

# Free research paper on managing resources and operations

[Business](#), [Company](#)



## **Business**

### Strategic Management Plan

#### Introductory Statement

This plan has been developed by PPQ Parts to be able to provide an effective approach to the company's management team over the next of four years.

## **Organizational Goals**

PPQ Parts strive to become the leader in precision parts manufacturing for small SUV's. Part of its plan for expansion is to venture into the international market wherein the company hopes to obtain larger market shares in the next four years. In addition, the current goal of 5% market shares will be increased to 9% at the end of the target period. In line with the planned expansion, new facilities and additional 5, 000 workers are needed in the new offshore location where 80% of the production targets will be coming from. Furthermore, this strategic plan also entails financial development for the company as it targets an increase of stock price per share of \$22 from the previous \$10.

PPQ Parts is also planning to top the industry profit margin from 6% to 14% in the next the years of the expansion plan. The strategic plan will also address the low retention rate of the company; currently PPQ Parts experience an average of 28% retention rate, which is below the industry average of 25%. However, this strategic plan will bring the annual turnover rate down to 17% in the next three years. The company has always been engaged in social and civic initiatives such as contributing to the community

where it operates its business. The plan is to increase charity distribution from 0.5% from the total profit to 5%.

## **Evaluation of the Current Market Condition on the Place of Expansion**

PPQ Parts is looking forward to expanding its precision parts manufacturing business in China. The goals and initiative of PPQ including its profit margin can only be obtained by cutting the overhead cost. It is apparent from the plan that PPQ would be hiring 5,000 more employees. Therefore, China is the most feasible location for the company to do its expansion where there is abundance of labor force at a lower rate. Furthermore, China is one of the fastest rising economies in the world posting an annual average growth of 9.8% in the past three decades (Song, 2010). In terms of competition, China's Trade liberalization became a major component of its economic success. Eliminating the trade barriers have opened several investment opportunities for the country and resulted to greater competition. Therefore, if PPQ plans to expand the business in China, there would be a stiff market competition and that would call for stronger market strategies for the company (Morrison, 2012).

China's current political standing will not be considered as a risk factor in the planned expansion. The country is under the rule of the Communist Party's Politburo Standing Committee and the Party General Hu Jintao makes the major decisions (Martin and Lawrence, 2012). However, China's political structure enables them to adopt and apply perspectives from institutional economics. The openness and China's initiative for development have largely contributed to their rapid economic growth, thus allowing their foreign

investors to experience the same success (Tidell, 2009).

Expanding business in China also has its own limitations. For instance, the country's first language is not English. Therefore, the problem with communication barrier exists and PPQ would need to implement language training as pre-requisite to its strategic plans. In addition, cultural and short-term mentality hinders the Chinese people in establishing close and long-term professional relationship with the company. This cultural factor would be an obstacle for PPQ in terms of creating long-term business relationship with suppliers and the staff as well. In China, quality means being the same every time. The only problem with this notion of quality is that PPQ would be having trouble implementing constant changes to its processes and product strategies.

However, despite the limitations there are still significant advantages of expanding business in China such as the Chinese's high work ethics. This work behavior would benefit the company as a whole particularly in relation to their objective of increasing retention rate. The cultural barriers of working with the Chinese people can be overcome by their strong sense of success in their endeavors and are always goal driven. Lastly, the biggest benefit that PPQ could gain in expanding business in China is the vast pool of highly skilled individuals that are easier to train and have wage rate that could deliver the company's desired bottom-line goals.

## **SWOT Analysis**

Strength - The Company has available financial resources to fund expansion plans. PPQ's business is based in a sustainable industry of automotive parts

manufacturing. The company's civic relationship entails social acknowledgements.

Weaknesses - The target expectations are quite high considering the target period and the fact that PPQ is just starting to explore new markets. The current market share is low and the company is facing low retention rate.

Opportunities - PPQ has an opportunity to diversify its product and not limit their capacity in manufacturing parts for SUV's alone.

Threats - PPQ should prepare itself for threats of massive competition in its industry's market behavior. Manufacturing business is sustainable only if the demand is stable. However, global economic conditions might threaten the automotive business and its impact might affect PPQ Parts.

## **Recommendations**

In order for PPQ Parts to overcome the threats and its weaknesses, it is imperative that the company considers integrating and developing effective marketing strategies that would enable them to easily penetrate the foreign market. In addition, the emphasized goals constitute higher expectations in which a four-year plan would sound tight for a deadline. It would be feasible for the company to set a specific timeframe and target for each goal to be evaluated each year in order to determine if the outlined strategies are working according to plan. It is possible to create a short-term (annual) target with corresponding minimum targets for each goal. For the long-term goals, PPQ could draft a contingency plan that would support a 10-year target where the four-year strategic plan would be based upon.

## References

Lawrence, S. V., & Martin, M. F. (2012). Understanding China's Political System. Congressional Research Service.

Morisson, W. M. (2012). China's Economic Conditions. Congressional Research Service.

Song, L. (2010). China's Rapid Growth and Development: An Historical and International Context. 2010 PAFTAD conference, 6(9).

Tisdell, C. (2009). Economic Reform and Openness in China: China's Development Policies in the Last 30 Years. *Economic analysis & policy*, 39(2).