



STRATEGIC PLANNING AND MANAGEMENT OF SMES.

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INDEX.

1. INTRODUCTION.....	04
2. OBJECTIVES.....	05
2.1. General objectives.....	05
2.2. Specific objectives.....	05
2.3. Justification.....	06
3. METHODOLOGY.....	07
3.1. Internal and external analysis tools of the company.....	07
3.1.1. Stakeholders and Matrix of Garden.....	07
3.1.2. Internal Analysis Tools: The Value Chain.....	08
3.1.3. External Abalysis: PESTEL Analysis.....	10
3.1.4. Specific environment analysis: Porter's five forces methodology.....	11
3.1.5. DAFO.....	12
3.2. Strategic management.....	15
3.3. Instruments and tools.....	17
3.3.1. Strategic planning.....	17
3.3.2. (BSC) – Balanced scoreboard.....	17
3.3.3. Process for creating the balanced scoreboard.....	22
3.3.4. Advantages of the balanced scoreboard.....	24
3.3.5. Disadvantages of the balanced scoreboard.....	24
4. PRESENTATION, VALUES AND OBJECTIVES OF THE BUSINESS...25	
4.1. Presentation of the business.....	25
4.2. Mission, vision and strategic values.....	26
4.2.1. Mission.....	26
4.2.2. Vision.....	26
4.2.3. Strategic values.....	27
4.3. Stakeholders.....	27
4.4. Organisational chart.....	32
5. INTERNAL ANALYSIS OF THE BUSINESS.....33	
5.1. Strategic profile of the business.....	33
5.1.1. Commercial department.....	34
5.1.2. Financial department and production department.....	36
5.2. Value chain.....	38
5.2.1. Main activities.....	38
5.2.2. Secondary or support activities.....	40

6. ANALYSIS OF THE EXTERNAL ENVIRONMENT.....	42
6.1. Analysis of the general environment: PESTEL analysis.....	42
6.1.1. External political factors.....	42
6.1.2. External economic factors.....	43
6.1.3. External sociocultural factors.....	45
6.1.4. External technological factors.....	47
6.1.5. External ecological factors.....	48
6.1.6. External legal factors.....	49
6.2. Analysis of the specific environment: Porter’s five forces.....	49
6.2.1. Industrial rivalry.....	49
6.2.2. Threat of substitutes.....	51
6.2.3. Bargaining power of buyers.....	51
6.2.4. Bargaining power of suppliers.....	52
6.2.5. Threat of entry (new competitors).....	53
6.3. Strategic target groups.....	53
6.4. Strategic profile of competitors.....	55
6.4.1. Competition within the Spanish insurance industry.....	55
6.4.2. Competition within the insurance industry, specifically relating to “Carracosa & Montaña” insurance broker’s working environment.....	57
7. SWOT ANALYSIS: STRENGTHS, WEAKNESSES, OPORTUNITIES AND THREATS.....	60
8. STRATEGIC OBJECTIVES.....	62
9. BALANCE SCOREBOARD.....	63
9.1. Selección de los indicadores.....	64
9.1.1 Financial perspective.....	64
9.1.2 Client perspective.....	65
9.1.3 Internal process perspective.....	65
9.1.4 Learning and growth perspective.....	67
10. STRATEGIC MAP.....	68
11. INDICATOR STRATEGY.....	69
12. CONTROL OF THE BALANCED SCOREBOARD.....	75
13. CONCLUSIONS AND RECOMMENDATIONS.....	76
14. BIBLIOGRAPHY.....	78

1. INTRODUCTION.

Industries are constantly changing and evolving as the economic environment doesn't allow businesses to remain static. Nine of every ten new businesses fail within the first three years, according to data provided by Spain Start-up in 2015.

One of the main causes is the lack of business training and entrepreneurial knowledge, according to the analysts that performed the "Taxation of SMEs in OECD and G20 Countries" study in 2015 using data from 2012.

A strategic plan or business plan can help a business achieve its long-term objectives. A strategic plan is a unique kind of document that collects and contains all the information needed to evaluate the business as well as, the necessary information regarding the implementation of the strategy.

The subject chosen for this final grade project (TFG) is the strategic planning and management of SMEs (small medium enterprise). The chosen business is an insurance broker: Carrascosa & Montaña, for which I have developed a strategic plan based on a balanced scoreboard (BSC).

Managing a business using a balanced scoreboard provides the business with information from all perspectives (financial and non-financial) at any given moment. Furthermore, its implementation encourages a more motivated workforce in balance with the strategy.

2. OBJECTIVES.

2.1 General objectives:

The general objective of this final grade project is to obtain, process and analyse relevant internal and external information to evaluate the current situation of the SME (Small and Medium Businesses) chosen for the study.

The aim is to decide on certain aspects of the business's management in the future. To do so in the most efficient and complete manner, used an instrument called "the balanced scoreboard".

The starting point of the study is the context in which the business carries out its main activity. There are three main points: the strategic analysis, strategy formulation and finally, its implementation.

2.2 Specific objectives.

The main objective is to design a strategic plan which will allow for the best progress of the SME chosen for the study. To do so, I have chosen the balanced scoreboard as the main instrument and throughout the study I will use other secondary instruments such as, the diagram of strengths, weaknesses, opportunities and threats, commonly known as the SWOT analysis.

INTRODUCTION OF CONCEPTS: SWOT AND BSC.

Swot was created at the beginning of 1970 and was revolutionary within the business strategy field. The objective of the SWOT analysis is to determine a business's competitive advantages through internal and external analysis and to establish a strategy in coherence with the business's and industry's characteristics.

The BSC is an instrument used to implement a specific management model. By using the balanced scoreboard, businesses have easy access to financial and non-financial measurements, estimated indicators based on past events, they can evaluate short-term and long-term occurrences, coordinate objectives

throughout the different organisational units and systematically measure the business's current situation. The BSC also helps in choosing the best corrective actions.

CONCLUSIONS REGARDING OBJECTIVES:

The strategic plan looks to promote efficiency and competition within a business, strengthen its growth and work on maintaining long-term results. It also guides the business management in obtaining the best results given the business's assets and helps them gain the most profits from the resources invested in the business. Furthermore, through using a strategic plan a business can create a stable work base that allows for future growth within a competitive industry. These points are especially important regarding the business chosen for this study, that operates in the insurance industry.

2.3 Justification.

The SME insurance brokers Carrascosa & Montaña (C&M) is the business chosen for analysis and the strategic plan design, making it the subject of this final grade project.

C&M is a small insurance broker that faces an ever-changing environment. This necessitates that the business management looks for solutions to survive the turbulent environment. An effective solution is to design a business strategy.

Developing a strategic plan offers C&M the opportunity to establish a guidance programme with clear and precise information regarding what the business should achieve. It also specifies what must be done to achieve the business's goals and a follow-up plan that allows for the evaluation and correction of certain activities during the strategy's application. The result, is to achieve the business's objectives.

3. METHODOLOGY.

3.1 Internal and external analysis tools of the company.

3.1.1 Stakeholders and Matrix of Garden.

Stakeholders' approach is a broader view of the economy, and analyzes the company within its internal and external environment.

Stakeholder theory specifies and delineates the people or groups that will be guided by corporate responsibility.

The term Stakeholder was coined by R. Edward Freeman in 1983 and defined as all those persons or entities that may affect or are affected by the activities of a company.

There are two key categories of stakeholders.

- The primary stakeholders, which are those essential to the functioning of the organization, ie all those who have a direct economic relationship with the company, such as shareholders, customers or workers.
- Secondary stakeholders, which are those that do not directly participate in the activities of the company, but which, however, are affected by it, such as competitors or the community, among others.

The Garsner matrix is a tool that is used to collect, classify, analyze and hierarchize systematically qualitative and quantitative information concerning all those persons, institutions or organizations involved or interested in the project, which allows to determine the particular interests that must be taken into account throughout the project. The use of this analysis tool allows to classify those involved in the project according to their levels of interest and power over it, which facilitates the prioritization of the most important stakeholders to develop the corresponding management strategies.

The four main groups are:

GROUP 1. The stakeholders the business should keep satisfied. They have a low level of interest but a high level of power. Therefore, their decisions have consequences for the business. This group is composed of clients and the general society.

GROUP 2. These are the stakeholders the business should manage closely. They have a high level of interest and a lot of power within the business. This group is composed of the suppliers that provide the services the business then offers to clients in exchange for a percentage of the profit, the creditors that finance the business's activity in exchange for the interest of the loan and the owner and main employee.

GROUP 3: These stakeholders require a minimum effort as they have little interest and a low level of power within the business. The government is the main element within the group and the enforcement or withdrawal of laws that regulate the industry affect the business. However, these laws are directed at the industry rather than specifically at the business.

GROUP 4: Stakeholders with a low level of power and high level of interest. It is important to keep these stakeholders informed of certain aspects as they can be affected by the workings of the business.

3.1.2 Internal Analysis Tools: The Value Chain.

The value chain is one of the most useful instruments when analysing and internally diagnosing a business. It was created and published by Porter (1987). The concept of chain value refers to a business broken down in the basic activities

involved in selling a product or service. Each activity adds value to the product and represents part of the total cost of the product or service. The value chain should be evaluated as a part of a larger system that focuses mainly on suppliers and clients. (Guerra L.A. y Navas J.E. (2015)).

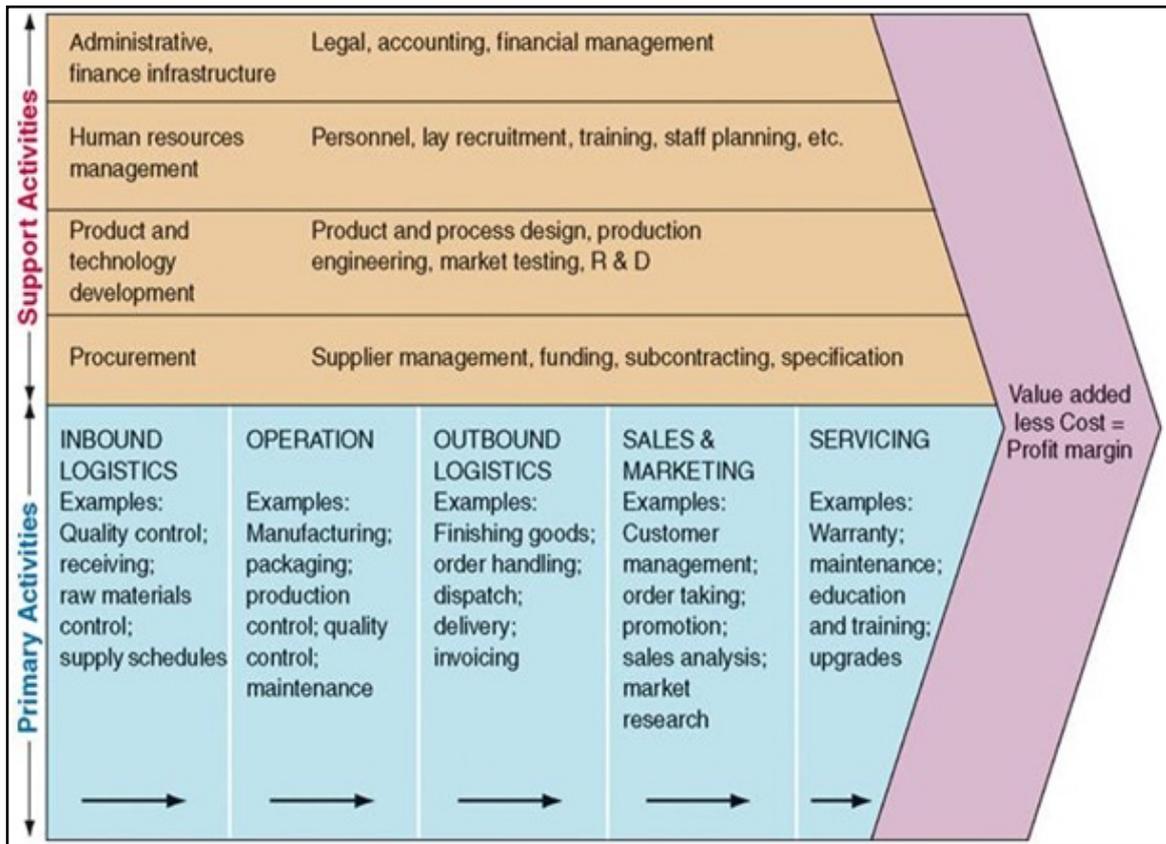


Figure 1: Porter (1987:55) value chain.

The value chain's activities are divided in two groups: main activities and secondary (or support) activities.

3.1.3 External Analysis: PESTEL Analysis.

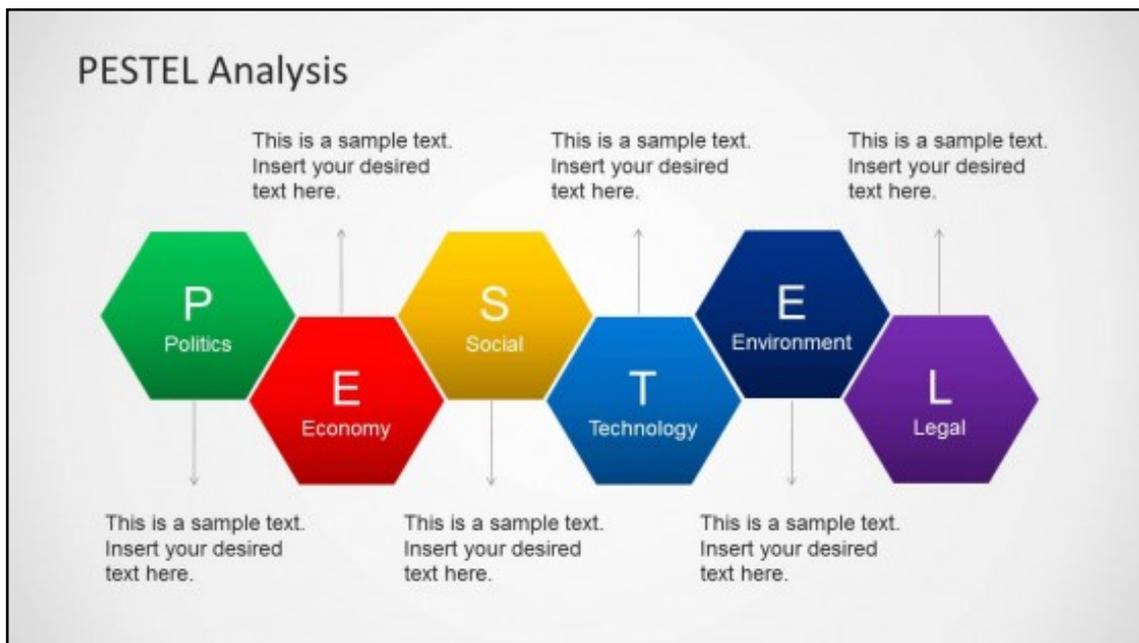


Figure 2: 50Minutos.es, 11 apr. 2016 - 40 pages. The PESTEL analysis: How to design the best strategies to ensure the continuity of your business.

The PEST analysis (Analysis of Political, Economic, Social and Technological Factors) describes the framework of the macro-environmental factors of a company, used in the exploration of factors as a component of strategic management. Some analysts add the legal factor and reorder the acronym to SLEPT; If you add the ecological factor expands to PESTEL or PESTLE, which is very recognized in England.

The basic PEST analysis includes four factors:

- Political factors refer to the degree of government intervention in the economy. Specifically, political factors include areas such as tax policies, labor laws, environmental laws, trade restrictions, tariffs, and political stability. Political factors can also include goods and services that the government wants to provide or needs to be provided (goods of interest) and those that the government does not want to be provided (demerited goods). In addition, the government has a great influence on the health, education and infrastructure of the nation.
- Economic factors include economic growth, interest rates, exchange rates and inflation rates. These factors have a great impact on the operation of companies and their decision-making. For example, interest

rates affect the cost of capital of companies and therefore, it affects as a company grows and expands. Exchange rates affect the cost of exporting goods, the supply and the price of imported goods in an economy.

- Social factors include cultural aspects, health awareness, population growth rate, age distribution, level of education, and an emphasis on safety. Trends in social factors affect the demand for a company's products and how that company operates. For example, the aging of the population may involve a smaller workforce (increasing the cost of labor). In addition, companies would have to change various management strategies to adapt to these social trends (recruitment of older people).
- Technological factors include aspects such as research and development activities, automation, technological incentives and the pace of technological change. They can determine the barriers to entry, the minimum level of efficient production and the influence of outsourcing decisions. In addition, technological changes can affect costs, quality and lead to innovation.

3.1.4 Specific environment analysis: Porter's five forces methodology.



Figure 3 : Cornelis A. de Kluyver - 2001. Strategic thinking: a perspective for executives

To study C&M's specific environment I have used Porter's five forces model as the main tool. Porter's five forces is a strategic model created by the economist and Harvard Business School professor Michael Porter in 1979.

The tool allows for systematic and strategic analysis of a specific sector to determine its profitability. It is usually used to evaluate and predict the future value of companies and business units within a sector. Bittán, M. (2012). La estrategia competitiva y las cinco fuerzas de Porter. Caracas: América Economía, 50-62.

Porter's five forces act within a business's close environment. They affect the business's ability to satisfy customers and the possibility of making profits.

1. Industrial rivalry.
2. Threat of substitute products.
3. Bargaining power of suppliers.
4. Bargaining power of customers.
5. Threat of new entrants.

3.1.5 SWOT ANALYSIS.

The SWOT grid or SWOT analysis is a summary of the information obtained through the internal and external strategic analysis. It is a tool used to present the main conclusions of the study. The expression "SWOT" is an acronym of the words: strengths, weaknesses, opportunities and threats. Each area of the SWOT grid represents either the organisation's strong or weak points or, the opportunities and threats the business faces depending on its environment.

It is a tool to know the real situation in which an organization, company or project is, and to plan a future strategy.² This resource was created in the early seventies and produced a revolution in the field of business strategy.

The external analysis allows to determine the opportunities and threats that the context can present to a company.

Opportunities:

Opportunities are those positive factors that are generated in the environment and that, once identified, can be exploited.

Some of the questions that can be asked and that contribute to the development are:

- What circumstances improve the situation of the company? What market trends can favor us?
- Is there a situation in the economy?
- What changes of technology are being introduced in the market?
- What changes in legal and / or policy regulations are being presented?
- What changes in social patterns and lifestyles are being presented?

Threats:

Threats are negative situations, external to the program or project, which may harm the latter, so it may be necessary to design an appropriate strategy to be able to circumvent them.

Some of the questions that can be asked and that contribute to the development are:

- What obstacles are facing the company?
- What are the competitors doing?
- Do you have capital resource problems?
- Can any of the threats totally prevent the activity of the company?

The internal elements correspond to the strengths and weaknesses of the availability of capital resources, personnel, assets, product quality, internal and market structure, consumer perception, among others.

Strengths:

- Spacious and comfortable.
- Variety of products.
- Personalized attention with technical advice.
- Hours of operation (from Monday to Sunday).
- Customer care.

Weaknesses:

Weaknesses refer to all those elements, energy resources, skills and attitudes that the company already has and which constitute barriers to achieving the smooth running of the organization. It can also be classified: aspects of the service provided, financial aspects, market aspects, organizational aspects, control aspects. Weaknesses are internal problems that, once identified and developing an appropriate strategy, can and should be eliminated. Some of the questions that can be asked and that contribute to the development are:

- What can be avoided?
- What should be improved?
- What disadvantages are there in the company?
- What do people in the market perceive as a weakness?
- What factors reduce sales?
- What are you doing wrong?

3.2. Strategic management.

The professors in company organization, Luis Ángel Guerras Martín and José Emilio Navas López and authors of *“The strategic direction of the company. Theory and applications (2015)”* state that establishing a strategic plan requires strategic management based on three fundamental aspects.

- ✓ Strategic analysis.
- ✓ Strategy formulation.
- ✓ Implementation.

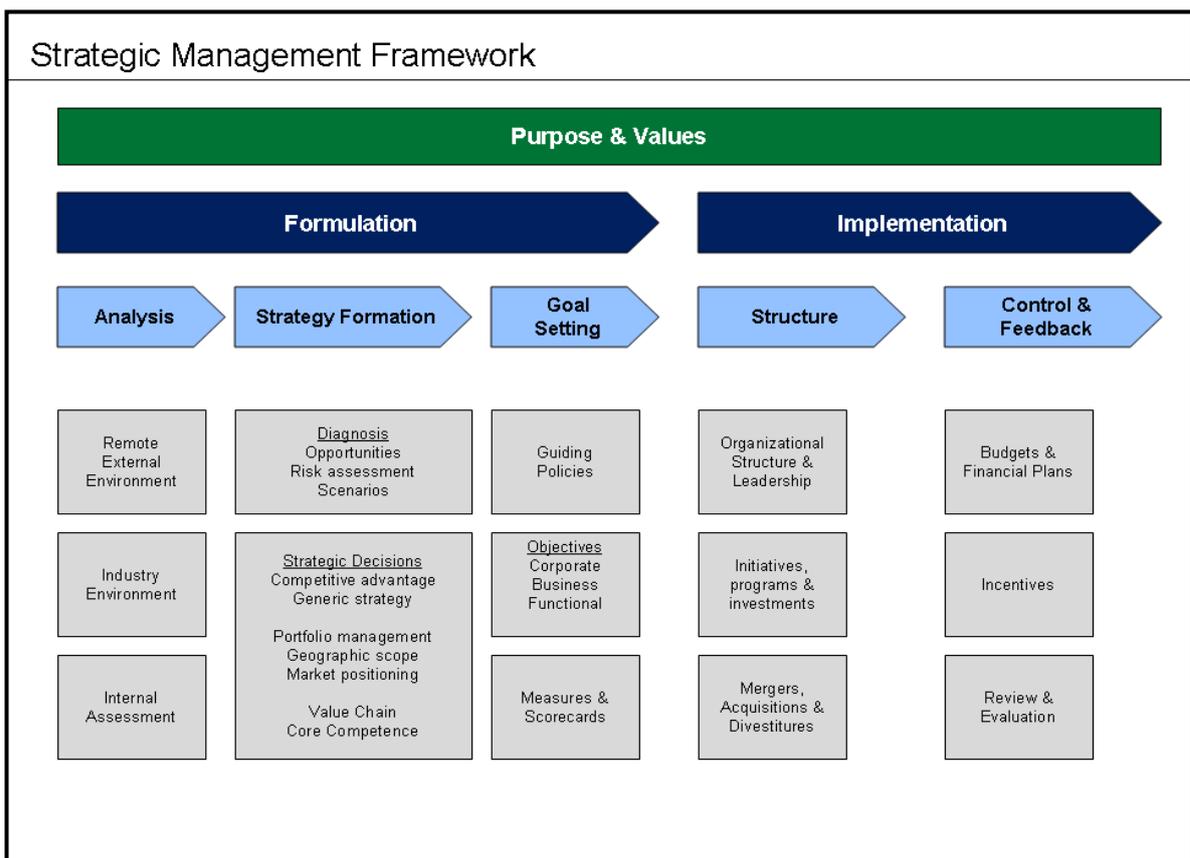


Figure 4 The process of strategic direction. Luis Ángel Guerras Martín and José Emilio Navas López. *The strategic direction of the company theory and applications*. (09/09/2015, edition 5).

The starting point of this final grade project is strategic analysis based on an internal and external study of the business. From this analysis, I shall be able to determine the opportunities and threats to the business from its environment and the business’s strengths and weaknesses. This will allow for a diagnosis

and an evaluation of the business's current situation with the aim of defining a strategy in coherence with the business's mission, vision and strategic objectives.

With the information obtained from the internal and external analysis, I will be able to describe in detail business's current situation. This will give an objective view of what the business can do given its resources.

Following this, I will determine the strategic objectives: Where does the company want to be? How will it get there?

In this part of the analysis, the time-line is an important aspect. There must be a fixed time limit for each of the objectives so that they can be measured correctly. The time given must be enough to allow for the process of change and adaptation.

Designing the strategy is one of the most complicated phases as it requires questioning the business's current policies.

The strategy must also include the processes and activities needed to succeed. These key processes have the following characteristics:

- They have a significant impact on the profit and loss account.
- They show the effects of the new actions.
- They show the effects of environmental changes.
- They must be measurable.

Once the management has decided on a strategic plan, they must design a communication plan to inform the other hierarchical levels within the business.

3.3. Instruments and tools.

3.3.1. Strategic planning.

Strategic planning refers to the way in which an organisation defines its mid-term and long-term objectives, identifies its goals and quantitative objectives, develops strategies to achieve these objectives and locates resources to carry out the strategies.

Indicators and goals are used to develop a strategic plan. These indicators and goals allow for objectives to be measured to determine whether they are being achieved. If the business is failing to meet its objectives, the strategies can be modified through a new plan.

The main instrument used in this final grade project for strategic planning is a balance scoreboard (BSC).

3.3.2. (BSC) – Balance scoreboard.

The concept of the Balanced Scorecard (BSC) was presented in the January / February 1992 issue of the Harvard Business Review, based on work done for a semiconductor company. Its authors, Robert Kaplan and David Norton, pose the WCC as a system of administration or administrative system

A business's strategy is directly linked to the BSC as the indicators relate to the business's objectives. Therefore, the BSC is a planning and management model that allows for the objectives to relate to the strategy forming a solid base upon which the company can grow.

The BSC is a business control instrument that establishes and monitors the business's objectives throughout its different departments and units.

The BSC uses both financial and non-financial indicators and the strategic objectives focus on four main areas or perspectives:

- **Financial Perspective:**

It allows defining, analyzing and providing details on the financial objectives set by management. They are divided into two types, thus improving financial results.

- Financial growth strategy: its main objective is to improve the organisation's income by increasing income through new sources or increasing client value.
- Financial productivity strategy: its main objective is to increase the business's profits by reducing the organisation's costs or improving the way assets are used. Improving the organisation's cost structure by implementing active information systems that automate transactions, save time and support the business's strategy or the organisation's objectives by improving communication, is fundamental for work efficiency and continued growth.

The financial perspective is linked to the other perspective through cause and effect. Therefore, each indicator will measure the overall result of the strategy and the individual economic result of the other perspectives. The financial perspective must be completely in coherence with the strategy as an adequate system for the distribution of costs throughout the working units is important. Another important aspect is the inclusion of a measurement system that relates each economic indicator to the risk of error associated.

- **Client perspective:**

It is especially complicated to choose the indicators for this perspective of the BSC. The fact that the information available is of a qualitative nature rather than a quantitative nature makes defining and choosing the correct indicators more difficult.

In a period of economic crisis such as the current situation, insurance companies have had great difficulty maintaining their customer base whilst facing important threats from competitors. The degree of customer loyalty is a fundamental measurement tool used in this project's BSC.

Having correctly defined the indicators I can then prioritise on certain aspects where the business needs to focus its efforts.

Such as, the need to identify strategic client segments or target markets. For the strategy to be successful it should relate to a certain group of clients with similar characteristics.

The key factor of this perspective is information. The more data regarding clients, the more likely the business will be able to improve their satisfaction and increase loyalty. Companies are currently investing in software that will allow them to obtain client information not only through their webpage but through accessing industry related pages, creating data sheets and profiles of their clients. This will allow businesses to have more on-hand information about customer preferences when calls from possible clients come in. We contacted a business located in Valencia that works in this sector “Belikes”

The client perspective requires the strategy be defined in a specific way and in accordance with the treatment the client receives. The indicators cannot be static as the industry, its tendencies and public (the clients) are constantly changing.

The information obtained shouldn't be used with the sole purpose of attracting new clients. The data we can obtain from the industry or through our own means should allow us to know more about the type of clients a business isn't interested in as well as how to maintain and increase the loyalty of current clients.

- **Internal processes:**

Includes all processes, from the analysis of client needs to the after-sale service. These processes are examined and those that don't generate added value for the customer are eliminated, those that remain are measured and described in terms of cost, quality or time.

This perspective is used to identify the resources and abilities the business needs to improve. Some indicators are:

- The time needed to complete the process.
- On-time delivery.
- Percentage of faulty products.
- Environmental impact.
- Improved productivity.
- Waiting time between order and delivery.
- Stock rotation.

The BSC requires that before starting this phase, the previous two have been completed. In other words, not to begin establishing processes before the financial and client objectives have been correctly established. The processes and indicators should derive from the financial objectives of strategic planning and the client profiles previously selected.

Within this perspective, the BSC highlights the importance of defining an objective for creating an internal process that allows the business to anticipate future client needs. To do so, information is obtained from any phase of the internal processes and then standardised for a certain level of the organisation.

Once a process has been defined, it will require routine revision as client needs change constantly.

- **Learning and organisational growth perspective:**

It allows the business to ensure its ability to renew in the long-term. The aim is to maintain and develop the necessary knowledge to understand and satisfy client needs. The most effective and efficient way to carry out processes is to create value for clients. The business must determine the way to acquire information. Some indicators are:

- Employee rotation.
- Training and education.
- Time dedicated to training.
- Absence rate.

- Percentage of fixed employees.
- Number of women in a high position within the business.
- Productivity per employee.

Figure 5: Adapted from Robert S. Kaplan and David P. Norton, "Using the Balanced Scorecard



as a Strategic Management System," *Harvard Business Review* (January-February 1996).

A business's employees are the main non-economic resource available. In relation to the importance attributed, a business can generate significant changes to the profit and loss account.

3.3.3. The process of the Balanced Scorecard.

1. Define the sector's activity, describe its development and the role of the business within the sector.
2. Establish the business's mission, vision and strategic values.
3. Establish the financial perspective, client perspective, learning and growth perspective and the internal process perspective.
4. Break down the mission according to each perspective and establish the general strategic goals.
5. Identify the critical factors of success, describe and determine what is required for the mission to be successful and classify the factors in order of priority.
6. Determine indicators, identify causes and effects and establish a balance between them.
7. Establish a high-quality balance scoreboard. Once the previous steps have been completed, establish the global BSC.
8. Break down the BSC in indicators according to each organisational unit. Depending on the business the indicators can be broken down to different levels.
9. Establish objectives for each indicator used and design a process to specify different responsibilities and a way of measuring results.
10. Develop a plan of action, specify the steps needed to achieve the objectives and mission. The plan must include all the people involved, a list of priorities and an organised time-line.

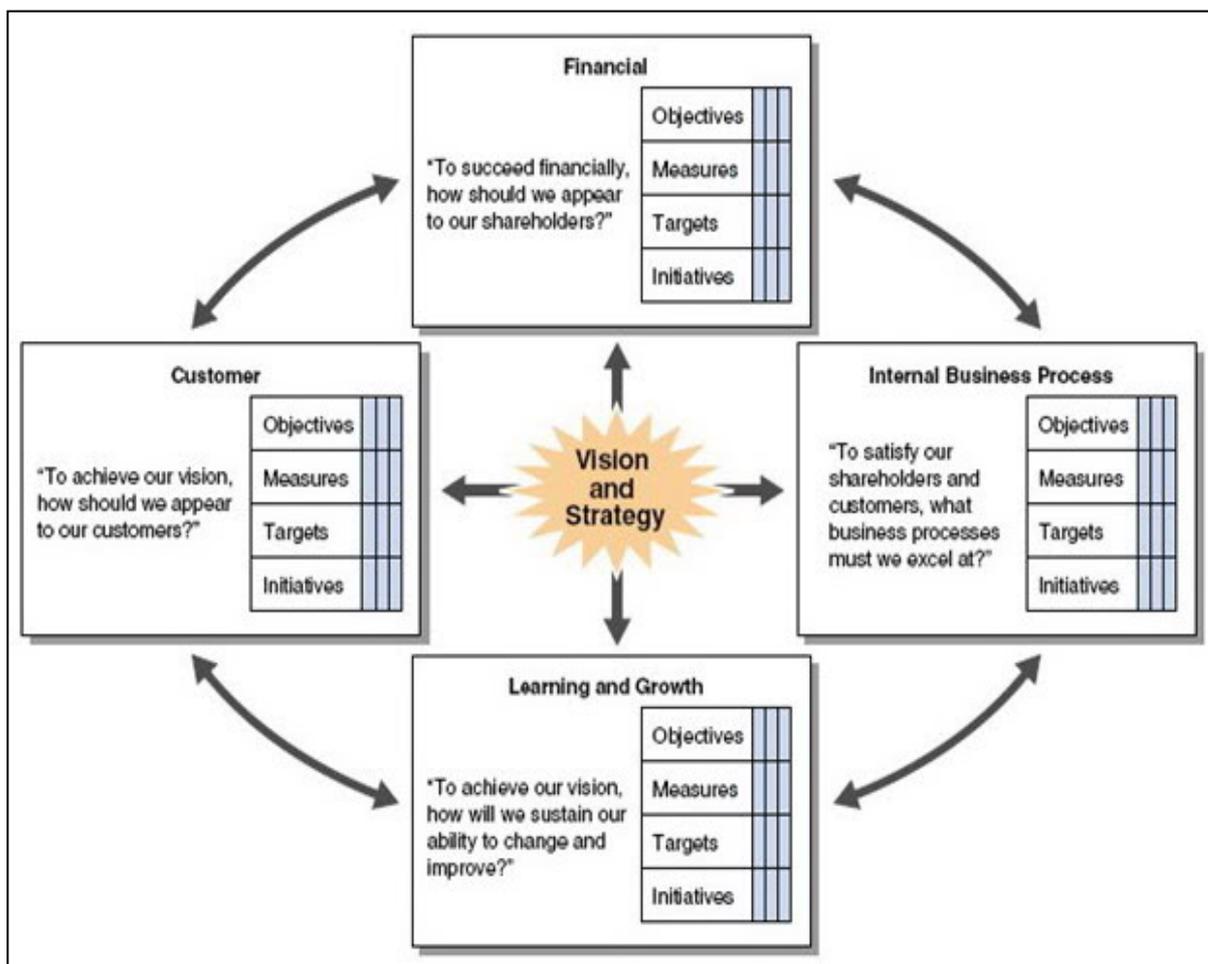


Figure 6: Balanced Scorecard based on (Kaplan and Norton, 1996)

The BSC process is a cycle in which the mission becomes explicit and shared. The communication process revolves around goals and incentives which are used to focus work, assign resources and establish objectives. Following the cycle results in greater knowledge and a re-evaluation of the business's mission. Throughout the entire process, the BSC is a means of communication.

The learning process makes the relationship between indicators especially important. Each indicator forms part of a chain of cause and effect reactions that travels from the unit of origin to the rest of the business.

3.3.4. Advantages of the balance scoreboard.

To analyse the advantages and disadvantages of the BSC, I have used information from Navas, J. E. y Guerras, L. A. (2007), the main advantages of using the BSC instrument are:

- It improves the organisation's ability for analysis as it breaks down the mission in specific strategies based on reality.
- It substitutes complicated terminology for simpler language that is understandable for all users.
- It allows for coherence between objectives, personal behaviour and strategic initiatives.
- It makes it easier to coordinate strategic objectives with annual budgets and long-term goals.
- It makes it easier to transform long-term actions into short-term actions.
- It helps motivate the employees involved in the process.

3.2.5. Disadvantages of the balance scoreboard.

According to the authors mentioned previously, Navas, J. E. y Guerras, L. A. (2007), there are two main inconveniences:

- It can be difficult to apply the project within the organisation.
- It can cause unwanted effects, extreme control and over-strict authority.

4. PRESENTATION, VALUES AND OBJECTIVES OF THE BUSINESS.

Below is the profile of the company, data on its constitution and activity

- Name: Carrascosa Montaña consultant and insurance brokers.
- Address: Av. De Campanar, 106. 46015. Valencia. Valencia.
- Business's purpose: sale of life insurance and other insurances for businesses and private individuals.
- Owner: Jorge Carrascosa Oltra.
- Employee: Inmaculada Montaña Aznar.

To gain more information about the business chosen for this study, I have selected four key points that will help describe the business's profile, activity and structure.

- Point 1: a brief presentation.
- Point 2: C&M's mission, vision and strategic values.
- Point 3: a strategic objective that quantifies the business's mission and vision.
- Point 4: identification and description of the business's stakeholders. A stakeholder is any person (individual or legal) or organisation that has influence on the business's activity. C&M's stakeholders and their interest in the business have been classified according to Gardner's grid.

4.1 Presentation of the business.

Carrascosa & Montaña consultant and insurance brokers (C&M) is a small business that sells insurance. Dedicated to the service provided, the business was created to cater for client needs (other businesses and private individuals).

The business was founded in 1975 under another name. Its founder and first manager was Julián Carrascosa Yuste. Eleven years later, in 1996, the name was changed to what it is currently.

C&M has over 1500 clients in their portfolio. The current manager is Jorge Carrascosa Oltra, who works with his associate Inmaculada Montaña Aznar. The partnership started in 1996 at the same time as the business's name change.

C&M consultant and insurance brokers studies, analyses and evaluates client risk and searches for the best solution, offering each client a complete and personalised service.

C&M consultant and insurance brokers works with different insurance companies and offers clients a vast range of services provided by these companies. They are intermediaries between the insurance company and the client, saving clients the trouble of dealing directly with the company when problems occur.

4.2 Mission, Vision and Strategic Values.

C&M's activities are based on a specific mission and vision. The mission and vision define the business's main objectives. The accompanying values regulate the business's behaviour.

4.2.1. Mission:

C&M's mission is to generate peace of mind and trust among clients, giving them the best assessment for insurance solutions so the client can protect themselves, their families, belongings and businesses. The business also helps with a saving plan to guarantee the client's future and client's business's future when requested.

4.2.2. Vision:

C&M consultant and insurance broker's vision is to grow progressively and steadily within the industry whilst assuring the client's trust and prioritising their needs. The business looks for excellence regarding the quality of the services provided as this will give clients peace of mind.

4.2.3. Strategic values:

The business's main values are:

- Integrity: through the ethical behaviour of all employees and collaborators.
- Transparency: the employees focus on keeping the clients informed of all the advantages and disadvantages of the products they request. C&M offer the client all the options available to them and help to answer any question or solve any problem a client may have regarding the working or coverage of their insurance policy.
- Excellence: the business constantly searches for excellence when dealing with customers and managing their needs. One of the business's main characteristics is the personalised service they offer which implies detailed care regarding the relationship with the client.
- Risk management: risk management is a fundamental value within the business. C&M studies the risks involved in a client's pension plan or savings insurance policy to guarantee the security of their savings.

4.3 Stakeholders.

To understand C&M's management structure, a prior analysis of the level of interest of the different groups that influence or are influenced by the company is needed. These groups are composed of stakeholders.

A stakeholder is an individual whose objectives depend on the organisation and, at the same time, the organisation depends on the individual. These groups can be from the external environment or an internal part of the business. Those relating to C&M are shown in the following figure:

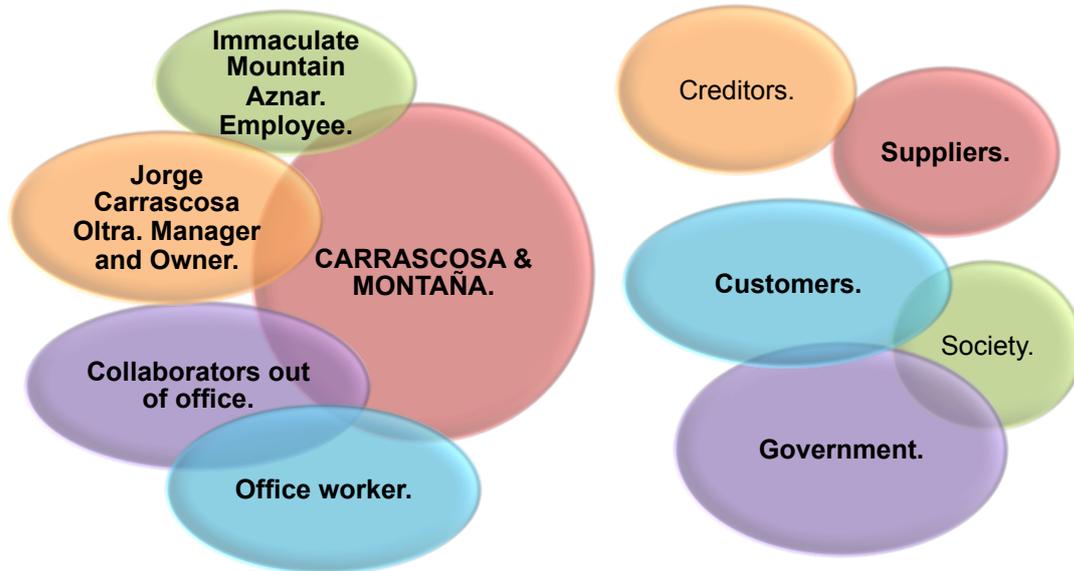


Figure 7: Own source C & M.

Each stakeholder has their own objectives. The internal stakeholders are shown to the left and the external stakeholders are situated on the right. There are four internal stakeholders, each with their own interests:

<p><u>Jorge Carrascosa Oltra. Manager and Owner.</u></p>	<p>Owner and director: As the owner of the Company his main interest is for the business to work correctly and prosperously. The power to make decisions is mainly his.</p>
<p><u>Immaculate Mountain Aznar. Employee.</u></p>	<p>Employee: She is the only one of the company's employees who is interested in the business's progress. She has a part of the decision-making power as she is responsible for the business's finance. Jorge Carracosa and Inmaculada Montaña are husband.</p>
	<p>The out of office collaborators that work with Carrascosa & Montaña are not assessors, they only work with one insurance company, meaning</p>

<p><u>Collaborators out of office.</u></p>	<p>that they don't have as much product flexibility. To ensure the best customer service, clients are sent between businesses. As the collaborators only work with one insurance company, they receive different promotions which could benefit Carrascosa & Montaña's clients. They have a high level of interest, but no power.</p>
<p><u>Collaborators in the office.</u></p>	<p>In this case, the collaborators work from the same office as Carrascosa & Montaña. They use the office installations and as a way of payment, promise to contribute six customers to the client portfolio each year. They have a high level of interest, but no power.</p>

The interests of the external stakeholder are:

<p><u>Creditors.</u></p>	<p>The creditors provide Carrascosa & Montaña with financial help, under the condition that they pay back the long-term loan with added interest. Therefore, they have no power, but interest in the business working correctly and obtaining profits to pay back the loan</p>
<p><u>Suppliers.</u></p>	<p>Carrascosa & Montaña's suppliers are the insurance companies they work with (MAPFRE, GENERALI, CASER, etc.). These companies receive the profits from the insurance except for the commission charged by Carrascosa & Montaña. They have limited power as their decisions and agreements made with the company do have consequences. They have a high level of interest in the business.</p>

<p><u>Customers.</u></p>	<p>The clients have an important impact on the future of the business. If they are happy with the service provided they will continue to use Carrascosa & Montaña, but if they are unhappy with the service or treatment they receive they will stop using this insurance broker and will look for another option. They have a low level of interest, but they do have a lot of power.</p>
<p><u>Society.</u></p>	<p>Spanish citizens aren't as accustomed to using insurance companies as the rest of Europe is. According to an article published in the newspaper El Mundo "over 30% of Spanish homes don't have house insurance". Throughout the recent economic crisis, the number of houses without insurance has increased by 13.3%. According to an article published in the newspaper 20Minutos "the insurance industry represents 5% of the GDP". Low level of interest, high power.</p>
<p><u>Government.</u></p>	<p>The laws imposed by the government mean that certain insurances, such as vehicle or house insurance are obligatory and this helps the industry. The government shows low level of interest and low power.</p>

The following figure shows Gardner's grid which classifies stakeholders according to two variables: their "level of power" and the "level of interest" they have for the business's strategy. This grid is used to indicate what type of relationship the business should have with each of the target groups and it helps to define the specific strategies relating to these relationships with stakeholders. (Gardner (and others), *Manual de Planeamiento Estratégico*, 1986)

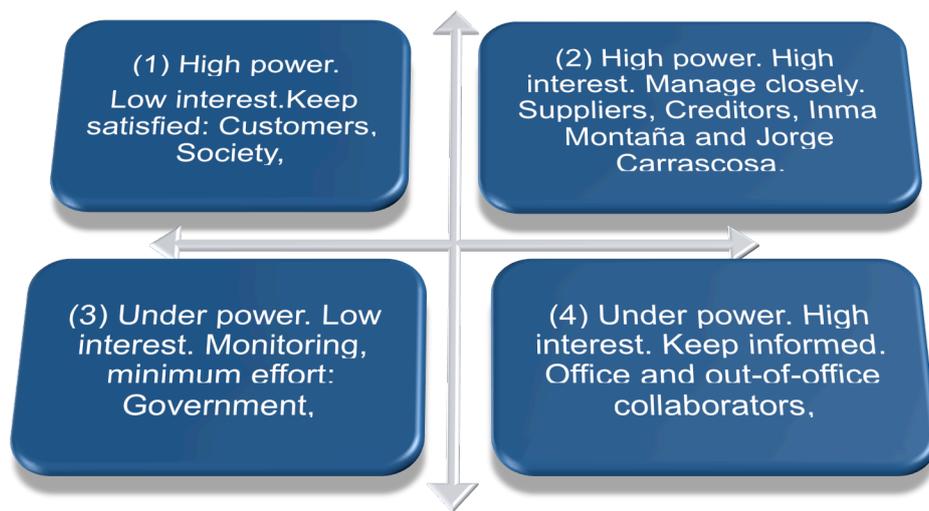


Figure 8: Source: *Guide to the basics of project management. Book of Project Management Institute.*

4.4 Organisational chart.

An organisational chart shows the outline of a business, entity or activity. The term is also used when referring to a graphic representation of the procedures that take place within an industrial or computing framework. An organisational chart allows for the structure of an organisation to be analysed easily and provides information regarding its general characteristics.

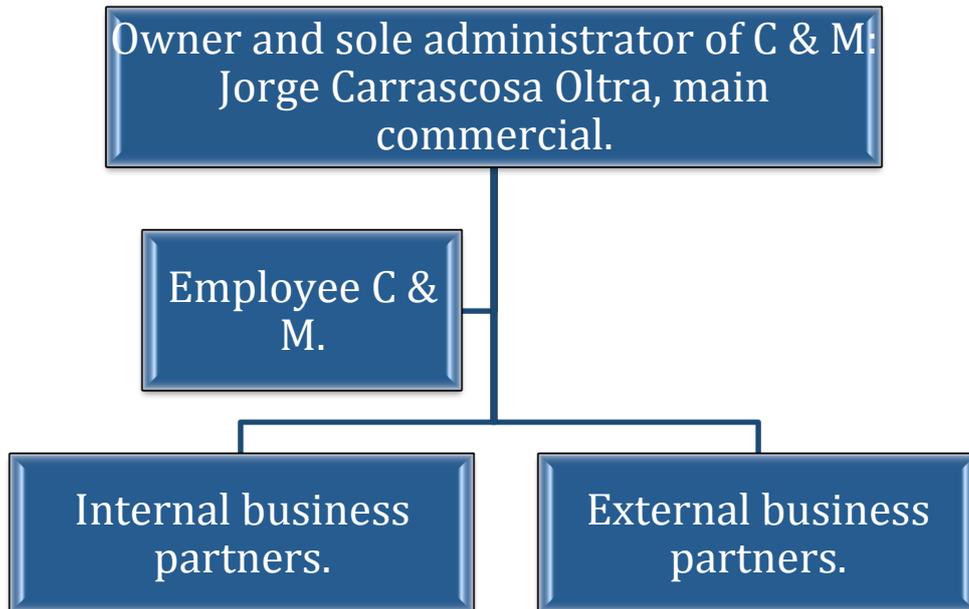


Figure 9: Own source C & M.

The legal form under which the activity of this company is carried out is Sociedad Limitada S.L. The consideration of these factors allows to identify the general characteristics of the company through an overall image of the same, which facilitates the analysis of the strategic profile that is developed in the following paragraphs.

5.1.1 Commercial department.

- Brand image:

Carrascosa & Montaña have a well establish brand image. It is considered a veteran within the industry, with a large client portfolio and a wide social radius.

Carrascosa & Montaña's brand image shows a traditional, stable, close company with clear and fluid communication towards clients.



- Market share:

The company has a small market share in comparison with the overall insurance industry. It has high potential as the area in which it is located hasn't been exploited by any other business.

- Advertising and promotions:

Carrascosa & Montaña uses an advertising strategy based on social media. Facebook and Twitter are examples of social media platforms the business uses.

Carrascosa & Montaña uses word-of-mouth advertising and therefore, their

customer service is very important as satisfied customers talk positively about the service and care received among family, friend and colleagues.

The business also has a webpage. The webpage is neither functional nor creative and doesn't attract potential clients.



- Sales force:

Carrascosa & Montaña's sales force is the director, administrator and broker and he is responsible for client acquisition. He will then visit the potential clients, study their needs and determine the best option for them.

The business's collaborators are another sales force. They select the clients they cannot offer services to and pass them on to Carrascosa & Montaña along with information regarding each case.

The sales force isn't structured by product, nor geographically, nor by client. There is no defined strategy. Neither is there a specific profile for the ideal candidate to boost the sales force as there are only two employees. One is responsible for sales, whilst the other attends to specific incidents and processes the insurance policies and claims.

In Carrascosa & Montaña there is ongoing education and training within the sales force as they attend conferences and lectures that inform brokers of the current market and teach them how to improve their work.

5.1.2 Financial department and production department.

To analyse the business's financial situation, I have used the 2015 profit and loss account, balance sheet and accountancy trial balance provided by José Arnal Montagud, the business's financial assessor.

Data used in the analysis:

Total turnover, 2015: 30.203,24€
Operating income: 30.203,24€
Non-current assets: 5.953,48€
Current assets: 169.856€
Total assets: 175.809,86€
Net worth: 185.731,59€
Non-current liability (supplies): 94,52€
Current liability: 10.016,25€
Total liability + Net worth: 10.016,25€

Liquidity ratio: $CA/CL = 16,9580$

The liquidity ratio provides information regarding C&M ability to settle short-term debts and obligations using short-term cash. The result is higher than 1,00. This indicates that the current assets are greater than the current liability, meaning C&M can pay off short-term debts and has good liquidity.

Capital adequacy ratio: $TA/TL = 17,38$

The result indicates that C&M can settle both short-term and long-term debts. The business's total assets are greater than its demandable liability. This ratio refers to all the company's assets and income, not only short-term cash. The result is higher than 1,5.

The financial solvency percentage corresponds to the business's net worth more 100 divided by its total assets. The result is 117% meaning that C&M has enough solvency to invest both in the short-term and long-term in its activities to improve future income results and profit margins.

To obtain the level of financial debt, I have analysed the relationship between financial liability and net worth:

Debt ratio: $(\text{current financial liability} + \text{non-current financial liability} - (\text{cash} + \text{other current activities} + \text{other current assets})) / \text{net worth} = 0,016$

The overall debt is small. In the short-term the company owes 9.821,25€ to “sales creditors and other payables”. This indicates that C&M’s suppliers finance their short-term activity, for approximately 30 days depending on the company.

The analysis of C&M’s charges and payments show that clients (businesses and individual people) take out insurance policies but don’t pay in cash. The payment is left for 30-60 days, depending on the policy and in some cases the payment is made in instalments. According to the business’s balance sheet, “clients and other receivables” owed 145.650,40€ at the end of 2015. The company supports this cost partially using its own treasury and liquid assets, meaning the “sales creditors and other payables” has an inferior value.

C&M has a creditworthy balance that allows for the business’s activities to be financed when required. Even though it is a small business with reduced income, it has enough financial margin to carry out its activities.

The business’s variable costs are higher than the fixed costs as most of variable costs stem from supplies and primary materials. To increase the profit margin, the business must reduce these costs.

The percentage of profit from the total turnover is 20%.

- Quality control.

Carrascosa & Montaña doesn’t have a formal quality control procedure. Even though it’s a small business, it would benefit from an established control system focusing on measuring and quantifying client satisfaction. The increase in competition within the insurance industry creates changes in customer needs and expectations. Products that yesterday seemed amazing, may not satisfy the customer today.

5.2. Value chain.

5.2.1 Main activities.

There are five main activities:

1. Internal or inbound logistics: C&M offers a service, it doesn't sell a tangible product. Therefore, there isn't a production process. The business's inbound factors are the insurance policies offered by the different companies it works with. Each of these companies has a variety of products, with different coverages and prices. For C&M this activity consists of storing the information regarding the different services each insurance company offers.

C&M works with an information system that is based on obtaining data formally. The business works with eleven different companies. These companies offer life insurance and other types of insurance. Each company offers between five and ten different products or types of insurance with various levels of coverage depending on the client's needs. For this process, C&M uses a computer system called Segur12 created by Micromak. The client's needs are introduced into the system and it produces the options that suit the client from those available. However, it isn't a complete system as it doesn't create client profiles, it requires a lot of stored information and according to employee experience it is difficult to operate.

2. Production and operations: C&M doesn't produce its own insurance policy, so there aren't activities relating to the physical transformation of factors into products or services.

3. Outbound logistics or distribution: The product is distributed by collaborators or the business's sales personnel. As it is an intangible product, its sale doesn't require the client to be physically present at the office. A potential client can contact the company by phone or email. However, there is the possibility of discussing the various options with a client in person, whether it be in the office or whether it requires the sales personnel to travel to the potential client. The company needs a more accessible and user-friendly webpage that can cater for online consultations and provides information regarding the products the business offers.

Insurance policies taken out on premises, businesses, houses, etc. require a personal visit to quantify their value. A visit to their location contributes to a personal and professional service.

4. Marketing and sales: The activities relating to the sale of an insurance policy include planned visits to certain locations, the exchange of contact information for cross-sales, as well as attending events such as trade fairs or shows.

C&M thinks of their existing clients as the best way to reach potential clients. If the existing clients are satisfied with the service provided they will recommend the company to others (this concept is traditionally known as word-of-mouth advertising).

Another technique used by C&M are collective agreements with their collaborators. C&M works with workshops and dealerships to arrange cross-sales. They offer insurance services to these companies so they can then offer their customers a more complete service.

The dealerships C&M work with provide a clear example. They can include the first year of insurance in the sale of a motorbike or car. The insurance policy belongs to C&M, even though the service is offered by the dealership. The profits are split, 30% goes to the dealership while C&M receive 70% and additional commissions for sales paid by the main insurance company as a bonus for formalising a certain amount of insurance policies each month.

5. Customer service: The activities relate to maintaining the terms and conditions under which the product was sold. Processing claims, although an irregular occurrence, takes place in the office. The insurance broker acts as an intermediary between the insurance company and customer. C&M acts in the client's defence and highlights the company's obligations to find a solution.

Other customer service activities include policy renewals. Most policies last a year and are therefore, renewed each year. Insurance renewals are regulated by law and are carried out a month prior to expiry. If a customer has not cancelled their policy by the required date, it is automatically renewed. C&M checks the new policies to ensure the insurance premium hasn't increased. In any case, they inform the client, ask their opinion and re-evaluate their needs.

5.2.2 Secondary or support activities.

There are four types of support activities:

1. Procurement or purchasing: This activity entails purchasing the renewables used within the business. C&M requires office material, the business premises which is property of the business owners and the documentation needed for insurance claims provided by collaborating insurance companies. The office materials cost very little as most if the work is done by computer. There are three desktops that are owned by the company and are classified under material assets.

2. Technological development: The technological systems used within the insurance industry are the same for everyone. C&M has a work system that is similar if not identical to its competitors. Over the last few years the manager and administrator have discussed the possibility of standardising the administrative and bureaucratic tasks involved in their activities and customer service with the objective of offering insurance policies to anyone without geographical limitations.

They have studied a new work system that has more applications including insurance comparisons as well as charging and invoicing for the service. The reason they have not yet installed it, is a lack of confidence in the new system. It is a new instrument that has had very little use within the industry. Competitors that have tried it, have found problems.

3. Human resources: They provide important support for both the main activities and the other secondary activities. They can be extremely important to the business, but in this case C&M only has two employees. The collaborators that work with the business also work on their own time as self-employed personnel.

Therefore, there isn't a specific activity relating to the business's human resources.

C&M is a small business and although the field isn't completely developed it would be interesting to establish certain education and

training guidelines or standards that would act as work incentives. Through new goals, employees would apply themselves more to their work and become more motivated.

4. Organisation or business infrastructure: C&M is self-financed. The business's finances are managed by the administrator who ensures objectives are being achieved monthly and then passes on the relevant information.

C&M activities don't require large pay-outs.

As shown throughout the analysis of C&M's value chain, there is a clear competitive advantage resulting from the interaction between main and secondary activities. The advantage is based on optimisation, as the costs are relatively low in comparison with the results of the business's activity. There is also a competitive advantage based on the interaction between the value chain and the suppliers and clients. The interaction is vertical and the advantage doesn't stem from the business itself, but from the relationship based on transactions between the business and its stakeholders.

It is important to develop new information systems to remain competitive within the industry.

6. ANALYSIS OF THE EXTERNAL ENVIRONMENT.

Despite the recent economic crisis, the general situation of the insurance industry has remained the same. The insurance industry was one of the least affected during the first years of the crisis, 2006-2009, according to the Tatum report. The insurance industry showed good technical results during 2007, although they were lower than 2006. Then, in 2008-2009 the results began to drop slightly, due to adjustments of insurance premiums caused by the general economic status, lower consumerism and business activity. The drop in business activity was caused by reduced finance and loans, increased non-payments and insurance claims. Claims made on insurance increased as people didn't have the money to maintain their workplace's installations in the correct conditions or because they became desperate and to obtain cash made fraudulent claims.

6.1 Analysis of the general environment: PESTEL analysis.

A business's general environment is made up of different factors from the political, economic, social, technological, environmental or legal context in which it operates: PESTEL analysis.

Usually, the businesses that operate in the same country share the same political, economic, social and technological context: PEST analysis. The environmental changes that have occurred over time have caused certain factors to become increasingly important. Johnson et al. (2006) defined six types of factors required for the general analysis of a business's environment: four traditional factors from the PEST analysis, environmental and legal factors. These six factors constitute the PESTEL analysis that I have used as a tool in this project.

6.1.1. External political factors.

Spain's current political situation is complex and unstable. The country's trust in political policies is at its lowest in the past ten years and below the European average. Spanish citizens value the country's leading politicians at 19,1% and the political parties they represent at 18,5%. This data was obtained from the

sixth edition of the “Encuesta Social Europea” (ESE), a questionnaire carried out in twenty-nine countries using randomly selected samples of approximately 1.500-2.500 individuals. In Spain, the studied was carried out at the end of 2012-beginning of 2013 by Pompeu Fabra University (UPF).

The predominance of political corruption, the latest world crisis and its consequences within the banking sector are reasons for new control methods and stricter business regulation. These new rules affect the insurance industry, more specifically its financial information, ability to obtain financial help, customer protection, risk management, exposure and transparency.

The application of these new rules directly affects the products offered by insurance companies and banks. A lot of insurance companies have made the most of the situation to introduce changes in the design of their products and their price.

Insurance companies need to know the long-term effects of the changes in regulation so they can adjust their strategies and guarantee correct management and control of the business. The companies require flexible distribution systems so they can adapt to possible regulation changes in the future.

6.1.2. External economic factors.

According to “el Fondo Monetario Internacional 2015 the international activity generates over 70% of world growth within economic markets. However, it has been continuously lower over the past five years even though advanced economies have shown a slight recovery.

Predictions for world economy are determined by three critical factors: a reduction and gradual balance of China’s economic activity, a reduction in energy and other primary material prices and political strengthening.

The Euro zone’s weak exports are being compensated by an increase in private consumption due to reduced petrol prices and improved financial conditions.

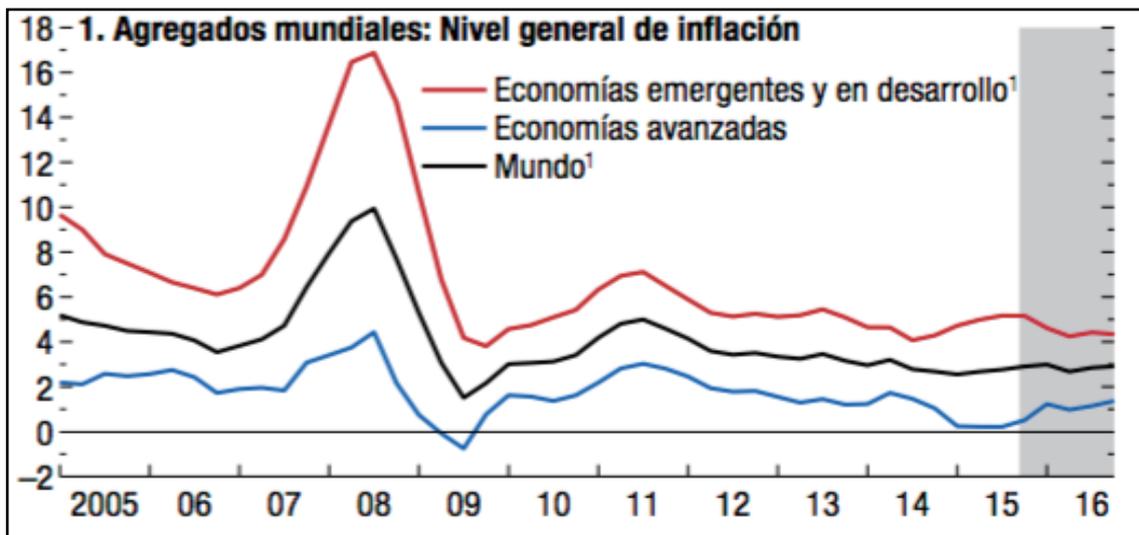


Figure 10: International Monetary Fund.

In November 2015, Spain disputed Brussels' predictions for the Spanish economy. Whilst the European Commission stated the economy was worse than the Spanish Government claimed and Brussels's predictions for GDP growth were 3,1% in 2015 and 2,7% in 2016, Spain's Ministry of Economy predicted GDP growth at 3,3% in 2015 and 3% in 2016. Brussels based its predictions on changes in the exterior sector, specifically the limited advances of emerging countries.

The current economic figures being analysed show that Brussels was correct in their predictions. Not only is the Spanish economy growing slowly, there is a decline in customer trust. The Consumer Trust Indicator (ICC in Spanish) which is obtained through a questionnaire, gives an idea of intended consumer expenditure. The results are obtained by asking consumers about their current perceptions and future expectations of the country's economy. The result from April 2016 was 91 points in Spain, 1,6 points less than in March 2016 and the following four months showed a further decline. Consumer trust is currently at its lowest point since December 2014 (90,6 points).

6.1.3. External sociocultural factors.

According to the report “Attitudes about aging: a global perspective”, the number of people sixty-five years old or older will be three times greater in the second half of the 21st century than it is now, this will have important economic and social repercussions. An ageing population means a greater demand of age-related products, such as dependency insurance or pension schemes.

As well as an ageing population, there are more independent young people and single parent families and insurance companies should ensure a variety of products and distribution systems to cover their needs.

Spain’s demographic situation on the 1st of July 2015 is shown in the following chart according to data from the National Institute of Statistics:

RESIDENT POPULATION IN SPAIN.	POPULATION 01/01/2015.	POPULATION 01/07/2015	ASSESSMENT %
Total population.	46.449.565	46.423.064	-0,06
Mens.	22.826.546	22.807.603	-0,08
Women.	23.623.019	23.615.461	-0,03
Spanish people.	41.995.211	41.996.253	0,00
Foreign.	4.454.353	4.426.811	-0,62

Figure 11. Source: INE, National Institute of Statistics.

The predictions made in 2014 for Spanish home sizes between 2014-2029 according to the National Institute of Statistics are:

HOME SIZES.	YEAR 2014	2019 YEAR
HOMES.	18.252.887	19.204.058
1 person.	4.480.391	5.711.125
2 person.	5.581.768	5.998.563
3 person.	3.852.223	3.752.375
4 person.	3.251.485	2.961.117
From 5 to more people.	1.087.019	780.877

Figure 12. Source: INE, National Institute of Statistics.

The latest study carried out on Spanish households showed that the number of households with children is 8.150.600 and those without children is 8.459.000.

Therefore, there are 308.400 households of either people without children, a single person over sixty-five years old or someone under sixty-five.

	YEAR 2014	YEAR 2015	Variation.
Hogares.	18.303.100	18.346.200	0,2
Tamaño medio del hogar.	2,51	2,51	-0,3
Types of households more frequent.			
Single person under 65 years old.	2.681.400	2.724.400	1,6
Single person older than 64 years.	1.853.700	1.859.800	0,3
Person without children.	3.978.600	3.874.800	-2,6
Person with children.	6.333.800	6.253.100	-1,3
Mother with children or father with children.	1.754.700	1.897.500	8,1

Figure 13. Source: INE, National Institute of Statistics.

According to a study carried out by the MAPFRE Foundation in 2014 (*“Social perception of insurances in Spain”*), 98.7% of people asked had taken out an insurance policy of some sort albeit vehicle insurance, home insurance, life insurance or funeral insurance. 65% of consumers have a high prevention attitude, whereas the other 12% aren't preventative and they don't consider the risks involved to be important.

Factors such as age, having children or not and social and cultural status are highly relevant. Only 57,5% of young people have a high prevention attitude in comparison with the 42,5% that don't. Whereas, 73,4% of the older population interviewed show a high prevention attitude.

This preventative behaviour is more predominant among households with children in comparison with those without children. Regarding the social and cultural factors, people's behaviour becomes more preventative as homes become less structured (68,7%) as certain risks entail important economic consequences.

6.1.4. External technological factors.

The internet and social media have generated a new way of interacting with friends, family and businesses. This has altered traditional business models.

Electronic sales have become increasingly important in the consumer market. According to estimations made by The Boston Consulting Group online sales in 2016 are set hit a total of 24.700 million euros in Spain. According to the report published by “Sociedad en Red de Observatorio Nacional de Telecomunicaciones y Sociedad de la Información (Ontsi)”, electronic sales in Spain rose 18% to 14.610 million euros.

The activity sectors with most income are travel agencies and tourist operators with approximately 16% of the overall turnover, air transport with 8,6% and in third place, direct marketing with 5,4%.

According to the report published by Capgemini about the online insurance sector, most insurance companies have a moderate level of maturity regarding social media and mobility networks. A greater effort has been made to exploit social media rather than mobility networks. It is obvious most businesses have focused their efforts on either one channel or the other.

Approximately 60% of insurance companies are satisfied or very satisfied with their webpage. 52,61% of businesses within the sector now believe that the internet is a service channel for other networks, not just a network itself.

48% of companies believe that the internet should be used as a marketing tool for creating strategies relating to this area of business due to its potential.

6.1.5. External ecological factors.

According to the National Center for Disaster Prevention (CNAPRE) 132 natural disasters have been registered in Europe, of which 14,6% have been catastrophic. The extent of the disasters in Spain isn't comparable with other areas around the world. Spain's geographical and meteorological conditions work in its favour. Even so, several people are affected by these disasters each year and unfortunately in some cases there are fatalities.

As well as natural disasters, there are other accidents caused by industrial activities, dangerous goods shipments, incidents at sea causing hydrocarbon spillages and minor water contaminations when loading and delivering fuel.

Floods have caused the most mortalities in Spain, followed by accidents at sea.

Other natural disasters that have claimed victims are storms with strong winds and lightning, forest fires and heatwaves.

Of all the dangers insurance companies cover, natural disasters have become increasingly important on an international level over the past few years. This is mainly due to the consequences of the high-level catastrophes not complying with criteria. The consequences of high-level catastrophes are difficult to predict.

The frequency and impact of natural catastrophes is increasing. This is an opportunity on a global scale for the insurance industry, not only regarding the management of insurance risk and its pay-outs, but also as a chance to lead and adopt new criteria, methodology and procedures to prevent and alleviate future events and periodical crises, reducing economic and social consequences.

6.1.6. External legal factors.

The changes in legislation in 2014 and 2015 were especially relevant for the insurance industry. External legal factors affect the industry's current companies and employees. The most important are:

Royal decree 681/2014, dated the 1st of August, which modified the regulation of pension plans and schemes, the regulation of company supported pension plans for employees and beneficiaries, the regulation of planning and supervision of private insurance and the Royal decree 764/2010 which affected the mediation of private insurance.

- Legislation 22/2014, 12th of November that regulates venture capital (or private equity) entities, closed collective investment entities and the corporations that manage the closed collective investment entities.
- Legislation 26/2014, 27th of November that modified legislation 25/2006, 28th of November, referring to income tax and other tax regulations.
- Legislation 8/2014, 22nd of April referring to State coverage of the international dangers for Spanish economy.
- Legislation 14/2014, 24th of July referring to maritime navigation. This legislation changed many aspects of Spanish maritime law, including both public and private laws.
- Legislation 20/2015, 14th of July referring to insurance entity planning and solvency. The incorporation of the 2nd solvency directive changed aspects of the law relating to current supervision regulation.

6.2 Analysis of the specific environment: Porter's five forces.

6.2.1. Industrial rivalry.

There are a lot of important entities within the insurance sector that could be considered rivals, such as insurance companies, insurance intermediaries, agents and bancassurance operators.

The following chart shows the evolution of the number of insurance brokers and insurance corporations and companies between 2006 and 2014, using data obtained from the Ministry of Economy.

	2006	2007	2008	2009	2010	2011	2012	2013	2014
<i>insurance brokers</i>	1066	1010	968	942	910	900	864	842	835
<i>Insurance corporations and insurance companies</i>	2050	2017	2045	2073	2096	2125	2151	2196	2243
<i>Total</i>	3116	3027	3013	3015	3006	3025	3015	3038	3078

Figure 13: Source: Ministry of Economy of Spain (2014)

Insurance compensation dealerships are another important aspect. They are considered a public law institution and their aim is to cover extraordinary risks relating to people or goods and other special risks.

Lastly, relating to industrial competition are mutual insurance companies for social welfare. Since 1984 the law has tried to offer a high level of guarantee and security, consequently these entities are required to follow the same technical criteria as other insurance companies.

There are businesses within the insurance industry that follow a “low-cost” policy. These businesses manage their activities through the internet, lowering their infrastructural costs. This means they can offer highly competitive prices.

According to a recent publication made by the MAPFRE Foundation: “the Spanish insurance market in 2014”, dated the 31st of December 2014, there were 255 entities registered in the Insurance Entity Administrative Records. 3,4% (or 9 businesses) less than in 2013.

According to data published by the DGSFP in their annual report, there were 92.493 insurance intermediaries in Spain in 2014 (90.745 in 2013). Of the total, 87.605 are agents and exclusive operators, 3.078 are brokers, 246 are agents and banc-assurance operators, 1.504 are auxiliary assessors and 60 are reinsurance brokers. Of the total 76.267 are individual people and 14.470 are legal people.

As the intensity of competition grows the possibility of obtaining income decreases and the industry becomes less attractive. There are no movement or exit barriers within the sector. The industry's growth was negative for two years throughout 2012 and 2013. In 2014 there was a positive growth rate of approximately 3%. The insurance and reinsurance industry is a mature industry.

6.2.2. Threat of substitutes.

There are no substitute products that can satisfy the same client needs as those offered by the insurance and reinsurance sector. The market's degree of appeal increases as there is no threat of substitutes.

6.2.3. Bargaining power of buyers.

Based on information and figures obtained from different reports, the insurance market is a highly concentrated, large and mature market. Many of the transactions made within the industry correspond to businesses, leaving the agents, insurance brokers and bancassurance operators with low levels of power.

Exclusive and associate insurance agents sign contracts with insurance companies that determine the sales commissions they receive, state their rights, work areas, etc. Therefore, the insurance entities have a high level of power over the other groups.

Insurance brokers only receive a letter of economic conditions as they aren't specifically associated with the company. They are compelled by law to present their clients with different insurance company offers and to assess the different products impartially. Therefore, the insurance entities have less power over insurance brokers.

Each bancassurance facility works differently. Some, such as Santander bank have their own insurance policies, whereas others such as Ibercaja, cooperate with an insurance company. The company sets the bank a yearly sales target.

6.2.4. Bargaining power of suppliers.

The insurance sector's clients have high levels of bargaining power as it is a wide market with a variety of products on offer. If the price or coverage of a certain insurance product doesn't apply to a client's needs they can look to another company or refer to an insurance broker to study other offers that may be of interest.

The sector's potential clients can be companies or self-employed individuals, both invest large sums of money into protecting their material goods, employees and other associated people. In addition to plenty of offers, this type of client has the power to decide on an insurance company and negotiate the conditions of their contracts, ways of payment, product quality, return of receipts, price, etc.

As supplier and client bargaining power increases, the industry becomes less attractive.

Vehicle insurance continues to be the most important type of general insurance with 17,8% of the overall insurance market.

In 2014 health insurance policies totalled at 7.181 million euros, showing a growth rate of 3,5% in comparison with 2013.

Fully comprehensive insurance has increased since 2013. However, it shows a relatively small growth rate of 0,2% and a total value of insurance policies of 6.550 million euros. Regarding the different categories, home insurance has increased (1,5%) as has community insurance (0,4%). Industrial insurance has decreased (-3,6%), as has commercial insurance (-0,3%). Both modalities have been negatively affected by the deterioration of the business network during the recent economic crisis.

Funeral insurance is predominant in Spain with 20,9 million insured people. In 2014 the total number of policies grew 6,5%, with a net value of 2.087 million euros making it the fourth most important general insurance (3,8% of the overall market), according to the MAPFRE Foundation. Centro de Estudios, 2015.

- These circumstances are affected by factors such as:
- Minimal economic cost when changing supplier.
- Minor differences between products.
- Greater information transparency.
- A large market.
- Clients consider some products less important.
- There is a lot of information available to the buyer.

6.2.5. Threat of entry (new competitors).

The threat of potential competitors depends on the markets entry and exit barriers. In the insurance and reinsurance sector, these barriers are irrelevant or non-existent meaning businesses can easily enter the industry.

Several factors allow easy entry into the insurance and reinsurance sector such as low product differentiation, entry doesn't require economies of scale, large initial financial investments or equity and it doesn't require high levels of professional experience.

6.3. Strategic target groups.

A strategic group consists of rival businesses with similar competitive focus and position within the market. The businesses that belong to the same strategic group have several things in common, such as comparable products, vertical integration, they offer similar services and technical help to potential customers, they attract the same buyers with their product attributes, they depend on the same technology or sell within the same product-quality niche. "El plan estratégico en la práctica" written by José María Sainz de Vicuña Ancín (2015).

Within the insurance and reinsurance sector there are several different strategic groups depending on the price of the services that the businesses offer and their product range.

There are four main groups: insurance companies, insurance intermediaries,

agents and bancassurance.

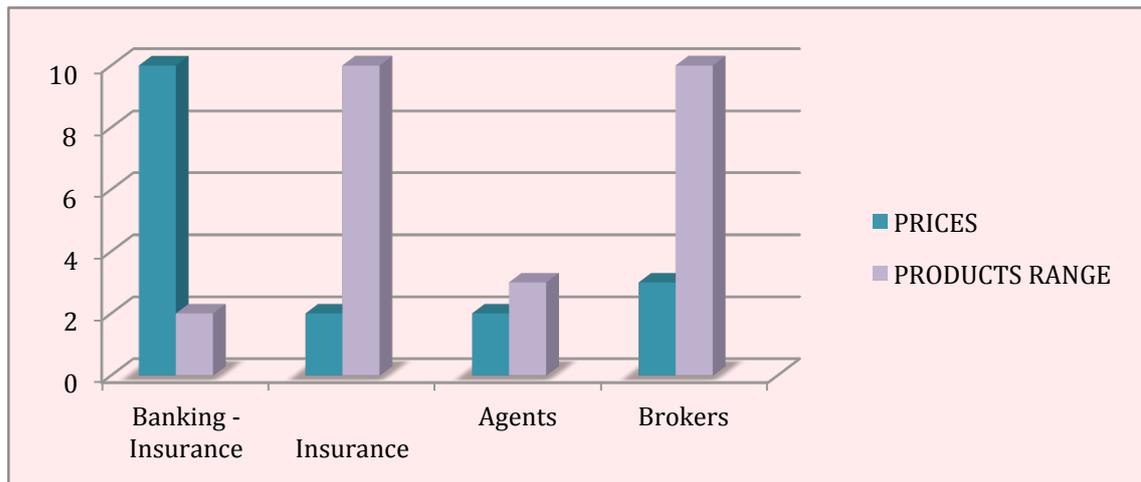


Figure 13: Source: Own elaboration.

Insurance agents are intermediaries linked to an insurance institution through a contract and a dependent relationship. The institution is responsible for the agent's actions and the agent acts in name of the insurance company. The agent is responsible for specific campaigns, they also offer basic product services such as vehicle or house insurance. The product range is limited and the prices are standardised.

An insurance broker is a professional and independent intermediary from a brokerage company. Brokers act independently, their work is regulated by detailed administrative control and they require specific training. They have a wide variety of products at their disposal, including insurance policies belonging to different companies. They can work with as many insurance companies as they chose, with access to their products and different tariffs. There are large profit margins and increased price flexibility.

Direct insurers require infrastructure and have maintenance costs that they don't have when selling their products through intermediaries. The prices from one to another vary very little. The product range is complete as the insurance company has all the products they produce at their disposal. Most insurance companies offer the same products, but some create distinctive products to capture a larger share of the market.

Bancassurance have a small product range containing the products offered to them by the associated insurance company. Generally, the product range consists of vehicle, home, funeral and liability insurance in addition to those offered to businesses. Bancassurance prices are higher than the other strategic groups.

6.4. Strategic profile of competitors.

The strategic profile of competitors is a competitive intelligence tool used to obtain and present pertinent and practical information referring to competitors.

These profiles allow for information to be easily and quickly accessible. They contain information relating to the current situation of each business operating within the analysed industry. This tool is an important instrument for improving performance and achieving market objectives.

This TFG project structures the competition in two sections. The first section analyses national data and the second section analyses competition within Carrascosa & Montaña’s work area.

6.4.1. Competition within the Spanish insurance industry.

Based on the ranking published by the MAPFRE Foundation in 2014 using data from the ICEA, the main insurance groups in order of policy volume are:

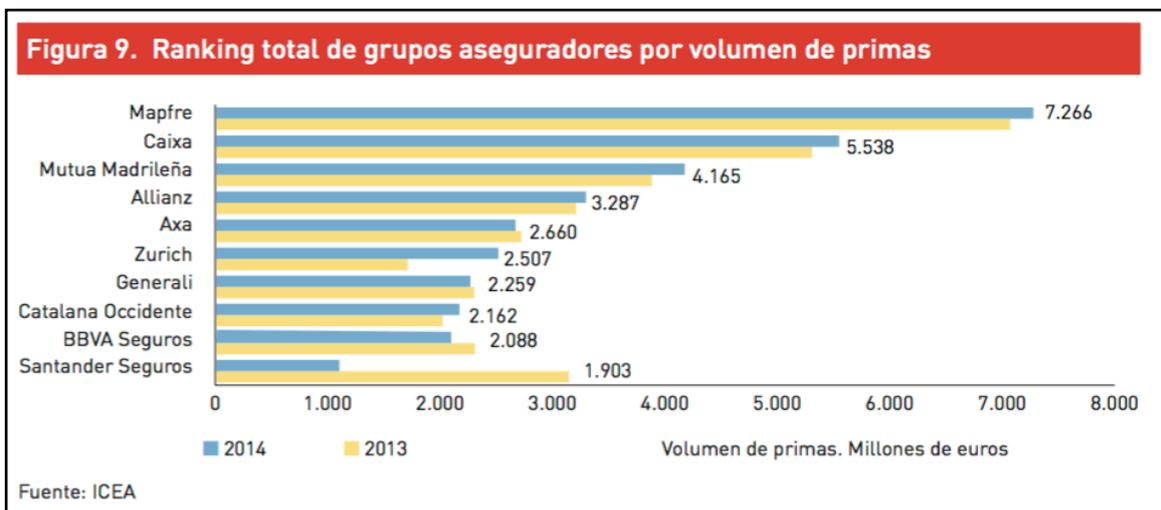


Figure 14. Source: MAPFRE Foundation (2014)

As shown in the table 9 of the report published by the MAPFRE Foundation (2014), MAPFRE is the sector's leader in 2014 with a total policy volume valued at 7.266 million euros and a 13,1% market share (12,7% in 2013).

The second company in the ranking is Caixa Group with a 10% market share, followed by Mutua Madrileña with a 7,5% market share. These two insurance companies specialise in life insurance and health insurance, respectively.

Allianza is in fourth position. Axa, Generali and Catalana Occidente have improved their market quota, whilst BBVA insurance and Santander insurance have lost market quota, therefore occupying the last two positions. Zurich appears in sixth place having taken the position from Caser.

Judging by the geographic distribution as shown in table 8 of the report published by the MAPFRE Foundation (2014), most insurance policies in 2014 were located in Cataluña (10237), followed by Madrid (9165). The Community of Valencia is in fourth place (4305) below Andalucía (6045).

Tabla 8. Volumen de primas por comunidades autónomas				
Comunidades Autónomas	2014	% var 2014 / 2013	% cuota 2014	prima per cápita
Cataluña	10.237	3,3%	22%	1.361
Madrid (Comunidad de)	9.165	-4,2%	19%	1.420
Andalucía	6.045	0,8%	13%	719
Comunidad Valenciana	4.305	-3,9%	9%	860
País Vasco	2.352	-0,4%	5%	1.074
Castilla y León	2.275	-0,5%	5%	912
Galicia	2.167	-2,5%	5%	788
Castilla-La Mancha	1.766	6,2%	4%	850
Aragón	1.710	2,2%	4%	1.290
Baleares (Islas)	1.283	-2,7%	3%	1.163
Total 10 primeras	41.305	-	87%	-

Fuente: ICEA

Figure 15. Source: MAPFRE Foundation (2014)

6.4.2. Competition within the insurance industry, specifically relating to “Carrascosa & Montaña” insurance broker’s working environment.

There are more than 100 insurance brokers located in Valencia. Sixty-two insurance and reinsurance brokers operate in the same area as Carrascosa & Montaña (Campanar and its close surroundings).

The following chart shows the closest businesses and their main characteristics.

CARRASCOSA & MONTAÑA insurance broker’s main competition.

1. Barrón insurance brokers. Mutual insurance company. C/ Valle de Laguar, 10. 963 40 32 22.

- Third generation family business. Started in 1965.
- Personalised services and customer care.
- The business has eight employees, five of which are members of the Barrón family.
- The main products are car, motorbike, house, business accident, civil responsibility, life, savings and pension insurance.
- The work time-table is Monday to Friday, morning and afternoon.
- The company is well-known within the industry. It is recognised as one of the best insurance brokers for healthcare workers as it has more than twenty years’ experience in this part of the market.
- The business works with nine companies: AXA, Zurich, pm mallorquina, FIATC MF, adelas, Allianz, GENERALI, MAPFRE, ARAG
- Good brand image.
- Functional and up-to-date webpage.

2. Blanes insurance brokers. Calle del Doctor Nicasio Benlloch, 24. 963 40 08 62.

- Created in 1990.
- Products include personal insurance, business insurance, savings

insurance, pensions and damage insurance.

- The company offers personalised, professional and experienced assessment by qualified personnel.
- The business works with the following companies: Zúrich Axa, Plus Ultra, Allianz, Liberty, Reale, Adeslas, Asefa, Caser, Previsión Balear, Previsora general, Agrupación Mutua, Asisa, DKV, Sanitas, Active.
- Good brand image.
- Informative but non-functional webpage.

3. Vicente Albert insurance brokers. Insurance company. Av. General Aviles, 14. 963 47 16 74.

- More than twenty years in the industry.
- The business's insurance policies cover goods, life and general insurance.
- The corporate image isn't well looked after.
- No online or social media activity.
- The webpage is unprofessional and non-functional.

4. El Corte Inglés insurance brokers. Insurance company. Av. de Pius XII, 51-4ª planta. 963 40 17 53.

- The business has an up-to-date and functional webpage.
- Insurance broker with greater technological and economic support than the market average.
- More visible and with a better online platform than the competition.
- Corte Inglés has sold insurance for a number of years. However, consumers don't associate the Corte Inglés with insurance, they don't see them as specialists within the sector.
- The product range is directed at private individuals. The company offers insurance to clients that shop in the store. Products include vehicle insurance, property insurance, personal and financial insurance.
- They only cater for individuals not corporate needs. They are specialists among previously selected potential clients.
- Their entire operation has been computerised, with minimum costs and

maximum performance.

5. Segur 9 insurance brokers, limited partnership. Insurance company. Carrer del Dr. Olóriz, 21. 963 46 50 65.

- Spanish firm that operates as an insurance broker and risk consultancy.
- They offer complete assessment in different aspects of insurance to both businesses and private individuals.
- They promise to provide clients with the best value-for-money when taking out an insurance policy.
- Specialised in credit insurance.
- Up-to-date and functional webpage.
- Cooperative image.

These five businesses are easily accessible online, their webpages are visited frequently and they all have high levels of investment.

The only insurance company with an office located in the same area as C&M (Campanar) is MAPFRE.

The bancassurance companies that operate in the analysed area are: BANKIA, Santander, BBVA, Ibercaja and Caja Mar.

Bancassurance companies and other insurance agents mainly sell products to private individuals, specialising in home, vehicle, life insurance and pensions.

Regarding insurance price, companies compete using price strategies by offering significant discounts as shown on the posters below.



7. SWOT ANALYSIS: STRENGTHS, WEAKNESSES, OPORTUNITIES AND THREATS

The grid summarises the internal and external analysis in four specific sections, giving an overall view of the business's situation. The information is then used to design the strategy the business will use to achieve its objectives.

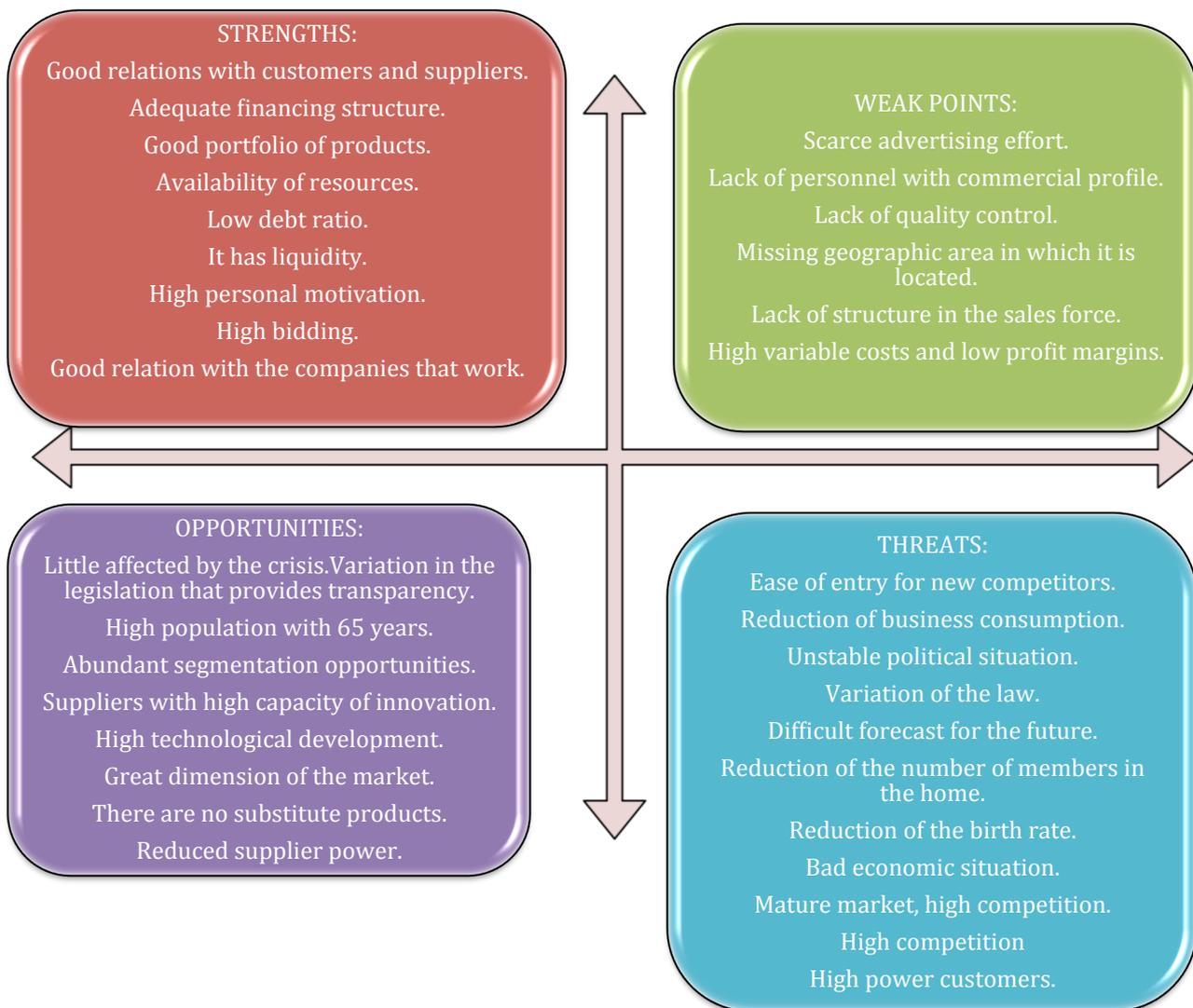


Figure 16: Own sources. Carrascosa & Montaña..

The insurance sector faces the type of threats expected within a mature market that allows for easy entry of competitors. The consequences of easy entry are high levels of competition and high levels of customer power. Over the last few years the Spanish economy has caused the insurance market to become unstable, this has caused a decrease in both private and business consumption

which has damaged the insurance sector, contributing to a new threat. The market's current situation has required changes in the law and other regulations. These changes have forced businesses to rapidly adapt their products to cover client's new needs. All of these factors make it difficult to predict the industry's future. The demographic structure of the country has also caused environmental threats. The birth rate has decreased which has affected the consumer's attitude towards insurance. Families or partnerships without children don't have the same insurance needs as those with children.

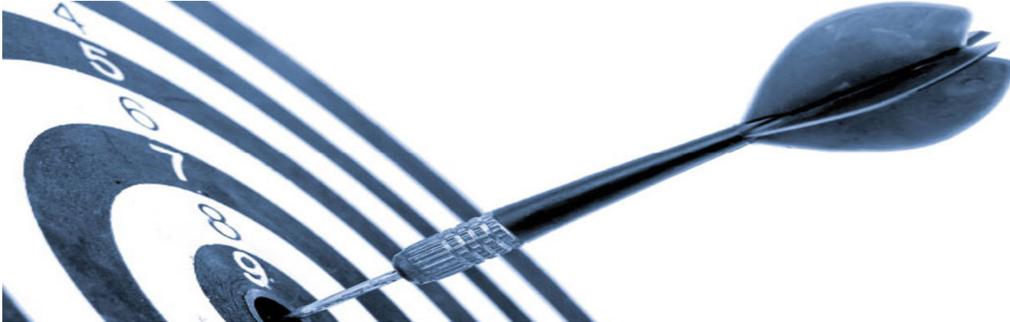
There are opportunities within the insurance market despite the recent economic crisis, as the insurance industry was one of the least affected. Suppliers have demonstrated a high innovative capacity and the high product demand has ensured companies like C&M's position within the market. There are no substitute products in the insurance industry and the sector's technological development helps distribution channel flexibility. Regarding the demographic structure, the increase in population between the ages of sixty and sixty-five has promoted the sales of dependency insurance.

Carrascosa & Montaña's strong points include their excellent relationship with clients and suppliers which eases the policy negotiations and provides the company with future opportunities and possible collaborations. C&M has a stable financial structure, high liquidity, accessible resources, low debt ratio and high resource optimisation with the possibility of improving and reducing variable costs. The reduction of variable costs would allow the business to invest in their sales force and their brand image. The business's employees are highly motivated and willing to continue their training to improve their knowledge of the industry.

Lastly, the company's weak points include the fact that C&M does not invest in publicity and advertising; the business isn't well known even within its immediate location. There are only two employees and the client portfolio requires better attention than that currently offered given the business's circumstances. Other important weak points include the lack of a defined sales structure, the quality of customer aftercare and a follow-up on their satisfaction with the service received, the lack of instruments that would help identify obsolete products or products that should be better promoted. Obsolete

products should be eliminated from the company's product range and others require customer feedback to determine whether they are satisfied or unhappy with the product and help decide what to do in the future.

8. STRATEGIC OBJECTIVES.



Strategic objectives are focused on maintaining and improving the business's competitive position in the long-term. They focus on the business's surroundings and its competitive position. The objectives must be clear, specific, real and measurable.

- Carrascosa & Montaña's main objective is to gradually increase client loyalty so 95% of current clients renew their policies. To do so, quality control is highly important, as is a monthly policy revision to determine which policies expire and initiate their renewal, thereby achieving monthly measurable success.
- The second objective consists in insuring the company's position within the market by increasing the client portfolio by 10% each year. This would ensure stable and regulated growth, enabling the business to continue offering their clients the best services. Achieving this objective requires a well-defined sales structure, a growth plan and investment in the client portfolio.
- The third objective is to systemise work tasks to reduce time lapses and variable costs. This will allow the business to offer their current customers a better service, increasing the business's value which makes the company more attractive to potential clients. Improving the work

system improves the employees working conditions, in some cases allowing them to work from home. If the company can help employees balance their work schedule with their private life, they will become happier and more motivated.

Strategic objectives are achieved using the key inputs from strategic planning and the balanced scoreboard which creates a management system based on the previously defined strategy.

The BSC aligns resources, budgets and organisational structures. This generates a dynamic, innovative, flexible organisation that is sensitive to the possible changes of the environment. It allows the company to evaluate and adapt their strategy to the new requirements.

9. BALANCE SCOREBOARD.

Now that the outline for the balance scoreboard has been defined, the following step is to decide the insurance broker's strategic objectives and to integrate them into the strategic plan.

The aforementioned objectives are the company's priority. Taking these three objectives into account I have divided and extended their content into short and long-term objectives to create a solid base for a stable work method.

- Given the current price war, it is difficult to obtain long-term profitable results as clients are always looking for cheaper insurance policies with the same coverage and maximum guarantees. An insurance broker like C&M chooses a product range from the insurance policies offered by the various insurance companies it works with. The broker's product range should include exclusive products that provide the company with high profit margins. Exclusive products create market interest and position the company in front of its competitors.
- The current market situation requires investment in innovation and marketing. As mentioned previously, the sector's leaders are multinational companies.

- As market shares are highly concentrated in all the industry's fields, businesses need to be flexible in order to adapt and quickly respond to innovations and market needs. Employees should have extensive knowledge of the variety of insurance policies offered in the different sectors, from private individuals to self-employed workers and businesses. An operative information system is as important as employee knowledge and training.
- If the business's collaborators take charge of sales this reduces employee costs and the profit margin, but it helps to increase the market quota and improves C&M's position as a larger and more competitive business.
- Employee regulation should be flexible, thus increasing employee motivation and further integrating the company's policy. It is important to focus on methods that increase innovative suggestions and creative feedback.
- Clear and organised procedures.
- Technological and computerised innovation that separates the business from the market's standards and adapts to C&M's needs.
- Result orientation and dedication to long-term improvements.

9.1. Choice of indicators.

The following step consists of choosing the balanced scoreboard's indicators. The idea is to have a small number of indicators, but for the chosen indicators to provide key information relating to the results of the strategic plan.

9.1.1. Financial perspective.

To analyse the business's profitability and policy margins I have chosen the following indicators. These indicators will help to evaluate some of the previously mentioned objectives, such as client portfolio growth.

- Indicators that measure income growth and diversification.
 - o Growth rate of premiums compared to previous years.
 - o Growth rate of new production premiums.

- o Growth rate of premiums compared to market leaders or the industry average.
- Indicators that measure cost reductions and improvements in productivity.
 - o Ratio of operating expenses over the technical account.
 - o Ratio of claims by branch and product.
 - o Average rate of commissions per employee.
- Indicators that evaluate equity and investment strategies.
 - o Average liquidity index for different periods.
 - o Average solvency ratio for different periods.
 - o Average short-term and long-term debt ratio.

9.1.2. Client perspective.

This section includes the indicators that show new value created for previously selected potential clients and those that can help to improve financial indicators.

- Indicators of generic procedures used to remain in the market.
 - o Growth rate of market share.
 - o Position in the market ranking compared to the branch leaders.
 - o Number of policyholders.
 - o Average number of policies per insured.
 - o Ratio of unpaid policies.
 - o Portfolio drop rate.
- Indicators that measure the actions used to create greater value for current and potential clients.
 - o Results of customer surveys.
 - o Cancellation rate of total or new production policies.
 - o Number of claims.
 - o Period incident processing.

9.1.3. Internal process perspective.

The indicators for this section include those that generate added value throughout the business's processes and those that show the impact of the financial results. These indicators relate to innovation and technical improvement. The term innovation refers to the installation of new software

projects that improves the quality of work, increases information storage (information relating to both current clients and potential clients), helps to create attractive and functional webpages that eases C&M's employee's workload by being more time and cost effective. There is a company in Valencia called BILIKES (no sé si será el mismo que el 3.2.2, pero en caso de que lo sea está escrito diferente?) that develops this type of software for independent businesses. The company works with the business that hires them throughout the entire process, creating a unique information point that facilitates the employee's work. BILIKES manages affordable software projects within different sectors and could be a solution to C&M's computing problem. Quotes for BILIKES new computer software systems are in the range between 2000€ and 5000€. I found this information having looked for a solution that would cover C&M's needs and meeting with a BILIKES representative.

- Innovation indicators.
 - Number of registrations via the website.
 - Number of new users who visit the website.
 - Number of quote requests made through the website.
- Number of claims processed through the website.
 - Reduced collection period.
 - Reduction period for the acceptance of a risk.
 - Time reduction period in reinsurance negotiations
 - Percentage of cost savings for detected frauds.
- Indicators of improvement of available technology.
 - Time reduction period between the declaration of the incident and the beginning of its resolution.
 - Percentage of investment in technological support for intermediary channels.
- Index of webpage improvement.
 - Indicators of improvement of administrative procedures.
 - Number of claims processed.
 - Number of claims completed in the established time.
 - Time reductions in sending documentation to customers.
 - Percentage of automated manual processes.
 - Number of receipts returned.

- o Percentage of direct debit payments.

9.1.4. Learning and growth perspective.

The indicators used in this section should help the business to adapt its activities and evolve within the insurance industry through motivating and training employees. There are two main groups of indicators.

- Indicators of employee capabilities.
 - o Ratio of premiums charged among personnel expenses.
 - o Number of hours per employee dedicated to training.
 - o Average staff training.
 - o Indicators of the capacities of information processes.
 - o Percentage of training in personnel technology in comparison with total staff expenditure.
 - o Use of the technological system.
- Indicators of motivation, delegation of power and consistency of objectives.
 - o Number of employee suggestions put into practice.
 - o Percentage of social benefits compared to personnel expenses.
 - o Percentage of variable compensation compared to total wages and salaries.

10. STRATEGIC MAP.

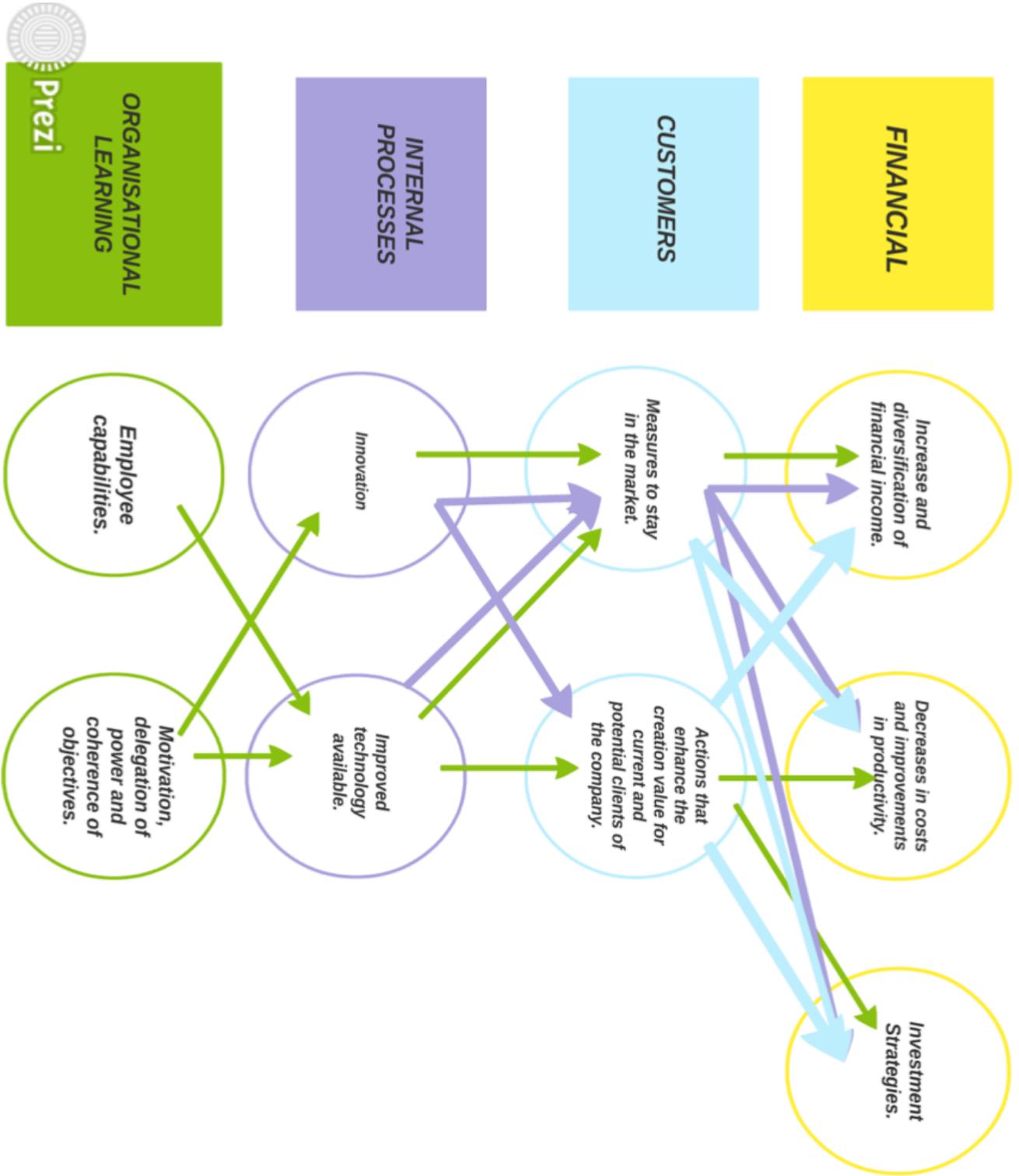


Figure 16: own elaboration

11. INDICATOR STRATEGY.

The following chart explains each perspective objective, indicator, goal and initiative.

PERSPECTIVE	OBJECTIVES	INDICATORS	GOAL	INITIATIVES
FINANCIAL	<p>Measure the income growth and diversification.</p> <p>Measure cost reductions and improved productivity.</p> <p>Evaluate equity and investment strategies.</p>	<p>Growth rate of premiums compared to previous years.</p> <p>Ratio of operating expenses over the technical account.</p> <p>Average short-term and long-term debt ratio.</p>	<p>Increase the client portfolio by 10%</p> <p>Reduction of 2% in operating expenses.</p> <p>Reduction of financing to customers.</p>	<p>Motivation of employees.</p> <p>Increase employee capacity.</p> <p>Technological improvements.</p> <p>Increased innovation.</p> <p>Bring more value to the customer.</p> <p>Sales strategy.</p>

Source: own elaboration.

Regarding the financial perspective, I recommend establishing a main objective, this being to increase profitability and growth. This objective can be measured by the client portfolio growth rate. This year's goal is to increase the client portfolio by 10%.

The suggested strategy involves creating an adequate sales structure with the main objective being to exploit the business's geographical area. To do so, the business's action plan should start by dividing the office's surrounding area into smaller zones and establishing a sales strategy.

The sales strategy should involve guided visits to both communities and commercial establishments in the area.

The number of new clients should be evaluated each month. The aim is to achieve a monthly increase of approximately 0,85% or twelve new clients, this

equates to three new insurance contracts per week. New contracts taken out by existing clients will also contribute to the business's development. I recommend dedicating one day a week to calling existing clients offering them new insurance policies that they may be interested in.

The most important project initiatives and those that will gather best results are based on increasing employee motivation by involving them in the project, increasing work flexibility through a new software system that will store and distribute internal and external client information and improve the employee's operating system. The employees will have to undergo training to understand and learn how to use the new operating system. This will require a short-term financial investment that will improve results and minimize costs in the long term. These initiatives will provide additional value for the customers and increase their level of loyalty.

PERSPECTIVE	OBJECTIVES	INDICATORS	GOALS	NITIATIVES
CLIENTS	<p>Stay within the market.</p> <p>Increase value for current and potential customers..</p>	<p>Position in the ranquin versus the leaders of the branch.</p> <p>Portfolio drop rate.</p> <p>Average number of policies per insured.</p> <p>Debt ratios. Results of customer surveys.</p> <p>Rate of cancellation of total or new production policies.</p> <p>Deadline for the handling of the incident.</p>	<p>Achieve a score of 8 or more.</p> <p>Achieve 95% portfolio renewals.</p> <p>Reduce in half the arreagados.</p> <p>Know what our nososyros customers think.</p> <p>Reduce the time of claims management</p>	<p>Establish a renewal structure and client control method.</p> <p>Establish a quality control system.</p> <p>Stay within the market through innovation and development by improving technology.</p>

Source: own elaboration.

Regarding clients, the suggested objectives are to increase loyalty and satisfaction. The measurement tools used are the growth rate of C&M's market share, C&M's position within the market ranking at the end of the year, ratio of unpaid policies and client processing. The client processing refers to the time involved in processing claims or registering new policies for current clients or new clients. The goal is to achieve a 95% renewal rate and a valuation score of eight.

To achieve this goal, I recommend using a questionnaire linked to C&M's webpage where the company's clients can evaluate the service they've received and leave comments that would then be sent to the office's email address. All the workers would have access to the results and the client's opinions.

Another recommended option is to install a computer system that would warn employees of insurance expiry two months before the event. This would give the employees time to review the policies, compare prices and product offers to improve the customer's insurance. The overall objective is to give a better service and improve profitability. The computer system would also provide a self-service option for clients who are unable to visit the company's offices in person. It would allow clients to take out new policies, consult their existing policies and manage their own insurance claims. The system would be linked to the office to offer help when required by telephone or in person. This system would provide C&M's services and the company itself with added value.

PERSPECTIVE	OBJECTIVES	INDICATORS	GOALS	INITIATIVES
INTERNAL PROCESS	Innovation. Improving available technology. Quality control.	Number of registrations for the website. Number of new users on web page. Number of claims processing website. Deadline for negotiation time reduction. Percentage of savings.	Increase market share. To divert face-to-face attention to online. Cost reduction. Increase the value of C & M. Cost reduction.	Establish a quality control system. Establish an evaluation system. Improve processes. Improve designs.

Source: own elaboration.

The main objective of the internal process perspective is to establish and install a quality control system. To date, C&M doesn't have a structured system for registering information regarding the quality of the products the company sells.

I suggest an online evaluation system linked to the business's webpage with a

designated section for evaluating the quality of the company's products, the insurance coverage, surveyor assessment, company responses and feedback, etc.

The system will provide C&M with a product quality guide of their services and it will help the company to exploit their most valued products as the information provided through the system will tell them which ones they are and why.

This proposal will require innovative and improved technology. It will provide increased service quality and higher company value, and by reducing costs the company will be able to increase its market quota as its services will appear more attractive. Improving company designs and processes is fundamental as the insurance market and its external environment are changing constantly.

PERSPECTIVE.	OBJECTIVES.	INDICATORS.	GOALS.	NITIATIVES.
LEARNING AND GROWTH.	Indicators of employee capabilities. Indicators of motivation, delegation of power and consistency of objectives.	Number of hours per employee devoted to training. Degree of average staff training. Percentage of training in personnel technology on total staff expenditure. Valuation of workers to the company.	Increase the motivation of the employees, so that they are more productive. Create professionals in the sector. Get in the minimum valuations equal to or greater than 5 points	Train sales personnel. Evaluate personnel. Establish a sales strategy.

Source: own elaboration.

Lastly, regarding the learning and growth strategy, the main objective is to motivate employees so that they become more satisfied with their work and the business. To measure employee satisfaction, I suggest employees evaluate their own work and C&M's, while also using indicators. These indicators should

evaluate an employee's current capabilities and their progress throughout the year, establish and control the number of hours each employee dedicates to training and keep track of employee productivity.

A recommended method for increasing employee's faith in the company along with self-worth is role-play in preparation for dealing with clients. Most specifically practising sales techniques.

To reinforce employee trust in the company, I suggest improving C&M's corporative internal and external image, starting with the webpage. The business's webpage should be much more dynamic, interactive and functional. I also suggest a new computer system that would make work quicker and easier by improving insurance comparisons and sign-ups as well as accounting aspects such as billing and charging for services.

I would also recommend hiring another employee since the business has high levels of liquidity and solvency. Investing money this way would help the business stay competitive within the market.

12. CONTROL OF THE BALANCED SCOREBOARD.

Once the balanced scoreboard has been introduced, it requires a certain level of control to verify whether it is functioning correctly and to evaluate the long-term results.

Members of the organisation are responsible for carrying out the aforementioned suggested actions. The company should focus its efforts on the indicators that are not being achieved. This balanced scoreboard established objectives over a one year period.

Strategies can be followed easily by using the control indicators, allowing employees and organisation members to achieve their objectives. Corrective action can be taken immediately which allows employees to adapt to changes in the environment.

Once these actions are put into practice the strategic objectives coincide with the business's vision.

13. CONCLUSIONS AND RECOMMENDATIONS.

The objective of this project was to offer a SME with a strategic plan based on a BSC. A BSC is a simple and practical method used to control different perspectives of a business. Using this method, a small business like Carrascosa & Montaña insurance brokers can apply strategic planning and control the company's perspectives and objectives with the aim of correcting faults by using any number of systems available.

As the balanced scoreboard was studied and analysed for use in Carrascosa & Montana's business, I discovered that the BSC is a useful tool for guiding business management and strategically controlling a business with the objective of improving the company.

In the long-term the BSC will show the evolution of each strategy and its changes. When the strategies are correctly applied and work correctly within a business, the company's performance and profitability will change.

A strategic plan allows for changes in the BSC in order to adapt to new objectives having accomplished the previous ones. This allows the business to develop more quickly and efficiently.

Having presented the conclusions of this project to the business that was the subject of the study, the response was incredibly positive. C&M thought the balanced scoreboard and its components would be a useful tool for achieving the suggested objectives.

As a future recommendation, I would suggest the business specialises in a certain niche of the sector. This recommendation is based on the market analysis carried out that showed the insurance industry is overcrowded despite there still being business opportunities.

I would recommend a niche based on specific clients or potential clients such as a select group that buy luxury items. An accessible niche for the company would be maritime insurance as C&M already has some clients within the sector.

Specialisation is a way of achieving important financial goals by obtaining high

levels of work efficiency and more satisfied clients.

The last recommendation for this project would be the final step in the process having established the objectives. The final step being a long-term work system.

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FIGURE:

Figure 1: Porter (1987:55)
Figure 2: 50Minutos.es, 11 apr. 2016 - 40 pages. The PESTEL analysis: How to design the best strategies to ensure the continuity of your business.
Figure 3 : Cornelis A. de Kluyver - 2001. Strategic thinking: a perspective for executives
Figure 4 The process of strategic direction. Luis Ángel Guerras Martín and José Emilio Navas López. The strategic direction of the company theory and applications. (09/09/2015, edition 5).
Figure 5: Adapted from Robert S. Kaplan and David P. Norton, "Using the Balanced Scorecard as a Strategic Management System," Harvard Business Review (January-February 1996).
Figure 6: Balanced Scorecard based on (Kaplan and Norton, 1996)
Figure 7: Own source C & M.
Figure 8: Source: Guide to the basics of project management. Book of Project Management Institute.
Figure 9: Own source C & M..
Figure 10: International Monetary Fund.
Figure 11. Source: INE, National Institute of Statistics.
Figure 12. Source: INE, National Institute of Statistics.
Figure 13: Source: Own elaboration.
Figure 14. Source: MAPFRE Foundation (2014)

Figure 15. Source: MAPFRE Foundation (2014)