Case study on severstal

Business, Company

- value chain of the industry

In the steel industry, there are a number of stages that exist between the producers and the final customers. There are also suppliers who provide the iron and the carbon to the producers. Due to its high value, the steel industry has one of the most lucrative value chains and this may be attributed to the fact that there is always a ready market for whichever stage the steel is. For example, the producers are aware that there are cartels of middlemen or manufacturers who are always ready to buy. The middlemen in turn know that there are final users who are also willing to buy it. All through these stages, there exist other factors such as transportation and warehousing which also must be considered in the value of the steel. This creates a series through which the value of the steel is maximized.

- macro environmental factor

In the steel industry, there are a number of stages that exist between the producers and the final customers. There are also suppliers who provide the iron and the carbon to the producers.

- competitive forces

The main core competitors for the severstal steel companies are the international steel players such as china, South Korea and many others. Other competitors in the industry include the Arcelor Mittal who is the largest producer of steel, Larkish Mittal who is also a chief producer of steel are the main chief competitors of Severtal group steel company.

- industry threats

The threats which have been experienced by the Severstal groups steel companies are numerous and they include the existence of huge demand variations in the regional markets making planning hectic. There is also threat to entry to these lucrative markets by international steel players. The industry is also fragmented despite many mergers it has formed with others. The industry concentration has also been a major cause of rivalry in the steel industry causing many threats to Severstal steel companies.

- Opportunities.

Severstal steel companies have experienced many opportunities which include, the upcoming markets of Africa, Middle East and Asia which are importing steel enabling them to have a large variety of market. The presences of foreign direct investment into the industry and opportunities have facilitated the growth of these industries. The rapid growth of economies of china, Eastern Europe, Russia and South America also provided the wider market hence opportunities for expansion of the production volumes.

- Competitive strategies.

The industry has developed a good relationship with the government in order to facilitate easy access to loans and grants by Russian government. The company has also been restructured into various divisions to minimise costs and allow enough time for cooperate reporting system. The company has formed the mergers and amalgamation as their cooperative strategy in order to compete favourably with other steel manufactures companies. The industry has also over the last decade, concentrated on acquisitions both in Russia and abroad. This is an effort to increase its presence and its asset base globally.

Recommendations.

A feasibility analysis will help to evaluate the organization’s resources to determine its capability to pursue its strategic choices. An evaluation of Severstal would reveal availability of the six most important factors that determine an organization's suitability to pursue its choices. The availability of money, machinery, manpower, markets, materials and make-up place the company at a front row for the winner.

Closer monitoring and special measures be taken to avoid slip backs that would have negative effects on the company. Machinery, for example, would require to be upgraded although this would not be expected to consume much revenue bearing in mind that the machinery is not to be purchased but upgraded. For money, finance to cater for the strategic choice would be expected to be available through revenue from sales, investment capital from stocks at the stock exchange and company reserves (Lundy and Cowling, 1996).

It would be important for Severstal to evaluate its financial capabilities to avoid plunging into further financial crisis having in mind the huge debt that would narrow their profit margins and the problem of getting a financier (John, 2000).

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