

Strategy and change management

[Business](#), [Management](#)



TABLE OF CONTENTS Introduction Severstal strategic analysis External environmental analysis Porter's five forces Yips globalisation strategy Current strategy Industry life cycle Market segmentation Severstal acquisition activities BCG MATRIX Ansoff matrix Stakeholder analysis Conclusion Appendix References Introduction: This assignment is based on one of the biggest steel company in the world it is known as Severstal. This company was founded in 1955 by Cherepovets steel mill and remain under soviet government ownership until 1991. In 1993 Alexel Mordashov became owner of this company and registers the company name as Severstal in Russia.

After the privatisation it becomes one of the international Russian companies with overseas export and ownership of foreign assets. And they also listed in LSE and RTS stock markets. They own production in Canada, US, and Europe. Severstal is one of the leading steel manufacturers in Russia. It consists of six segments such as Kolpino processing service Centre, metal ware, pipes, trading and services, steel and scraps procurement In 2008, Severstal became third biggest steel producer in Russian and 14 in the world, and the revenue reaches to US\$ 22. billion. In same year they decided to change company structure by making three divisions such as Severstal international, Severstal Russian steel and Severstal resources. These changes improved their profit in the world. In 2007 they also established gold business in the world. In 2010 Severstal improve their leading position in Russian market. However, they are famous for their high value added products such as galvanized sheet, cold rolled and pipes. However, the company got 10 boards of directors and 5 are independent director including chairman.

Finally, this research will examine the company strategic performance and tell us detail information of the company including its environmental factors and financial performance in the world. EXTERNALENVIRONMENTFACTORS: Macro environmental factors will critically analysis the company external factors through it's broadly frame work such as pest analysis. This framework will help to know about the company environment in the world. Political factors: * Government are establishing new trade barriers for all that can have negative or positive impact on their business. Other political factors which can affect their business are adverse impact on business, such as operational results and financial impact. * Severstal investment policy can have regional political risk. * All majorities of production and operations are taking place in other region and countries with stand able political and social system. Economic factors: * Slow rate of economic growth can affect Russian economy. * Recession can reduce demand of all raw materials such as oil, gas and metals that leads to loss for the company. Increased in inflation can decline production and increased unemployment in the country. * Increased in oil price can lead to slow down in world economic growth and reduce demand of steel in the world. Social factors: * Social corporateresponsibility. * Changes in employment laws and labour can affect on their business. * Significant attentions and following social rules of government can lead company growth in future. * Creating employment satisfaction and fulfilment of employee working potential can develop good relationship with labour. Technological factor: Newtechnologyand innovations is required to develop the market position. * Implementing new techniques methods for development * Creating new types of steel alloys such as construction

products of building. * Better services, quality and technology for manufacturing and production. Porter's five forces <http://www.google.co.uk/search?q=porter's+five+forces;hl=en;prmd=imvnsb;tbm=isch;tbo=u>; However, steel industries were not profitable from long time. All the manufacturers and producers were not seen profitable in late 1990 to 2003.

In USA, more than 50 industries went for bankruptcy. Eventually, twenty first century becomes revolutionary for steel industry. For example: Mittal Steel paid \$35 billion to buying European giant and becoming world largest steel industry in the world. New entrants: There are two powerful entrants in the steel industries they are reorganisation and privatisation. There will be limited threats of new entrants in steel industry. However, Chinese are increasing capacity of rate at 30%. Since 1990 Chinese has become third world exporter and producer in the world after Russia and Japan.

Although the steel industry will have a competitor such as China, and India steel industry can become the threat for Severstal. Substitutes: There are not many substitutes for steel, but because of the advance technology they introduced substitutes by other material such as aluminium in cars, plastics and aluminium are used to make this thing. However, in present world steel has become one third thinner over last few years. Similarly for construction big items such as building, bridges, trains etc steel are only used to make these items.

Buyer power: There are many key buyers for steel such as Toyota, Ford, Volkswagen and one of the leading steel buyers who produce food cans is known as Crown Holding, they make one third of food can in Europe and North America. All these industries buy high volume of steel to produce their

items. Car manufacturers are the leading buyers of steel in the world. Supplier power: The key producer of steel is iron ore. There are three big ORE producers they are TINTO, RIO, CVRD and BHP Billiton they control 70% of steel market in the world. The supplier power of steel maker is very high in this industry. Despite of recession, steel ore price was not decreased in the market. Competitive Rivalry: Since 2000, the industry has become very fragmented, the top most producers in the world has been accounted for 14% of production. Most of them were selling the steel in tonnes. Price were decreased in 19th century and bit slow down in the demand. However in the twenty first century demand boomed by Chinese market. Chinese were the largest consumer of steel in the world. Other big companies like mittal, Tata and thyssen Krupp were buying weaker players in the market.

New steel giant mittal becomes the world largest producers in the world. Yip's globalisation strategy: From the above macro environment situation the company decide to adapt the global strategy in order to achieve higher revenue and profit in the future. This yip globalisation model helps to evaluate the industry. <http://www.google.co.uk/imgres?um=1;hl=en;sa=N;biw=1280;bih=709;tbm=isch;tbnid=ED-UITUWq9ob0M;;imgrefurl=http> This model is consisting of four drivers which help industry for global expansion in international market.

However, apply this framework in Severstal industry to see it benefits: Market drivers: If we see the performance of Severstal, it most revenue is generating by North America, Russia and other resources of the world. According to its annual report the company is generating revenue from all across the world. The steel market is cyclical with short peak to peak

demand in the regional markets. However, in future company can dominate the position Chinese market. Basically, Chinese has very less amount of producers in the market to supply steel in international market.

Cost drivers: Mostly the steel industry generates its income through iron ore and other raw materials including, energy, electricity and labour. However, to increase its revenue company need to globalize and reduce the cost in order to improve its profitability. The industry need to utilise it assets were the company acquire from mergers and acquisition. Finally the company need to produce the material in the different countries to reduce it production costs and logistics cost in the end. Government drivers:

The industry has benefit in the country where they have liberal trade laws such as European Union who provides human resource and infrastructure facility compared to other parent company that run in Russia. Competitive drivers: The rapid development in environment shows the new level of competition in steel industry. The vision and mission of Severstal is to achieve it steel production across the globe. The report shows that Severstal is a 14th largest steel industry in world that produced 19. 2 million tonnes of steel in the world. However, mittal is the largest industry to produce 54. 4 million tonnes of steel in a year. case study(Severstal). However, Severstal need to expand its business by implementing a strategy in the business that can help the company step by step to improve the market condition in the future. CURRENT STRATEGY: Severstal industry life cycle: <https://www.google.co.uk/search?q=industry+life+cycle;hl=en;prmd=imvnsbz;tbm=isch;tbo=u;source=univ;sa=X;ei=bRgaUIbkHtK> There are four stages of industry life cycle such as * Development: Severstal need to focus

on development and innovation of product which help company to bring new technology and environment benefits.

They should maintain the quality of the product. * Growth: Severstal need to maintain its business growth drivers such as vertical integration, cost advantages and strategic market focus. * Maturity: Severstal is one of the dominated steel industries in the market. However, they need to maintain position in US and Europe market to achieve maturity in the business. Although, china is existing market with less revenue that can become your main market in the future. * Decline: In 1990 steel industry was facing huge decline in their sales and production.

However in 21th century steel industries are dominating the position in the world by acquire small industries for example mittal acquisition European steel company and Tata purchase other steel industry. Market segmentation: According to the market research the full vertical integration form give competitive advantage to Severstal, they need to keep strengthens the industry cyclicity market risk and provides flexibility and disruption allow us to capture the market opportunity. This vertical integration system helps company to improve financial performance in all three division of market.

This vertical form also help to maintain the cost advantage and supply chain with high level of sufficiency, However, Severstal need focus on acquisition of small steel industry to acquire and develop the business in entire world.

Target market: * Severstal need to target emerging markets such as Latin America, south east Asia, Africa and middle east * They need to secure their assets in fast growing steel markets. * Developing a new global raw material base will secure access to high potential market ensure its leading position

and develop its expansion strategy for the company. Severstal need to target Chinese market and Asian market to develop their position in the world. Positioning: * Severstal need to maintain its position in Russia and North American market. However, their goal for 2012 is to improve EBITDA margin and despite many economic and industry challenges. * Our Intention is to keep global cost curve across all the operations and strengthen our market position. * They need to more focus on potential emerging market and high value added product which drive our margins to top position.

SEVERSTAL ACQUISITION ACTIVITIES

Portfolio matrices (BCG MATRIX): The most common portfolio analysis is Boston consulting group matrix which analysis the market share and market growth of the industry. This matrix show high growth demand heavy investment for example it show the excess capacity or develop brand. [http://www.google.co.uk/imgres?hl=en;sa=X;biw=1280;bih=709;tbm=isch;prmd=imvnsb;tbnid=pBDs3BceOtFkAM;;imgrefurl=http://www.quickmba.com/strategy/matrix/bcg/;](http://www.google.co.uk/imgres?hl=en;sa=X;biw=1280;bih=709;tbm=isch;prmd=imvnsb;tbnid=pBDs3BceOtFkAM;;imgrefurl=http://www.quickmba.com/strategy/matrix/bcg/) docid Stars: Europe, US and Russia has high market share for Severstal. Question marks: Chinese and Asian market.

Cash cow: North American and Russian market is cash cow where Severstal can develop their market international by export steel in the world. Dogs: other countries like South Korea. Ansoff matrix: Ansoff matrix is a framework to proposed growth strategies for company to develop its business in future. Market penetration: * Severstal should maintain the focus on emerging markets such as Russia and north America * Russian market can increase its revenue in upcoming years. However, WTO has announced the upcoming

<https://assignbuster.com/strategy-and-change-management/>

winter Olympic Games in Sochi Russia which give additional opportunity to develop its market. They need to more focus on south East Asia, Africa, Middle East and Latin America where they got fastest growing steel market.

Product development: * Severstal need to maintain the quality of product such as raw materials like iron ore, coking coal, scrap. * Severstal are targeting to expand access of raw material that could develop the strategically * Severstal need to more focus on gold business which can increase their revenue. Market development: * Severstal need to develop its market position in china and Asian market. * They need focus on high value added products and fast growing market. To maintain and maximise margins of the company, they should need to focus on steel related mining and steel production. * Target main market such as Russia to become no 1 in that market. Diversification: * Severstal need to concentrate more on their existing products such as wire ropes, metal ware and steel pipes. * Company need to maintain its stability in the market. STAKEHOLDER'S ANALYSIS:

<http://www.google.co.uk/imgres?start=95;hl=en;biw=1280;bih=709;tbm=isch;tbnid=YlubWJZV1827SM;;imgrefurl=http://intoprojects.com/how-to-identify-stakeholders;docid=gTtb0gkJERbD9M> There are two types of stake holders they primary stakeholders and secondary stakeholders. Primary stakeholders: * Customers: customers are the key person for every company. Who want high value added product and good quality and better customer services. * Suppliers: supplier is a person who give raw materials and other products to company and want their payments on time * Employees: employees play vital role in every organisation, those

are the people who perform good for the company and maintain the standard of the company.

In order to achieve good salaries and benefit from the industry. * Shareholders: shareholders always want the industry to perform well in the market and achieve high revenue every year in order to get more dividend from the company. Secondary stakeholders: * Consumer group: consumer group has a responsibility to check the fairly and safety product are given to consumers. * Trade union: A trade union is a govt law that everyone has in their company. However this trade union assist the labour in any requirement and help them work in better environment. Pressure group: this group maintain the rules and regulation of the government on company law influence and regulation. * Government: Government are related with legislation, VAT, and taxation, low employment. * Community group: this community group includes all community such as jobs, contributions, ecological factors and share will comes under this group. * Media: media also play vital role for every industry in order to promote brand and create good relationship with customers and ongoing activity. Areas to conflict: Primary stakeholder: * Customer are not satisfied with the product and quality that are