

Strategic planning for parsa chemical industry Company Using SWOT Analysis, QSPM model (one of the *Top companies of Iranian paint*)

Mohammad reza shojaee

Assistant Professor, Department of Management, Shahid Beheshti University, Tehran, Iran

Soheila karimi

M.S. Student of Executive Management of Business Administration, Shahid Beheshti University, Tehran, Iran

Karimi_aria@yahoo.com

ABSTRACT

In the complex and competitive business world today speak of a profitable and successful business without a clear methodological map, is nothing more than a joke. Understanding the organization's mission and objectives, environmental and organizational characteristics, resources and organizational capabilities and finally the power and ability of competitors to achieve business success is inevitable but critical. Strategic management process provides a close estimation of environmental changes and more preparation to react toward changes and organization internal/external pressures. Applying a specific strategy based on long-term goals could result in an optimal usage of organization internal resources for taking the environmental opportunities and overcoming the threats. Using the SWOT analysis and QSPM models, the present paper tries to methodize an appropriate strategy for a paint manufacturing company..After completing the checklists provided to assess the strength points, weak points, opportunities, and threats, the weight and importance of each factor was defined by the company managers and they were interviewed for final conclusions. Based on the acquired data, EFE and IFE matrixes were calculated and the results were analyzed on diagrams. The results showed that the company was placed in the region of Competitive strategies. These results were also confirmed by QSPM matrix. The strategy of Obtaining quality certifications gained the highest score and therefore, became the top priority.

Keywords: Strategic Planning, SWOT Analysis, IFE Matrix, EFE Matrix, QSPM Model.

1. INTRODUCTION

Increase in competition in local and global markets, market globalization, customers' limitations considering the producers, lack of exclusive conditions and improvement in complete competition condition governance, rapid changes in technology, swift innovations in products have led to a complication in organizations so that preserving and improving organization situation would be impossible without a daily consideration and reacting to the environmental variable. Chemical companies should have select appropriate strategies according to their current and future conditions. Survival and growth strategies help to these enterprises in the competitive field (Asadollah et al, 2005). To formulate strategy there are different guidelines and procedures that Strategists and strategic planners select a specific method with regard to in their understanding of situations and conditions the strategy

(Hassan Gholipour et al, 2005). In parsa chemical industry Company, the framework has been used as a comprehensive framework for strategy formulation. This framework provides the tools and methods that are appropriate for different sizes of organizations (Arabi, SM, 2005). Strategic planning provides a tool for organizations to develop and implement strategies in the various aspects of the organization and manage strategic performance (Mintzberg, H et al, 2001). Strategic planning selects and develops appropriate strategies with evaluation of the environmental conditions (opportunities and threats) and capabilities within the organization (strengths and weaknesses) and with regard to organizational values (Arabi, SM, 2005).

In this article our goal is to create a suitable strategy for parsa chemical industry Company which produces different paint (industrial paint and building paint) and we will use SWOT analysis and QSPM method.

2. Research methodology

This research in terms of objective is practical and in terms of methods is descriptive and analytical. For gathering data, both library and field methods are used. The main data has been gathered through interviews with

managers and experts of parsa chemical industry Company and distributed questionnaires among them. It also Preparation instructions for applying a questionnaire, how to fill out a questionnaire to experts and managers were trained. For develop strategies of parsa chemical industry Company, comprehensive framework is used. The model or framework provides the tools and methods that are appropriate for organizations of various sizes. And help strategists in identify select strategies.

This framework has four main stages that include (Arabi, SM, 2005):

1. Starting stage: At this stage, the organization's mission statement is prepared.
2. Input stage: At this stage, needed information and organizations in inside and outside of organization be identified for developing strategies. This stage includes an evaluation matrix of internal factors and external factors.
3. Matching and comparison stage: The main factors of the internal (strengths and weaknesses) and external key factors (opportunities and threats), using tools such as SWOT matrix and the matrix of internal and external (IE) are adapted To identify strategies that are in line with organization's mission and appropriate with internal and external factors.
4. The decision making stage: in this step, using a quantity strategic planning matrix (QSPM), various options strategies identified and in the comparison stage, has been evaluated and judged the relative attractiveness is determined. Chart 1 shows the strategy develop comprehensive framework:

Starting stage	The organization's mission and the mission statement
the input stage	external factors evaluation matrix
	internal factors evaluation matrix
matching and comparison stage	SWOT matrix
	internal and external matrix
decision-making process	a quantity strategic planning matrix

Figure 1: The Comprehensive Strategy framework

3. Internal factors evaluation matrix (IEF)

This matrix is a tool for examining the internal factors. It in fact evaluates the strengths and weaknesses of the organizational units. Providing a matrix for evaluating internal factors, mostly "opinions and judgments of managers and employees used (David, F. R, 2000). The use of matrix is for data collection within the corporate strategic planning process (David, F. R, 2006). in this matrix abilities of in company are evaluated.

4. Input stage: external factors evaluation matrix (EFE)

This matrix is a tool that allows strategists were evaluated environmental, economic, social, political, cultural, legal, technological factors and market conditions in the specified period. This is useful for government and public and private organizations (Forbes, P, 1996). Dominant paradigm of the design matrix, mainly different prescription and prescription approach as a tool for gathering information environment and industry environment is used (Ali Ahmadi et al, 2002) the following matrix identifies the environmental factors affecting parsa chemical industry Company and then they are evaluated and assessed In terms of opportunities and threats.

Table 1: internal factors Matrix (IEF) of parsa chemical industry Company

Internal factors (S –W)	Coefficient	Ranking	Score
Strength(s)			
S1: Proximity to markets	0.05	4	0.20
S2 :Lower transportation costs	0.08	4	0.32
S3 :Diverse packing	0.07	3	0.21
S4 :Higher quality	0.1	4	0.40
S5 :Proper interaction with customers and serving them properly	0.04	4	0.16
S6: Participatory management system	0.05	3	0.15
S7 :Putting cash prizes in paint cans	0.04	4	0.16
S8: Organizational commitment	0.05	3	0.15
S9: Serving regular customers	0.07	4	0.28
weaknesses (W)			
W1 :Impossibility of increasing production due to less capital	0.04	2	0.08
W2 :Impossibility of increasing production due to smaller workspace	0.03	2	0.06
W3 :Impossibility of increasing production due to less production equipment	0.03	2	0.06
W4 :Lacking quality certifications such as ISO 9001	0.04	2	0.08
W5 :Lacking an independent research and development (R&D) unit	0.1	2	0.20
W6 :Lacking general integrity (production chain)	0.06	1	0.06
W7 :Older equipment	0.05	1	0.05
W8: Not leading the trend of presenting new products or independent diverse products	0.05	2	0.10
Total	1		2.82

Table 2: External Factors Evaluation Matrix (EFE) of parsa chemical industry Company

(O – T) External factors	Coefficient	ranking	Score
Opportunities (O)			
O1: Exports to neighboring countries	0.05	1	0.05
O2: Increase in construction	0.08	4	0.32
O3: The possibility of attracting sales agents in townships	0.06	3	0.18
O4: Increased advertisement for more promotion	0.03	3	0.09
O5: The possibility of balancing color formulae	0.02	3	0.06
O6: Increased use of website	0.04	1	0.04
O7: Establishing a new research and development (R&D) unit	0.06	3	0.18
O8: Participating in local and international exhibitions	0.04	1	0.04
O9: Obtaining ISO certifications	0.07	1	0.07
Threats (T)			
T1 :Import of alternative products	0.05	1	0.05
T2 :Governmental control over prices	0.05	2	0.10
T3 :Skyrocketing basic materials prices	0.1	2	0.20
T4 :Reduction in the purchasing power of people	0.06	2	0.12
T5 :Increase in the number of competing companies	0.06	3	0.18
T6 :Unpredictability of the political and economic climate of the national market	0.07	2	0.14
T7 :Increase in the number of constraining regulations (standards, etc.)	0.05	2	0.1
T8 :Energy price growth	0.06	3	0.18
T9 : International sanctions	0.05	2	0.10
Total	1		2.2

5. SWOT Matrix

SWOT matrix is an important tool by which managers compared information related to internal and external factors and with it they can present possible strategy. SWOT matrix is composed of two-dimensional coordinates

of a chart; it indicates that each of the four areas is a strategy (Ali Ahmadi et al, 2002). These strategies include (Karppi et al, 2001):

1. Aggressive strategies (SO): maximum use of environmental opportunities using the organization's strengths.
2. Conservative strategy (WO): strategies of potential benefit that lies in environmental opportunities, to compensate for the weaknesses of the organization.
3. Competitive strategies (ST): The strategy of the organization's strengths to avoid threats facing
4. Defensive strategies (WT): a strategy for minimizing losses due to threats and weaknesses

Given the above and the comments of managers and the strategies for each of the four areas, we choose the SWOT matrix.

Table 3: SWOT Matrix of parsachemical industry Company

Internal factor	Weaknesses (W)	Strengths(s)
External factor	W1 , W2 , W3, W4 , W5 , W6 , W7 , W8	S1 , S2 , S3 , S4 , S5 , S6 , S7 , S8
Threats (T) T₁,T₂,T₃,T₄,T₅,T₆ T₇,T₈	Defensive strategies (WT) <ul style="list-style-type: none"> • Effort to produce and deliver services to prevent loss of market share • Denying new investments and trying to keep the current trend • Strategy for assembling coalition with competitors 	Competitive strategies (ST) <ul style="list-style-type: none"> • Utilizing competitive prices to confront competitors and inflation • Obtaining quality certifications for attracting new customers • Establishing a research and development (R&D) unit for producing new products • Finding new markets for confronting the instability of the Iranian Market
Opportunities(o) O₁,O₂,O₃,O₄,O₅, O₆,O₇,O₈	Conservative strategy (WO) <ul style="list-style-type: none"> • Concentrating on products and penetrating into the neighboring markets • Establishing agencies (sales agents) in other cities • participation in fairs for better introducing to customers 	Aggressive strategies (SO) <ul style="list-style-type: none"> • Horizontal integration strategy • Market development strategy • Product development strategy

6. Internal and external matrix

Regarding to four strategy categories in SWOT Matrix and with considering matrix of internal and external exposure, we select Those strategies in evaluate and select a quantity planning matrix That is related to designated area in four home internal-external matrix (Ali Ahmadi et al, 2002).

External factors

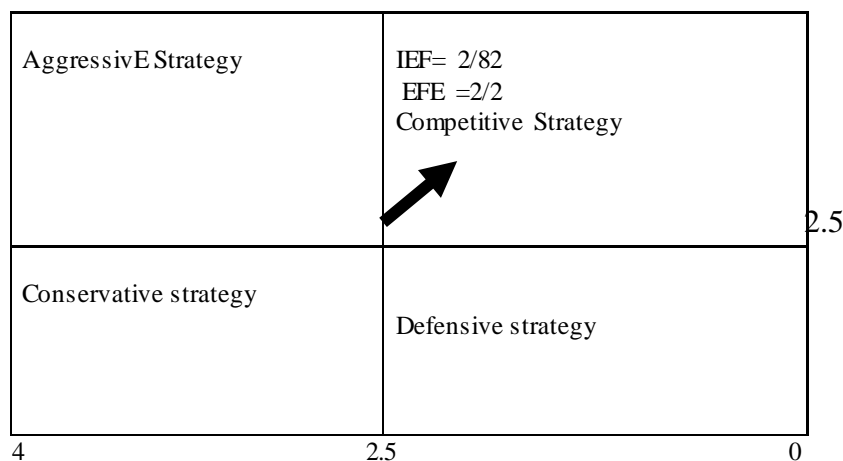


Figure2. Internal and external matrix of Parsa Chemical Industry Company

Given the matrix of internal and external factors, aggressive strategies are selected for Parsa Chemical Industry Company includes:

- Utilizing competitive prices to confront competitors and inflation
- Obtaining quality certifications for attracting new customers
- Establishing a research and development (R&D) unit for producing new products
- Finding new markets for confronting the instability of the Iranian Market

7. Decision making Stage:

Using a Quantitative strategic planning matrix (QSPM)

To prepare a QSPM, an analysis before comprehensive strategy has been used. Below, a strategic matrix to Parsa Chemical Industry Company is given. Selected Competitive Strategies has been studied.

Table 4: Quantitative Strategic Planning Matrix (QSPM)

Strategy	Important factor	Utilizing competitive prices		Obtaining quality certifications		Establishing R&D unit		Finding new markets	
		Attraction coefficient	Score	Attraction coefficient	Score	Attraction coefficient	Score	Attraction coefficient	Score
Opportunities (O)									
O1	0.05	2	0.10	4	0.20	3	0.15	4	0.20
O2	0.08	3	0.24	1	0.08	2	0.16	2	0.16
O3	0.06	3	0.18	2	0.12	2	0.12	4	0.24
O4	0.03	3	0.09	1	0.03	3	0.09	2	0.06
O5	0.02	4	0.08	2	0.04	3	0.06	2	0.04
O6	0.04	1	0.04	1	0.04	3	0.12	2	0.08
O7	0.06	2	0.12	4	0.24	4	0.24	3	0.18
O8	0.04	1	0.04	3	0.12	2	0.08	3	0.12
O9	0.07	1	0.07	3	0.21	3	0.21	3	0.21
Threats (T)									
T1	0.05	3	0.15	4	0.20	4	0.20	4	0.20
T2	0.05	1	0.05	1	0.05	3	0.15	1	0.05
T3	0.1	2	0.20	4	0.40	2	0.20	1	0.10
T4	0.06	3	0.18	3	0.18	3	0.18	3	0.18
T5	0.06	3	0.18	2	0.12	3	0.18	3	0.18
T6	0.07	1	0.07	1	0.07	1	0.08	1	0.07
T7	0.05	1	0.05	1	0.05	1	0.05	1	0.05
T8	0.06	2	0.12	1	0.06	1	0.06	1	0.06
T9	0.05	2	0.10	3	0.15	1	0.05	1	0.05
Total	100%		2.06		2.36		2.26		1.96

Table 5: Quantitative Strategic Planning Matrix (QSPM)

Strategy	Important factor	Utilizing competitive prices		Obtaining quality certifications		Establishing R&D unit		Finding new markets	
		Attraction coefficient	Score	Attraction coefficient	Score	Attraction coefficient	Score	Attraction coefficient	Score
Strengths(s)									
S1	0.05	1	0.05	1	0.05	1	0.05	3	0.15
S2	0.08	2	0.16	1	0.08	1	0.08	1	0.08
S3	0.07	2	0.14	4	0.28	2	0.14	3	0.21
S4	0.1	3	0.30	4	0.40	3	0.30	3	0.30
S5	0.04	1	0.04	2	0.08	2	0.08	2	0.08
S6	0.05	2	0.10	2	0.10	1	0.05	2	0.10
S7	0.04	2	0.08	3	0.12	1	0.04	2	0.08
S8	0.05	1	0.05	2	0.10	1	0.05	3	0.15
S9	0.07	2	0.14	2	0.14	3	0.21	2	0.14
weaknesses (W)									
W1	0.04	2	0.08	3	0.12	3	0.12	3	0.12
W2	0.03	2	0.06	3	0.09	3	0.09	3	0.09
W3	0.03	2	0.06	3	0.09	3	0.09	3	0.09
W4	0.04	3	0.08	4	0.16	3	0.12	2	0.08
W5	0.1	3	0.30	4	0.40	4	0.40	2	0.20
W6	0.06	2	0.12	4	0.24	4	0.24	2	0.12
W7	0.05	1	0.05	3	0.15	3	0.15	2	0.10
W8	0.05	2	0.10	2	0.10	4	0.20	3	0.15
W9	0.05	1	0.05	1	0.05	1	0.05	1	0.05
Total	100%		1.96		2.75		2.46		2.29

A strategic planning matrix (external and internal) can be obtained from the table below:

Table 6: attraction strategies to external and internal factors

Strategy	Attractiveness score of internal factors	Attractiveness score of external factors	Score Average
Utilizing competitive prices	1.96	2.06	2.01
Obtaining quality certifications	2.75	2.36	2.55
Establishing R&D unit	2.46	2.26	2.36
Finding new markets	2.29	1.96	2.12

8. Conclusions and Recommendations:

Increasing complexity of activities and environment has caused managers to understand the traditional planning will not be able to solve their problems and the smallest neglecting has a consequence. Hence strategic management in organizations has been proposed and managers with the help of strategic management want to find the proper orientation in order to lead their organizations (Houben, 1999). Assessment scores based on competitive strategies in a matrix of strategic planning, Obtaining quality certifications strategies was chosen as the best strategy to achieve competitive advantages. This strategy tries to increase market share. With regarding to the formulated strategy, practical suggestion is as follows:

According to R & D and having the foresight and good prediction of the future is one of the conditions that lack of it could makes irreparable harm to the company. R & D are part of an effective step in the production of appropriate information and forecasts.

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