understand environmental key issues for better judgment of organization's direction in which it should go forward. SWOT identifies strengths, weaknesses, opportunities and threats. It sums up main factors of environ-

ment and market and analyses company's strategic abilities and capacity. Strengths and weaknesses of the company help to understand how environment affects on the internal company's organization. While analysis of opportunities and threats helps see some specific parts of environment and market in general. (Johnson & Scholes, 1999, 189-190).

The procedure of the analysis is quite easy. Each part of SWOT should not contain more than 7-8 points in each. And each point should be short, but should not be very generalizing. When SWOT-analysis is completed there must be a conclusion with the aim and direction in which company should go further. Thus, SWOT-analysis is an unnecessary if it is preferred to look through internal and external analysis together. (Johnson & Scholes, 1999, 190-193).

### **3.6 Value chain analysis**

The value chain is used for performing all the company's elements: design, production, delivery process, market and supporting of service or product. The value chain reproduces a company's history, strategy and its implementation, and pinpoint activities economics. (Porter, 1985, 36) The company's activities are divided into definite ones for creating customer value (Harrison & Hoek, 2005, 59). Due to Michael Porter's generic value chain in Figure 2.3 (Porter, 1990, 40) there are main activities which identify the value chain analysis: inbound and outbound logistics, operations, sales and marketing, and services (Porter, 1990, 40). It shows all the system of the organization activities and how every part is linked to another one. Moreover, it helps to understand not only competitive advantages, but also the core advantages of the organization. At first this analysis was supposed to be the financial analysis, as it shows all the steps of processes through which every organization goes to add value. (Johnson & Scholes, 1999, 156).

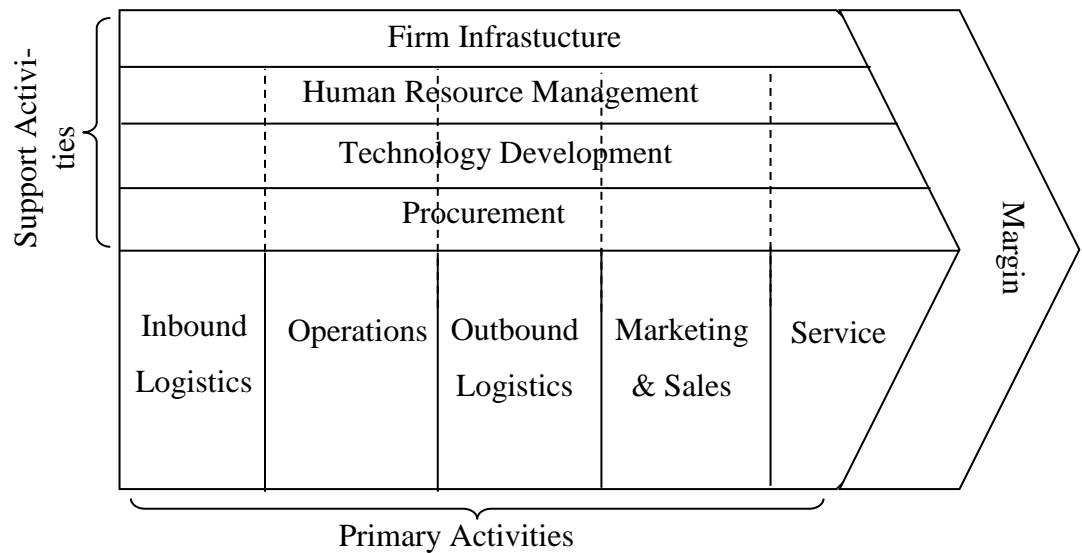


Figure 2.3 The value chain

First of all, the value chain analysis is some kind of proof that the company is not only a mix of money, machines and people. As it is clearly seen in Figure 2.3 there are support and primary activities. Delivery or creation of products/services is linked with primary activities. They are divided into: inbound logistics, operations, outbound logistics, marketing and sales, and service. (Johnson & Scholes, 1999, 157-158).

Support activities play an important role in developing the effectiveness of the primary activities as they are strictly linked to each other. Support activities are divided into: firm infrastructure, human resource management, technology development, procurement. (Johnson & Scholes, 1999, 158-159).

The organization is not just a summary of its activities. The value chain of the company is an interrelated system of activities. The value system (Figure 2.4) is a term which was introduced by Michael Porter. The value system is a bigger flow of activities in comparison to the value chain. The value system consists of supplier, firm, channel (retailers and distributors) and buyer value chains. The better the value system of the company operates, the higher competitive advantage it would have in its industry. (Porter, 1990, 41-42).



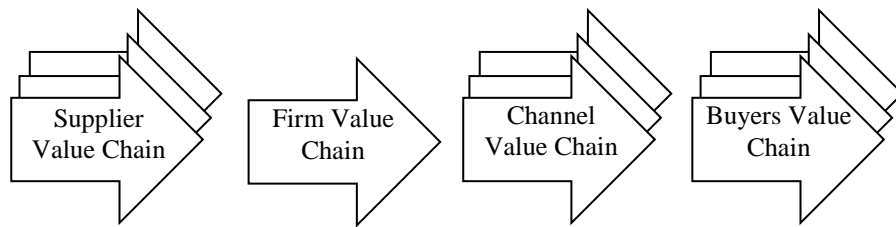


Figure 2.4 The value system

### 3.7 Mission, vision, objectives

The mission is the main reason why the company subsists on the market (Lynch, 2009, 10). The mission of the company describes a wide range of its opportunities which the organization should go after and conclude the motives and principles which are included in it. A mission must be identified in the framework of the goal which was explored before. A company's assets and environmental analysis help to develop a mission and organization's objectives. (Lynch, 2009, 236).

Vision is a skill to move the company in a specific direction through the present environment (Lynch, 2009, 10). Vision is more qualitative; organization's objectives are much more quantified. (Johnson & Scholes, 1999, 13).

Objectives can be divided in two types due to their differences: corporate and unit. Corporate objectives are usually linked with financial terms (profit and sales levels and etc.), technological advance, personnel happiness, and expectations of stakeholders. Unit objectives are linked with the operational level of the company. (Johnson & Scholes, 1999, 243-245).

## 4 STRATEGIC CHOICE

The choice of the strategy is the most important part in strategic management. It is a continuation of the strategic analysis and is linked with the company's decisions about its future (Johnson & Scholes, 1999, 255). Foundations of the strategic choice lies into the parent company and its SBU (Johnson & Scholes, 1999, 257).

#### 4.1 The types of strategy

There are lots of different ways of developing for companies, but the most common one is called the market/product matrix (Table 3.1) which shows how to generate developing directions for the organization. Further, there will be a description of all the possible development directions. (Johnson & Scholes, 1999, 307-310).

**Table 3.1 Market/product matrix.**

		Products	
		Existing	New
Markets	Existing	Build/Protect	Product development
	New	Market development	Diversification

##### *Build and protect on present position*

The main idea of this way for development is amending the competitive position in the present market of the company. It can be withdrawal, consolidation or market penetration. Withdrawal means that maybe some current activities of the organization must be changed and possibly completely or partly withdrawn. Consolidation means strengthening and protecting of the company's present position. It is possible to achieve it through the organization's present products and services to obtain competitive position on the market. Market penetration means to reach a market share if there are some opportunities. (Johnson & Scholes, 1999, 310-317).

##### *Product development*

Product development means research and development for core competences of the organization. It is related with the lifecycle of the product and can be the most important option for strategic development. Innovation and R&D need lots of costs spent for the organization and also are linked with risks (for example, unsuccessful final, not

reaching desirable profit or market share by the new product). (Johnson & Scholes, 1999, 318-319).

### *Market development*

Usually companies develop only in a specific industries and markets to promote their products. The positioning of the product plays a very important part for market coverage. Sometimes it is more reasonable for the company to see opportunities for development in another market. There are 3 ways for such developments:

- Expansion of the new market segments that are not covered at present time. This type of development will probably need some changes of the product for better segment penetration;
- New possibilities for use of products which already exist. It helps to enter new markets;
- Geographical expansion (international or national) penetrates to new markets. This way of development can require some changes of the product too; also there will be need for some special methods and features. New geographical areas will need new agents who will be responsible for them. Extra analysis of the markets must be done for this option. (Johnson & Scholes, 1999, 321-322).

### *Diversification*

Diversification is linked with the development of the organization by changing the present products and market together to absolutely new ones. Diversification can be unrelated and related. Related diversification means development of current market and product, but inside the industry, while unrelated is linked with reaching other industries which are out of present control of the organization. Related diversification can be also known as integration, which can be backward and forward (vertical) or horizontal. The term like a synergy is linked with unrelated and related diversification. Synergy appears when several processes and activities complete each other for better results. (Johnson & Scholes, 1999, 323-332).

## 4.2 Risks analysis

Eligibility of a strategy can be measured in several ways: the possible return from it and risk which can affect on the company. There are lots of possible risks which can happen in the long-run and they can interrupt the whole company's program of its development. There are three ways which can help to evaluate how high/low the risk is: forecast of financial ratio, sensitivity analysis and simulation modelling. (Johnson & Scholes, 1999, 377-380).

Forecast of financial ratio. This way can help to prevent risks if deeper financial analysis were done. If some changes of ratios can exist in the future it can lead to financial risks. It is concerned with break-even point, company's capital structure, its liquidity. Moreover, such projections help to prevent company from getting into long-term doubts or crises. (Johnson & Scholes, 1999, 377-378).

Sensitivity analysis. When a strategy is evaluated it is very helpful to use this type of analysis as the main question of it is *what if?* And nowadays the possibility of using computer packages is growing, which is perfect for this kind of analysis. The main idea of the sensitivity analysis is to check how sensitive the strategy is to different changes which can affect the profit or performance. (Johnson & Scholes, 1999, 37-379).

Simulation modelling. Everything what was mentioned in the previous analyses (financial ratio projection and sensitivity analysis) is underlined in simulation modelling and is represented as a quantitative model of the environment and the organization. It is the most useful analysis for evaluating the strategy from financial point of view. (Johnson & Scholes, 1999, 379-380).

## 5 STRATEGY IMPLEMENTATION

Strategic implementation is the final stage after strategic analysis and choice in the strategic process. It sums up everything and brings it to life. Strategy implementation is linked with the first two steps (analysis and choice) and more valuable as the chosen strategy comes into life on this stage. (Johnson & Scholes, 1999, 399).

## 5.1 Organisational structure

This paragraph is based on the theory of Johnson and Scholes (1999, 401-415) about organisational structures.

As people and personnel is the most valuable organisational resource it means that their organization is very important and it influences on the strategy, how effective it will be. At the beginning of the 20<sup>th</sup> century a traditional way to see the organization was top-down. As all the important and strategic decisions are made in the top of the structure and operational decisions are made in the down. There are several types of organisational structures which are commonly used, For example, simple structure, multidivisional structure, matrix structure, holding company and other types of structures.

A simple structure is usually used in small companies when the whole power is in one hands. Often in such companies there is an individual who takes all the management activities and his/her assistant.

A functional structure describes all the fundamental processes of the organization, such as marketing, financial, personnel and production. Such an organisational structure helps to succeed in gaining better operational control. The tasks and roles are very clear and understandable.

A multidivisional structure includes divisions/units which explain the processes, services or products, territories of the organization. This structure excludes all the problems which could occur in the functional structure. Moreover, every unit (division) is responsible for its part.

A holding company is an organization which has invested in other companies to have control above them.

A matrix structure is a mix of divisional and functional structures or a geographical and product/service division. If there are lots of different factors which influence on the organization's operation and it is impossible to decide which structure suits better,

then it is advised to use a matrix structure. Usually such organizations are big and even complicated, and a matrix structure can solve these problems.

Other types of structures are usually used when it is difficult to choose a structure. They are usually a mix of structures mentioned above.

## **5.2 Organisational design and its elements**

The right choice of organisational structure is only the first step in a successful implementation of a strategy. There are three main elements of organisational design, which is the second step in achieving success: devolution vs. centralization, organisational configurations and control processes or resource allocation. (Shifrin, 2009, 205-206)

Devolution vs. centralization. These terms define where in the organisational structure the strategic and operational power is concentrated. Devolution is when the process of decision making is going from top to bottom through the hierarchy of organisational structure. The most common way of delegation is when concentration is in the company's centre and divisions, departments or subsidiaries. There is always a centre where the power is located, and it is very significant that all the responsibilities were divided between its parts. (Johnson & Scholes, 1999, 422-423).

Organisational configuration defines a design which describes how many coordinating mechanisms and building blocks there will be in the structure (Johnson & Scholes, 1999, 433).

An allocation process and control play an important role in affecting the people and also in contributing all the developments (Johnson & Scholes, 1999, 423).

## **5.3 Allocation process and control**

The final part in understanding of strategy success is its allocation and control process. The Figure 3.2 shows how control and planning can effect on the strategy success.

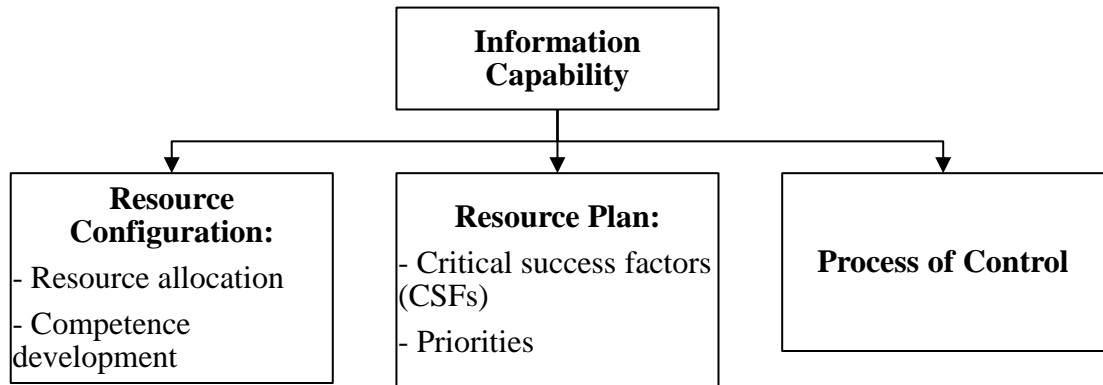


Figure 3.2 Resource allocation and control

### *Information capability*

Information capability is a key source for resource configuration, resource plan and process of control as they are dependent on it. Competitive advantage is very important for the most of the companies especially if it is intellectual or knowledge property. So do information and different computer technologies and improvements which bring the company's competences and help to face up difficulties, problems and other circumstances. (Johnson & Scholes, 1999, 446).

Information must be accessible at the accurate period in the correct format so the achievements of additional changes would not be missed. It is even much more significant if the company is operating in different areas and is spreading geographically. Furthermore, information has a strong effect on the competitive advantage. (Johnson & Scholes, 1999, 474-475).

There are several ways which can improve quality and accessibility of information of company's competences: costs of processes should be reduced, there should be a better-quality, recording of sales for retailing companies should give appropriate and full information, like electronic point of sales does. (Johnson & Scholes, 1999, 475).

### *Resource configuration*

It is linked with resource supplies identification and ways of utilisation of these resources for competence creation (Johnson & Scholes, 1999, 446). The success of

strategy implementation lies in competence development and resource utilisation as they lead to a competitive advantage. There can be a need in reconfiguration, re-engineering, building connections in the value system. Furthermore, it is very significant that the company has made everything possible to protect its exclusive resources (copyrights and patents) and relies on the previous experience. (Johnson & Scholes, 1999, 448).

### *Resource plan*

A resource plan is an essential part of further development of the strategy, as it gives more detailed information about priorities, the budget, success factors and schedules (Johnson & Scholes, 1999, 458).

Elements of the strategy which have to show exceeded operation in comparison to competitors are called critical success factors (CSFs). For a resource plan to come up in life a CSF analysis should be done. It has several steps:

- Identification of CSFs for a chosen strategy;
- Identification of core competences which would support achieving competitive advantage;
- Check and examine if this competitive advantage will be sufficient to achieve;
- Identification of performance standards which have to be gained for exceeding competition;
- Each core competence which is imitated by a competitor must be assessed;
- Decision about influence of potential competitors and if it can be objected.

(Johnson & Scholes, 1999, 458- 459).

Resource planning states which of competences and resources must be ruined and which ones must be created. It can be done as a budget or priorities timetable. It should be done very carefully and thoroughly, as it gives exact information about amounts of money. (Johnson & Scholes, 1999, 459-462).



### *Control process*

There are lots of different ways how to introduce control and it depends on which circumstances occur and on the company's design (Johnson & Scholes, 1999, 446). It is also better to call it as a support of the chosen strategy. There are several kinds of control: social control, administrative control and self-control. (Johnson & Scholes, 1999, 463).

Social control goes through dependence on the behaviour of people from culture and it is linked with the customs and rules standardisation. One of the ways of social control is development and training. (Johnson & Scholes, 1999, 471).

Administrative control goes through procedures, rules and systems. Success can be reached if systems of control and allocation can go through a value system extensively into a distribution and supply chain. Control differs from different regimes. For example, in a centralised regime where the system of planning is from top to bottom there must be a work process standardisation. Direct supervision must take place when several individuals allocate resources for the direct control. Usually it is used in small companies. (Johnson & Scholes, 1999, 463-471).

Self-control is when individuals control their behaviour. It is very important for senior managers how they support and motivate their staff. (Johnson & Scholes, 1999, 474).

## **6 RESEARCH METHODS**

The research method includes 2 interviews with one of the company's representative. The interview was taken on the 6th of June in 2011. It took place in Saint-Petersburg in the company's office during work-hours with the one of the company's representative. The second interview was on the 7th of November 2012 and it was made through the phone.

The second step in the research method was collecting of all possible sources for a possibility to make analyses. All this analyses were discussed with the representative who was interviewed before. It was done for a data validation so it could be correct.

## 6.1 Interview analysis

The interview questions which were asked during the interview are included in Appendix 1. The name of the representative is Anonymous and he has been working in the company since 2000. I have tried to take an interview among several top-managers, but only Peter has answered on my request. Peter took part and he was a member of the 'strategic team' in the strategic process of the company which was going on between 2004-2009. He was participating in every meeting and discussion which were concerned with this process and during the interview he could share this information with me.

In general, I got the information about the strategic process which started in the end of 2004. The company needed changes in its business as the market and the industry were growing and expanding. There was a decision taken that these changes needed to be taken in the form of the strategic management process.

The strategic analysis started in 2004 and was going on till the middle of 2005. On this stage there was a 'strategic team' formed with the president and other department managers which were on the top level of the organisation's hierarchy. This stage included the PEST-analysis, Porter's five forces, segmentation of the market, portfolio analysis, SWOT-analysis, value chain analysis and mission with vision formulating. The best part of these analyses was done by the external company and this information was very private. But I could make almost the same analyses with the representative's help.

The next stage was strategic choice. This part of the strategic process started in the middle 2005. It included the conclusion of the analysis part. The main decision which was made – the objective for the future and the choice of the specific strategy were done. Thus, the 'strategic team' chose the market penetration strategy.

The last stage of the strategic process, the strategy implementation and control, and it started in several months after the strategy was chosen during the summer 2005. At first the company has announced the new strategy and the mission with direction for the future. Then the plan of the penetration began. The first market in which the company decided to enter was the Moscow market. The first pharmacy in Moscow was

opened in 2006, right after all the preparations were done. Later the company entered the Yekaterinburg market.

The control was accomplished by the 'strategic team'. The president was controlling other managers and these managers were controlling how the implementation was going on. They had meetings during the implementation period so they could clearly see how the process was going on.

## **6.2 The collection of the data**

The collection was realized by me. It was done with the help of my previous experience in making analyses and with other resources: the Internet and the representative. The representative gave the information about the company history, its objectives and the profit information. Also this person gave the information what was going on with the company after the strategic process 2004-2009. The second interview was analysed and it gave information about company's activities afterwards. The questions for the second interview are in the Appendix 2.

The main idea of the second interview was to understand if the first result of the strategic process was correct and how the company was doing after that. As it occurred the company was doing well. It has continued market penetration, but only in the Saint-Petersburg and Moscow markets as the Yekaterinburg's chain of pharmacies was sold out.

## **7 RESULTS**

There will be information about the Russian pharmaceutical company 'Russian Pharmacies' which has managed its strategic process and gained a successful strategic development. All the steps which were mentioned in the theoretical framework (2, 3, 4 and 5) will be practically shown and explained below.

All the findings are divided on my own findings and research and on the information which was produced by the company. Information for parts 7.1, 7.8, 7.11 and 7.12 were produced by the company through the representative who was interviewed. The

rest of information was analysed and collected by me. And all this information is based on my own findings.

## **7.1 Information about the company and its history**

This paragraph is based on the official Internet web-site of the company 'Russian Pharmacies' and was translated from Russian to English (Сеть аптек Первая Помощь. История. [referred 21.05.2012] ).

The history of the company begins in 1997, when on the basis of the company 'Genesis' several pharmacies were open as a marketing project. Later this marketing project turned into a separate business-project. This business-project has its own name 'Russian Pharmacies'. There were 21 pharmacies in 1998 in Saint-Petersburg. There was a consultation phone service which began in the same year.

2001. 'Russian Pharmacies' has 40 pharmacies located in all parts of Saint-Petersburg. 'Russian Pharmacies' inculcates the products of the company ORACLE which is a worldwide leader in ERP-systems. By the end of the year there are 52 pharmacies. In 2003 the company has 65 pharmacies. Sales of the company have increased on 50% in comparison to 2002.

Development of the company becomes one of the most important strategic directions from 2004. Pharmacies become market-open shops - pharmamarkets. There are 14 pharmamarkets in different parts of Saint-Petersburg. 'Russian Pharmacies' opens an internet-shop in December 2004.

In 2005 'Russian Pharmacies' unites 75 pharmacies and 25 pharmamarkets in this number. European research corporation Taylor Nelson Sofres gives statistics in which 'Russian Pharmacies' has more than 20% of the pharmaceutical market in Saint-Petersburg. 'Russian Pharmacies' is a leader in Saint-Petersburg. The turnover of the company is about \$46,1 million. 'Russian Pharmacies' becomes the first pharmaceutical company in the Russian Federation which gets a certificate from the International Quality Management System ISO 9000-2001.

In 2006 the first pharmacy is opened in Moscow. There are 80 pharmacies in 2 regions by the end of the year.

In 2007 there are 90 pharmacies in Saint-Petersburg and 11 in Moscow. 'Russian Pharmacies' has more than 20% of the pharmaceutical market in Saint-Petersburg by statistics of independent marketing researches. Several pharmacies are opened in Yekaterinburg.

There are 140 pharmacies in 3 Russian regions (Saint-Petersburg, Moscow and Yekaterinburg) in 2008. In 2009 the chain of pharmacies counts about 170 pharmacies.

2010. This is a new phase in the company history. The new developed strategy of the company foresees the expansion of the chain in Saint-Petersburg and Moscow and cutting down of unprofitable units. As a conclusion the company sells its Yekaterinburg filial to a chain of the pharmacies 'Klassika'.

There are 153 pharmacies in Saint-Petersburg and Moscow today. The expansion of the chain was recommenced in August 2010. There were opened new pharmacies in Saint-Petersburg. In September there were opened 2 new pharmacies in Gatchina (town next to the Saint-Petersburg), and in December there was planning of opening 3 new pharmacies in Saint-Petersburg. There are 40 pharmacies which are located in the property of the company and other units are in the long-term rent. The average receipt of 'Russian Pharmacies' is 288 roubles (~7 euro) in Saint-Petersburg, and 350 roubles (~8,5 euro) in Moscow.

The Russian analytical company 'Pharmexpert' published that 'Russian Pharmacies' held 4<sup>th</sup> place in the most important regional pharmaceutical chains rate. The main advantage of the company is a centralized warehouse which allows working with distributors much faster. Another advantage is a strong ERP-system.

For the last year the company could build clear and mutually beneficial relationships with distributors: without any retro-bonuses, with similar conditions about postponements, without any extra preference. Due to the electronic system 'Traffic PP' it is important to deliver products to the warehouse with an optimal price level and high-level quality. For the last year the company has increased its number of contracts with

produces of drugs, dietary supplements and cosmetics. This means for the company a more favourable position among other pharmaceutical companies and more opportunities for the company's logistic.

'Russian Pharmacies' is an independent company for today. Before it was united with the holding company 'Company A' and producing company 'Company B' by single joint-stock capital. At the moment all the companies have partner relationships, commercially profitable dealings.

## 7.2 PEST-analysis

It is better to explain the PEST-analysis through a table. It is shown in table 7.1.

**Table 7.1 PEST-analysis of the company 'Russian Pharmacies'**

Political	Economic
<ul style="list-style-type: none"> <li>• Government regulates prices on the medicines</li> <li>• Lots of regulations on the selling medicines (forbidden on several chemical stuff) which can be sold only with a doctor's permission</li> <li>• Low healthcare system in the country</li> </ul>	<ul style="list-style-type: none"> <li>• Financial and economic crises influenced on the consumers' preference for cheaper medicines</li> <li>• Healthcare system is growing in the nearest future</li> <li>• Growth of fixed costs</li> </ul>
Social	Technological
<ul style="list-style-type: none"> <li>• Rising of the loyalty to pharmacies</li> <li>• Knowledge that pharmacy gives not only medicines, but also healthcare products, vitamins and organic cosmetics</li> <li>• Growth of consumers' knowledge about medicines through social media</li> <li>• No special medicines for some diseases</li> </ul>	<ul style="list-style-type: none"> <li>• New technologies for production of medicines</li> <li>• Internet and other technologies which help to sell more (Internet-pharmacy)</li> <li>• New technologies which helps to organise logistics system more properly (Oracle)</li> </ul>

## 7.3 Porter's five forces analysis

Threat of new entrants is not really high as such a competitive industry as the pharmaceuticals does not let everyone to enter. Especially lots of regulation from the government side does not help to entry to the new market with a small business company.

The only threat is that some other pharmaceutical-related companies can make cooperation and alliances which can lead to a new big company which is able to meet competition.

The power of buyers is very high as there are lots of different chains of pharmacies on the market in Saint-Petersburg and prices are mostly the same. So every company pays more attention on the services and promotions which are offered to the buyers. 'Russian Pharmacies' has trainings for its staff and special promotion programs for its customers.

The power of suppliers is not high. There are lots of different suppliers and distributors of the products. So there is even competition between them for giving their products for presenting in the pharmacy. Sometimes there is a special distribution contract which allows only one pharmacy to sell a specific product. In 'Russian Pharmacies' they have several distribution contracts with such companies like 'Company B' and some medicines from 'Pharmstandart', but it will end in December.

The threat of substitutes depends on the type of the products. For example, medicines can be sold only in the pharmacy in Russia, so nothing else can substitute this fact. But healthcare products are sold in cosmetics shops and special healthcare stores. But usually such shops suggest special brand names which cannot appear in the pharmacy. And special cosmetic products are preferred to be sold in a pharmacy as there is a higher level of customers' trust.

Competitive rivalry. In general there are 8 main competitors on the market in Saint-Petersburg. The most competitive one is a chain of pharmacies which has 31,2% of the market share. Quality difference between products does not exist in pharmacies as the control power is very high by the government. The difference between companies is in products availability and customer service. The difference in prices is not high, either, as the government does not allow setting up their own prices and there are only 2 pharmacies which are with low-prices and they are not in the chain company.

In conclusion, the pharmaceutical industry is highly competitive because of the existing strong pharmacy companies and number of customers.

## 7.4 Market segmentation

‘Russian Pharmacies’ pharmacies suggest not only drugs and medicines, but also organic cosmetics products, healthy products and food, vitamins and etc. So there are 2 general segments:


- Medicine buyers
- Healthcare product buyers

I have made an observation in one of the central ‘Russian Pharmacies’ pharmacies to make a portrait of the typical buyer. This is a Russian woman 30-50 years old with average income without a car. Usually she is buying medicines for her relatives in a pharmacy on her way from job. The average bill is 300 roubles (7,5 euros).

## 7.5 Portfolio analysis

‘Russian Pharmacies’ is a big company which exist on the market for a long time and has a big market share. The pharmaceutical market is really stable as medicines are always in need, but not a lot of new products are invented. So the profit is really high. That’s why there can be the conclusion that ‘Russian Pharmacies’ is a ‘Cash Cow’ and if the company will not support the same amount of sales it can lose its position and market share and slowly move to a ‘Dogs’ position. That is shown in Table 7.2.

**Table 7.2 BCG-analysis of the company ‘Russian Pharmacies’**

		Market Share	
		High	Low
Market Growth	High	Stars	Question marks
	Low	<b>Cash cow</b> 	Dogs

## 7.6 SWOT

The best way of presenting a SWOT-analysis is the table which is shown below.



**Table 7.3 SWOT-analysis of the company ‘Russian Pharmacies’**

Strengths	Opportunities
<ul style="list-style-type: none"> <li>• Strong position on the market</li> <li>• The company has well-built logistics</li> <li>• Special program Oracle</li> <li>• Long-term contracts with distributors</li> <li>• Good price policy -</li> <li>• Location of every pharmamarket is next to every house</li> </ul>	<ul style="list-style-type: none"> <li>• Opening of new pharmacies (market penetration)</li> <li>• New regions are opened for covering</li> <li>• Buying other small and unique pharmacies (strategic alliances)</li> <li>• Contracts with universities which teach specialists</li> </ul>
Weaknesses	Threats
<ul style="list-style-type: none"> <li>• Few workers in the pharmacies as there are not so many universities which let people to learn pharmacy</li> <li>• Big flow of personnel</li> </ul>	<ul style="list-style-type: none"> <li>• Very competitive market</li> <li>• Too big regulation on the price by government</li> </ul>

The result of the SWOT-analysis is that the company has a very strong position as its internal power is very high, even that there is a shortage of the staff specialists and other strong competitors which try to influence it.

### 7.7 Value chain analysis

In Figure 7.1 there is a Value Chain which is highlighted in yellow in several parts. The parts which are in yellow mean that this is the company’s strength. ‘Russian Pharmacies’s’ infrastructure is strong and well-built, as a special team of managers has analysed it and made it up. Human resource management is strength as the company has 1846 employees, 1636 of who are working in pharmamarkets. Even with a high labour fluidity the best part of manpower prefers ‘Russian Pharmacies’ as a main employer.

It was already mentioned that the company has special programs/technologies for managing its logistic process. It is also an advantage as it gives very clear picture of all medicines and products the company has in a warehouse and the situation in every single pharmamarket. During the time the program ‘Oracle’ was implemented other special programs were purchased. They help the working process a lot and help to manage it in the best way.

Moreover, procurement which is linked with logistics is also well done. All the main drugs producers all around Russia and the main competitors from abroad distribute their medicines to 'Russian Pharmacies's' warehouse. However, some accidents happen from time to time (export-import problems, especially at the customs), and it does not affect a lot on the company's activities as such risks usually are taken into account.

The same situation is with inbound and outbound logistics. They are very strong, as the logistics process is the most important in the pharmacy sphere. The company has its own warehouse and a well-skilled manpower and it leads 'Russian Pharmacies' to success in managing its logistics process.

Marketing and sales is the most important for the company at the moment and it is developed all the time. As the company gets its profit through the sales the marketing process in a highly competitive industry must be well-considered and be aggressive. The company has a rising profit, and it grows at average 5-8% per year. Furthermore, it has special marketing and promotion processes which are built by an experienced team of marketers. Also service was constructed all over the company's existence. Nowadays, customers who choose 'Russian Pharmacies' are very loyal and they love not only prices and assortment in the pharmacies, but also service.

Talking about the company's operations, they are very well-built and done, but in general as the company is not a number 1 in its markets the operations cannot be counted as successful as they could be. And operational management of the company should be managed much better.

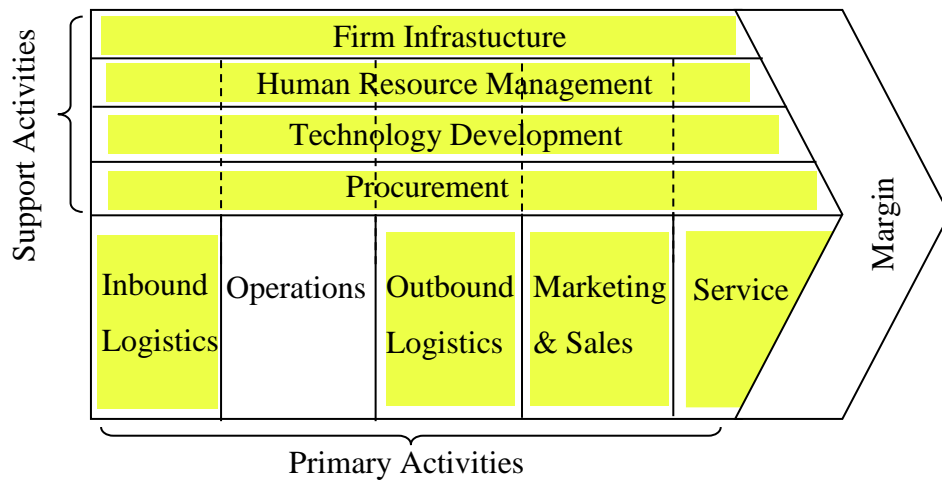


Figure 7.1 Value Chain Analysis of ‘Russian Pharmacies’ company

## 7.8 Mission, vision and direction

This paragraph is based on the official Internet web-site of the company ‘Russian Pharmacies’ and was translated from Russian to English (Первая Помощь – сеть аптек в Санкт-Петербурге и Москве. Миссия компании Первая Помощь [referred 21.05.2012] ).

For every big organisation a well formulated mission, vision and direction is a must. ‘Russian Pharmacies’ is not an exception.

### *Mission*

We make our contribution on building healthy and happy society, society with a high-level lifestyle. We help society to find a big range assortment of products, comfortable location, sophisticated services, lots of extra services and professional consultations.

### *Vision*

We see our main aim in helping people. Help them to look after their health by giving high quality drugs, cosmetics and a big range assortment of products for beauty and health at reasonable prices. We guarantee high level service and professional consultations in a comfortable place.

We want our personnel enjoy their jobs in the company. The personnel should work with satisfaction in convenient surroundings and clearly see the results of their job. The main purpose of human resource management of the company is the personal and professional growth of every worker.

We build clear and long-term relationships with our distributors. We sign contracts with such reasonable conditions which are suitable for both sides.

We follow the legal norms in our company and motivate all governmental initiatives and programs which are directed on the citizens' lifestyle improvement.

### *Direction*

The main purpose for the organisation's development is becoming the best chain of pharmacies in the Russian market.

## **7.9 The choice of strategy**

By the end of 2004 the company faced up with the need to renew its strategy due to the high temp of growing market and new entrants which were appearing that time. A special group of managers from the organisation's different departments was made and they needed to do a new project and new planning for the nearest 5 years. The group included the president of the company, commercial, financial, sales, marketing and development managers. They were writing a new plan, finding new ways for the development. They were discussing possible risks, opportunities, threats, other competitors' ways for the development and etc. In general in 3 months they had a draft for the new strategy and in 2 more months a plan was done. But it is written about implementation below in part 7.10.

During the discussion which strategy to choose there were lots of arguments, debates and etc. But cooperation of all the main departments gave good results. The group chose the market penetration strategy. And the idea of 'The pharmacy with the comfortable location' appeared. A little bit later the idea to go to the new market appeared. Several years later the company went to Moscow and to Yekaterinburg. It took a lot of time for preparation and, analysing of the market in new regions, finding new places

for pharmacies, new contracts with distributors, organising of the new warehousing system and etc.

At this stage they also have taken into account all the possible risks. The first one was concerned with the government's interference in the price policy of medicines and drugs. The next one was linked with high competition with other main players on the market. However, some of the things that happened were not taken into account. It was the death of stakeholders in 2008 and resignation of the company's president in 2009. Fortunately, it did not influence a lot on the company's results. But the internal issues were staggered a little bit. (Аптеки Первая Помощь избежали банкротства. [referred 28.09.2012].)

It took almost one year from the organising the group until the moment of implementing the new strategy. How it was implemented and which results of it were achieved is described below in chapters 7.10 and 7.11.

### **7.10 Implementation and control**

As mentioned above, implementation of the new strategy started during summer in 2005. Every manager from every department was responsible for his/her part of the implementation. This delegation of authority was done due to their responsibility and their area of scope. The president controlled all other managers. At first everybody was working together, but after one month they were doing only their own part as all the activities for opening a new pharmacy were the same.

Only top-managers were in charge of the implementation and control. Other office-workers were in charge of the operational processes. The first changes were linked with the changing of mission of the company and the business culture (dress code in the office and special peach colour for pharmacists). Then the development manager was seeking for new locations for pharamarkets and signing contracts for these new locations. The financial manager was in charge of investments. The commercial manager was responsible for equipment and renewal of the location, and also together with logistics department they were responsible for organising a logistic system for new regions. The marketing manager was in charge of analysing the market, promoting the company and other media stuff. And the sales manager was responsible for the fore-

cast of sales in every pharmacy, management and control of these sales, and contracts with new distributors.

Every three month there was a meeting about results for the previous months, about the profit and plans for the next month. These meetings them helped to be updated about the situation in every department and the company, keep in touch with other members of the strategic team and the opportunity to discuss all the points which were supposed to be significant.

### 7.11 Organisational structure

In the company ‘Russian Pharmacies’ a functional model of organisational structure is used. It helps to divide all the responsibilities due to the scope of activities. Moreover, the company’s functions are clear so it is very easy to concretise them through the organisational structure. The model of company’s organisational structure is shown below in Figure 7.2.

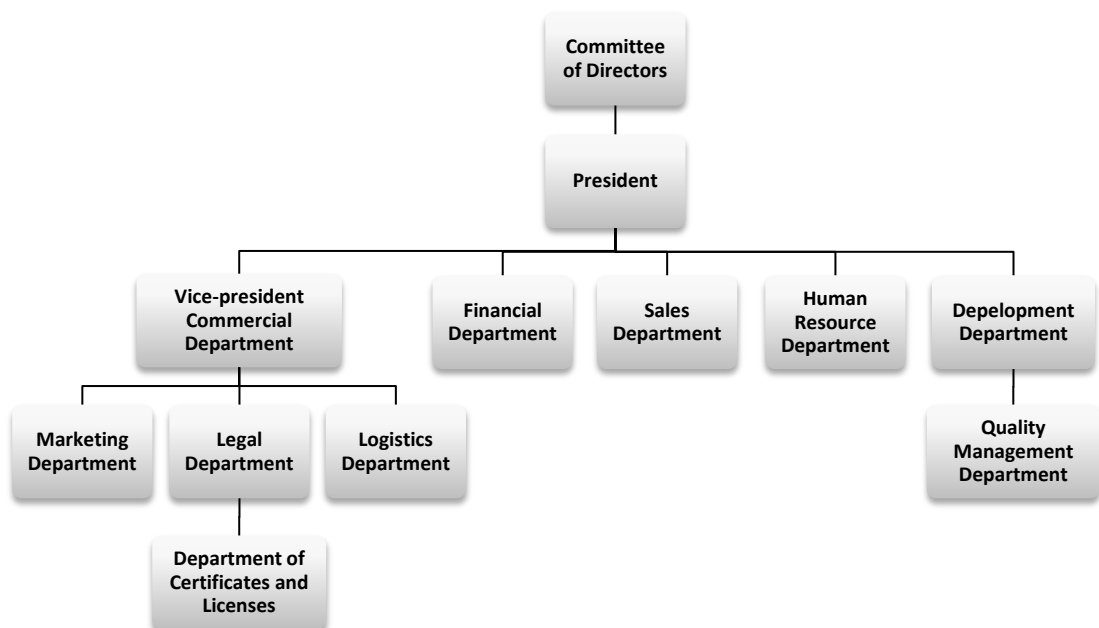


Figure 7.2 The organisational structure model of ‘Russian Pharmacies’ company

### 7.12 Results of the strategy

During the implementation period there were several problems which occurred. Both of them were mentioned above in part 7.9 and it was also mentioned that one of them which was concerned with the stakeholders and the president did not influence the

company. However, influence of another risk concerned with the price policy was quite high. The company had to cut prices by 20% for 65% of the assortment and by 7-15% for the rest. It affected on the profit a lot as it went down for almost 5%. Figure 7.3 shows it better.

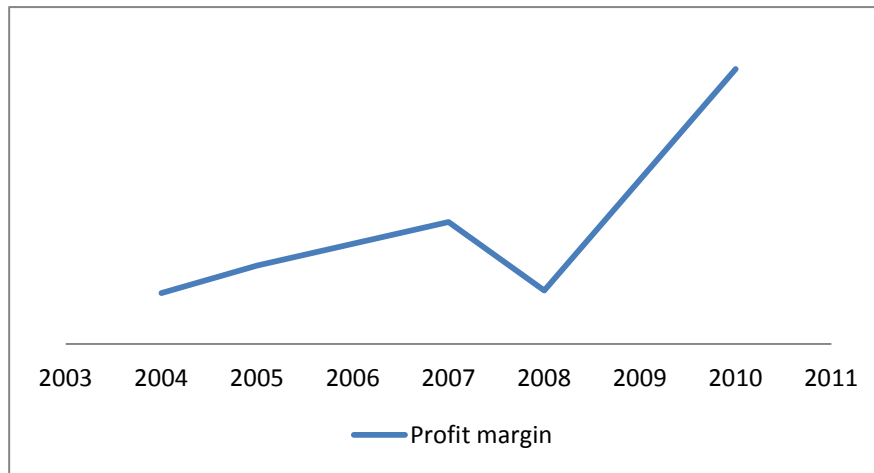


Figure 7.3 Profit of the ‘Russian Pharmacies’ company in 2004 and 2009

However, the number of pharmacies has grown up for 90 pharmacies in all the regions. Figure 7.4 shows how many pharmacies were in 2004 and in 2012.

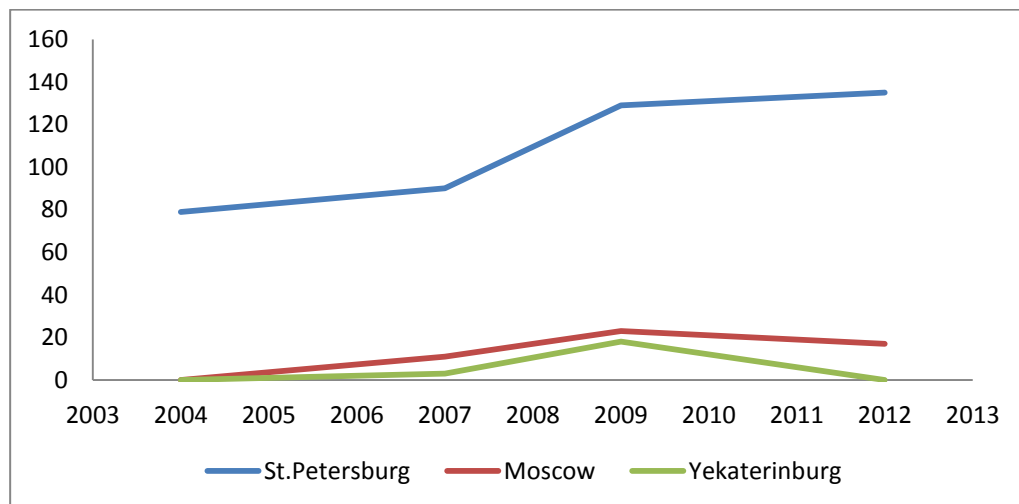


Figure 7.4 The number of pharmacies from 2004-2012

In general, the rising in the number of pharmacies in different regions increased the opportunity to get profit and that is what happened. The profit has risen from 2004 to 2010 approximately 16,7%. Thus, it is a very good result so it can be said that the company achieved its goals and succeeded.

After the strategic process 2004-2009 the company has sold the whole chain in Yekaterinburg as it was mentioned above. This decision was made as this chain was unprofitable. However, it did not influence on the company's profit. Nowadays, the company has 152 pharmacies operating in Saint-Petersburg and Moscow. Unfortunately, the information about profit after 2010 is unavailable.

## 8 DISCUSSION

First of all, it is better to discuss the validation of the qualitative research which was taken. The validation of the qualitative research cannot be measured in the same way as the quantitative research. The qualitative data was collected through the interview and information with the company's representative, observations were used and knowledge and findings of the market.

Looking deeper inside the research validation some extra sources exist. For instance, there are credibility, verifiability, repeatability and transferability. It is very difficult to say how credible research is, but after it is analysed it can be seen, that in general the conclusion about success is correct. Everything that was written here about the company was checked by its representative. As this person has checked the research information it can be said that it is verifiable. Moreover, this type of method can be called empirical as most of the information and analytical data were based on the experience and some special findings. This research can be repeated, but the whole analysis must be gone through as different companies with similar information, history, size and etc. can have different values and significance. But in general, some parts can be almost absolutely similar (for instance, the PEST-analysis can be identical). Due to this fact the data can be transferred to another framework which is similar to the described in this thesis.

The good example of the company 'Russian Pharmacies' shows that when all the steps of the process are done and they are done correctly then there is a bigger possibility to success. All the steps of the strategic analysis help to understand and explain all the influencers and position of internal and external factors. A correctly chosen strategy can help to find suggestions in gaining success and company's goals. Implementation in the right time and place give immediate results. And it also gives an op-



portunity to see if previous steps were coordinated in a right way or if they need more work-out.

In conclusion, if everything is planned very properly there will be much bigger chance to gain the goal. All the objectives must be formulated very clearly and must be understandable. This process must take as much time as possible. Step by step this strategic process will give its results. They will not always be positive, but they will be very clear and thus it will be understandable where the mistake was done. Waiting, proper working, doing as much as possible can lead to success.

## **9 CONCLUSION**

This thesis process helped me to understand the importance of the strategy and the strategic process in general. Reading lots of literature and other sources of information about it helped to go deeper in my learning, to fill in gaps which were not filled. It was very interesting to learn something new and to improve knowledge.

The thesis occurred to be like an extra and essential part of the studying process. It helped not only develop knowledge, but also improve my English language. It was very useful to learn new words, find synonyms, special structures of word-combination and phrases as English is not my mother tongue. Moreover, it makes brains to work out much more, which is also very useful.

The first thing I have learned is getting and learning much more information about strategic management in general. Also much more was learned about some specific parts and elements of it. This knowledge can help a lot in the future career as understanding of the business processes and activities.

The second thing that was learned is rephrasing. This is not linked with changing words and their order, but it is concerned with deeper understanding of information and potential to convert it in other words so the meaning was the same. It is very difficult to make it out without extra English knowledge and without a dictionary.

There is nothing impossible I could find during it and I am sure it was a challenge for me which was taken up. The thesis process is similar to the strategic process. At first

information is analysed (search of information sources, analysing which one is better), then the better option is chosen and finally it is implemented through writing the thesis.

The importance of the strategic process is really high. It is linked with the need to do all the strategic process step by step as it gives better results in the end. Skipping of one part of the process can lead to misunderstandings in another part of the process. The strategic process is like a cycle of processes. After one step is finished then another one has to be started. If it is not finished the next step cannot be done.

In conclusion, the thesis process was not that difficult as most of students think. The most significant thing is to be mentally ready for it and to put as much effort as possible in the real life.

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### **Interview**

**Anonymous 2011.** Top-manager, Russian Pharmacies. Interview about the company and strategic process 2004-2009. 06.06.2011.

**Anonymous 2012.** Top-manager, Russian Pharmacies. Interview about the company and what was going on after the strategic process 2004-2009. 07.11.2012.

## APPENDICES

### Appendix 1

Question for the interview with the Anonymous, the top-manager of ‘Russian Pharmacies’:

1. As a member of the strategic process 2004-2009, can you tell me more how it has started, who was involved and how much time it took?
2. I would like to know more concrete about pre-work, so-called strategic analysis. What exactly was done?
3. So you did not do all the analysis by yourself?
4. Then what about the choice of strategy. How did you come to the conclusion about the choice of strategy? What did you plan as a future direction of the company?
5. So you decided to choose the market penetration strategy. How well did it go?
6. And how difficult was it to implement a new penetration strategy?
7. What about government regulations, did they influence on your business?
8. I would like to know more about your human resource strategy. How do you solve problems with shortage of pharmacy specialists in our country? And how do you make your personnel not to go to the competitor?
9. I have a question about competition on the market. How strong it is and what do you do for keeping a leader position?
10. The next question is concerned with the financial crisis in 2008. How did it influence the company and what did you do?
11. And how do you think was the strategy 2004-2009 successful? Did you achieve the company's goals?
12. What are your plans for the future?

## Appendix 2

Question for the interview with the Anonymous, the top-manager of 'Russian Pharmacies':

1. Can you tell me what was going on in the company after the strategic process 2004-2009?
2. How was made a decision about selling the chain of the pharmacies in Yekaterinburg? How this selling influenced on the company's operations?
3. How many pharmacies are at the moment in the company?
4. What are the plans for the nearest future?