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STRATEGIC PLANNING AND MANAGEMENT OF SMES

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INTRODUCTION

According to the report “Cifras PYME” published in February of 2017 by the Ministry of Economy, Industry and Competitiveness, the Small and Medium-sized Enterprises (SMEs) play a very important role in the business fabric. Spain has 1.314.275 SMEs and 1.539.803 self-employed people. That means that the 99% of the enterprises have less than 250 employees, who generate around the 75% of the Spanish employment, especially in the service sector.

The small size of the Spanish enterprise makes them particularly vulnerable to the changes caused by the economical cycles. In this type of enterprises, the generation of new jobs occurs at a very fast rhythm, but these new jobs are also destroyed quickly. Therefore, the size of the companies is linked to its productivity: the bigger the size is, the better its productivity will be.

SMEs must make an effort to be more competitive and to become stronger to, eventually, deal with future difficult economical cycles. Therefore, the Balanced Scorecard (BSC) will be studied in this paper as a tool for the business management. This tool was created by Kaplan and Norton, and was first published in 1992 in the Harvard Business Review magazine.

According to Kaplan and Norton (2000), the Balanced Scorecard (BSC) provides the management all the needed tools to lead the company to a competitive success in the future.

The Balanced Scorecard (BSC) will be implemented in the SME Alpargatas Rius and the elaboration process will be observed. In addition to this, objectives, indicators and appropriate action plans will be set. This will offer a wider vision of the company, avoiding the only study of the financial part.

1. OBJECTIVES

1.1. General objectives

The main goal of this project is to develop a strategic plan for SMEs, using the Balanced Scorecard (BSC) as a management tool to maximize the profit of the company.

1.2. Specific objectives

The specific goals of this paper are two. The first one is to understand the company as a set of opportunities to make profit, avoiding being focused just on the financial actions to generate those opportunities. Therefore, this paper aims to build relationships among the different parts of the company to reach the final goal.

The second specific objective is to provide the company a clear overview of the following items: which objectives must be reached, which actions must be carried out, and which measurements must be done to assess the consecution of those objectives.

1.3. Justification

The main reason to carry out this project is to be able to develop a strategic plan for the company Alpargatas Rius, by building a Balanced Scorecard that helps the company make profit.

The reason why this company has been chosen is because the espadrilles sector, its history and its production are interesting. Moreover, it is a popular, very used and recognized product in the Valencian Community.

The company that will be studied in this paper is a fictitious company created from real company models.

2. METHODOLOGY

2.1. Introduction

To develop this project, some different tools and techniques will be used.

In the first part, an internal and external analysis will be carried out. The internal analysis will define the company. The external analysis will use two tools. The first one is a PESTLE analysis to study the political and legal, economic, sociocultural, and technological factors that may affect the performance of the company. Afterwards, a Porter's five forces analysis will be implemented to study the bargaining power of costumers, the industry rivalry, the threat of new entrants, the bargaining power of suppliers, and the threat of substitutes.

With all the information provided by the internal and external analysis, a SWOT analysis will be also carried out to identify the strengths and weaknesses of the organization, as well as the opportunities and threats that the company may find in its environment.

The second part of the project, once the situation of the company has been analyzed, will define which are the strategic objectives, how to achieve them, which goals must be reached, and how to measure and assess them. All these items will be set under four perspectives – financial, customer, internal business, and learning and growth –, all of them described in the point 2.3.1.

2.2. What is the strategic planning?

According to the strategic plan manual (Centro de Empresas e Innovación de Ciudad Real, 2009), the strategic planning is based on establishing the objectives and on developing the necessary policies in order to achieve them, taking into account the continuous changes in the environment. Therefore, the strategic plan defines the necessary resources and sets the action priorities. In other words, the strategic plan is a tool that reflects all the development process performed by a company in a formalized and structured way.

From Martínez and Milla (2005) perspective, carrying out a strategic plan – whatever the company's structure, kind of business, size or position in the market – helps analyze the technical, economic and financial viability of the corporate. Accordingly, the specific benefits provided by the strategic plan are the following:

- ❖ It forces the management of the company to systematically think about the future.
- ❖ It identifies the expectable changes and developments.
- ❖ It increases the willingness and the preparation towards changes.
- ❖ It improves the coordination of activities.
- ❖ It minimizes the irrational answers to unexpected events (anticipation).
- ❖ It reduces the disputes about the performance and the objectives of the company.
- ❖ It enriches the communication.
- ❖ It better adapts the available resources to the opportunities.
- ❖ It provides a useful general frame to continuously review the activities.
- ❖ It leads into high levels of profitability on the investment (value creation), thanks to the systematic approach of the strategies' formation.

Importance of the strategic planning in SMES

In its “Manual Básico para la PYME: Cómo elaborar un cuadro de mando integral”, the Xunta de Galicia explains the importance of the strategic planning, by describing the following questions that are usually asked by SMES:

- Why carrying out a strategic plan is needed?
- Are not strategic plans just useful for big companies?
- Why should be done if the strategic plan changes all that was already planned?
- Is the company ready for such a complex and abstract issue?

The answer to the previous questions commonly brings out the following objectives:

- To know where is the company and which is its position in the market in relation to costumers, providers and competitors.
- To design which kind of company is wished to be in the future.

- To develop the roadmap with the actions that will be helpful to lead the company to the desired situation. By starting a strategic reflection process, the company will be able to get to know better its costumers, suppliers, competitors, etc.

It is extremely important for SMES to tackle the whole strategic reflection process in a continuous way, as they usually do not find time to take these kind of actions and as there is not a specific department to long-term design and plan the strategy.

2.3. Stages of the strategic planning

A definition of the stages of a strategic planning will be explained. There are two main stages of a strategic plan: the first stage will describe the situation analysis (both internal and external), and the second stage will be a SWOT analysis.

2.3.1. Stage 1: Situation analyses (Internal analysis and external analysis)

2.3.1.1. Internal analysis

According to Guerras and Navas (2015), the internal analysis aims to identify the strengths and weaknesses of a company to develop its competitive action. In order to achieve it, three sub-analysis must be carried out: definition of the mission, vision and values (1), business identification (2), and value chain (3).

1. Mission, vision and values

- ✓ The mission collects the *raison d'être* of the company – what is its ultimate goal –, and it acts as a guide for the decisions that must be taken by the management or the employees, as well as its modes of action. It is a public and transparent declaration that provides information to the members of the company, but also to the society (Iborras, 2006).
- ✓ The vision reflects the mental image of the company's path through its performance, and it refers to the current perception of what will be company or what should be the company in the future (Guerras and Navas, 2015).

- ✓ The values are the principles that the company and its staff have been adhered to, and they are the reason of all the behaviours and actions. According to Fernández (2004), the values will be a powerful management tool if:
 - All the levels of the structure know them.
 - All the people are committed with them.
 - Are put into practice.

2. Business identification

This is a general analysis whose objective is to determine the key characteristics of the company. The following items will be established (Guerras and Navas, 2015):

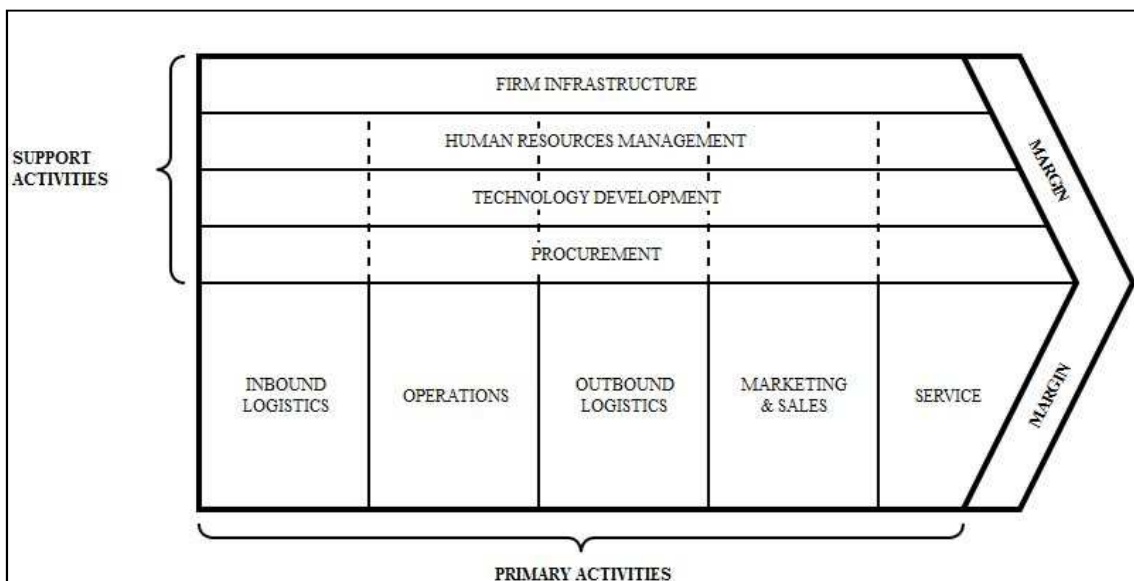
- Age of the enterprise: it refers to the moment or historical phase that the company can be found in.
- Size of the enterprise: it concerns the dimension of the company, especially in relation to other companies of the same industry.
- Field of activity of the enterprise: it is a combination of the product, service and markets of the company, or the needs that it tries to meet, the type of costumers it involves, and the technologies used to achieve it.
- Kind of property: depending on if it is a public or a private property.
- Geographic area: it includes the range of its geographic area and it can be local, regional, national or multinational.
- Legal framework: according to the type of the legal form it can be a limited company, an incorporated company, etc.

3. Value chain

Michel Porter created value chain in 1987. It is one of the most important and popular tools developed for the analysis and internal diagnosis of the company.

Michael Porter (1985) describes two different categories of activities. On one hand, those considered as primary activities: internal logistics, production, external logistics, marketing and sales, and services. These primary activities aim to the physical creation of the product or service, as well as its sale and transfer to the clients, and its after-sale services. On the other hand, Porter refers to the support activities: sales, technology development, human resources management, and infrastructure management. These activities are able to add value by themselves or they can add value through the relationship between them and other primary activities (Lumpkin and Lumpkin, 2003).

Figure 1. Value chain



Source: Porter (1985)

From Guerras and Navas (2015) approach, the definition of primary activities is the following:

- **Inbound logistics:** reception, storage, stock control, and raw materials and auxiliary materials' internal distribution until its own inclusion in the productive system.

- **Operations:** activities related to the physical transformation of the factors into products or services.
- **Outbound logistics:** storage and physical distribution to the customers, directed to achieve the sale of the product.
- **Marketing and sales:** activities related to achieve the sale of the product.
- **After-sale service:** activities connected to the maintenance of the use conditions of the sold product.

According to Guerras and Navas (2015), the definition of support activities is the following:

- **Procurement:** activities related to the acquisition of goods that will be used in the company.
- **Technology development:** activities aimed to obtain, improve and manage technology, both of the product and the process.
- **Human resource management:** activities involved in recruiting, hiring, training, motivating... all kind of employees for the company. It is a basis to the primary activities, the other support activities and the company as a whole.
- **Enterprise infrastructure:** these activities may be also considered as the general concept of "management" and they include activities such as planning, control, finance, legal, accounting, etc. It is a support for the company as a whole rather than the individual activities.

2.3.1.2. External analysis

The purpose of the external analysis, also known as environmental scanning, is to identify the factors that may affect the enterprise performance from an economic and social system approach (Guerras and Navas, 2014). To achieve it, a PESTLE analysis will be carried out, as well as strategic environmental scanning and a Porter's five forces analysis.

1. **PESTLE analysis (Political and Legal, Economic, Sociocultural, Technological and Ecological factors)**

- **Political and Legal factors** point out how the political and legal factors may affect the environment and context of the company. Therefore, government legislation may clearly benefit or harm the interests of the company (Martínez and Milla, 2005).
- **Economic factors** and the evolution of certain macroeconomic indicators may have some influence on the enterprise industry. Every enterprise should choose those economic indicators whose evolution have had or could have an important influence on its environment and, therefore, on its future. Even though there are multiple economic indicators that may have some influence on the enterprise context, not all of them have a significant impact on the field activity. That is why the enterprise should only choose those indicators whose evolution may be useful to check (Martínez and Milla, 2005).
- **Sociocultural factors** refer to the beliefs, values, attitudes, and ways of life of the people who belong to the society that the company operates on. They also include the cultural, ecologic, demographic, religious, educative and ethic conditions of the whole social system (Guerras and Navas, 2015).
- **Technological factors** generate new products and services, and they improve the way to produce them and the way to deliver them to the final costumer. This technological innovation is able to create new industries and to alter the limits of the already existing industries (Martínez and Milla, 2005).

- **Ecological factors** refer to the government's environmental protection and preservation policies (Guerras and Navas, 2015).

2. Strategic environmental scanning

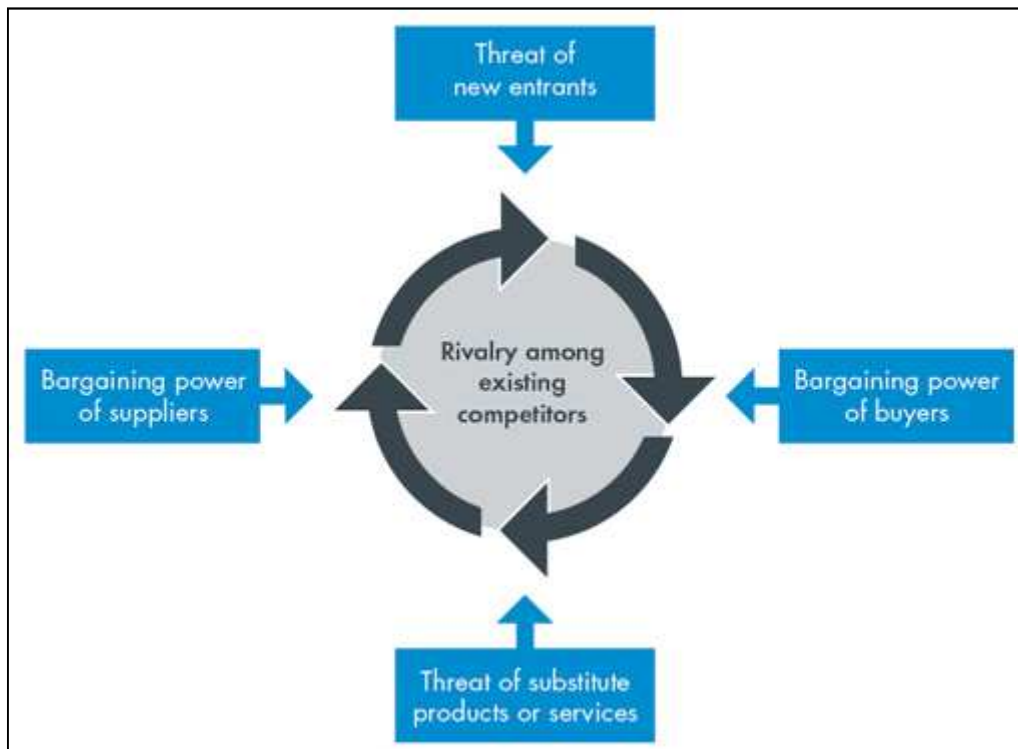
The strategic environmental scanning is a tool whose main goal is to carry out an analysis of the general environment. In order to achieve this analysis, two main stages are conducted: the first one is the PESTLE analysis, which is already done, while the second one aims to value the impact of the PESTLE analysis in the company, so the main opportunities and threats can be identified (Guerras and Navas, 2015).

The interpretation of the strategic environmental scanning is simple – the more to the right or to the left, the more favourable or unfavourable is the profile of the company. These values are represented by the following acronyms: VN (very negative), N (negative), B (balanced), P (positive), or VP (very positive). This representation can be observed in Table 9 (Guerras and Navas, 2015).

3. Porter's five forces analysis

Porter's (1980) five competitive forces analysis is a model that allows to systematically tackle the main issues related to the industrial field's structure analysis, as well as to find out how attractive that field might be for the companies that already operate on or the ones that would like to operate on it (Iborras, 2006).

Figure 2. Porter's five forces



Source: Porter (1979)

- **Bargaining power of costumers**

Costumers have the ability to threaten a certain market by lowering prices, by negotiating to get higher quality levels, and by promoting more rivalry among competitors (Martínez and Milla, 2005). Therefore, the bigger number of enterprises and the bigger number of substitutive products is, the higher will be the bargaining costumers' power.

- **Industry rivalry**

Rivalry among companies is the most determinant force of all the Porter's five competitive forces. The strategy of a certain company will only be successful if it offers a competitive edge over all other companies in the industry. Rivalry increases when the amount of competitors is higher (Fernández, 2004).

- **Threat of new entrants**

This threat aims to evaluate the possibility to attract new enterprises to compete in a certain industry. In addition, they need to wish to compete in it (Iborras, 2006).

- **Bargaining power of suppliers**

The bargaining power of suppliers depends on how much power they can exert over the industry. The lower is the amount of suppliers in a certain industry, the bigger power they can exert over a company.

- **Threat of substitutes**

The threat of substitutive products points out to analyze how alternative technologies can meet the same requirements or similar requirements than a certain industry. When the threat of substitutes is high, it means that the benefit of the companies in a certain industry is limited (Iborras, 2006).

2.3.2. Stage 2: SWOT analysis

The SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis goal is to integrate the internal analysis into the external analysis, in order to guide the company to develop the more appropriate strategy (Pérez, 1997).

The SWOT method describes the strong and the weak points of an organization, as well as the opportunities and threats that the company may find in its environment. This matrix summarizes the internal and external analysis by offering a global overview of the current situation of the company, allowing the enterprise to be able to design the strategy (Guerras and Navas, 2015).

The definition of the four elements of the SWOT analysis is the following:

- ✓ **Strengths:** they are an internal resource of the company, which give it an advantage over its competitors. They are all those internal aspects in which the company is strong, and they must be kept and improved in order to have a better position into the industry (Muñiz and Enric, 2005).
- ✓ **Weaknesses:** they are the limitations, flaws or flimsiness in the company that constitute an obstacle to achieve the goals, reduce the management quality and place the business a disadvantage over its competitors. They are internal

issues that must be improved to get a more competitive position in the industry (Muñiz and Enric, 2005).

- ✓ **Opportunities:** they are those circumstances, situations or elements in the environment that could be favorable for the company. They may be an unmet need in the industry or a trend in the environment that allows the company to exploit it to take advantage (Muñiz and Enric, 2005).
- ✓ **Threats:** they are those adverse circumstances, situations or elements in the environment that may affect the brand in a negative way and may cause trouble for the company if the appropriate steps are not taken at the right time (Muñiz and Enric, 2005).

2.4. What is the Balanced Scorecard (BSC)?

Authors Robert Kaplan and David Norton first published the concept of Balanced Scorecard (BSC) in the Harvard Business Review magazine in 1992. The BSC provides a frame, a structure and a language to communicate the company's mission and the strategy. It uses measures to inform employees about the reasons of the current and future success of the company (Kaplan and Norton, 2000).

According to Muñoz and Monfort (2005), there are ten basic pillars of the BSC:

1. It is the main management tool for the company.
2. It must be supported and disseminated by the company's directors.
3. It requires time and dedication that must be taken from other management systems.
4. All the members of the staff must be involved in the BSC.
5. It is a continuous system that must be kept updated. It is not a single project.
6. It requires people who steadily support the BSC.
7. It consumes extra resources and time.
8. It must be automated in order to be effective.
9. It must be integrated in company's information systems.
10. It must be able to meet the needs and the requirements of the company.

2.4.1. Elements of the Balanced Scorecard (BSC)

According to Martínez and Milla (2005), the elements of the Balanced Scorecard (BSC) are the following ones:

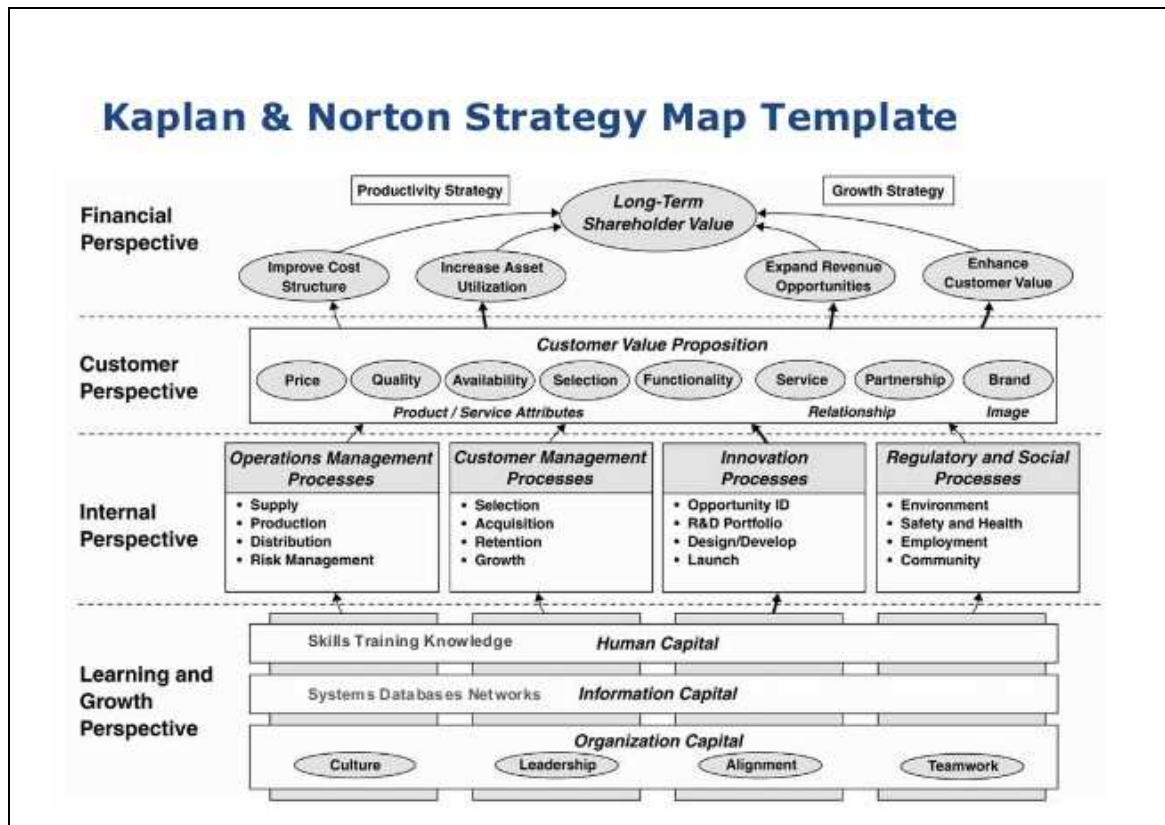
- ✓ **Mission:** it is the main purpose of the company, its *raison d'être*.

- ✓ **Vision:** it is the statement of where the company aims to arrive in the future. It must be concrete and clear in order to allow all the staff of the company to work in the same direction.

- ✓ **Values:** it is the way of acting of the company and its employees, its own beliefs.

- ✓ **Strategy map:** it is the set of strategic targets through the four following perspectives
 - Financial
 - Customer
 - Internal business processes
 - Learning and growth

Figure 3. Strategic Map



Source: Kaplan y Norton (2004)

- ✓ **Indicators:** they are useful to measure and assess the achievement of the strategic goals. An accurate selection of the indicators is important not to get undesired results.
- ✓ **Goals:** it is the objective value that the company aims to achieve in a certain period of time. Goals must be challenging, but always achievable. They must be regularly set in order to be able to identify and correct deviations in a timely manner.
- ✓ **Managers:** the allocation of responsibilities over every single element of the BSC is one of its key elements. Every manager must be personally committed to the compliance of the company's strategy.

2.4.2. Perspectives of the Balanced Scorecard (BSC)

Norton and Kaplan (1992) suggested four perspectives of the Balanced Scorecard (BSC): financial, customer, internal business process, and learning and growth. These four perspectives of the Balanced Scorecard lead to a balance between short-term and long-term objectives.

Martínez and Milla (2005) define the four perspectives as it follows:

2.4.2.1. Financial perspective

Financial perspective in the Balanced Scorecard (BSC) is considered the most important one, as the financial goals of the company are the ultimate aim of the company's strategies. Hence, the financial activity indicators show if the company's strategy, including its implementation and its execution, contributes to the improvement of the final results.

The financial perspective must be able to answer the question "Which objectives do have to be achieved in order to satisfy the shareholders?".

Financial strategies are based on a very simple principle: it is only possible to make more money by selling more or by spending less, or by combining both. Therefore, any initiative, action plan, etc. creates value for the company only if it is able to increase sales and reduce costs. Consequently, the financial activity of a company can be improved through two basic approaches: growth and productivity.

In the following, an example of the objectives and indicators in a financial perspective is shown:

Table 1. Financial perspective example

Perspective	Objectives	Indicator
Financial	Increase income	Sales evolution
	Increase profit	Sales / Assets
	Increase cash flow	Cash-flow

Source: Martínez and Milla (2005)

2.4.2.2. Customer perspective

Customer perspective in the Balanced Scorecard (BSC) defines the value proposition for the *target-costumer*. The costumer perspective must be able to answer the question “In order to reach the financial goals, how does the company have to be seen by the costumers?”.

The costumer perspective is the key of the company’s strategic process. The value proposition for the costumer is set in this perspective: what is the company going to offer, whom is the company going to offer to, which is the market, which geographic areas, etc.

In this perspective, the following set of questions must be considered:

- Which are the niches-targets?
- Which is the value proposition for the niches-targets?
- Which is the current value position and what must be modified?
- Which are the sales objectives?
- How will the objectives be reached?

In the following, an example of the objectives and indicators in a costumer perspective is shown:

Table 2. Customer perspective example

Perspective	Objectives	Indicators
Costumers	Offer a wide range of products	Sale of new products
	Increase costumers' loyalty	Average customer sales
	Brand image recognition	Number of costumers

Source: *Martínez and Milla (2005)*

2.4.2.3. Internal business perspective

Internal business perspective in the Balanced Scorecard (BSC) aims to identify those processes that may have a higher impact over the company's strategy.

According to Norton and Kaplan (2000), in the internal business perspective the executive managers identify those internal processes in which the company must be excellent. The measures in this perspective are focused on the internal processes that have a higher impact on costumers' satisfaction and on the implementation of the company's financial goals.

The two previous perspectives are not enough. Therefore, the objectives of the internal business perspective and of the strategic capabilities describe how is it possible to reach the strategy. Those processes produce and provide the value proposition to the costumers, and the improvement of the processes reduces costs in benefit of the productivity component in the financial perspective.

In the following, an example of the objectives and indicators in an internal business perspective is shown:

Table 3. Internal business perspective example

Perspective	Perspective	Indicator
Internal business process	Develop new products	New products R&D /Sales
	Improve the quality	%Shrinkage Returns
	Reduce production costs	Production costs / Sales

Source: Martínez and Milla (2005)

2.4.2.4. Learning and growth perspective

This perspective is the basis of the Balanced Scorecard (BSC) and it allows the achievement of objectives of the financial, customer and internal business perspectives.

The learning and growth perspective identifies the intangible assets of the company, which are the most important ones for the strategy. The goals of this perspective identify which jobs (human capital), which systems (information capital), and which type of environment (organizational capital) are required to support the value creation processes.

In the following, an example of the objectives and indicators in an learning and growth perspective is shown:

Table 4. Learning and growth perspective example

Perspective	Objectives	Indicators
Learning and growth	Staff integration	Integration and commitment Training (time)
	Efficient information systems	% investment on IT/Sales
	Defined organizational structure	% of properly filled jobs

Source: Martínez and Milla (2005)

The objectives of the four perspectives of the Balanced Scorecard (BSC) are linked among them by cause-effect relationships, through a process that allows the description of the history of the company's strategy.

The key for a successful value creation and, consequently, an internally consistent strategy is to align the objectives of these four perspectives.

3. INTERNAL ANALYSIS

3.1. Company description

Table 5. Company information

Name of the company	Alpargatas Rius 
CIF	To determine
Address	Calle alpargatas, nº 12, 12003 Castellón de la plana
Year of foundation	2017
Industry	Traditional footwear production
Geographic area	National

Source: Own elaboration

Alpargatas Rius, S.L. is a company from Castellón that produces and sells espadrilles traditional footwear, using products from natural fibres. It was born in 2017 and its objective is to take up production of the typical footwear in the Valencian Community, by offering a new, innovative, and creative approach to tis traditional footwear. All the production is done in the warehouse in Castellón.

The espadrilles are sold through two main sales channels. The first one is on Internet, as Alpargatas Rius has a website (www.alpargatasrius.com) where the consumer can buy straightaway from the company. The second sales channel is through wholesale to companies specialized in selling footwear.

What is the origin of espadrilles?

Alpargatas España defines and explains the history of espadrilles on its website as it follows:

The word “alpargata” (espadrille in English) comes from the Hispanic Arabic name “alpargat”. Its production dates back to the Ancient Egypt – a civilization whose legendary contributions include cosmetics, clothing, and makeup. In the Roman period, the instep of the sandals was covered and its use was spread along the Mediterranean.

In Europe, espadrilles have been documented since 1322. In that period, the use of espadrilles was very common and popular in Spain and the South of France, being an important part of the typical dress in the Crown of Aragon, Southeastern Spain and even in Navarra and the Basque Country.

At the same time, in America they were already used. Because of its freshness and flexibility, espadrilles are a common characteristic of those populations that weave esparto rope to have comfortable footwear in warm climates. In Spain they were popular among farmers and soldiers. During the period of colonization, missionaries brought them to South America, so rural workers started to use them. In Argentina they are closely connected to the working class.

3.2. Types of products of Alpargatas Rius

The intention of Alpargatas Rius is to sell espadrilles to women. There are three product lines: flat-soled espadrilles, beach espadrilles, and peak espadrilles.

- **Flat-soled espadrilles:** this is the most affordable model. There are 10 types of flat-soled espadrilles, and its range price is from 39.99€ to 49.99€ per pair. They are made of rubber, jute, and canvas.
- **Beach espadrilles:** this model is known for its comfort, as the heel stays uncovered like in flip-flops. There also are 10 types of different and unique designs in this model, and its range price is from 49.99€ to 59.99€ per pair. Its composition is identical to flat-soled espadrille.

- **Peak espadrilles:** this model is characterized for having wedge heels of three different height – 3 cm, 6 cm, and 12 cm. Every type of height has 10 models. This model is the less affordable, and its range price is from 49.99€ to 79.99€ per pair. They are made of rubber, jute, canvas and ribbon for the fastening of the ankle.

A total of 50 products is offered, whose range price is from 39.99€ to 79.99€ per pair. The retail price is the same for online consumers than for the costumers in specialized shops. A contract with those specialized shops will be signed to set a fix sell price – except from discounts, deals, and offers.

3.3. Mission, vision and values

3.3.1. Mission

Alpargatas Rius' mission is to offer innovation, design and creativity in a traditional and sustainable way.

3.3.2. Vision

Alpargatas Rius' vision is to become a company of reference in the espadrilles sector in the Valencian Community, being able to expand its product nationally and internationally.

3.3.3. Values

Alpargatas Rius' values are the following ones:

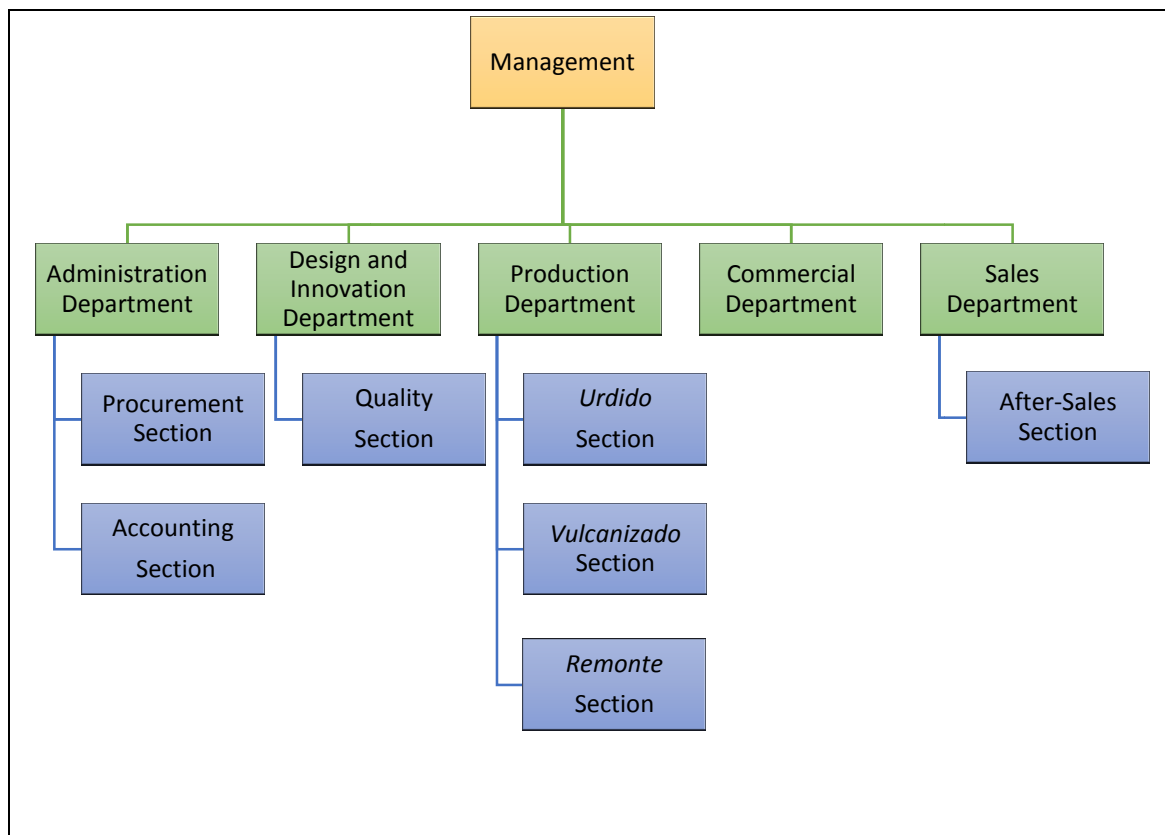
- **Commitment to the environment.** All the products used in the production process respect the environment, as suppliers must meet the requirements of the commitment to the environment. Moreover, all waste produced by the company are carefully recycled.

- **High quality.** All the production processes of the company are guarded and improved in order to offer the customer an optimum quality.
- **Innovation.** Continuous search of new styles.
- **Trust.** Alpargata Rius always keeps with the commitment set to its customers and suppliers.
- **Efficiency.** It is always aimed to fulfil and improve the process of business management.

3.4. Organization chart

The company's structure of Alpargatas Rius is shown as it follows in the Figure 4. As it can be observed, the structure is functional.

Figure 4. Organigrama Alpargatas Rius, S.L.



Source: Own elaboration

3.4.1. Functions

In the following, the role and functions of each department in the company are described.

Management

- Running the business
- Setting of the objectives
- Assessment of the performance
- Coordination of the departments

Administration:

- Customer service
- Production supply management
- Office materials supply management
- General supply management (water, electricity, insurance...)
- Accounting

Design and Innovation:

- Study and search of new trends for future campaigns
- Search of innovative styles in production and design
- Production design

Production:

- Espadrilles production in three sections:
 - *Urdido*
 - *Vulcanizado*
 - *Remonte*

Sales:

- Preparation of the product for its sales
- Preparation of the labels
- Goods reception and orders preparation
- Stock control and management
- Complaints management
- Sales returns management

3.5. Value chain analysis

The value chain includes two types of activities: the primary ones and the support ones. A short description of the activities in the value chain is explained in the following.

PRIMARY ACTIVITIES

- **Internal logistics:** Once the material orders are received in the warehouse, they will be labeled by product code and reception date. First In First Out (FIFO) method – the inventory purchased first is sold first – is used to control the stock of the materials needed in the production process. Every department must register every product that is taken from the warehouse. Once the stock in the warehouse reaches the minimum amount set, a software system notifies the need to place a new order.

- **Production:** Espadrilles are produced in a lineal way. That means that every employee has a specific role through the production process.

The production of the espadrilles has three stages: *urdido*, *vulcanizado* and *remonte*. The main material used in the production process of the espadrilles is jute, a fibrous herbaceous plant.

Once the jute threads are ready, they get weaved and coiled to form the sole. This process is known as *urdido*.

Illustration 1. Urdido process 1



Source: www.alpargatassesma.es

Illustration 2. Urdido process 2



Source: www.alpargatassesma.es

Once the sole is shaped, the stage of vulcanization starts. In this stage the rubber is stuck on the sole to protect the jute and to extend espadrille life.

Illustration 3. Vulcanizado process 1



Source: www.alpargatassesma.es

Illustration 4. *Vulcanizado* process 2



Source: www.alpargatassesma.es

Finally, the last stage of the espadrille's production process is to sew the canvas to the sole, which is already been designed by the Design and Innovation Department. This process is called *remonte*.

Illustration 5. *Remonte* process



Source: www.alpargatassesma.es

Once the production process is done, espadrilles are sent to the Sales Department, where every pair of espadrilles is put in its pertinent box, and they are labeled with the size and the product code.

- **External logistics:** There are two types of storage systems for the distribution of the products in the company. The first warehouse is used for the sale to specialized companies. The storage is set in batches and each batch includes 10 pairs of espadrilles from the size 36 to the size 41 – sizes 38 and 39 are double as they are

the most sold size. The second warehouse individually stores the products for retail sales.

- **Marketing and sales:** The company carries out campaigns with special offers in batches for retail sales. Online sales campaigns with special offers are also carried out when the season comes to an end.
- **After-sales service:** Alpargatas Rius is responsible for any observed defect by the customer after one month from the purchase. If the customer is not satisfied with the purchased product, other model can replace it within 15 days.

SUPPORT ACTIVITIES

- **Company's infrastructure:** The management software systems that may be used in the company are the following ones:
 - CRM for the stock management and the customer management in the Sales Department and Purchase Department.
 - GESTWIN for the accounting in the Accounting Department.
- **Human resources management:** The whole process of human resources management – including recruitment, selection and hiring processes – is carried out by the company. Employees' retribution has two parts. The first one is the fixed retribution – a fixed salary for every job and workload. The second one is the variable retribution – depending on the sales from the previous trimester.
- **Technology development:** Alpargatas Rius has a low technology development, as the use of technology is nearly absent in the production process because of the artisanal production.
- **Sales:** The purchase of materials for the production process of espadrilles is done by the Sales Department. Every supplier is carefully selected, and all of

them must agree with the company values. All that information is asked to every supplier.

If the sale is from a habitual supplier, the software system notifies it.

4. EXTERNAL ANALYSIS

Through the external analysis, a PESTLE analysis, an environment scanning profile, and the Porter's five forces analysis will be carried out, in order to find out which are the environmental factors that may affect the company and how they may affect its performance.

4.1. PESTLE analysis

The following factors will be defined: political and legal factors, economic factors, sociocultural factors, and technological factors.

4.1.1. Political and Legal Factors

A two-party system has been dominating the Spanish politics from 1982 to 2016 by getting around the 72% of the votes. However, in 2016 the founding and presence of new political parties has broken the two-party system trend. Currently, the two-party system only gets around the 50% of the votes. This political situation may affect the company as governance may become difficult.

The most relevant legislation that may affect the footwear sector and, therefore, the company, are the following ones:

- VAT (Value Added Tax), regulated by the Law 37/1992 – 28 of December, and modified by the Royal Decree 1619/2012 – 20 of November. The customer supports this tax by acquiring a certain good or service. There are three types of tax rates: the general one (21% - used in the footwear industry), the reduced (10%) and the super reduced (4%).

- Royal Decree 234/2013 – 5 of April, which sets the rules for the application of the Regulation (EC) n° 66/2010 of the European Parliament and of the European Council – 25 of November of 2009, regarding the European Union Eco-label. This law may affect the company because, as we have already mentioned, all the production is ecological and must be labelled according to that regulation.

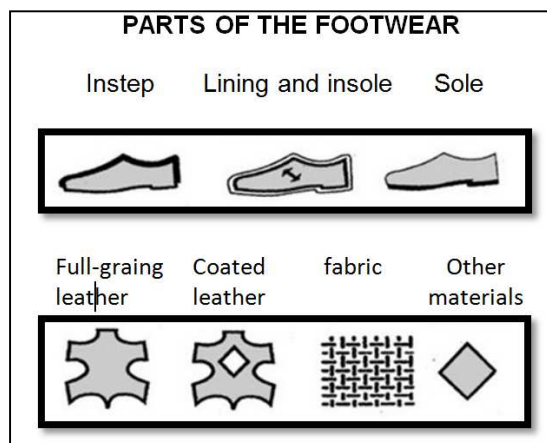
Figure 5. Eco-label Regulation (EC) n° 66/2010



Source: Regulation (EC) n° 66/2010

- Royal Decree 1718/1995 – 27 of October, which regulates the labelling of the materials used in the main components of the footwear. All the footwear must be labelled according to this law. In the following, the used nomenclature is shown.

Figure 6. Parts of the footwear



Source: Royal Decree 1718/1995 – 27 of October

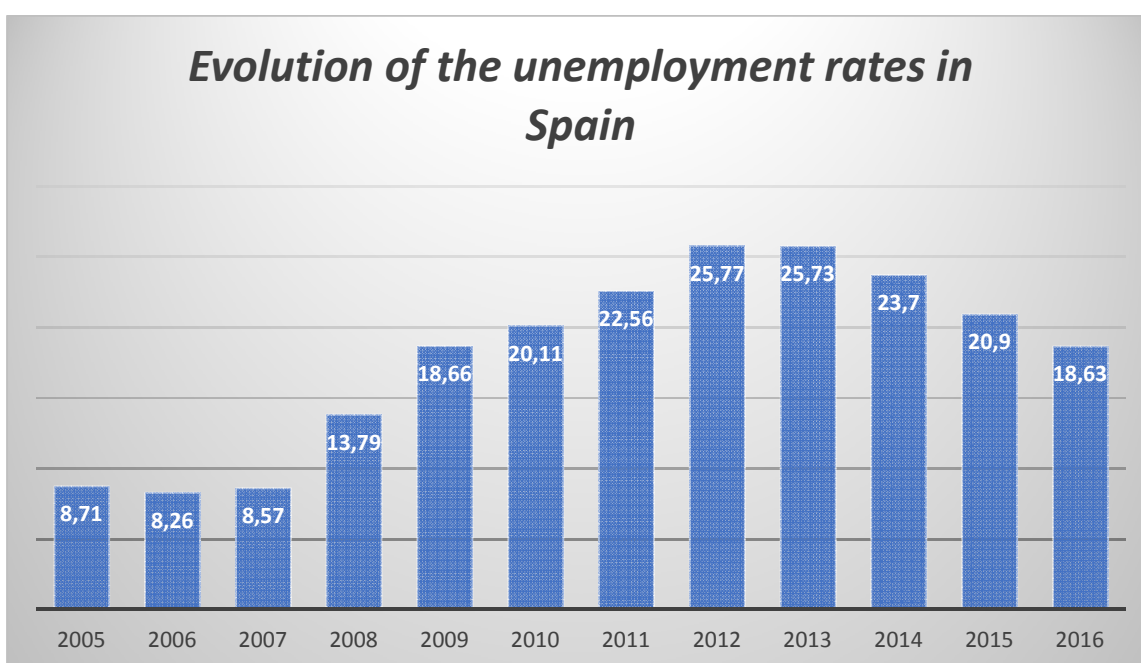
Other laws that affect the production and the trade in the footwear industry are the following ones:

- ❖ Law 22/2011 – 28 of July. Wastes and contaminated soles.
- ❖ Law 29/2009 – 30 of December, which modifies the legal framework of the unfair competition and advertising in order to improve the protection of the consumers.
- ❖ Law 25/2009 – 22 of December, which modifies certain laws in order to adapt them to the law about free access and free practice to activities regarding services.
- ❖ Law 17/2009 – 23 of November. Free access and free practice to activities regarding services.
- ❖ Royal Decree 231/2008 – 15 of February, which regulates the Consumer Arbitration System.
- ❖ Royal Legislative Decree 1/2007 – 16 of November, which approves the revised text of the General Law for the Protection of Consumers and Users, and other complementary laws.
- ❖ Royal Decree 1801/2003 – 26 of December. General Product Safety.
- ❖ Law 60/2003 – 23 of December. Arbitration.
- ❖ Law 17/2001 – 7 of December. Brands.
- ❖ Royal Decree 1507/2000, 1 of September, which updates the common, ordinary and generalized use products and services catalogues, and the goods with a durable nature's catalogues.
- ❖ Organic Law 15/1999 – 13 of December. Protection of Personal Data, modified by the Royal Decree 1720/2007 – 21 of December.
- ❖ Law 7/1996 – 15 of January. Retail Trade.
- ❖ Law 3/1991 – 10 of January. Unfair Competition.
- ❖ Law 34/1988 – 11 of November. Advertising.
- ❖ Decree 2807/1972 – 15 of September, which regulates the advertising and the market prices in the retail sales.

4.1.2. Economic factor

The Spanish economy has been beaten in the last few years by a strong economical crisis that started in 2008, mainly caused by the development of a real-estate bubble. Nowadays, Spain is still suffering the economical crisis and it is unable to come back to the economical levels to the period before the economical crisis.

Table 6. Evolution of the unemployment rates in Spain

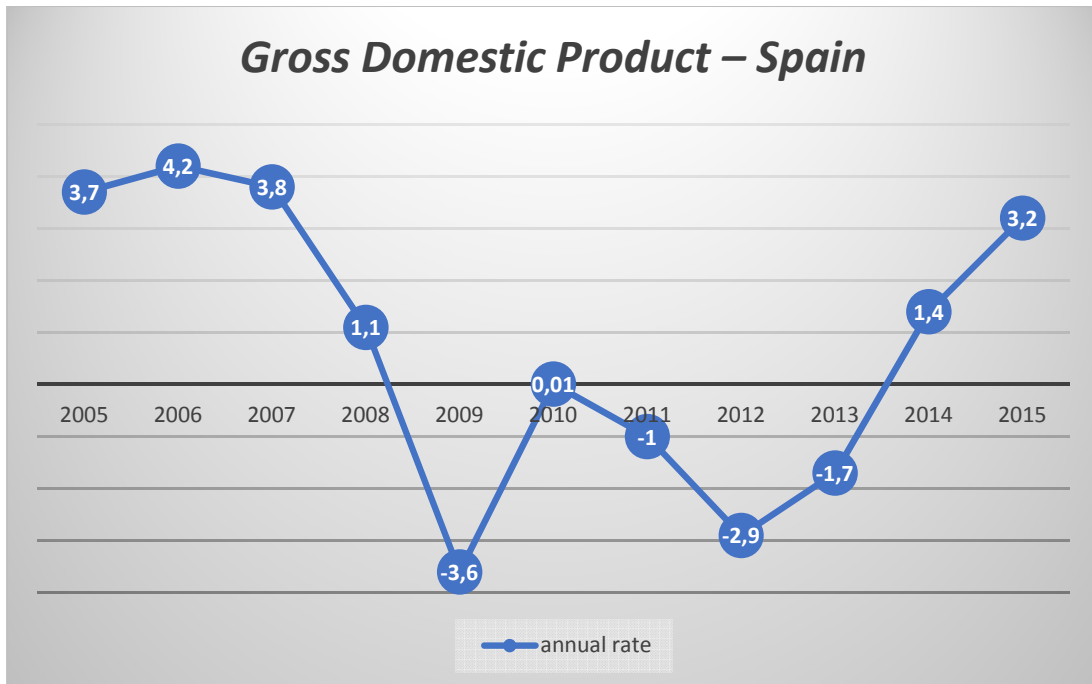


Source: INE. Own elaboration

As it can be observed in the previous table, the unemployment rate increased from 8,57% to 13,79% when the economical crisis started in 2008 in Spain. This increase continued to 2012, when the unemployment rate is the highest (25,77%). From 2012, the unemployment rate has been slowly decreasing. In 2016, the unemployment rate (18,63%) was similar to the unemployment rate in 2009, when Spain was fully mired in the economical crisis. These values have improved in the last years, but they have not reached yet to the unemployment optimal values.

The better situation of the unemployment rates and other economic factors have lead to a significant improvement of the Gross Domestic Product (GDP), compared to the negative period from 2009 to 2013 – as shown in the Table 7. At the end of 2013, the Gross Domestic Product (GDP) started to have positive values, reaching a 3,2 in 2015.

Table 7. Gross Domestic Product – Spain

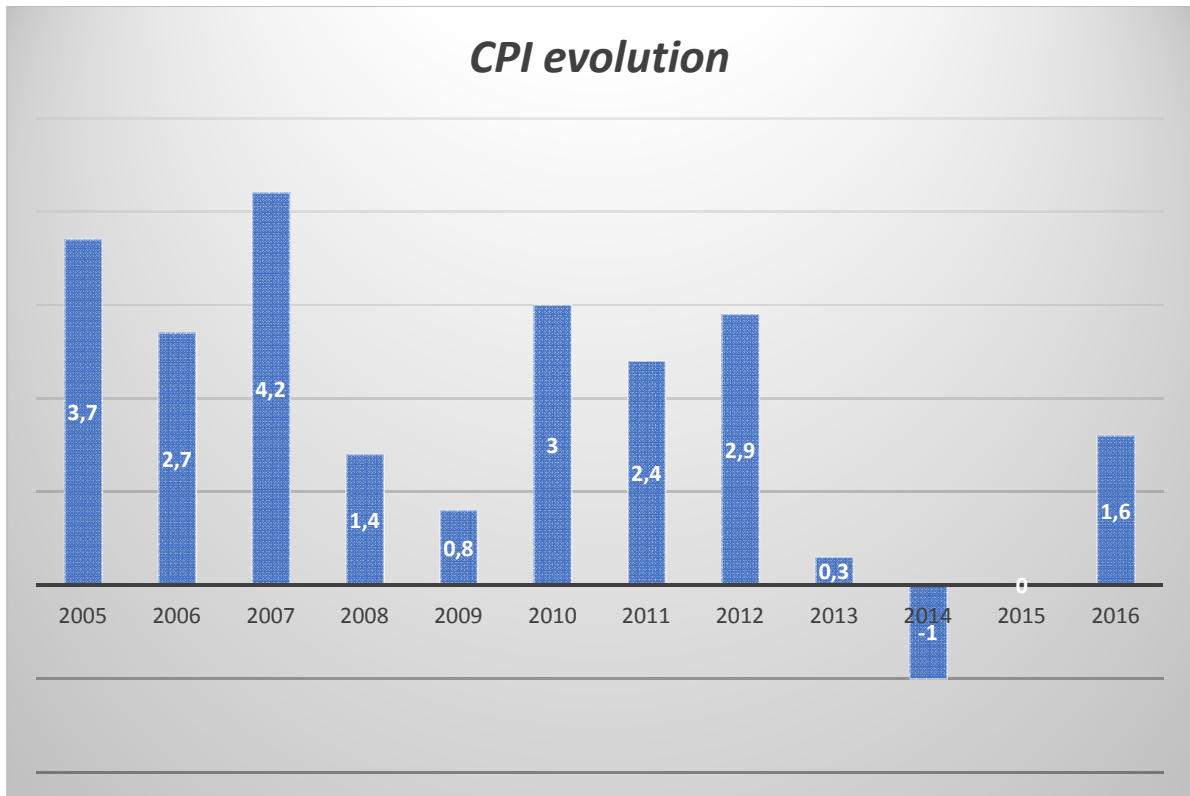


Source: INE. Own elaboration

Both the Gross Domestic Product (GDP) and the unemployment rate have not reached yet the values from before the economical crisis, but an improvement in the economy can be observed as opposed to the most difficult years of the economical crisis. Therefore, the economical scenario has improved, being more favourable for the company.

According to the National Institute of Statics, the Consumer Price Index (CPI) is a tool for measuring the evolution and changes in the prices of the goods and services purchased by consumers and households.

Table 8. Consumer Price Index (CPI) – evolution 2015-2016



Source: INE. Own elaboration

The Consumer Price Index (CPI) had a value of 1,6 in 2016 and it is expected to reach a 3% in 2017. However, the increase of the Consumer Price Index (CPI) is not connected to an increase of the salaries. According to the Spanish Confederation of Employers' Organizations, the consumer's purchasing power will be decreased if the employees' remuneration does not increase in a 1,5%. Therefore, this may affect the company due to the less sales caused by the low consumer's purchasing power.

4.1.3. Sociocultural factors

The economical crisis has changed some of the consumption habits of the citizens. The company is addressed to consumer with a higher power of rational consumption. This may be a disadvantage for the business, as the footwear design is not staple item for the consumer.

Consumers' way of purchasing has widely changed in the last few years, due to the exponential growth of the e-commerce. Costumers increasingly prefer purchasing online because of its convenience and comfort, the wider products offer, and for the

higher comparison power. According to a study held by the National Commission for Markets and Competency (2016), e-commerce had an impact of €5.9000 million in the second trimester of 2016 in Spain, a 20,3% more than the previous year.

According to Marketing Directo magazine (2013), the 10 main factors that may influence the costumer making-decision process are the following:

1. **Product quality:** a good quality product always attracts new costumers and increases costumers' loyalty.
2. **Free shipping costs:** costumers are reluctant to pay an extra cost to receive the product. Sales will increase if shipping costs are already included in the price of the product.
3. **Easiness of products returns:** as there is not any possibility to try the product, costumers need to be sure that they can return if they are not satisfied.
4. **Reviews from other costumers:** all costumers are willing to know if the web where they are about to purchase a product has a good reputation, or if there are complaints about the shipping time, etc.
5. **Visual search tool:** this function makes the product search easier for the costumer, which increases the possibility of sales.
6. **Easy web browsing:** it is basic to ease the web browsing for the costumer, in order to avoid boredom or stress.
7. **Simplicity of the sales process:** costumer's trust rises if a clear and simple sale process is offered.
8. **Wide range of options:** offering the same product in different variables helps the costumer find the perfect option.
9. **Availability of special sizes:** marketing plus and small size helps everybody can buy on the website.
10. **Access to new products:** fashion is changing quickly, so it is important to keep updated.

4.1.4. Technological factors

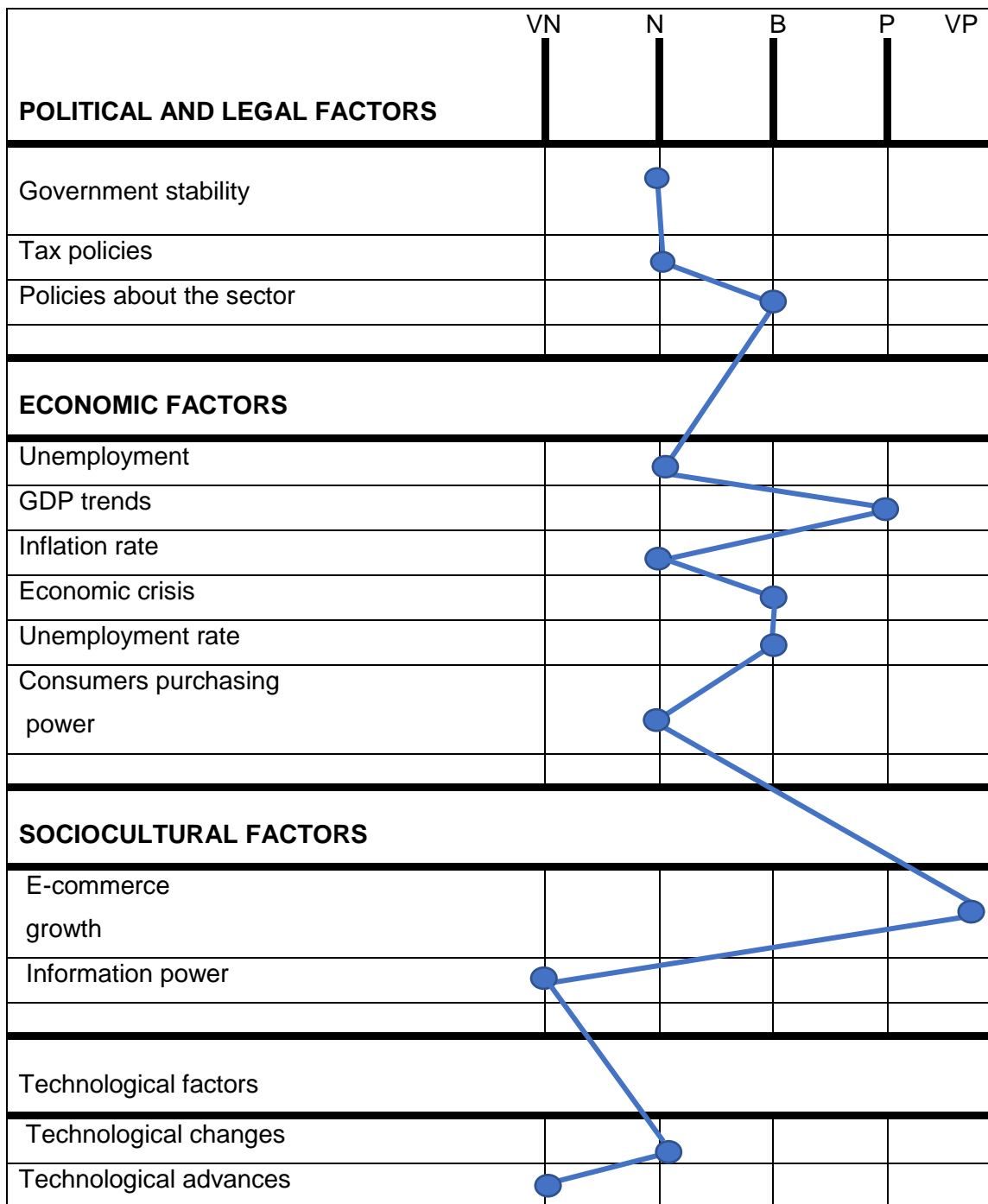
Nowadays, the evolution of technology has caused a decrease in production costs. These technological advances affect the company performance in a negative way, as it is difficult to compete with the minimum prices of the mass production. Therefore, the company is not able to take advantage of this kind of technology, as the production process is mainly manual.

As we mentioned before, the exponential growth and development of the e-commerce and its technology have made it easy to purchase any kind of product from home. The shipping logistics systems have also improved in the last few years, reducing the shipping time. Alpargatas Rius must improve this part of the business, as the shipping time of its products when buying online is slower if compared to its competitors.

Moreover, the shipping systems also allow locating the order, estimating the shipping time, and identifying the pick-up points. Consequently, these technological advances have caused a higher level of satisfaction in the customer

4.2. Environment scanning profile

Table 9. Environment scanning profile



Source: Own elaboration

The interpretation of the strategic environmental scanning:

VN: Very negative

N: Negative

B: Balanced

P: Positive

VP: Very positive

The previous table, about the environment scanning profile, shows in a simple and summarized way the threats and opportunities that may be found in the environment of the company.

On one hand, two main threats can be observed. The first one is the information power of the costumers: the higher is the information power, the more options they have to purchase products. Therefore, the range of eventual sellers increases. The second threat is the technological advances. Alpargatas Rius offers handcrafted footwear, as the production process is traditional. As a consequence, the competitors are able to reduce costs thanks to the technological advances, so it gives them a competitive advantage in costs. Moreover, the presence of substitutive products also grows – i.e. 3D printed footwear.

On the other hand, a huge opportunity within the environment scanning profile can be observed. The increase of the e-commerce is a great chance to reach a bigger amount of costumers, as they are increasingly willing to purchase products on Internet no matter where is the company located.

4.3. Porter's five forces analysis

In the following, a Porter's five forces analysis will be carried out to identify the attractive of the footwear industry, especially of the espadrilles sector.

4.3.1. Bargaining power of costumers

The bargaining power of costumers in the espadrilles sector is high, as costumers demand a high level of innovation and style in the espadrilles' production process. A high differentiation level is also demanded by costumers.

4.3.2. Bargaining power of suppliers

In the footwear industry and, more specifically in the espadrilles sector, the bargaining power of suppliers is not too high. On one hand, canvas or fabric – one of the main materials used in the espadrilles' production process – has a high production demand. On the other hand, jute – the other main material used – can have a bit higher bargaining power, but it is still accessible as it is a natural production.

4.3.3. Threat of new entrants

A certain sector will have more competition when the easier is to get into it and when less entry barriers there are. In the espadrilles sector, the threat of new competitors is medium because the cost to get into the industry is low. Consequently, the demand for product is not extremely high, so the attractive for new competitors is not high.

4.3.4. Threat of substitutes

The threat of substitutes in the espadrilles sector is high, because of the existence of multiple types of substitutive products (boots, sandals, sneakers...). That is the reason why the company must find the balance between innovation and price.

4.3.5. Industry rivalry

Rivalry among competitors in the espadrilles sector is high because, within the footwear industry, the differentiation in espadrilles production is based on innovation and design. The bigger is the differentiation of the product, the higher will be the industry rivalry.

5. COMPETITOR ANALYSIS

Two types of competitors of Alpargatas Rius are observed when it comes to competitor analysis. The first type is the direct competitor – those who produce and sell artisanal and handcrafted espadrilles. The second type is the indirect competitor – those who produce and sell industrial espadrilles.

Table 10. Direct competitors

DIRECT COMPETITORS	
COMPANIES	DESCRIPTION
<ul style="list-style-type: none"> ✓ Lajuana Location: Salsadella (Castellón) ✓ Apargatas artesanas Lidón Location: Castellón ✓ Kissme Location: Castellón ✓ Dolores Nieto Location: Vall de Uxó (Castellón) 	<p>These are direct competitors because the features of their products are similar and because they are located near by Alpargatas Rius. Their products are mainly made in a natural way, and they look for the differentiation in innovation and quality. A high number of espadrilles companies are located in this area of Spain because of the tradition.</p>

Source: Own elaboration

Table 11. Indirect competitors

INDIRECT COMPETITORS	
COMPANIES	DESCRIPTION
<ul style="list-style-type: none"> ✓ Mustang Footwear company. National (Alicante). Business in Europe. ✓ Only Fashion company. International. Business worldwide. 	<p>These are indirect competitors because their production is not artisanal and handcrafted, but industrial. There is not differentiation, quality or innovation. Their products are usually more affordable, but less attractive. Their products are made</p>

<ul style="list-style-type: none"> ✓ Mari Paz Footwear company. Business in Spain (Seville). ✓ Ulanka. Footwear company. Business worldwide. 	<p>outside the European Union, with very low production costs.</p>
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Source: Own elaboration

6. SWOT

In the following, a SWOT analysis will be carried out to describe the strengths, weaknesses, opportunities, and threats that have been already observed in the internal and external analysis of Alpargatas Rius.

6.1. Weaknesses

- **There are not men and children collection.** Currently, Alpargatas Rius is just focused on women footwear.
- **Production time is slow.** As one part of the production process is manual, the production time of every espadrille is slower than if the production process were technological.
- **Espadrilles are a seasonal product.** This type of footwear is basically used during the summer time, so it is not commonly used during the winter.

6.2. Threats

- **Fast technological advances.** New technologies are growing quickly and this causes the rise of substitutive products, due to economical or innovative reasons (i.e. footwear production through 3D prints).

- **Growing bargaining power of costumers.** The technology advances increase the bargaining power of costumers because they are able to easily compare products and prices.
- **Drop in the purchase power of costumers.** The purchase power of costumer has decreased in the last few years, consequently causing the drop of costumers needs regarding fashion and footwear.

6.3. Strengths

- **Eco-friendly production.** All the suppliers of the company are carefully selected on the basis of ethical and ecological criteria.
- **High level of employees' motivation and commitment.** All the staff of the company is committed to the performance of the company and the growth vision.
- **Product specialization.** As the company only produces espadrilles, a high level of specialization is given to the company among the footwear industry.

6.4. Opportunities

- **Spain as a tourist destination.** Spain is a highly demanded tourist destination because of its good weather during the whole year. Tourism is mainly concentrated in the coastal areas, where the use of espadrilles is more common and there is more offer.
- **Expand sales channels.** Providing products to fashion shops will expand sales channels and, therefore, it will increase income.
- **Social Media.** Nowadays, social media have a huge communication power, so they may help the company be known.
- **Increase online sales.** Consumers increasingly purchase products online, no matter where the shop is located. This is a great opportunity to increase sales.

Table 12. SWOT Analysis

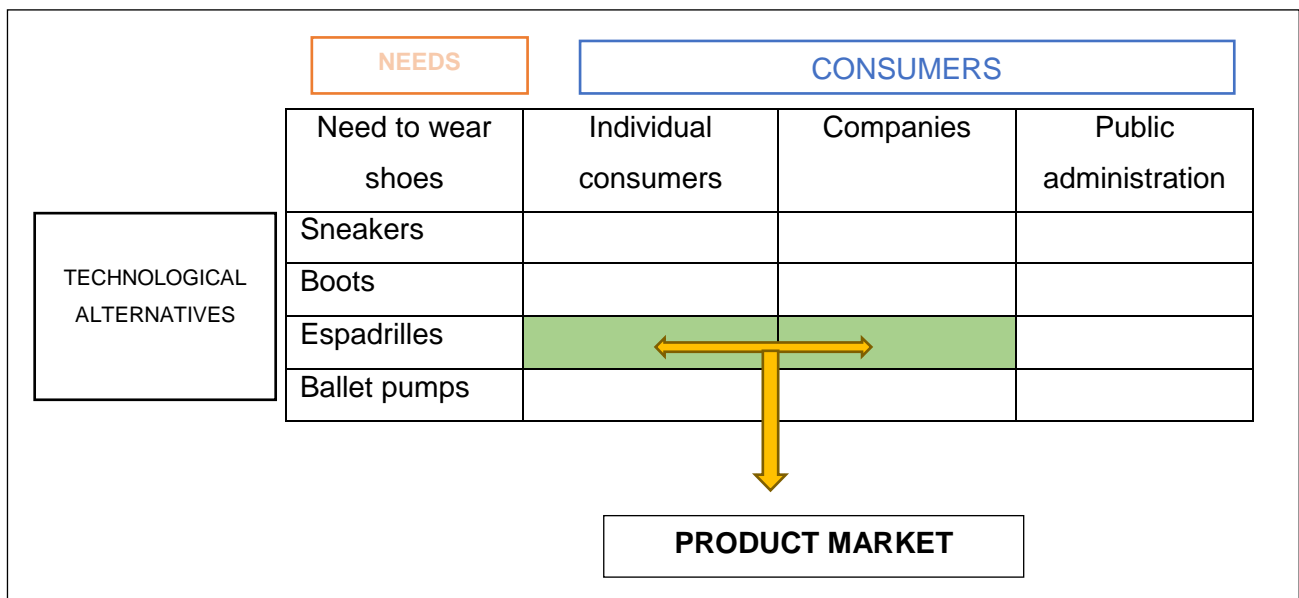
STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> ✓ Eco-friendly production ✓ High level of employees' motivation and commitment ✓ Product specialization 	<ul style="list-style-type: none"> ✓ There are not men and children collection ✓ Production time is slow ✓ Espadrilles are seasonal product.
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> ✓ Spain as a tourist destination. ✓ Expand sales channels. ✓ Social Media. ✓ Increase online sales. 	<ul style="list-style-type: none"> ✓ Fast technological advances. ✓ Growing bargaining power of costumers. ✓ Drop in the purchase power of costumers.

Source: Own elaboration

7. PRODUCT – MARKET

Two product-market are observed in Alpargatas Rius case, as shown in Figure 7. There are two market segments – green colour: individual consumers and companies (specialized in footwear). The generic need is to wear shoes, and the specific technological need is to wear espadrilles. Alpargatas Rius is focused on individual costumers (via Internet) and on companies, more specifically on those in the footwear industry.

Figure 7. Product – Market



Source: Own elaboration

8. STRATEGIC OBJECTIVES

Taking into account the Balanced Scorecard's methodology (BSC) and considering the mission and vision of Alpargatas Rius, the following objectives are set for every studied perspective.

Table 13. Strategic objectives

FINANCIAL PERSPECTIVE	CUSTOMER PERSPECTIVE
<ul style="list-style-type: none"> ✓ To enhance sales ✓ To reduce costs 	<ul style="list-style-type: none"> ✓ To increase costumers' interest. ✓ To enhance online costumers' loyalty. ✓ To increase the brand presence in shops.
INTERNAL BUSINESS PROCESS PERSPECTIVE	LEARNING AND GROWTH PERSPECTIVE
<ul style="list-style-type: none"> ✓ To develop collections for men and children. ✓ To increase quality. ✓ To reduce online shipping time. 	<ul style="list-style-type: none"> ✓ To reinforce training in the Commercial Department. ✓ To increase employees' motivation. ✓ To enhance employees' satisfaction.

Source: Own elaboration

8.1. Description of objectives

Every set objective in every perspective will be defined down below.

8.1.1. Financial perspective

- **To enhance sales.** The main goal of the company is to enhance sales. By reaching that, income will increase and the company will be able to reinvest that profit to make it grow even more. The increase in sales can be done by raising awareness of the company, especially through social media. Consequently, more costumers will know the company and it will enhance sales.
- **To reduce costs.** The objective is to reduce variable costs of the company. Some examples are explained as it follows:
 - Electricity costs can be reduced by using LED lights – the initial investment will be high, but the company will have a considerable long-term saving –, or by changing the windows of the warehouse and the office to get a better insulation.
 - Reducing the cost of paper in the office by implementing a new system to be able to reach a paperless office.
 - Increasing the payment time of the wholesalers in order to reduce credits of the company to be able to meet the monthly costs.

8.1.2. Costumer perspective

- **To increase costumers' interest.** This objective aims to attract costumers. To reach it, the company will carry out advertising campaigns with special deals – i.e. offering 50% discount when buying two pair of shoes, or by offering discounts in the first online order.

- **To enhance online costumers' loyalty.** The objective is to make costumers who already bought online come back and buy again. To achieve this, loyalty cards will be made and costumers will be able to collect points every time they purchase a product. This will cause that costumers have more interest to buy more.
- **To increase the brand presence in shops.** This will enhance the visibility of the brand in footwear specialized shops. To achieve this objective, Alpargatas Rius will design stalls to show the espadrilles and flyers with the last models. Consequently, the product will be more valuable and more attractive to costumers.

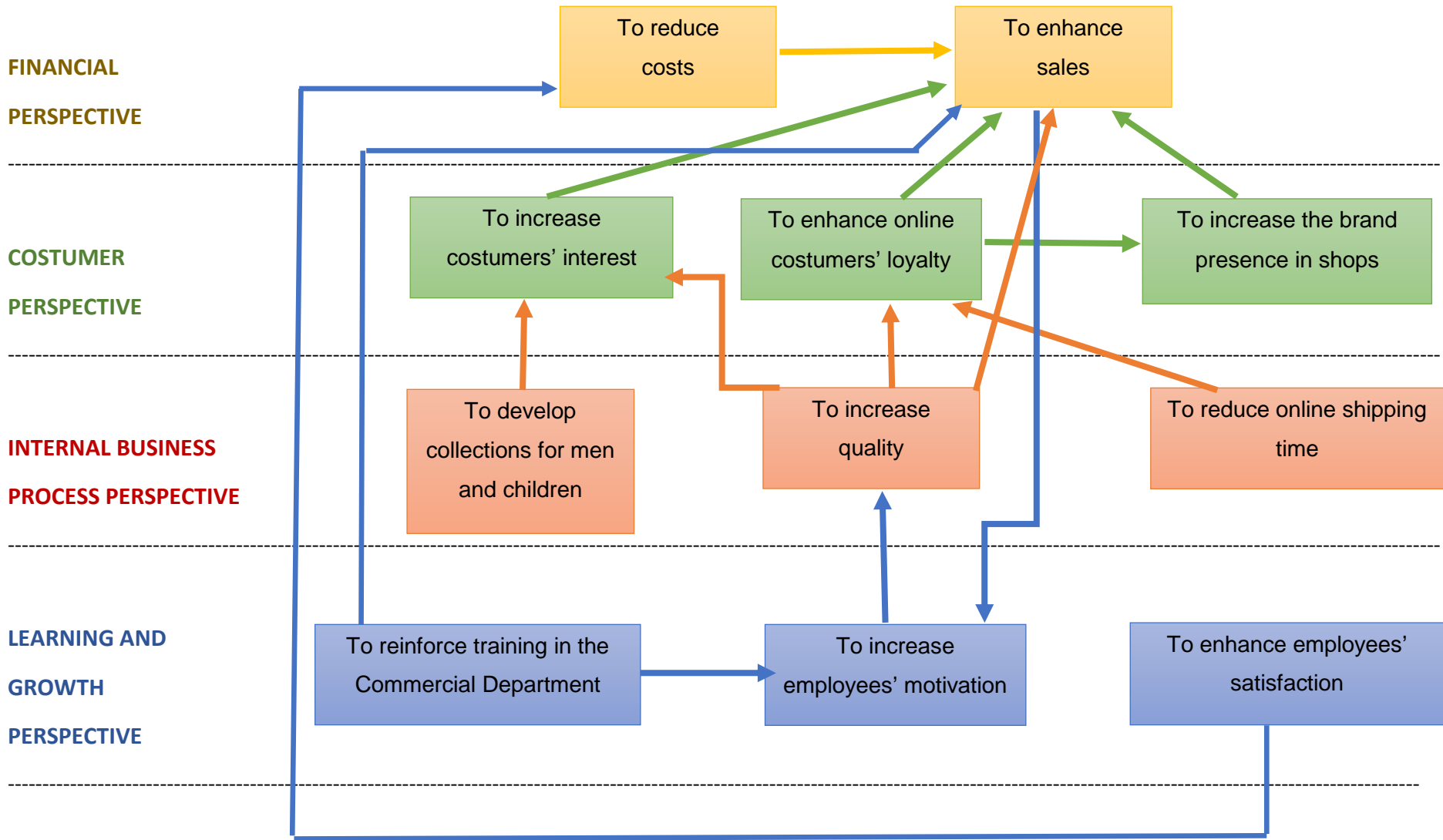
8.1.3. Internal business process perspective

- **To develop collections for men and children.** The objective is to research and create an espadrilles' model for men and children, in order to increase the sales in the company.
- **To increase quality.** The objective is to reduce production defects. Every defect in the production process is an unexpected cost for the company. To increase quality, the production process has to improve by purchasing a braiding machine. In this way, production defects will be reduced in the part of the production process in which more mistakes are made.
- **To reduce online shipping time.** The objective is to offer an excellent shipping service to costumers who purchase online. Therefore, the shipping time must be reduced. Costumer must to receive the product in 48h.

8.1.4. Learning and growth perspective

- **To reinforce training in the Commercial Department.** The objective is to provide training to the Commercial Department about selling techniques – i.e. how to sell products in fashion shops – to expand the company.
- **To increase employees' motivation.** The objective is to achieve that employees happily go to work. If an employee is happy, its productivity will increase and he or she will be more committed to reach the set goals of the company. In order to increase employees' motivation, coaching workshops will be carried out so they could develop their skills, abilities, and emotions.
- **To enhance employees' satisfaction.** The objective is to find out if employees are satisfied with issues related to their job, such as their tasks, salaries, and breaks. The employee must feel rewarded for its job in the company. Anonymous surveys will be carried out to find out the employees' opinion about all those issues.

9. STRATEGIC MAP



10. STRATEGIC INDICATORS

In the following table, the objectives and indicators for each perspective can be observed in a summarized way.

Table 14. Strategic Indicators

PERSPECTIVE	OBJECTIVE	INDICATOR
FINANCIAL	To enhance sales	Number of sales
FINANCIAL	To reduce costs	Variable costs
COSTUMER	To increase costumers' interest	Number of sales per campaign
COSTUMER	To enhance online costumers' loyalty	Number of loyalty cards
COSTUMER	To increase the brand presence in shops	Number of stalls and posters
INTERNAL PROCESS	To develop collections for men and children	Number of new products
INTERNAL PROCESS	To increase quality	% of production defects
INTERNAL PROCESS	To reduce online shipping time	Time of order shipping
LEARNING AND GROWTH	To reinforce training in the Commercial Department	Hours of training in the Commercial Department
LEARNING AND GROWTH	To increase employees' motivation	Number of workshops
LEARNING AND GROWTH	To enhance employees' satisfaction	Number of satisfied employees

Source: Own elaboration

Table 15. Indicator financial perspective 1

FINANCIAL PERSPECTIVE	
Strategic objective	To enhance sales
Indicator	Number of sales
Calculation method	$(\text{Sales products } x / \text{Sales products } x+1) * \text{sales products } x+1$
Goal	To enhance sales by 15%
Frequency	Annual
Representation of indicator assessment	Values in %
Action	To be known in social media

Source: Own elaboration

Table 16. Indicator financial perspective 2

FINANCIAL PERSPECTIVE	
Strategic objective	To reduce costs
Indicator	Variable costs
Calculation method	$(\text{Costs } x - \text{costs } x+1) / \text{costs } x+1$
Goal	To reduce costs by 3%
Frequency	Biannual
Representation of indicator assessment	Values in %
Action	To review variable costs of the company

Source: Own elaboration

Table 17. Indicator internal process perspective 1

COSTUMER PERSPECTIVE	
Strategic objective	To increase costumers' interest
Indicator	Number of sales per campaign
Calculation method	Number of campaigns
Goal	To increase sales by 20%
Frequency	Quarterly
Representation of indicator assessment	Values in %
Action	To create promotions

Source: Own elaboration

Table 18. Indicator internal process perspective 2

COSTUMER PERSPECTIVE	
Strategic objective	To enhance online costumers' loyalty
Indicator	Number of loyalty cards
Calculation method	(Total number of costumers / Number of loyalty cards)/number of loyalty cards
Goal	To generate 200 online loyalty cards per year
Frequency	Annual
Representation of indicator assessment	Bar chart
Action	To promote loyalty cards with discounts

Source: Own elaboration

Table 19 Indicator internal process perspective 3

COSTUMER PERSPECTIVE	
Strategic objective	To increase the brand presence in shops
Indicator	Number of stalls and posters
Calculation method	$(\text{Number of stalls and posters } x - \text{Number of stalls and posters } x+1) / \text{Number of stalls and posters } x+1$
Goal	To increase marketing in shops by 10%
Frequency	Quarterly
Representation of indicator assessment	Values in %
Action	To develop and spread stalls

Source: Own elaboration

Table 20. Indicator internal process perspective 1

INTERNAL PROCESS PERSPECTIVE	
Strategic objective	To develop collections for men and children
Indicator	Number of new products
Calculation method	Number of new products
Goal	To increase research by 20%
Frequency	Annual
Representation of indicator assessment	Values in %
Action	To research about new trends

Source: Own elaboration

Table 21. Indicator internal process perspective 2

INTERNAL PROCESS PERSPECTIVE	
Strategic objective	To increase quality
Indicator	% of production defects
Calculation method	Production defects X – Production defects X+1
Goal	To reduce production defects by 2%
Frequency	Monthly
Representation of indicator assessment	Values in %
Action	To improve production process

Source: Own elaboration

Table 22. Indicator internal process perspective 3

INTERNAL PROCESS PERSPECTIVE	
Strategic objective	To reduce online shipping time
Indicator	Time of order shipping
Calculation method	Length of time since the order to the delivery
Goal	To reduce shipping time to 48 hours
Frequency	Monthly
Representation of indicator assessment	Values in hours
Action	To improve the online order service

Source: Own elaboration

Table 23. Indicator learning and growth perspective 1

LEARNING AND GROWTH PERSPECTIVE	
Strategic objective	To reinforce training in the Commercial Department
Indicator	Hours of training in the Commercial Department
Calculation method	Number of training hours
Goal	To improve commercial skills
Frequency	Biannual
Representation of indicator assessment	Numeric values
Action	To provide employees a training catalogue

Source: Own elaboration

Table 24. Indicator learning and growth perspective 2

LEARNING AND GROWTH PERSPECTIVE	
Strategic objective	To increase employees' motivation
Indicator	Number of workshops
Calculation method	Employees' test result
Goal	To increase commitment
Frequency	Annual
Representation of indicator assessment	Numeric values
Action	Coaching activities for employees

Source: Own elaboration.

Table 25. Indicator learning and growth perspective 3

LEARNING AND GROWTH PERSPECTIVE	
Strategic objective	To enhance employees' satisfaction
Indicator	Number of satisfied employees
Calculation method	Surveys to employees
Goal	To set satisfaction by 90%
Frequency	Annual
Representation of indicator assessment	Numeric values
Action	To provide surveys to employees.

Source: Own elaboration

11. BALANCED SCORECARD FOR ALPARGATAS RIUS

In the following, the proposed Balances Scorecard for the company Alpargatas Rius can be observed.

Table 26. Balanced Scorecard for Alpargatas Rius

PERSPECTIVE	OBJECTIVE	INDICATOR	ACTION PLAN	INITIAL SITUATION	FUTURE
FINANCIAL	To enhance sales	Number of sales	To be known in social media	0 %	15 %
FINANCIAL	To reduce costs	Variable costs	To review variable costs of the company	4 %	3 %
COSTUMER	To increase costumers' interest	Number of sales per campaign	To create promotions	10 %	20 %
COSTUMER	To enhance online costumers' loyalty	Number of loyalty cards	To promote loyalty cards with discounts	0 €	200 Und.
COSTUMER	To increase the brand presence in shops	Number of stalls and posters	To develop and spread stalls	0 €	10 €

INTERNAL PROCESS	To develop collections for men and children	Number of new products	To research about new trends	10 %	20 %
INTERNAL PROCESS	To increase quality	% of production defects	To improve production process	0.4 %	2 %
INTERNAL PROCESS	To reduce online shipping time	Time of order shipping	To improve the online order service	75 hours	48 hours
LEARNING AND GROWTH	To reinforce training in the Commercial Department	Hours of training in the Commercial Department	To provide employees a training catalogue	-	100 h
LEARNING AND GROWTH	Aumentar motivación de los empleados	Numero de talleres realizados	Coaching activities for employees	-	20 hours
LEARNING AND GROWTH	To enhance employees' satisfaction	Number of satisfied employees	To provide surveys to employees	-	90 %

Source: Own elaboration

12. BALANCED SCORECARD CONTROL

Once the Balanced Scorecard has been implemented, the management of Alpargatas Rius must regularly check the performance of the objectives and the strategy. If those objectives are not being achieved, the management of the company must find out why and must take all necessary and appropriate measures to ensure the achievement of the set goals.

13. CONCLUSIONS

The Balanced Scorecard has been the main tool used to develop this strategic planning of SMES, in order to set objectives and strategies for each of the four perspectives.

The current situation of the company has been observed thanks to the SWOT analysis, which has allowed determining which are the most appropriate objectives for each of the four perspectives. This has led to build the Balanced Scorecard, where the strategy, the indicators and the plan actions have been developed.

Alpargatas Rius is a newly established company, so it is important to attract costumers and promote loyalty among them in order to increase the sales. Therefore, a rise in the online sales and an appropriate training for the commercial department must be carried out.

The development of two new collections for men and children will help the company have more costumers and enhance sales. It can be forgotten to keep the employees' satisfaction and motivation, because they are the ones who run the company everyday.

14. COMPANY RECOMENDATIONS

As it is been already said, once the Balanced Scorecard has been implemented, the company must regularly keep truck of the performance, the objectives and the strategy. If those objectives are not being achieved, the company must find out why and must take all necessary and appropriate measures to ensure the achievement of the set goals.

15. RECOMENDATIONS FOR FUTURE RESEARCH

To continue with this academic paper, a research to find out if the set objectives have been achieved must be carried out. To achieve the goals, appropriate measures must be taken in every single case or, ultimately, new objectives must be set.

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