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STRATEGY DEVELOPMENT BY USING SWOT ANALYSIS IN A METALS MANUFACTURING COMPANY

A company's condition and its role in the competitive market largely depends on its ability to react to the various impacts, caused by internal and external environment. This paper reveals the results of SWOT analysis conducted to the Kazakhstani metals company. Based on the findings of the research a number of recommendations to the company management were developed. The paper is of scientific and practical value, since the company has never applied the SWOT analysis before to develop a strategic plan. Moreover, this research contributes with the real case-study of the domestic company, the results of which could be applied to other sectors manufacturers. Discovered strong and weak characteristics, risks and opportunities of the company lead to the development of suggestions to the management for further strategic plan development and to focus on marketing activities. Previously to this paper, financial condition of the company has been comprehensively analyzed and organizational structure thoroughly studied.

Keywords: SWOT analysis, strategy, decision-making, metal manufacturing company, risks, production, marketing, ferrous metals, nonferrous metals.

Кілт сөздер: SWOT-талдау, стратегия, шешім қабылдау, металл өндіретін компания, тәуекелдер, өндіріс, маркетинг, түсті металдар, қара металдар.

Ключевые слова: SWOT-анализ, стратегия, принятие решений, металлообрабатывающая компания, риски, производство, маркетинг, цветные металлы, черные металлы.

JEL classification: L10, L19

Introduction. In a market economy, the degree of influence of the external environment significantly exceeds the influence of the internal environment. As the once closed economy is integrated into the system of world economic relations, their expansion and deepening, the influence and significance of the external environment will inevitably increase. Therefore, in order to be competitive even in the domestic market, Kazakhstan's business structures are forced to produce products that are superior in their quality parameters not only to domestic, but also to foreign analogues. This article considers the company, which operates in metal manufacturing sector.

The activity of collecting, harvesting and processing of metal scrap and waste forms a kind of sub-sector of metallurgical production. At present, its purpose within the metallurgical industry is to provide metal combines with high-quality raw materials for further production of metals and finished products from it.

This article analyzes the company XYZ, which has been existing on the market for a long time and has already won a competitive position. The life cycle phase that the organization has entered can be described as the maturity phase. It is characterized by a stable organizational structure, loyal customers and suppliers, and a formalized

decision-making process. However, the analysis revealed that the sales volume is unstable and varies every time.

During all the years of operation on the market, which is more than four decades, the company's management has not made any attempts to apply the SWOT analysis for developing the company's strategic plans. Therefore, the main purpose of this study was to conduct the SWOT analysis of the company and develop recommendations in accordance with the findings. Therefore, this study has practical value along with the scientific. The method was chosen because it helps to distinguish the assets as well as the limits of the company within its competitors.

Literature review. The SWOT analysis widely used in various sectors of economy to assess the external and internal environment of the company. As Krol suggests, the SWOT analysis aims to show the relationships and interactions between company's strong sides, opportunities, risks and limits [1]. Therefore, this analysis explores the important factors to the subject of research. It comprises of three stages, which are defining strong and weak sides, discovering opportunities

and threats, and eventually, based on findings, to develop strategic recommendations. This paper presents exactly these steps.

Moreover, Houben et al. imply that responding to the internal strengths and weaknesses is of paramount importance for strategic management [2]. Therefore, a number of Kazakhstani companies conduct the SWOT analysis and act accordingly [3-6].

If Bogomolova [7] presents the theory and practice of the SWOT analysis, other Russian scientists [8-9] provide the examples of applying this method to the companies. Therefore, conducting SWOT analysis to the company in metal manufacturing sector in Kazakhstan would be informative and helpful for further research in this area.

Findings and discussion. It should be noted that previously to this study financial analysis of the company, its organizational structure has been studied. This paper focuses only on SWOT analysis and develops recommendations based on findings from this analysis. Taking into consideration previous research findings. The SWOT analysis presented in the figure 1 below.

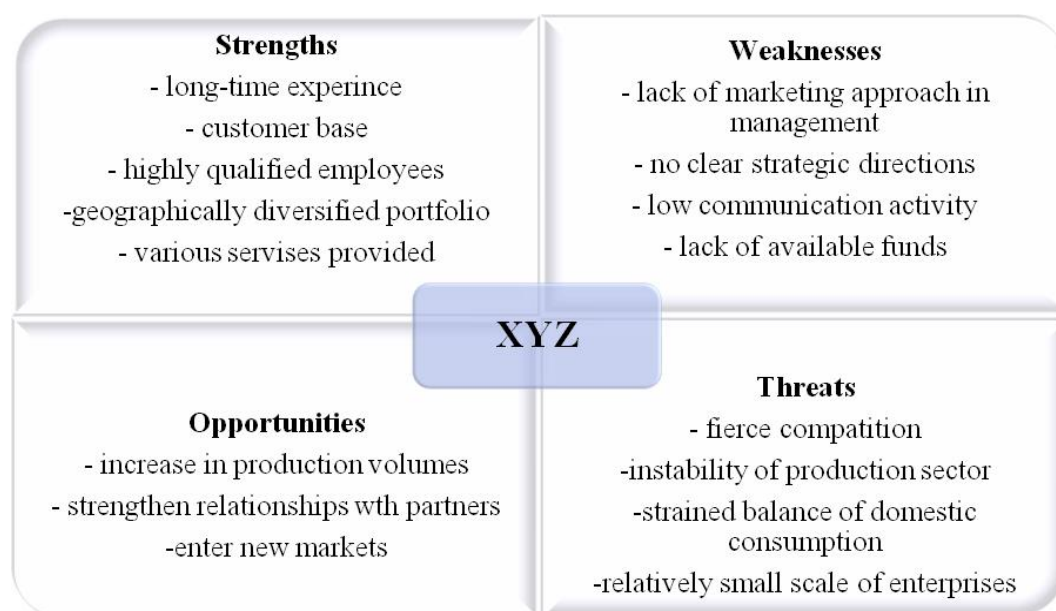


Figure 1. SWOT analysis of the XYZ company*

*Note – developed by the authors

At the first stage of SWOT analysis, it is necessary to consider the strengths and weaknesses of the company.

The strengths of the subject company are determined by the relatively large experience of the enterprise and the presence of a well-developed customer base. The second strong point is the selection of exclusively highly qualified employees, which consequently leads to the need for high remuneration, but at the same time, has a positive impact on the success of the enterprise.

The third strong point of the company is a geographically diversified portfolio of regular customers, including large enterprises of the metallurgical industry in England, Turkey, the United Arab Emirates, and so forth.

The fourth strength of the company is the availability of several services provided to the portfolio in addition to the harvesting, processing and marketing (export) scrap and waste of ferrous and nonferrous metals. The company leases warehouses with the provision of related services, railway docks, production areas, crane pads and provides services for loading / unloading.

However, along with the strengths of the activities there are some shortcomings, which form the weaknesses of the organization.

The first weak point is the lack of marketing approaches in management, and consequently, the production and sales orientation on business processes, rather than the market orientation. The second weakness is a lack of clear strategic directions of further development of business.

The third weak point is low communication activity in the market. The lack of a unified concept for promoting products and services to potential partners – suppliers of scrap metal and customers-consumers of secondary non-ferrous and ferrous metals. Thus, marketing functions completely fall out of the company's management system. The fourth weak point is that there are no available funds for further development and growth of the enterprise.

Opportunities are defined as factors that enable the company to implement any new business processes, tasks, etc. The following opportu-

nities for the analyzed enterprise can be noted.

The first possibility is the development (increase in production volumes) of the metallurgical complex, which is the main consumer of secondary metal resources. With this growth, the growth of the demand for the products of such enterprises is obvious. The second option is to strengthen relationships with partners – suppliers of ferrous and non-ferrous scrap and customers.

The third possibility is to enter new markets. As noted above, the partnership provides several other types of services for businesses located in geographically remote regions, and as a result, it has the opportunity to expand the provision of services for core activities by positioning itself as a reliable partner for customers who consume services for non-core activities of the partnership.

The influence of the external environment on the business creates not only a number of opportunities, but also threats, i.e. such factors that can damage the company's activities and deprive it of its existing advantages. Among the existing threats to the partnership are the followings.

The first threat is fierce competition. Here, especially noticeable is the restraining influence on the business of the company are enterprises from the strategic group of competitors that “take” in similar geographical markets possible suppliers of black and non-ferrous scrap metal, as well as customers-customers of secondary metal resources.

The second threat is an increase in risks due to the instability of the production sector of the economy. The third threat is the strained balance of domestic consumption of metal resources. The fourth threat is the relatively small scale of the enterprise, which may result in a decline in activity due to lack of proper control or, for example, the departure of at least one employee.

Based on the findings from SWOT analysis, a number of recommendations to the company have been developed. The first recommendation would be to improve the efficiency of the company it is necessary to develop an effective strategy. An organization's strategy is a comprehensive plan of action that sets priorities for strategic objectives, resources, and a rational way to achieve

ve strategic goals. The main objective of the recommended strategy selection of the partnership is to transfer it from the present state to the future financial condition desired by management.

We should start with the fact that it is necessary to resort to the management process itself, which determines the sequence of actions of the partnership in developing and implementing the strategy. It should include:

- setting goals;
- strategy formulation;
- determining the necessary resources;
- maintaining relationships with the external environment, which allow organizations to solve the tasks.

Development and strategy is carried out at the highest level of management and is based on the solution of the above tasks. At this stage of decision-making, the President of the company needs to evaluate alternative ways of the company's activities and choose the best options to achieve the goals set, the first of which will be to increase profitability

Based on the analysis, the management of the partnership is recommended to consider strategies for concentrated growth. If these strategies followed, first the company would need to improve their product or to increase the volume of its implementation, most likely resorting to external financing. As for the market, the partnership needs to look for ways to improve its position in the existing market for tenants of warehouses and railway dead ends.

However, as mentioned above, given the state of scientific, technical and personnel potential, material and technical base and the actual lack of state support, it will be very difficult for them to compete in the domestic and foreign markets and ensure profitability growth, especially given the current situation on the scrap metal market.

In this regard, the importance of another reserve for improving the economic efficiency of entrepreneurship increases many times – the ability of entrepreneurs to combine factors of production and services to obtain advantages in the market. In the course of this activity, there is a

continuous assessment of external and internal opportunities that open up to the business structure, as well as threats from the external environment, and the risks associated with them. This requires ranking all events by two parameters: relevance, which characterizes the speed of the event, and the benefits (for opportunities) and risks (for threats) associated with these events.

Thus, in the current circumstances and based on the assessment of the financial condition of the company, the following ways to increase profitability were recommended:

- choosing a strategy to strengthen positions in the market for lessors of warehouses and railway dead ends;

- conducting a qualitative analysis of the market and competitive environment, while sparing no expense in paying for the work of a specialist who is ready to contribute to the development of the enterprise through the introduction of marketing activities in the company that are not available at the moment;

- using a more optimized capital structure and applying the effect of financial leverage in the future, which will help to attract the financial resources necessary to strengthen positions in the market, increase the return on equity and reduce income tax, which in the complex will be one of the tools to increase the profitability;

- improving the quality of service delivery, which will be possible by attracting financial resources for renovation of premises, repairs, etc. and purchasing new premises to generate more profit and expand the volume of services sold.

These recommendations will help the analyzed facility not only to stay afloat with a temporary ban on the export of scrap metal, but also to diversify the risks that may arise in the future, by increasing the focus on the provision of rental services, expanding the technical base, as well as by optimizing the capital structure.

Conclusion. This paper described one of the most widely spread methods for strategic decisions SWOT analysis, exploring the strong and weak sides of the metal manufacturing company, as well as discovering its market opportu-

nities and threats. It is believed that the research results have the potential for large application by the companies of this sector. Recommendations for the strategic development plan of the company were provided, taking into consideration its financial condition. Which has been analyzed pre-

viously. Organizational structure was also taken into account. Since the company management has never conducted the SWOT analysis before, it can be stated that the findings of the research are very applicable and are of practical value to the company and its management.

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**МЕТАЛДАРДЫ ӨНДІРУШІ КОМПАНИЯДА SWOT-ТАЛДАУДЫ
ПАЙДАЛАНА ОТЫРЫП СТРАТЕГИЯНЫ ӨЗІРЛЕУ**

Аңдатпа

Мақалада қазақстандық металл өндіруші компаниясы үшін жүргізілген SWOT-талдау нәтижелері ашып көрсетілген. Жүргізілген зерттеу нәтижелері негізінде компания басшылығына бір-қатар ұсыныстар әзірленді. Бұл мақала ғылыми және практикалық құндылыққа ие, себебі берілген компания стратегиялық жоспарды әзірлеу үшін SWOT-талдауды ешқашан қолданбаған. Сонымен қатар зерттеу нақты отандық компанияның кейс-стадии болғандықтан, оның нәтижелерін басқа салалық өндірушілерге де қолдануға мүмкіндік туғызады. Компанияның анықталған күшті және әлсіз сипаттамалары, қауіптері мен мүмкіндіктері басшылыққа стратегиялық жоспарды одан әрі әзірлеу және маркетингтік қызметке назар аудару сияқты ұсыныстар әзірлеуге әкеледі. Осыған дейін берілген компанияның қаржылық жағдайы жан-жақты талданып, оның ұйымдық құрылымы егжей-тегжейлі зерттелді.

Р.Э. Андекина, А.Д. Аймагамбетова

**РАЗРАБОТКА СТРАТЕГИИ НА ОСНОВЕ SWOT-АНАЛИЗА КОМПАНИИ,
ПРОИЗВОДЯЩЕЙ МЕТАЛЛУРГИЧЕСКИЕ ПРОДУКТЫ**

Аннотация

В данной статье раскрываются результаты SWOT-анализа, проведенного для казахстанской металлопромышленной компании. На основе результатов проведенного исследования был разработан ряд рекомендаций руководству компании. Исследование имеет научную и практическую ценность, поскольку компания никогда ранее не применяла SWOT-анализ для разработки стратегического плана. Более того, поскольку это реальный кейс-стади отечественной компании, результаты исследования могут быть применены и к другим отраслевым производителям страны. Выявленные сильные и слабые характеристики, риски и возможности компании приводят к разработке предложений руководству по дальнейшей разработке стратегического плана и сосредоточению внимания на маркетинговой деятельности. Ранее автором было всесторонне проанализировано финансовое состояние компании и детально изучена ее организационная структура.

