



STRATEGY FOR DEVELOPMENT OF MAESTROS OF SILENCE

COMPANY UP TO 2016

By

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Abstract

This research considers the problem of the absence of a plan for strategic development of a fledgling company, Maestros of Silence, operating in Moscow's soundproofing market. To solve this problem, there was set the aim to develop a mid-term strategy for this enterprise (up to 2016, inclusive). In turn, to achieve the aim defined, within the frames of this research there were sought the answers to five research questions that implied defining the essence of the strategy and the principles of its development, determining the relevant methods of strategic planning, analysing the factors that influence the business of Maestros of Silence at the level of external and internal environment, as well as picking the strategic alternative for the development of the company.

To find the answers to the defined questions there were used the methods of collecting the secondary documentary, survey and multiple data, as well as questionnaire survey method aimed to obtain primary information. At the same time, in order to study the collected data, there was used a cause-consequence analysis, mathematical calculations, the graphical display of quantitative information, as well as application of the methods of strategic planning (PEST, Five Forces Model, strategic group analysis, KSF-analysis, segmentation, SNW and SWOT).

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INTRODUCTION

1.1 Business Context

In recent years, Russia has been actively developing in the market of soundproofing solutions, which was contributed to by several interconnected factors at the same time. First of all, the social status of the population in big cities improved, which resulted in increased human requirements to comfort in housing and to soundproofing, in particular. Second, in the course of social and economic development, the requirements towards business on the part of the partners and clients increased – to carry out effective negotiations and deliver services one needs a favourable environment free of uncontrolled noise. Third, social growth of the population caused that people started to pay more attention towards their health, which, apart from everything else, is affected by loud sounds.

The listed above factors, on the whole, lead to that more and more people now want to protect themselves and the ones around them from noise. They order soundproofing solutions for office spaces and domestic environments, presentation rooms, home cinemas, recording studios and other objects. Thus, as the Russian society was changing, there changed the consumer perception that laid the foundation to the market of soundproofing solutions, a young and promising sector, where more and more players appear each year, who want to get a certain share of the total turnover of a still not big enough industry.

1.2 Identified Problem

In the situation of the active market growth not all companies operating in the sphere of providing soundproofing solutions are able to efficiently develop their businesses and the reason for that lies not even in an increasing competition and changing consumer demands (although this, of course, has some impact), but in the fact that young and actively developing companies do not have a clear strategic plan for development. It sometimes leads to an inefficient use of labor and financial resources, which, eventually affects the dynamics of business development.

Maestros of Silence can be mentioned as an example of the company that has encountered such problems. The company offers soundproofing products and services and renovation-and-repair works on the territory of Moscow. In particular, the company promotes thermal, vibration and soundproofing solutions protecting from impact and airborne sound, as well as multi-purpose insulating coatings that solve several tasks at a time. Along with that, the

company's range of products offers not only insulation materials for walls and floors, but also decorative panels, suspended ceiling systems and other products to meet customer requirements. This is why the company, which is still recent in the market, has managed to go beyond the borders of Moscow having worked on the projects in the Moscow region.

Nevertheless, on the whole, this is a still fledgling company (founded in the end of 2011), many organizational processes still remain not formalized and there are no clear and unambiguous goals and approaches defining the ways of achieving them. Despite being a fledgling company, Maestros of Silence, as a part of Status group of companies, today already should have a development plan that would support the general corporate strategy aiming to increase the value of the joint group of companies. Moreover, today when the market is actively developing and new competitors are being attracted, the situation becomes unacceptable - the management of Maestros of Silence should understand the opportunities and threats of the environment and by correlating them with the company's strengths and weaknesses, should determine the direction for strategic development. And this is where the company's key management problem lies - the lack of a defined direction of strategic development.

1.3 Aim and questions

On the basis of the defined problem, it can be concluded that the aim of this research is to work out a strategy for the development of Maestros of Silence. Along with that, the strategic plan should be a mid-term plan (up to 2016), as we speak about a dynamically growing market, wherein the fundamental tendencies may change quickly enough.

In accordance with the aim, the following questions should be answered in the course of the research (in terms of theory and practice):

1. what is the essence of the strategy and the structure of the strategic plan developed within the frames of this research?
2. what methods of strategic planning should be involved in work in order to develop a detailed development strategy?
3. which factors and tendencies that have influence on the business of Maestros of Silence can be identified in terms of macro and microenvironment?
4. what are the strengths and weaknesses of Maestros of Silence according to the analysis of its internal environment?
5. what are the strategic alternatives and the final variant of the strategy for Maestros of Silence?

CHAPTER 2: LITERATURE REVIEW

2.1 Essentials of Strategy

Taking into account the aim of the research, it can be stated that the research is fully based on the concept of strategic planning . Therefore, in order to define the major stages, it is necessary to study the essence of the notion of "strategic planning" and identify its peculiarities as a managerial tool. In its turn, the notion of strategic planning implies defining the strategy itself, as it is the product of strategic planning. Let us consider several major definitions of strategy.

Doyle and Stern (2007, p. 49) believe that "strategy determines the direction in which a company moves in order to achieve the goals defined". This definition gives a general enough idea of the essence of strategy, however it helps to make a conclusion about its vague contours (only a general concept is given). Besides, it indicates a critical role of strategy in a company, as, without it, a business cannot consistently achieve the goals set in front of it and, consequently, to develop.

According to Thompson and Strickland (2006), strategy is a response of the company's management to the question about how to achieve the defined goals and actualize the strategic concept and mission of the company. Alternatively, in the authors' opinion, strategy should imply a description of actions aimed at achieving the goals and objectives of an organisation. Along with that, shaping the strategy should be the responsibility of the management, which is connected with the role the former plays in a company. Therefore one can think that planning deals with how the management understands the factors that assist or hamper the organisation on the way to its goals. That is why it is so important to identify and assess them from the very beginning.

But the premise of the strategy given by Aaker (2007) is the most all-embracing as he singles out such aspects that define it and, at the same time, result from its concept. First of all, we mean the goods market, in which a business competes. The sphere of a business should be determined by such elements, as:

- goods and services that an enterprise offers;
- geographical area of operation;
- quantitative indicators of market development;
- the lifespan of an industry;
- level of competition and the influence of market leaders;

- the degree of industry consolidation;
- general tendencies connected with particular factors of macroenvironment.

In certain cases, choosing the goods or segments that are recommended to be avoided by the companies may help to make a decision regarding the sphere of business, as it allows the company to save material and time resources for a successful competition in other markets.

Analysing the goods market is important, because it leads to an understanding of the ongoing changes and contributes to determining new tendencies that have a critical impact on the company's business. In other words, market analysis allows the company to identify new specifics in the development of its surrounding and to adapt to a new environment. Accordingly, on this basis the main strategic concept is built up that determines the company's development in the market.

The second aspect of strategy development refers to the level of investments to be made in the development of the company. Here the following options and approaches can be mentioned:

- investments allocated to the company's growth or its entry to a new market, i.e. the investments contributing to an increase in the market share (those can be the investments in marketing, operations, research and development, etc.);
- investments that provide the opportunity for strengthening the positions gained, i.e. the investments aimed at maintaining the existing market share (the investments aimed at implementing changes in the course of strategy change can be mentioned here, as well);
- exploiting the company's business through minimizing investments in order to maximize cash flows;
- repayment of invested assets through shutting or selling the business, i.e. an action aimed at gaining profit from the existing market position of a particular brand of the company.

Investments represent the main resource in strategy implementation, no significant organisational changes can be implemented without them. In this respect the investment potential of the company sets limitations to the strategy, which requires making a clear and substantiated choice of the behavioral style to be used in the market.

Besides market conditions and investment potential, the strategy is also shaped by a sustainable competitive advantage (SCA) of the company. It does not merely indicate its strengths but determines the features that really differentiate it from competitors and that give an opportunity to attract even more customers (Berezin 2008). Only in case there are SCA, the management of the company can count on promotion in the current stiff competition, which has become even more severe at the recovery of the market demand after the crisis.

SCA can be viewed as strategic assets or competences, on which business strategy is based. Strategic competences are business activities, within the frames of which the company can have certain strengths. In its turn, under strategic assets one views some resources (trademark or relevant customers), which surpass by certain parameters or characteristics the analogous resources of competitor companies.

The basis of SCA comprises the following elements (Grachev 2004):

- distribution of resource base among individual business units;
- building synergy between enterprises;
- making profit through mutual support between organisations.

Thus, investments and SCA of the company build up its strategy despite the state of the surrounding, which speaks volumes about its essence, which implies the creation of a competitive advantage under given market conditions and the existing resource limitations of the company.

Aaker's understanding of the strategy (2007) allows us to systematize and comprehend the main contours of the term "strategic planning", where it is important to analyse market tendencies and competitor operations, required investment funds and resources at hand, as well as the advantages of the company in the market. However, another understanding of the strategy should also be considered, thereby extending the idea of the principles of its formation and, accordingly, the aspects of conducting strategic planning.

In the opinion of Ansoff (2000), the essence of the strategy lies in formulating managerial decisions that refer to goods and market issues in the company's operation and to the implementation of changes (their management). From this point of view, the strategy is an instrument of management, namely, a set of application approaches and methods that can be applied straight away. Here the major emphasis is placed on strategic decisions as well as on the need to actualize any strategy through managerial activities. One way or another,

initially the strategy is only an action plan, a successful building of which should later be accompanied by real actions.

On the whole it can be concluded that all listed above definitions of strategy give the idea of what it is, thus we can move directly to the principles of its development and planning.

2.2 Structure of Strategic Plan

From the application point of view, for the purposes of this research it is important to get the understanding of the structure of a strategic plan. However, for that, first of all, the notion of strategic planning should be developed in the context of business per se, which can be done through considering several definitions.

According to Grachiov (2004, p. 12) the idea of "strategic planning process lies in achieving the goals and objectives of a firm in the long run in accordance with the changes in external environment (opportunities and threats) and internal situation in the company (strengths and weaknesses)". In other words, strategic planning is based on analysing the external and internal environments, which, on the whole, allows the company to get a complete understanding of the situation thereby proposing the actions that will be aimed at achieving the company's goals. This point of view is supported by Belyaev (2005, p. 510), who notes that strategic planning should be viewed as "developing the strategy for goal achievement".

Gaydayenko (2008, p. 120) expresses an idea that "strategic planning means choosing the direction and organising the activities, which allow achieving the defined goals even if unforeseen events occur that have a negative impact on the business". This definition implies that a company should be ready for unforeseen events and, accordingly, emphasizes the role of the analysis of external and internal environments as a method of obtaining the necessary information about the emerging situation.

On the whole, it can be concluded that independent of the definition, the general context of the notion of "strategic planning" remains unchanged and implies the development of the ways of achieving strategic goals of the company with account of the factors of external and internal environment. Therefore planning includes several stages at the same time. In fact, this is an algorithm that requires a successive execution of a range of steps and gradual shaping of a strategy. So, O'Shonessi (2002) proposes that strategic planning comprises the following steps:

1. Developing strategic guidelines (mission, vision, values) for a specific market, in terms of which strategic tasks and quantitative indicators are determined.
2. Reviewing market tendencies and analysing the current situation, wherein it is proposed to carry out the appraisal of the industry development, to analyse growth rates and market structure, major forces (rivals, suppliers, producers of substitutes, consumers), etc.
3. Interpreting the data collected in order to make forecasts of the future situation;
4. Analysing the gap discovered in the carried out planning, which allows identifying the main points of variance between the system of the company's strategic goals, the situation in the market and in the company and the forecast of further development of the industry.
5. Carrying out the final diagnosis of the problem under consideration, which gives us an opportunity to determine the reasons for the gaps in planning and indicate alternative variants of actions on their elimination.
6. Making a strategic choice, i.e. assessing alternative strategic solutions.
7. Carrying out final assessment of the identified strategies and choosing the one that determines the most favourable position for the company.

There can also be mentioned the algorithm of strategic planning by Aaker (2007), who singled out such components of strategic planning, like external analysis, internal analysis, as well as identification and choice of strategy (see fig. 1).

In regard to the approaches of O'Shonessi (2002) and Aaker (2007) it can be noted that strategic planning is based on, first of all, the analysis of external and internal environments of the company. Along with that, in terms of external environment the management of the company should be interested in general trends, consumer preferences and behavior, as well as the actions of competitors. In terms of internal environment, the analysis deals with, first of all, the major results of the company's performance, as they reflect its development and sustainability, as well as product/market portfolio (in case of segmentation of operations). Besides, the first stage of the model of O'Shonessi deals with the review of strategic guidelines, which also should be taken into consideration when one is building up a system of strategic planning for a company.

Thus, approaching the question of developing the methodology of this research, it can be concluded that strategic planning in many ways relies on the analysis of the data collected, as without it no conclusions can be drawn, which would take into account the real circumstances in the external and internal environments of the company.

STRATEGIC ANALYSIS

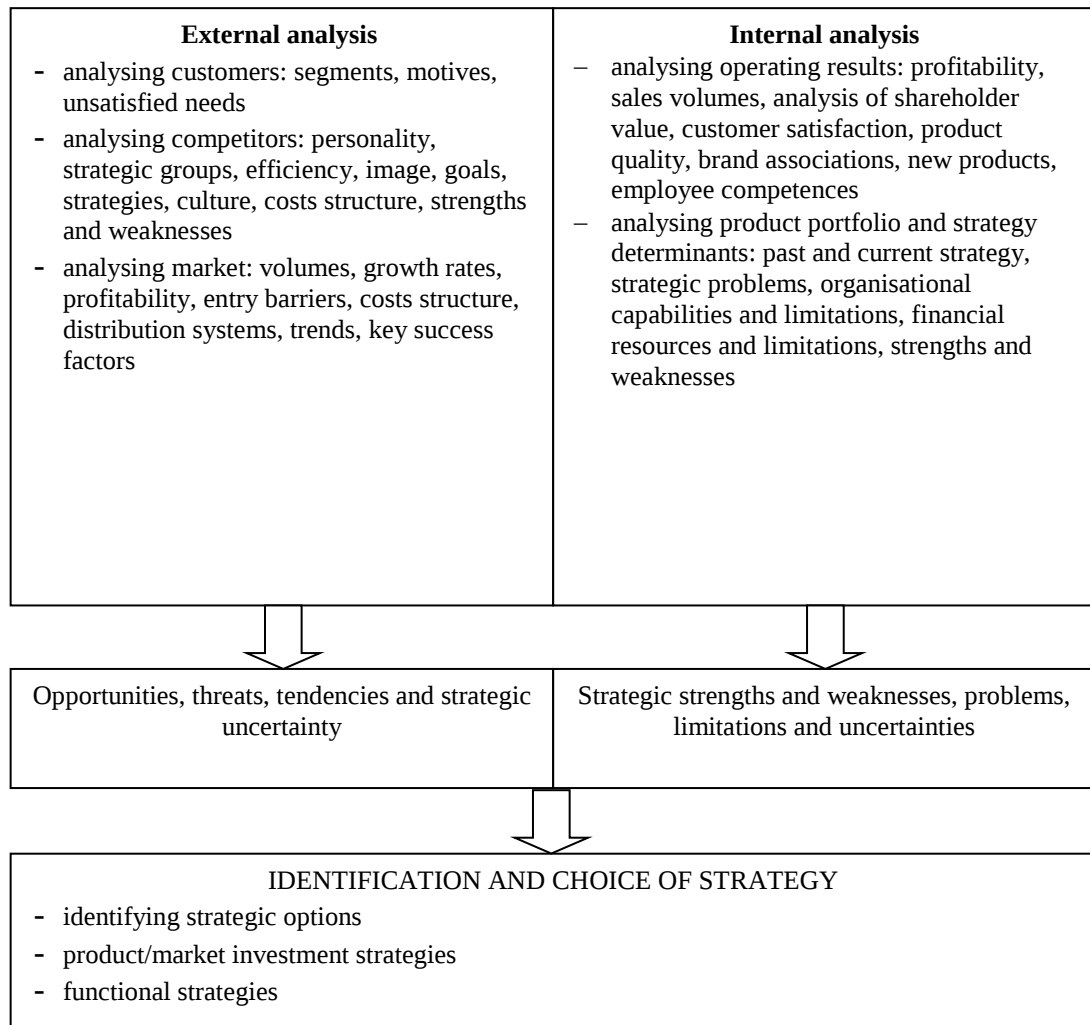


Figure 1: Components of strategic planning (Aaker 2007, p. 96)

The analysis is based on considering three levels, each of which contains certain threats and advantages. The levels are as follows:

- macroenvironment that represents a distant surrounding of the company and contains macro trends reflecting the tendencies within the frames of the national or international market;
- microenvironment that determines the close surrounding of the company in terms of competitors, suppliers, customer groups and so on;
- internal environment of the company, in which there are considered the strengths and weaknesses of the built organisational structure, sources of the problems encountered by the business and the development potential (see fig. 2).

Each level of environment employs its own scope of methodologies that allow identifying the set of factors described in the scheme of fig. 2.

But, as obtaining a qualitative information is associated with the issues of relevance and costs, one should choose a specific set of methods that would allow them to fully enough describe the situation with minimum time and monetary costs at that. However, one should also consider the factor of an increasing market uncertainty in Russia after the crisis, thereby paying more attention to the issues of analysing the external environment, forecasting and choosing the final strategy. All these issues are solved within the frames of determining the methodology employed in this research.

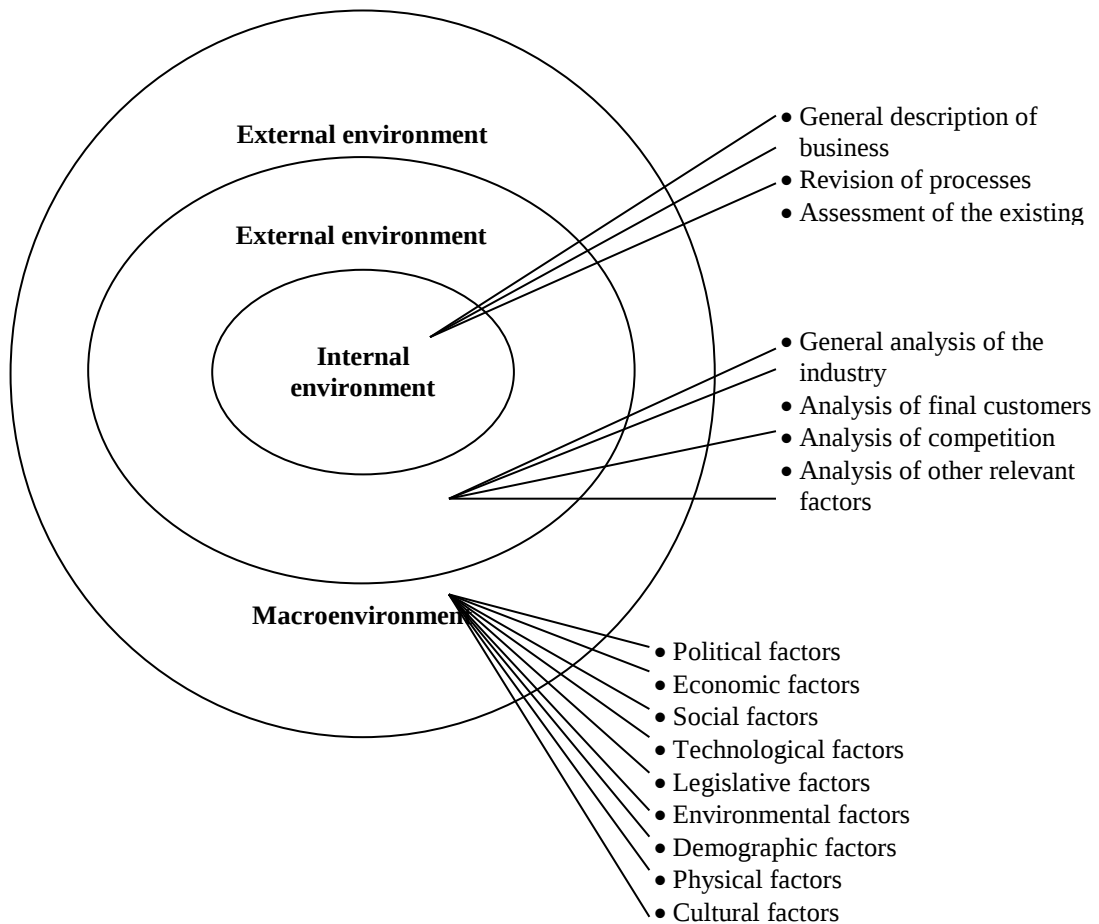


Figure 2: Factors analysed in external and internal environments of the company
(Dyukov 2008, p. 104)

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CHAPTER 3: METHODOLOGY

3.1 General Methods of Data Collection

Within the frames of this research there were used several methods for collecting primary and secondary data, classified according to Saunders et al (2006). They are considered in more detail below.

Collection of secondary data from documentary sources. This may include written materials, such as, for example, internal documentation of companies, reports and statements, books and journals, as well as web-sites. Besides, it includes non-written materials, such as, for instance, TV and radio materials or audio recordings of interviews, or video recordings of observations. Thus, the collection of documentary secondary data may become a kind of derivative from the primary researches that had been carried out earlier. Within the frames of this work it, first of all, was used to look into the organisational documents of Maestros of Silence for the data that would help to better understand the strengths and weaknesses of this business.

Collection of secondary data from survey sources, id est that was collected, as a rule, through questionnaire surveys in order to achieve the aims of a certain research. For example, they can be the results of regular or special state censuses or surveys, conducted by the government, companies or research institutions. Within the frames of this research, such sources were used as an important resource, as they gave the understanding of some market tendencies and the factors that affect them. So, as survey sources, there were used the data compiled by POF (2012) that are based exclusively on population surveys on various political, economic and social issues.

Collection of secondary data from multiple sources, id est such data that can be either documentary, or survey or both. Here a wide range of sources can be implied, as usually modern analytics cannot help using a wide range of diverse information. For example, multiple sources include analytical reports, state publications, journal articles, statistical databases, etc. In terms of this research, among multiple data sources there can be mentioned the data from the state information statistical database in the Internet USIS (Unified Interdepartmental Statistical Information System) (2012), the data of commercial database of Euromonitor (2012). statistical data of CBR (2012), analytical articles in Emerging Europe Monitor (2012), etc. Thus, it can be concluded that among secondary data sources, the multiple sources acted as a basis of the research.

Collection of primary data through questionnaire surveys. The system of strategic planning that requires scoring of integrated information on the basis of objective opinion was at the core of this research.. It requires inviting an expert group of specialists per se, who can formulate a definite opinion regarding the questions under analysis on the basis of their competences and experience, as well as to minimize the influence of subjective opinions of the researcher. Such group was involved (see table 1) in this research, along with that, we interacted with it on the basis of the preliminary discussion of the situation with the subsequent hand out of the forms, on which there were given scoring tables of different strategic planning tools. The experts gave scores in these tables, thereby expressing their opinion about the factors or tendencies included in the tables on the basis of the secondary data collection results in quantitative terms. After that, the average scores were calculated on the basis of the aggregate expert data in order to get the idea of the general situation.

Table 1: General characteristics of the experts involved

No.	Reference	Sex	Position	Competences
1.	Expert A	Male	External expert-analyst working in the sphere of management	Complex situation in political, economic and social sphere at the level of Russia and individual regions of the country
2.	Expert B	Male	Chief Commercial Officer, Maestros of Silence	Good understanding of the current and forecast tendencies in the development of the local soundproofing industry, as well as the advantages and shortcoming of Maestros of Silence compared to the competitors.
3.	Expert C	Female	Chief Accounting Officer, Maestros of Silence	Good understanding of financial aspects of the company's development and the potential of its market growth in mid-term perspective

On the whole, on the basis of the listed above methods of data collection it can be concluded that the research is founded on the secondary information. It can give a general idea of the current and forecast situation in the company of Maestros of Silence and beyond it, which allows us to view the problem in complex and with enough objectiveness, as the major part of the data is of quantitative nature. However the secondary data obtained could not have been properly processed in order to develop a strategy without carrying out a questionnaire survey of the invited experts, who provided their primary information.

3.2 General Methods of Data Analysis

The data collected was further analysis on the basis of several methods, the essence and specifics of which are considered below.

Cause-consequence analysis that is used for a simultaneous study of quantitative and qualitative data in a single system. It was required in order to determine certain dependencies and interconnections in a general array of the data collected and, thereby to identify concrete tendencies at the level of external and internal environments of the company of Maestros of Silence. Thus, the cause-consequence analysis was carried out both in the course of collecting the main data and after that, at the stage of strategic planning, where exactly it was required to identify the most important factors that characterise the situation in the market and within the company.

Analysis on the basis of mathematical calculations allowed obtaining additional information on the quantitative data that had been collected (here primary data can be included as well, namely, expert scorings). In particular, on its basis there were calculated the weights of different indicators, their growth rates over a particular period or average per time series, as well as their average value or total (for this purpose Microsoft Excel 2010 application was used). It was necessary for getting a more in-depth idea of the issues under consideration and for conducting cause-consequence analysis of the general data array more efficiently.

Method of analysis on the basis of data display, which was important for a visual display of quantitative data. Building graphs, diagrams and other graphical elements (Microsoft Excel 2010 application was used for this purpose) allowed correlating the time series of different indicators for better understanding the interconnections between them. Besides, such approach contributed to a structured and better perception of the information, which made the process of conducting the cause-consequence analysis of the data collected easier to a greater extent.

It can be concluded that the data analysis allowed identifying the most important information that further formed the basis for conducting strategic planning with consequent development of the strategy for Maestros of Silence in the market of soundproofing. Along with that, the analysis was carried out on a regular basis and was combined with the process of research data collection.

3.3 Methods of Strategic Planning

For the purpose of carrying out strategic planning within this research there were used the following tools aimed to analyse the factors of macro and microenvironment, as well as to develop the final strategy for the company Maestros of Silence.

- PEST-analysis;
- Michael Porter's Five Forces Model;
- strategic group analysis;
- KSF-analysis;
- segmentation;
- SNW-analysis;
- SWOT-analysis.

Let us consider each of the listed above tools in more detail.

PEST-analysis

In order to analyse the external environment, PEST-analysis was used, which acts as a high priority tool that defines the general tendencies at the countrywide level or the level of a region. The tool implies considering macroenvironment through the lenses of four key factors, which include Political factors or P, Economic factors or E, Social factors or S, and also Technological factors or T. Altogether they form an interconnected system of tendencies that have a significant impact on business.

Thus, carrying out PEST-analysis allows determining the impact that the factors of external environment have on the industry and, consequently, on the business of a specific enterprise (Golubkov 2008). Each factor is assessed on the basis of a grading scale that determines the degree of its influence, as well as the probability of occurrence in case one can tell whether the factor exists at the moment only by individual tendencies. For better visualisation PEST-analysis is usually displayed in a form of a table that reflects all the opinions of the internal or invited expert group that determines the degree of impact of one or other factor of macroenvironment (see table 2).

It should be noted that PEST-analysis, on the one hand, embraces a broad enough range of issues related to the formation of distant external environment, which is so necessary for shaping a general concept of company's behavior in the market and, on the other hand, this method is not complicated to apply.

Table 2: General tabular form of PEST-analysis (Gaydaenko 2008, p. 86)

Factors	Description	Opportunity (+) Threat (-)	Probability (%)	Importance (score)	Overall effect
Political (P)	1...	(+/-)			
	2...	(+/-)			
	3...	(+/-)			
Economic (E)	1...	(+/-)			
	2...	(+/-)			
	3...	(+/-)			
Social (S)	1...	(+/-)			
	2...	(+/-)			
	3...	(+/-)			
Technological (T)	1...	(+/-)			
	2...	(+/-)			
	3...	(+/-)			

Michael Porter's Five Forces Model

After carrying out PEST-analysis one needs to study the peculiarities of microenvironment, i.e., the industrial surrounding of the company. Porter's Five Forces Model still remains a relevant and convenient planning tool that allows analysing what influence the major players of the industry namely, the customers, industry rivals, new entrants, producers of substitute goods and suppliers, have on the company (see fig. 3).

For each of the five groups of the participants (the forces) a range of parameters is evaluated in the model, which characterize their influence on the attractiveness of the industry for a certain company. Usually, for evaluation the scoring is used that allows displaying qualitative characteristics of each of the five groups of industry participants on the quantitative basis. Therefore, as in case of PEST-analysis, to reduce the subjectiveness of evaluation, it is reasonable to attract a group of experts, who have the idea of the tendencies in the development of the industry.

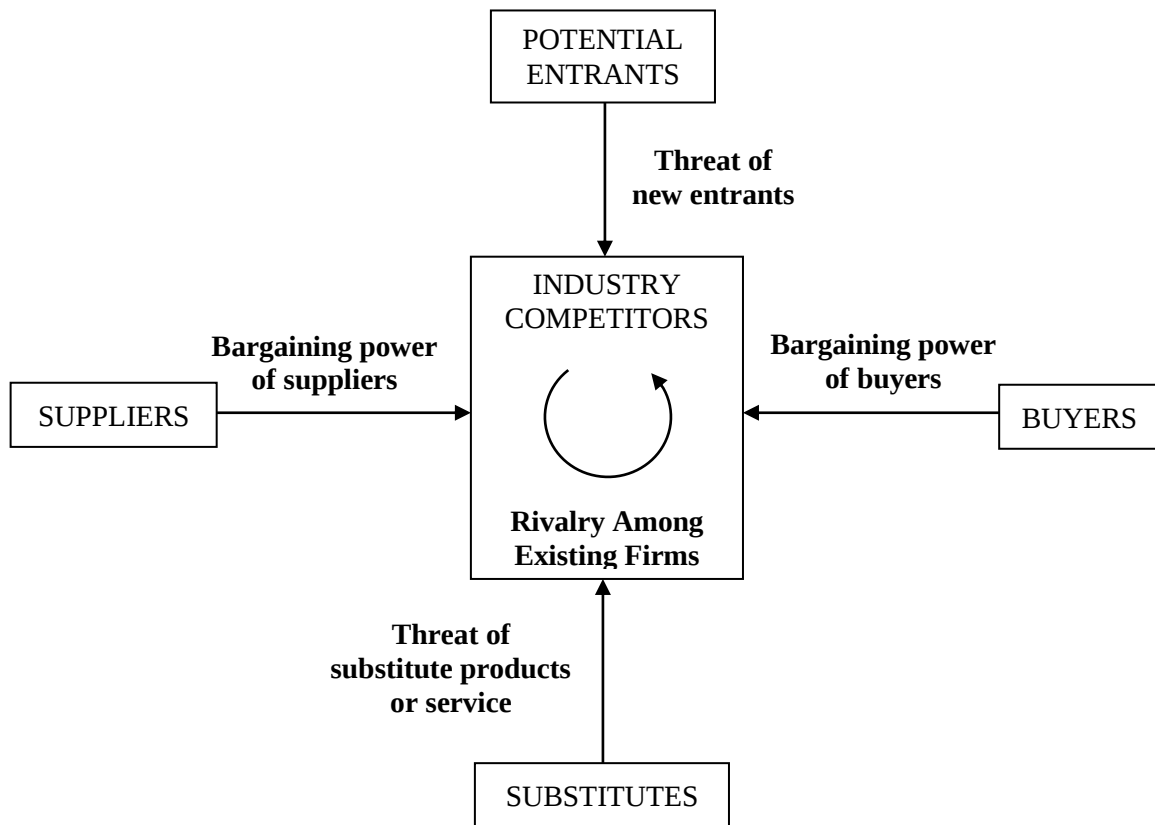


Figure 3: Forces driving industry competition (Porter 1980, p. 4)

It should be noted that Porter's Five Forces Model allows taking into account not only competitive environment, but intra-industry relationships with all possible contractors, which, undoubtedly, is crucially important for developing the strategy and gives the opportunity to not only identify what poses the major threat to the company but also to analyse the general attractiveness of the industry for the business.

Strategic group analysis

If Porter's Five Forces Model gives a general idea of microenvironment, the strategic group analysis allows getting an idea of the structure of competitive environment. On the basis of this tool there are examined the companies that according to their strategic activities, can be referred to the category of general competitors that have similar key success factors, common territorial target, similar strategic objectives, alike target audience, etc. (Gaydaenko 2008).

It is noteworthy that the important feature of strategic group analysis is the opportunity to not only explain the general motives of the competitors and their strategic objectives but also to find out how the industry players view the current rules of the game in the market. In certain cases the monitoring of competitor actions may set the company to actualize certain managerial decisions, therefore the application of this tool is a necessary step that gives an understanding of the principles of operating within the industry and also allows

comparing the company with its main competitors in order to determine its weaknesses and strengths (Zavyalov 2010).

KSF-analysis

To better understand the directions, in which the company should change, it is expedient to study the key success factors, or KSF of the industry. It helps to determine what the company needs in order to maintain the current positions within a particular geographical segment (Gaydaenko 2008). This research is important as it determines the required KSFs and establishing them in the existing business allows building a springboard that enables the company to develop its unique advantages that would contribute to promoting it in the market.

KSF-analysis is focused on both the company's business and the business of its competitors, as only by comparing them one can know how developed the organisation is and, consequently, what place it takes in the consumer perception and, hence, in the market. KSF-analysis is often enough based on building a sample of a range of evaluation factors that are used to determine the company's position, the positions of strategic groups or the industry on the whole. After that each of the key success factors is scored, which makes it possible to determine the differences in the degree of development of one or other KSF (Altshuler 2006).

It should be noted that when using KSF-analysis one should pay attention to not only the actions of competitors and the company itself but also to the results of PEST-analysis and to additional market researches. Thus, the focus of KSF-analysis should be set to the preferences of consumer target segment, which will give the opportunity to adapt not to the current situation but to new tendencies in the market .

Segmentation

Segmentation is a process of dividing the market, which may be more useful to view as a process of consumer aggregation. Along with that, as a segment, there can be viewed an independent purchasing unit with, at least, a minimum scale effect and which ensures minimum homogeneity of demand inside the segment and heterogeneity between the segments (Lambin 2007).

There exist four major approaches towards segmenting the market, namely:

- descriptive segmentation, based on socio-demographic profile of the customer regardless of the product category;
- benefit segmentation, when the product category and customer value system are explicitly taken into account;
- behavioral segmentation implies that the consumers are classified by their actual behavior in the market;
- lifestyle segmentation based on socio-cultural profile of the customer regardless of the product category (Lambin 2007, pp. 281-290).

In terms of this research there was used the method of behavioral segmentation, as there should be analysed the principles on the basis of which people make their decisions about choosing soundproofing solutions.

SNW-analysis

When planning a strategy, it is important to understand not only the opportunities and threats of the environment but also the capabilities of the company to develop in the defined direction, in other words, the strengths and weaknesses of its internal environment. At this point the diverse aspects of a company's activities are important, such as management, human resources, main operations, R&D, financial results and opportunities, organisational structure. In reality, SNW-analysis should cover all aspects of the company's business, as it contributes to identifying core problems in business (Vikhansky 2005).

Certain factors of SNW-analysis are assessed on the basis of scoring system, the scale at that, on the contrary to the one used in PEST-analysis, is divided into negative, null and positive estimates depending on whether the factor is estimated as a strength, a weakness or a neutral characteristic (see table 3). This allows obtaining a more visualised assessment of the characteristics of the company, which is required for understanding the sources of problems in business.

With the help of SNW-analysis a range of most important factors is determined, the assessment of which gives an understanding of the strengths and weaknesses of the company. Each factor is assessed by the scale that is divided into three sectors, namely, S (strength), which stands for company's advantages, W (weakness) - company's weak points or N (neutral) - neutral characteristics. It is noteworthy that SNW-analysis can be carried out on the basis of both comparing to the market situation on the whole and in

relation to the most influential and significant players of the industry or the company's closest competitors (depending on the defined strategic development goals).

Table 3: SNW-analysis sample (Gaydaenko 2008)

	W		N	S	
	-2	-1	0	1	2
Customers Customer loyalty Growth relative to market Product quality Service quality Concept					
Production Quality control Assortment Organisation Equipment state-of-the-artness					
Staff Qualification Experience gained Staff loyalty Team mood					
Finances Chain's development Advertising Stability					
Total					
Strengths Weaknesses					

SWOT-analysis

The results of analysing the internal and external environment should be further combined within the frames of a timeless tool - SWOT-analysis matrix. A well-known and tried and true method of SWOT-analysis that examines the strengths and weaknesses of the company, which further are compared to the opportunities and threats coming from the external environment, gives a general picture of the ongoing happenings thereby helping to understand what strategic measures can be taken to develop the company's business (see table 4).

Table 4: SWOT-analysis matrix; general form (Berezin 2008, p. 132)

	Strengths, opportunities	Weaknesses, threats
Internal		
External		

SWOT-analysis is valuable as it is a many-sided and widely applicable technique. Besides, this method of strategic planning allows creating an interconnected system of analysis being a final element in it, which accumulates all necessary information. SWOT-analysis also can be used as an independent tool.

It is noteworthy that upon completion of SWOT-analysis, there is formed the field of marginal strategies, where four possible directions for further development of the company are determined depending on the manifestation of threats, opportunities, strengths or weaknesses of the company (see table 5).

Table 5: General structure of the field of marginal strategies (Altshuler 2006, p. 96)

	Opportunities	Threats
	Factor 1 Factor 2 Factor 3	Factor 1 Factor 2 Factor 3
Strengths	Strategic actions 1	Strategic actions 2
Factor 1 Factor 2 Factor 3		
Weaknesses	Strategic actions 3	Strategic actions 4
Factor 1 Factor 2 Factor 3		

The field of marginal strategies gives the opportunity to consider the scenarios of development of the surrounding and internal environment or to use all four directions in case the resources are sufficient and recommendations are interconnected. Thus, the field of marginal strategies allows defining general strategic contours for the company's development in the market.

On the whole it can be concluded that applying all the above listed tools of strategic planning will allow the company to successively analyse the factors and tendencies present at the level of external and internal environments of the company Maestros of Silence, thereby providing a deep understanding of the general situation and, consequently, allowing the company to develop an efficient strategy for its development in the Moscow market.

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CHAPTER 4: PRESENTATION OF DATA AND ANALYSIS

4.1 Analysis of Macroenvironment

4.1.1 Politics

The political situation in the country can be characterised as stable. In the opinion of the experts of Emerging Europe Monitor (2012), the recent conviction, trial and imprisonment of the punk band Pussy Riot that performed in Moscow's Cathedral of Christ the Saviour, demonstrated that the decision of V.V. Putin to promote liberal economists to cabinet posts does not imply he will liberalise the political arena. On the contrary, Putin continues to maintain a strong position in the cabinet, therefore his intentions imply maintaining the established policy.

Although one can see certain positive points in political stability connected with more efficient planning of business activities, there should be taken into account the intention of the government to increase its control over the economy. This leads to a tougher legislation, increases formal and non-formal power of the cabinet and, as a result - increases corruption in the country. According to the data compiled by Transparency International (2012), over 2001-2011 the level of corruption in Russia remained practically at the same level (see fig. 4). Today the country is ranked the 143d out of 182 states by transparency and clarity in the activities and processes performed by the State Administration and it shares this place with Nigeria, Togo, Uganda and Belorussia.

4.1.2 Economy

In the sphere of economy a slow growth of the real GDP can be observed at the level of 4.3% in 2010 and 2011. This is sizeably less than before the crisis when over the period of 2005-2008, the GDP growth rates were between 5.2% and 8.5% (UISIS 2012) (see fig. 5). In other words, the economy of Russia on the whole is experiencing stagnation today. Along with that there is no ground to consider that the situation will improve as the problem of slow development is interconnected with stable policy of the government in the country. Along with that the measures on liberalisation, in particular, Russia's accession to WTO, arise doubts at the present moments, due to the negative effect they may have on the representatives of the Russian small businesses (which represents an additional threat to the company Maestros of Silence).

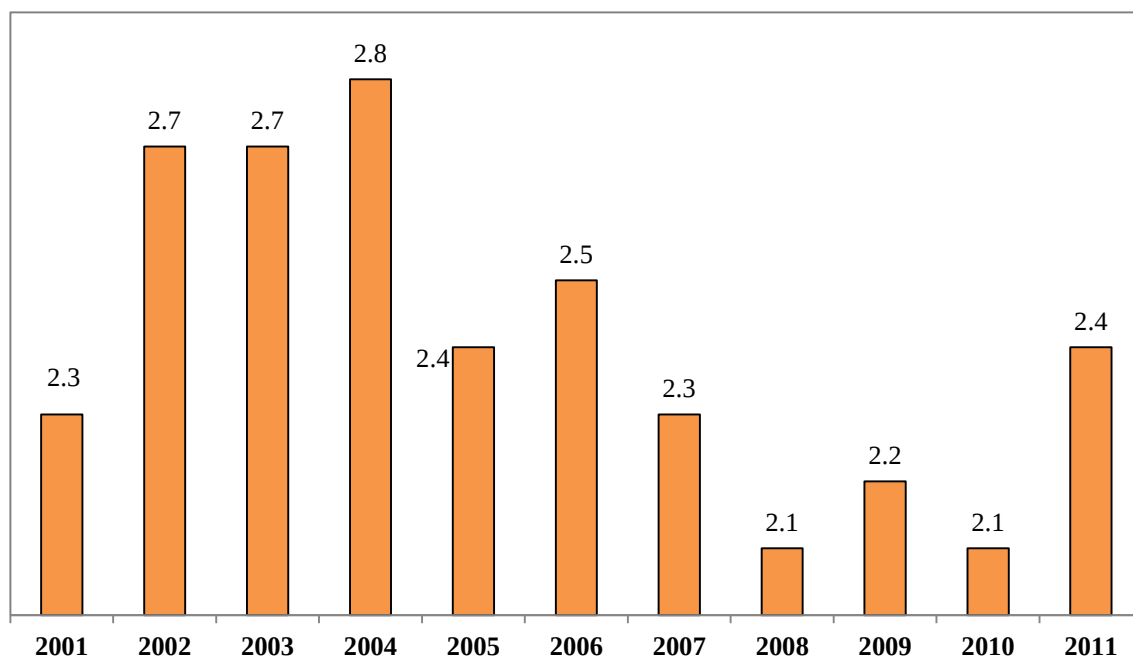


Figure 4: Dynamics of Corruption Perceptions Index in Russia

(10 – high transparency, 0 – high corruption) (Transparency International 2012)

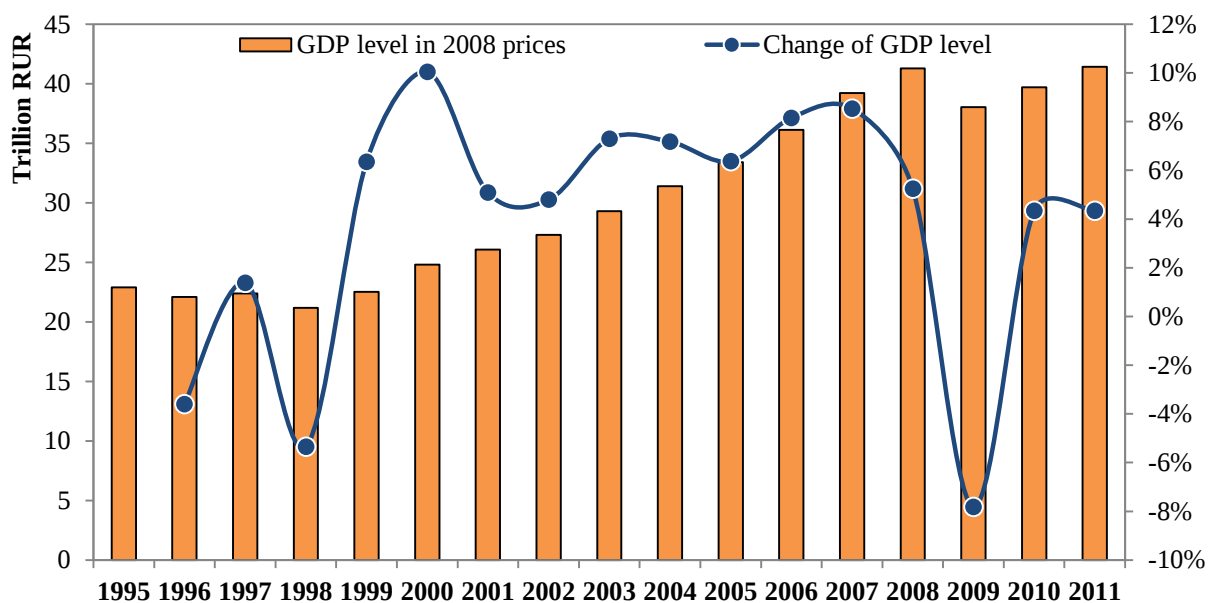


Figure 5: Russia's GDP dynamics (UIS12 2012)

At the same time, the development of the lending market is an important factor for the small businesses. There can be observed an increase in the gap between the total amount of the loans issued and bank deposits: if in the August of 2010, there were RUR 13.96 trillion of loans against RUR 13.83 trillion of deposits, in the same month of 2012 the amount of the debt funds reached RUR 22.63 trillion against RUR 21.05 trillion of the attracted funds. Along with that the average rates over that period dropped from 10.5% to 9.5% (CBR 2012) (see fig. 6). In other words Russia's lending sector demonstrates buoyancy.

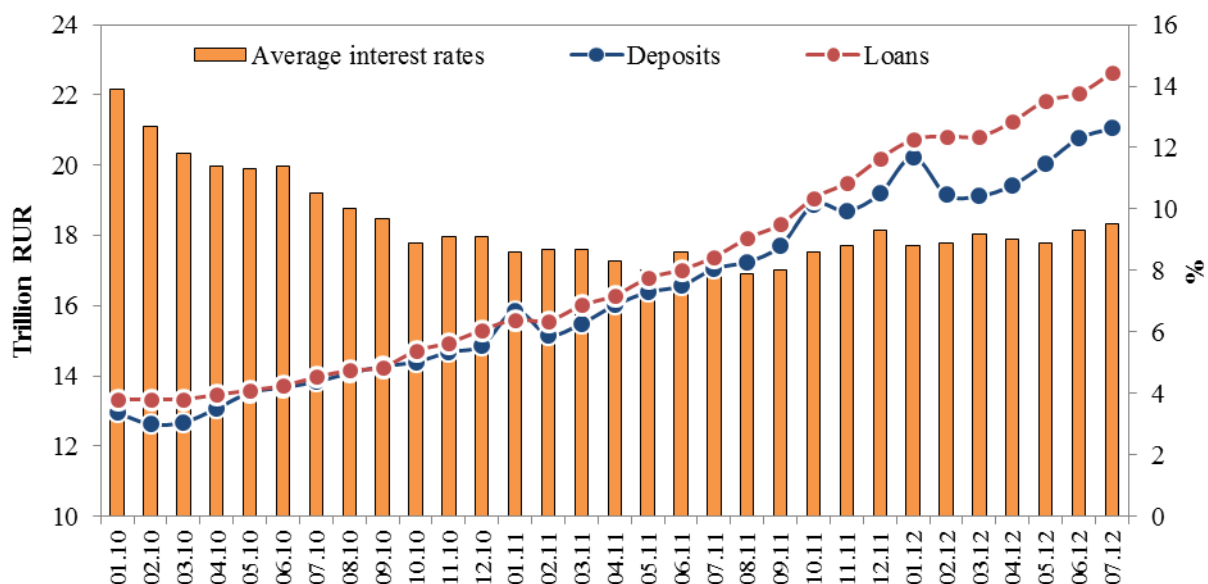


Figure 6: Indicators of the development of Russia's lending market (CBR 2012)

4.1.3 Society

In terms of social sphere a demographic situation should be analysed first of all. Russia's population continues to decline: the number of population dropped from 142.7 to 141.9 million of people over 2006-2010. At the same time, Moscow continues to attract migrants, therefore the population in the capital has changed from 10.4 to 10.6 million people over the same period. For this reason, if the capital accounted for 7.30% of the population of Russia in 2006, in 2010 this figure was 7.44% already (UISIS 2012) (see fig. 7).



Figure 7: Demographic situation in Russia and Moscow (UISIS 2012)

At the same time, both in Russia and Moscow one can observe an increase in the nominal wages. However, if on the whole across the country the average wages saw an increase of 11.5% reaching RUR 23 369 RUR in 2011, in the capital this indicator reached RUR 44 899 showing an increase of 16.9%. Thus, over the period 2010-2011 the ratio of Moscow/Russia wages changed from 1.83 to 1.92 (UISIS 2012) (see fig. 8).

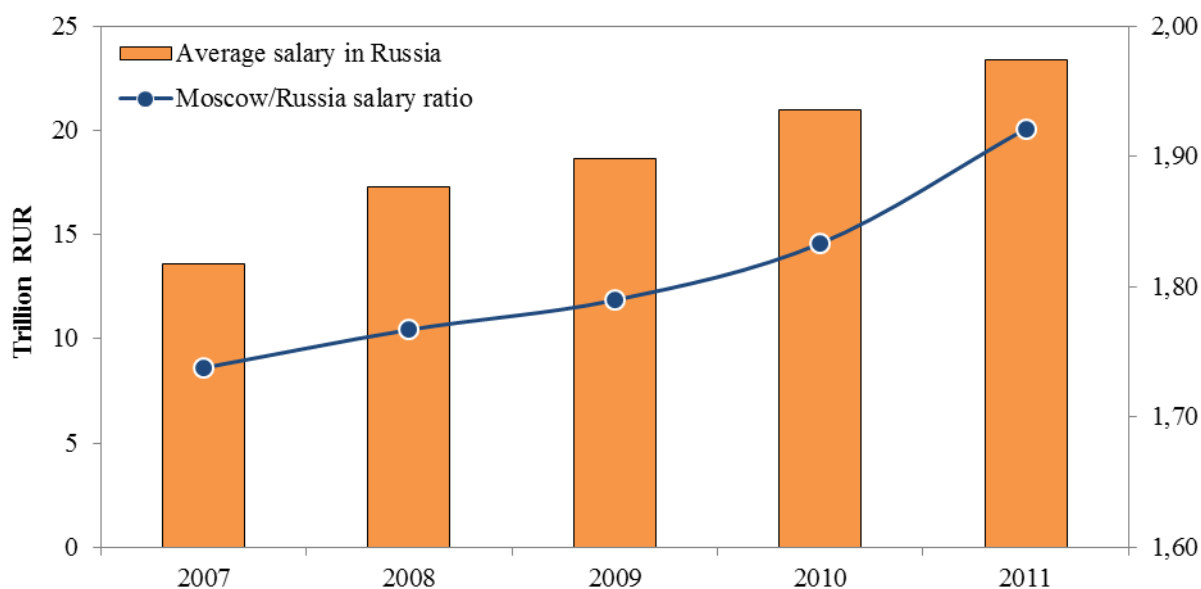


Figure 8: Dynamics of wages in Russia and Moscow (UISIS 2012)

4.1.4 Technologies

First of all it should be mentioned that at the level of technologies there can be observed the development of new soundproofing solutions, which, along with lowers costs and improved quality leads to an increased interest of the prospective customers, who value comfort and personal space, towards the products.

Besides, today, the Internet starts to play a great role for business, all the more in terms of small businesses segment, acting as a channel for promotion, sale and interaction with partners. Its penetration has already surpassed 51% in Russia, as a monthly Internet audience amounted to 59.5 million people according to spring 2012 data. Along with that the daily audience that is distinguished by more frequent use of the web amounted to 45.6 million people or 76.6% of the monthly audience, although in spring 2003 this ratio was much less - 39.5% (see fig. 9).

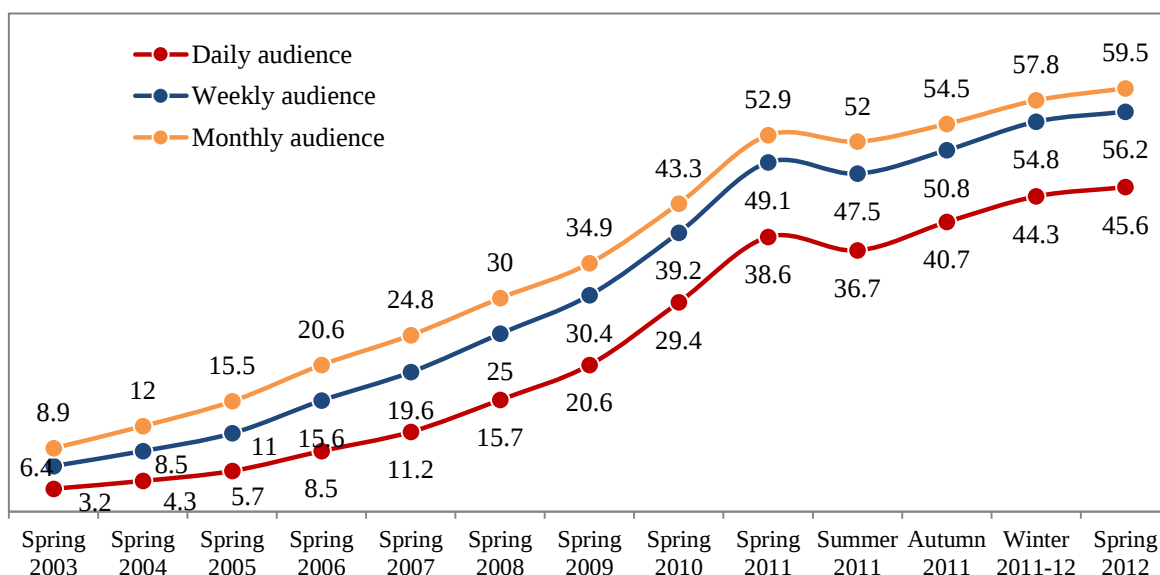


Figure 9: Dynamics of numbers of Internet users in Russia (POF 2012)

Thus, the activity of the Russian Internet grows, which makes this channel very convenient for the representative of small businesses, who can cover a wide target audience with its help and along with that save financial resources.

4.1.5 Results of PEST Analysis

Above there are presented the key tendencies and factors in the development of macroenvironment that were identified in the course of analysing political, economic, social and technological spheres in Russia. On their basis there can be built PEST-analysis matrix, and according to the rules of filling it, the invited expert group carried out the assessment of the situation (see table 6).

Table 6: PEST analysis results¹

Factors	Description	Opportunity Threat	Probability (%)	Importance (score)	Overall effect	Total
P	Stable political situation	O (+)	92.3%	4.67	4.31	-1.98
	Increased role of the government in the economy	T (-)	79.3%	4.00	-3.17	
	Development of corruption	T (-)	85.0%	3.67	-3.12	
E	Recovery of the economy after the crisis	O (+)	82.7%	4.67	3.86	0.53

¹ The Probability and Importance indexes are calculated on the basis of the average value. The decision whether the factor can be referred to Opportunity or Threat was made by the author of the research.

Factors	Description	Opportunity Threat	Probability (%)	Importance (score)	Overall effect	Total
	Economic stagnation	T (-)	71.3%	3.33	-2.38	
	Growth of competition due to Russia's accession to the WTO	T (-)	76.0%	4.33	-3.29	
	Active development of the lending market	O (+)	78.0%	3.00	2.34	
S	Decline in the population of Russia	T (-)	82.0%	2.33	-1.91	5.69
	Improvement of demographic situation in Moscow	O (+)	76.0%	4.00	3.04	
	Social development of the Russian population	O (+)	60.7%	2.00	1.21	
	Further strengthening of social positions of Moscow's population in the country	O (+)	77.3%	4.33	3.35	
T	Development of solutions in the sphere of soundproofing	O (+)	95.0%	3.33	3.17	4.31
	Active development of the Internet as a new marketing channel	O (+)	86.0%	1.33	1.15	

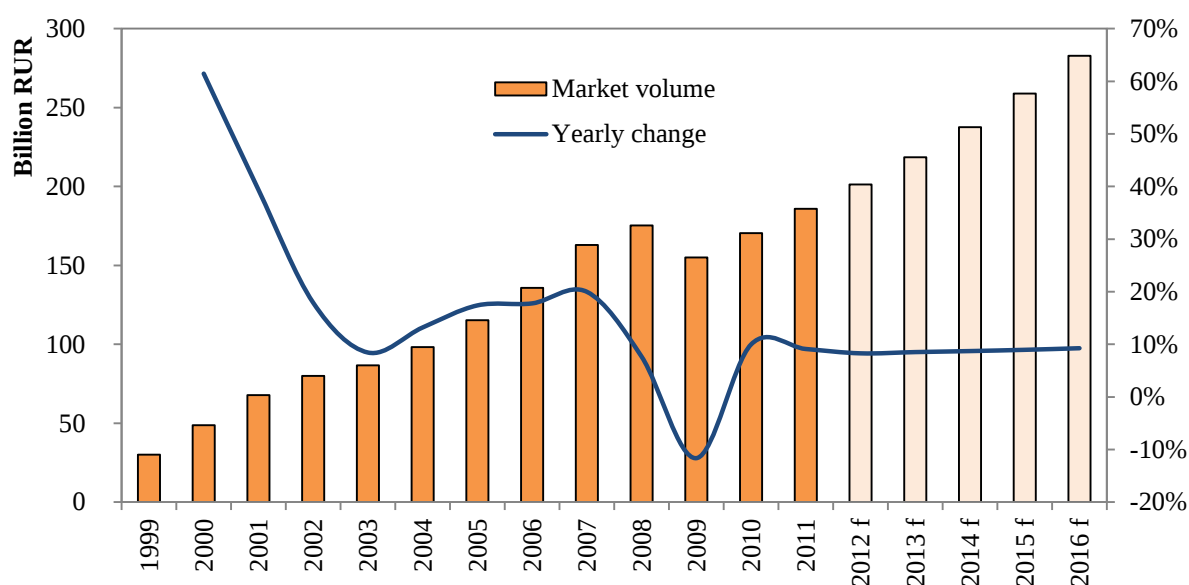
On the basis of the results of PEST-analysis, it can be concluded that on the whole, the situation at the level of macroenvironment is favourable for business, although there are certain threats connected with the strengthening position of the state in the economy, increasing corruption, stagnation tendencies in economy, the possibility of an active increase in competition after Russia's entry to the WTO, as well as a decline in Russia' population.

4.2 Analysis of Microenvironment

4.2.1 Market Trends

The soundproofing market is not transparent - there are no accurate data about how it is developing in Russia today. Nevertheless, there is an opportunity to look at a more general situation examining indirect factors of the development of this industry along with that.

According to the data compiled by Euromonitor (2012), Russia's aggregate market of home improvement, that includes bathroom sanitaryware, decorations, paints, electrical and other supplies aimed to improve customer's housing conditions (including soundproofing), amounted to RUR 185.9 billion in 2011, which is 9.1% more than in the preceding year. It is noteworthy that back in 2000 it did not surpass RUR 48.7 billion, which means that the average sales growth rate was at the level of 13%. It is forecast that in the period from 2011 to 2016 the growth rate of Russia's home improvement sector is going to significantly decrease and, on the average, will reach 8.7% (see fig. 10).



**Figure 10: Dynamics of development of Russia's home improvement market
(Euromonitor 2012)**

It is noteworthy that according to the data of 2011, floor covering and wall covering accounted for the major share of the home improvement sector and here soundproofing materials (used for covering walls, floor and ceiling in order to prevent noise penetration) should be included due to the specifics of construction and installation of floor and wall covering solutions. The floor and wall covering accounted for 39.0% and 18.7% of the home improvement sector respectively, along with that these figures remain stable enough year-on-year (see fig. 11 and appendix 1). Today these are established segments that in 2011 showed the growth close to the overall growth observed in the market: 8.1% for floor covering and 10.0% for wall covering direction.

Undoubtedly, the growth rates of the immature market of soundproofing solutions in Russia exceed many times the indicators of the established directions of wall and floor covering on the whole. However it should be taken into account that a not yet established segment is developing in the industry that demonstrates steady growth, which should

ensure its growth by means of cross sales (the customer will purchase traditional and soundproofing solutions in one package).

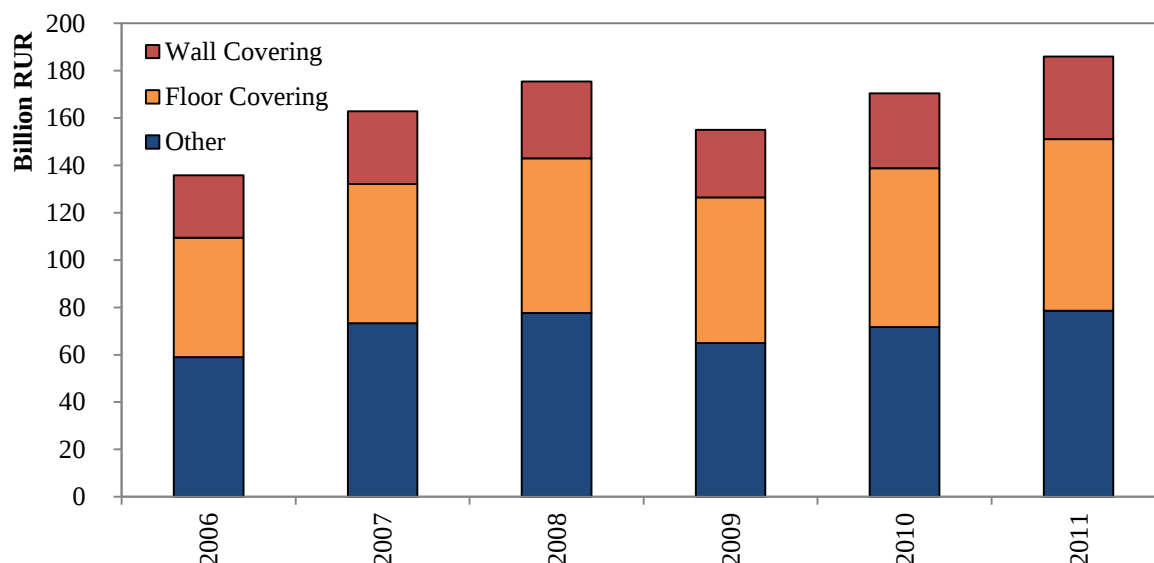


Figure 11: Positions of wall and floor covering in the sector of home improvement in Russia (Euromonitor 2012)

Thus, the soundproofing market can be viewed as an actively developing segment, which, in the opinion of the invited experts, should account for around 10% of the market of floor and wall covering (up to RUR 10 billion), 60-70% of which will concentrate in Moscow and the Moscow region.

4.2.2 Competition

In the course of the analysis of competitive environment, there were singled out several key strategic groups, namely:

- specialist companies, whose core activity implies providing soundproofing services accompanied by repair and decoration, heat insulation and other services of the same kind. They include the companies Maestros of Silence, TechnoSonus and others;
- multibusiness companies engaged in the issues of construction, repair and decoration of buildings of any complexity (including capital works), including soundproofing works, as well. They include such companies, as Stroymaster or Workersgroup;
- the suppliers (distributors or manufacturers) of sound absorbing and soundproofing materials that also deal with the issues of design and installation (can deal with these issues through mediators, including small outsource working crews that are not legal entities). Here there can be singled out the companies Ecovata, WOLF Bararia and Korda;

- highly specialised companies of related specialty, whose core business is connected with the directions of wall and floor covering through specific materials (stretch ceilings, tiles, etc.) that can be upgraded to the level of soundproofing materials to fulfill specific orders (in fact, substitutes). The group includes such companies, as Potolkoff or El Home.

The listed above strategic groups were analysed in respect of the key success factors determined in the course of joint discussion with the invited expert group:

- quality of soundproofing design;
- quality of installation of soundproofing materials;
- flexibility in fulfilling special orders;
- wide assortment of soundproofing materials;
- universality of offer;
- attractive price for the customer.

In accordance with the listed above success factors there was developed an assessment of strategic groups that allowed highlighting their peculiarities compared to the competitors (see fig. 12).

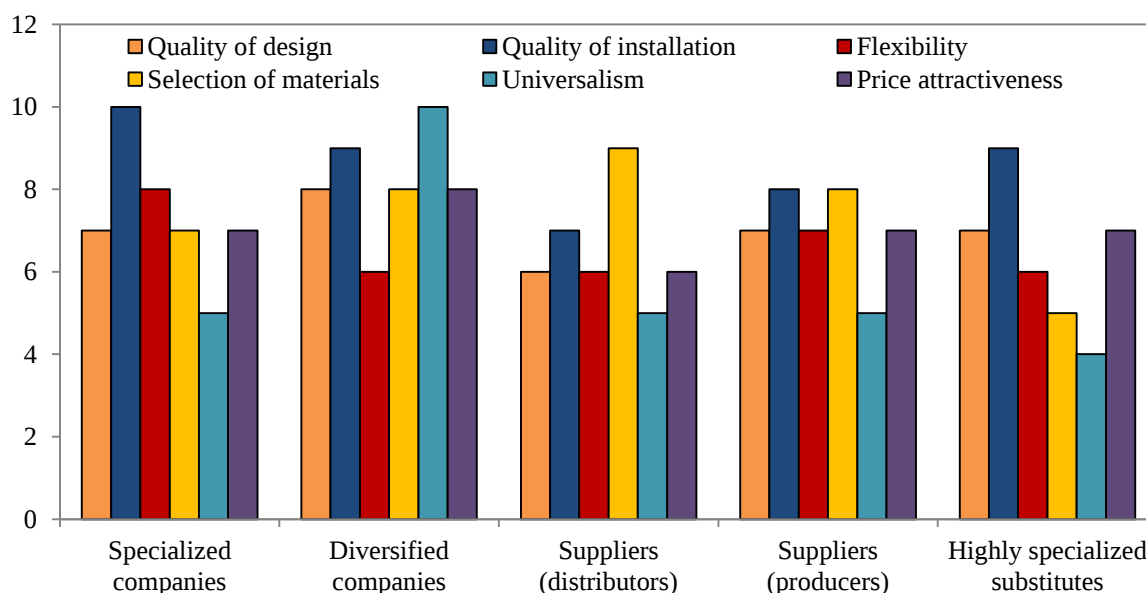


Figure 12: Results of KSF-analysis

On the basis of the obtained results it can be concluded that the group of specialist companies that include Maestros of Silence company is distinguished by high quality of installation of soundproofing solution, as well as by flexibility in fulfilling special orders. However the group has a strong competitor - multibusiness companies that can attract more experienced design engineers, have a wider range of materials to choose from, a

universal offer in the sphere of repair works and also can reduce the prices at the expense of scale effect.

4.2.3 Customers

On the basis of analysis of the documentary data of Maestros of Silence company, as well as on the basis of the opinion of the invited experts there were singled out three key consumer segments in accordance with the specifics of their market behavior:

- "customers of simple solution" - the customers aiming to solve major problems of soundproofing with a limited budget. This group comprises, first of all, individuals that represent lower middle and middle classes. Their major objective is to reduce noise while saving finances and not reducing a costly living space;
- "customers of comfort" - the customers for whom the quality of soundproofing is the key parameter. This segment primarily comprises legal entities, who want to receive a high noise protection due to the peculiarities of their business (for example, recording studios), as well as the representatives of upper middle class, who want to make their homes comfortable;
- "customers of a designer solution" - the customers, who want to get a high quality soundproofing solution, and also a signature designer solution that would be successfully integrated into an anti-noise construction of the accommodation. This segment usually comprises affluent people and also big companies, for whom positioning represents an important aspect.

These are the key segments of consumers in the market. It can be concluded that for a strategic group of specialist companies, whose competences imply professional installation of soundproofing materials, the target audience is comprised of "customers of comfort".

4.2.4 Suppliers

The strategic group of specialist companies cannot do without suppliers, represented by both distributors and producers of soundproofing solutions. It is noteworthy that there can be implied a big company and a small firm, which has a different effect on the business of a specialist company (see table 7).

The company Maestros of Silence tries to maintain a wide enough assortment of materials, therefore, in order to get a certain discount on wholesale purchases, as well as to reduce expenses on searching a supplier, it works with two-three large distributors depending in

the season. This means that the suppliers may put pressure on the company Maestros of Silence in terms of negotiations.

Table 7: Variants of supplier influence

	Distributor	Producer
Small company	Average assortment may require looking for more suppliers, however in this case the customer-company will have strong negotiation positions	Narrow range of products will require looking for more suppliers, however in this case the customer-company will have strong negotiation positions
Large company	One distributor may be enough to actualize the tasks defined in the work, however the customer-company will have weak negotiation positions	Average assortment may require looking for more suppliers, however in this case the customer-company will have weak negotiation positions

4.2.5 Results of Five Forces Analysis

According to the results of the analysis of five industry groups, Porter's Five Forces Model can be built (see table 8).

Table 8: Results of assessment of industry forces for the group of specialist companies

	Industry's attractiveness					
	Very low	Low	Neutral	High	Very high	Total
	-2	-1	0	1	2	
Existing competitors						
Number of equal competitors			X			
Diversity of competitors		X				
Economies of scale		X				
Industry competencies				X		
Exit barriers				X		
Total	0	-2	0	2	0	0
New competitors						
Access to distribution channels	X					
Access to technologies	X					
Access to materials	X					
Requirements for capital volume		X				
Government protection		X				
Total	-6	-2	0	0	0	-8
Customers						
Number of important customers			X			
Customer switching costs				X		
Threat of backward integration				X		
Threat of forward integration	X					

	Industry's attractiveness					
	Very low	Low	Neutral	High	Very high	Total
	-2	-1	0	1	2	
Customer profitability				X		
Total	-2	0	0	3	0	1
Suppliers						
Number of important suppliers				X		
Supplier switching costs			X			
Threat of backward integration		X				
Threat of forward integration		X				
Contribution to the field of quality			X			
Total	0	-2	0	1	0	-1
Substitutes						
Availability of perfect substitutes					X	
Aggression of substitute-companies				X		
User switching costs				X		
Price/quality ratio			X			
Industry competencies			X			
Total	0	0	0	2	2	4

On the basis of the results of using Porter's Five Forces Model it can be concluded that the major threat for the group of specialist companies is posed by new competitors due to low entry barriers. With Russia's accession to the WTO the threat posed by new firms becomes all the more serious, which requires that the strategy be focused on protection from their activities.

4.3 Analysis of internal environment

4.3.1 Marketing Performance

It is reasonable to start the analysis of the internal enthronelement of the company Maestros of Silence from analysing its positioning expressed in the company's marketing-mix, as it reflects the market positions of the company, its image in the eyes of consumers. The characteristics of the marketing-mix of Maestros of Silence company are given in table 9.

On the basis of the described characteristics it can be concluded that Maestros of Silence offers a good enough choice to its customer, both from the point of view of products and price. However at the same time it makes an insufficient emphasis on promoting its name.

Table 9: Marketing-mix of Maestros of Silence company according to 4P model

Elements of marketing-mix	Main characteristics
Product	– A wide choice of soundproofing materials with various qualities and at different price – Customized design and installation of soundproofing systems – Organising and carrying out repair and decoration works in order to provide a good internal appearance of the premises after installing sound insulation products.
Price	– Pricing is focused on the needs of the segments depending of their financial situation – Special "Economy", "Comfort" and "Luxury" solutions are developed for the customers with different requirements to soundproofing.
Promotion	– Promotion through the Internet on the basis of the official site of the company. – Promotion through third-party websites, including official site of the group of companies comprising Maestros of Silence company. – Reference and Thank You letters from the customers, word of mouth marketing
Place	– Interaction with the customer via telephone, e-mail, fax and during personal meetings at the company's office. – Design of a specific soundproofing system at the company's location – Actualization of the project of installing soundproofing at customer's location

4.3.2 Relationship with Customers

On the basis of the represented marketing-mix system, Maestros of Silence company develops relationships with customer base. According to the analysis of the internal documentation, this allows receiving favourable comments and recommendations, which increases the role of word of mouth marketing in the promotion of the company. Thus, since the beginning of 2012 the company implemented 70 various projects, out of which 30 (i.e. almost 45%) were marked by the approving comments and recommendations of the customers. This means that the company Maestros of Silence possesses good competences in designing and installing soundproofing solutions.

Nevertheless, the company yet does not experience active business expansion, as its name remains relatively new and unknown in the market of Moscow. Therefore, a conclusion can be drawn that the company Maestros of Silence does not fully use the existing promotion tools. In the circumstances of the serious threat posed by new entrants this represents a serious weakness of the company as it is necessary to start developing the image of the business now already.

4.3.3 Financial Performance and Resources

From the moment of its launch (the end of 2011), the company Maestros of Silence has been able to implement around 70 projects. It is forecast that by the end of 2012 it will have been able to reach the figure of 100 orders or RUR 15-17 million in profit. Along with that it is expected that the first year will be profitable for the company bringing about RUR 2 million of net profit (sales profitability at the level of 11-12%), which, later, can be allocated to further development of the business. Besides, to establish itself in the market, in 2013 the management of Maestros of Silence is determined to attract about RUR 3million of interest-free loans from Status group of companies in order to extend working capital.

Thus, the company has the opportunities to attract own funds, which in short-term period allows it to do without borrowed funds. However, in the conditions of development of Russia's lending market, and also as it is required to maintain working capital and investments for further development, it can be supposed that in the future, interacting with the banks will become a necessary stage in the development of Maestros of Silence. And this, in turn, will require a fledging company to develop certain tools of financial management, which are still not found in its immature business (budgeting, forecasting, business planning, etc.)

4.3.4 Performance of Human Resources

There are four specialists in the company who deal with the issues of design and installation of customized soundproofing products. They are highly-skilled employees with a rich experience in their business. Their competences allow the company Maestros of Silence to deliver professional services that deserve high customer praise.

Nevertheless, it should be taken into account that while the company remains immature, the motivation of the specialists is based on their own enthusiasm and favourable working conditions in a small team. As the company grows, new methods of motivation should be introduced.

4.3.5 Management Performance

The management of the company Maestros of Silence possess the experience, competences, entrepreneur skills and deep practical and theoretical knowledge in the sphere of general management, which allows them with high enough efficiency to manage a fledging and unstable company. Nevertheless, the lack of long-term work plans results in

that the company Maestros of Silence is not ready to enter the active market development stage.

4.3.6 Results of SNW Analysis

According to the general characteristics of the company Maestros of Silence, jointly with the expert group there was carried out SNW-analysis aimed to identify strengths and weaknesses of the company (see table 10). On its basis it was determined that the major weaknesses of the company lie at the level of finances (lack of financial management system) and marketing (lack of understanding of the market and customer, underdeveloped program of promotion), which, on the whole, makes the company weak enough (general appraisal of the company's characteristics is negative).

Table 10: Results of SNW-analysis of Maestros of Silence company

#	Parameters and characteristics assessed	W			N	S			
	Customer bock and marketing	-3	-2	-1	0	1	2	3	Total
1	Company's reputation					X			
2	Company's market share		X						
3	Product quality				X				
4	Service quality					X			
5	Quality of customer relations						X		
6	Marketing concept in the understanding of the employees			X					
7	Clear understanding of customer		X						
8	Level of market segmentation				X				
9	Conducting market researches	X							
10	Development of promotional program		X						
11	Defining pricing policy					X			
	Total	-3	-6	-1	0	3	2	0	-5
	Staff								
1	Level of special knowledge of the team						X		
2	Practical experience of the major executors							X	
4	Level of staff turnover in the company						X		
5	Accessibility of decision making to the staff				X				
6	Availability of the relevant market data		X						
7	Availability of creative leaders		X						
8	Availability of an efficient system of motivation	X							
9	Employees interested in success					X			
10	Availability of additional motivation		X						
	Total	-3	-6	0	0	1	4	3	-1
	Finances								
1	Availability of a substantiated budget in the	X							

#	Parameters and characteristics assessed	W			N	S			
	company								
2	Availability of own funds					X			
3	Availability of external financing sources		X						
4	Availability of business plans for the projects	X							
5	Availability of investment appraisal system	X							
6	Sufficient amount of profit for further development					X			
7	Credit history of the company				X				
	Total	-9	-2	0	0	2	0	0	-9
	Management								
1	Availability of leaders among the managers						X		
2	Level of management skills							X	
3	Experience of executive managers							X	
4	Availability of long-term working plans	X							
5	Degree of motivation of executive managers						X		
6	Entrepreneurial orientation of the managers						X		
	Total	-3	0	0	0	0	6	6	9
	Final result	-18	-14	-1	0	6	12	9	-6

4.4 Development of Strategy

4.4.1 Results of SWOT Analysis

On the basis of the results of analysing the external and internal environments of the company Maestros of Silence there was developed the SWOT-analysis matrix, which included the major opportunities and threats that the company's business may face, as well as its strengths and weaknesses (see table 11).

Table 11: Results of SWOT-analysis for Maestros of Silence

	Strengths, opportunities	Weaknesses, threats
Internal	– Competent and experience staff of the company – Trained and skilled management of the company – Flexible approach towards fulfilling customized orders – Good reputation among the existing customers of the company	– Lack of the established promotional system – Lack of sources of debt financing – Lack of managerial technologies in terms of financial management – Lack of stimulation system in the company – Lack of the system of business planning and market analysis for developing long-term development plans

	Strengths, opportunities	Weaknesses, threats
External	– Growth of the soundproofing markets of Moscow and Russia – Active development of Russia' lending market – Development of improved soundproofing products	– Threat of new entrants due to low barriers and Russia's accession to the WTO – Tougher legislation, corruption growth and economic stagnation in Russia

On the basis of this SWOT-matrix it can be concluded that the company Maestros of Silence has certain competitive advantages in the actively developing market of soundproofing products. Nevertheless, the company is not yet mature, therefore it lacks a range of important management systems, which need to be introduced in the near future in order to efficiently expand business.

4.4.2 Strategic Alternatives

On the basis of the SWOT-analysis matrix there can be built the field of marginal strategies that determines the key strategic activities aimed at the development of Maestros of Silence company in the market (see table 12).

Table 12: Field of marginal strategies for Maestros of Silence

	Opportunities	Threats
	– Growth of the soundproofing markets of Moscow and Russia – Active development of Russia' lending market – Development of improved soundproofing products	– Threat of new entrants due to low barriers and Russia's accession to the WTO – Tougher legislation, corruption growth and economic stagnation in Russia
Strengths	Strategic actions 1	Strategic actions 2
– Competent and experience staff of the company – Trained and skilled management of the company – Flexible approach towards fulfilling customized orders – Good reputation among the existing customers of the	• Further development of staff competences on the basis of organising the program of further training • Defining the criteria and organising the system of selection of new specialists for the company	• Decreasing competitive pressure by means of refocusing strengths onto specific customer segment • Focusing activities on the most suitable segment - "customers of comfort"

	Opportunities	Threats
	– Growth of the soundproofing markets of Moscow and Russia – Active development of Russia' lending market – Development of improved soundproofing products	– Threat of new entrants due to low barriers and Russia's accession to the WTO – Tougher legislation, corruption growth and economic stagnation in Russia
company		
Weaknesses	Strategic actions 3	Strategic actions 4
– Lack of the established promotional system – Lack of sources of debt financing – Lack of managerial technologies in terms of financial management – Lack of stimulation system in the company – Lack of the system of business planning and market analysis for developing long-term development plans	• Implementing basic tools of financial management in order to improve company's attractiveness as a borrower • Implementing basic tools of monitoring dynamic market situation in order to adapt to new circumstances emerging in the course of the industry's development	• Developing and implementing a motivational system in order to increase competitive advantages in the market • Extending promotion program in order to strengthen the company's image in the conditions of prospective growth of competitive pressure

On the basis of the field of marginal strategies there were developed four strategic alternatives:

- strategy one - to develop the company's strengths in order to strengthen its market positions;
- strategy two - to focus on the segment of "customers of comfort" in order to decrease competitive pressure;
- strategy three - to introduce basic tools of financial management and marketing in order to increase business flexibility;
- strategy four - to implement the system of motivation and a new promotion program in order to ensure development in mid-term perspective.

All four strategic alternatives may have a positive effect on the operations of the company Maestros of Silence. Along with that each of them can be viewed as an initiative that is

actualized in a short-term period, which will allow actualizing all of them in aggregate in the coming four years (from 2013 to 2016).

Four strategic alternatives are proposed to implement in the following succession:

- strategy two due to Russia's accession to the WTO and high probability of an increase in competition in short-term period;
- strategy one in order to ensure stable market positions for the company in terms of the "customers of comfort" target audience;
- strategy three and four in order to ensure aggressive and flexible regional development of the company.

Thus, focusing the efforts and further strengthening of the positions will allow the company Maestros of Silence to build a springboard for further business growth. As the strategy has a clear logic that corresponds to the current and future challenges of the market surrounding, it can be concluded that its implementation is feasible.

4.4.3 Implementation of Strategic Plan

According to the development strategy of Maestros of Silence there can be presented a management plan for implementing the initiatives proposed (see table 13).

Table 13: General plan of implementation of the strategy up to 2016

Focusing on the "customers of comfort" segment
Period: 2013
• Reconsidering the product offering with a focus on a better quality of installation • Standardising individual aspects of design process to save time • Creating a more transparent pricing system for materials and services • Introducing "package" solutions for corporate customers
Developing the strengths of the company and strengthening its positions in the segment
Period: 2014
• Introducing a simple program of further training for annual testing • Developing the staff competences in the field of current soundproofing market • Determining the requirements posed to the new staff (experience and competencies) • Developing a system of questions for spotting the most acceptable specialists • Developing general work standards for quicker adaptation of new specialists
Implementing the basic tools of financial management and marketing
Period: 2015-2016

• Attracting external specialists to work on implementing new tools • Including the standard principles of budgeting, planning, forecasting of operations in the list of responsibilities of the company's economist • Including the standard principles of carrying out primary and secondary market researches in the list of responsibilities of a specialist on marketing
Implementing a system of motivation and a new promotion program
Period: 2015-2016
• Determining qualitative and quantitative key performance indicators (KPI) for employee bonus system (time of project execution, budget of the project , customer satisfaction level from telephone survey, etc.) • Extending the promotion program up to b2b channels (participation in professional forums and exhibitions), as well as strengthening the company's positions in the Internet (social media)

This is the general program for implementing the strategy on further development of the company Maestros of Silence in the soundproofing market of Moscow and Moscow region. After its fulfillment, the company will have the potential to carry out regional expansion.

DISCUSSION & CONCLUSIONS

Based on this research the following brief conclusions can be made:

- the situation at the level of macroenvironment is favourable for the business, even despite such threats, like stronger positions of the state in the economy, growth of corruption, economic stagnation and the risk of an increase in the foreign competition due to Russia's entry to the WTO;
- the company Maestros of Silence can be referred to the strategic group of specialist companies. This group is distinguished for a high quality of installation of soundproofing solutions, and is also flexible in terms of fulfilling customized orders. However the group has a strong competitor - multibusiness companies that can attract more experienced design engineers, have a wider range of materials to choose from, a universal offer in the sphere of repair works and also can reduce the prices at the expense of scale effect;
- the specifics of the soundproofing market is that the key customer segments ("customers of simple solution", customers of comfort" and "customers of design solution") have different consumer expectations. So, the customers of comfort expect receiving the best protection from noise, which makes them the target audience for specialist companies focused on qualitative installation of soundproofing;
- the soundproofing market should be viewed as an actively developing segment in the sphere of home improvement, the major part of which is concentrated in Moscow. However, as the market is still too young, the major threat for the group of specialist companies is posed by new competitors due to low entry barriers (the problem gets worse coupled with Russia's accession to the WTO);
- the internal environment of the company Maestros of Silence remains unorganised. It has weak points in the sphere of finance (lack of financial management), marketing (lack of understanding of the market and the customer, underdeveloped program of promotion), which significantly decreases the potential of the company in the mid and the long-term perspective;
- on the basis of the determined opportunities and threats implied in the development of the external entronement, as well as the strengths and weaknesses of the company, there were defined four strategic alternatives, namely, focusing on the segment of "customers of comfort", developing the company's strengths, introducing the basic

tools of financial management and marketing, as well as implementing the system of motivation and a new promotion program for the company;

- four strategic alternatives were proposed to be implemented successively over the period 2013-2016, which will allow decreasing competitive pressure on the business of the company, strengthening market positions in the segment of "customers of comfort", improving business flexibility, as well as building a springboard for further expansion of the company's business;
- in order to focus on the segment of "customers of comfort", it is necessary to reconsider the product offer, to standardize the aspects of designing the soundproofing systems, to establish a transparent pricing system and implement special packages of services for corporate customers;
- to actualize the strategy of development of the company's strengths, it is required to implement a system of improving the skills and developing the competences of the employees, to determine the requirements and the system of questions for selecting new specialists, and also to develop and implement general work standards for their quick adaptation.
- the strategy of developing the basic tools of financial management and marketing suggests implementing the standard principles of budgeting, planning and forecasting of the company's operations, as well as the processes of conducting primary and secondary market researches under the control of external experts;
- within the frames of the strategy of developing the motivation system and extending the promotion program it is required to introduce the list of qualitative and quantitative KPI for establishing the employee bonus system, as well as to involve new marketing channels in the sphere of b2b (forums, exhibitions) and in the Internet (social media).

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APPENDICES

Appendix 1

Segments of the Russian home improvement market (Euromonitor, 2012)

	2006	2007	2008	2009	2010	2011
Home Improvement	135,775	162,900	175,370	154,958	170,420	185,941
Floor Covering	50,375	58,804	65,332	61,574	67,107	72,562
Wall Covering	26,371	30,703	32,373	28,459	31,630	34,802
Power Tools	24,786	31,684	32,949	24,530	27,238	29,997
Home Paint	12,215	15,193	15,940	14,276	15,947	17,314
Bathroom and Sanitary ware	10,223	12,297	12,773	11,591	12,544	13,624
Kitchen Sinks	3,584	4,592	5,670	5,131	5,778	6,538
Hand Tools	3,925	4,558	4,821	4,356	4,710	5,100
Electrical Supplies	2,426	2,859	3,090	2,916	3,152	3,448
Hardware	9,506	1,110	1,184	1,105	1,195	1,305
Other Home Improvement	9,194	1,101	1,238	1,020	1,118	1,250