

# STRATEGIC MANAGEMENT FOR SMES

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## EXECUTIVE SUMMARY

In the extremely competitive garment industry, marketing is crucial to setting a brand apart from rivals for the purpose of businesses to strengthen their position in the market and increase their market share by developing a brand identity and a devoted customer base. Additionally, businesses can inform potential customers about their products through marketing. This is accomplished through a variety of channels, including advertising. In the garment industry, branding is crucial since it helps businesses in creating a distinctive impression in the minds of their consumers. As a matter of fact, brand's ability to attract customer's and boost sales is more likely to be successful if it is well-known and respected company.

(SMEs) small and mid-sized companies are concerned about the threat of political and economic uncertainty but their business outlook is generally optimistic. For example, many view technology as a positive opportunity as it can increase the efficiency of the production. It is necessary for the company owners to review their business and develop means that will help them to grow. A growth strategy is simply a plan of how to get from where the business currently is to where they want to be in the future. If a vision of the company is about where the industry wants to go, strategies and processes are about how to get there.

Small business (SMEs) strategic planning begins with analysing the companies' current position which involves understanding to its external and internal environment and identifying strengths and weaknesses, opportunities and threats. Moreover, it is important also to carry out PESTLE analysis to understand the factors that affect the industry however PESTLE analysis should be conducted before the SWOT analysis because it provides a context for the SWOT analysis.

Having an effective strategic planning in place can benefit an SMEs in many ways. For instance, it improves the financial operational efficiency of small businesses and helping them stay viable.

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## INTRODUCTION

The purpose of writing this case study is to analyse manufacturing garment studio Plus Samples Ltd strategic directions considering the challenges these SME company encounter in order to provide key strategic recommendations for the future development and implementation.

The textile and fashion industry are one of the world's oldest and most globalised sector playing a vital role in development of the economy and trade however their existence is threatened due to the spread of global value chains which is the reason of increased competition and slowing demands of growth at different rates in advanced countries. On the other hand, rising incomes and wages in developed countries have created new situations that are repositioning both the demand and supply sides of the market and therefore in this case remaining competitive is a key issue and challenge for business.

Nowadays in order to stay in business and thrive small and medium sized enterprises (SMEs) have a choice of two options and such as either increase profits but stay small or grow into a larger business. However, designing a strategic plan is a time-consuming responsibility that needs a lot of effort. Undoubtedly, the most important thing for a successful strategy is how the business implement the strategic plan. As a matter of fact, small and medium sized businesses (SMEs) provide a great sense of job satisfaction moreover it gives the owners the freedom to make their own decisions to control the direction of their business.

Plus, Samples Ltd is London based clothing manufacturer and sampling studio that was established in 2003. The company is offering a one-stop solution for all fashion garment development desires, and they work with top fashion designers and retailers on garment sampling, grading and production. As an ethical supplier, the company is committed to employee well-being, paying them a fair wage and making sure the studio is a safe and healthy workplace. The drive of the company is to continuously improve the studio and streamlining the services and production.

Fashion industry is changing due to sustainability and technology that will determine and change fashion trends in the future because technology in fashion enables fabrics, patterns, and pieces to be virtually created at first which makes the process much more sustainable and therefore a significant reduction in textile waste within industry. Plus, samples have taken the responsibility for taking steps towards sustainable approach as all leftover fabrics are being recycled by professionals and getting the energy bulbs from 100% green supplier, also their hangers are made of cardboards to eliminate the use of plastics and the packaging wrapping is made of bio-degradable material. This study attempts to examine how Plus samples Ltd manufacturer can remain competitive while facing global competition and for this reason several analyses will be used in this case study to understand Plus Samples Ltd (SMEs) business, operations, goals and competitive advantage.

### **1. STRATEGIC ANALYSIS**

Internal and external analysis will be carried out to identify company's strength and weaknesses in terms of capabilities and resources and external analysis to identify opportunities and threats in which (SMEs) Plus Samples operates by applying VRIN, Porter Value Chain analysis and Life cycle model.

- Porters 5 forces will be used to identify company's competitiveness.
- Findings from internal and external analysis into SWOT analysis table.

### **2. STRATEGIC GROWTH**

- Ansoff matrix model with BCG matrix model to identify company's strategic direction also check the suitability, feasibility and acceptability of the strategic direction by applying SFA analysis.
- To assess the acceptability option for the company stakeholder analysis will be carried out.

### **3. CONCLUSION AND IMPLEMENTATION**

- Strategic implementation, monitoring and evaluation
- Conclusion with summary findings
- Proposed recommendation, timeline of the strategic implementation, how the proposed strategic direction can help the organisation and potential consequences.

## 1. STRATEGIC DEVELOPMENT PLAN

### INTERNAL ANALYSIS

Strategy consists of five elements such as customers, implementation processes, sustainable competitive advantage further the connection between the organisation and its environment also vision and purpose as all are related to the need of adding value to the company also offering a competitive advantage.

With mission, vision and full external and internal analysis, a company is ready to make strategic choices of how to achieve competitive advantage that falls into two categories: business level strategies and corporate level strategies. The final goal of the strategic management process is to achieve competitive advantage. Although all companies are designed to provide a particular kind of specific advantage or resources to its target market, the concept of strategic management is to deal with how organisation develop sustainable competitive advantage resulting in creation of value (Ramachandran, Murkerji and Sud, 2006). More importantly, strategic management provides the overall direction of the business and sets out organisational goals that will help companies to achieve those goals. Academics and practising managers have developed numerous models and frameworks to support strategic decision making in the context of complex environments and competitive dynamics (Ghemawat, 2002)

#### **Plus Samples Ltd**

|             |                                                                                 |
|-------------|---------------------------------------------------------------------------------|
| Mission     | Providing webinars and seminars to help new designers.                          |
| Vision      | Streamline the production process and save time and money.                      |
| Objectives  | Reduce operating cost                                                           |
| Core values | Practise ethical standards-protect the environment and meet the changing needs. |

## **VRIO FRAMEWORK**

Although the manufacturing industry is very competitive Plus Samples Ltd key reason for their success is a business that works alongside fashion designers and has great company's culture. To understand how to take advantage of the company competitive edge and identify the advantages and resources that provide them with the competitive measurements of success related to the business is very critical step in strategy development and implementation.

### **VALUE**

- Plus Samples Ltd company has a defined corporate social responsibility function.
- All stakeholders are acknowledged about the company's activities and social responsibility actions through official documents including the annual report and website.
- The brand image has been developed over a long time, through continuous effort and offering quality product.

### **RARE**

- Plus Samples Ltd fosters an organisational culture of professionals, this is a rare competency for the company that allows it to offer professional services.
- The company aims for continuous improvements towards sustainability.
- the company is adaptable to any requirements to customer's needs.

### **INIMITABLE**

- Plus Samples offers quality products to their customers.
- The quality products lead to repeat purchases.

### **ORGANISATION**

- Organisational culture

| VALUABLE?                              | RARE? | HARD TO<br>INIMITABLE? | ORGANISED? |                                       |
|----------------------------------------|-------|------------------------|------------|---------------------------------------|
| Experience, education,<br>skills - Yes | No    |                        |            | Competitive<br>parity                 |
| Social media - Yes                     | Yes   | No                     |            | Temporary<br>competitive<br>advantage |
| Sustainability - Yes                   | Yes   | Yes                    | No         | Unused<br>competitive<br>advantage    |
| Culture - Yes                          | Yes   | Yes                    | Yes        | Long term<br>competitive<br>advantage |

Competitive parity and competitive advantage suggest that if all firms will create value in the same way as its competitors, then the best performance that they can expect is to achieve competitive parity therefore for this reason to outperform competitors the organisations must engage in valuable and rare activities, but they also must create economic value that other companies never thought off, let alone implemented. This is especially important for companies that find themselves at a competitive disadvantage. Such companies should undoubtedly examine its more prosperous competitors to recognise what has made their competition so successful and, where the imitation has very low cost to be able to imitate the successful actions of the competitors. In this sense, benchmarking a firm's performance against the performance of its competitors can be extremely important. However, if this is all that firm does, it can only expect to gain competitive parity. Gaining competitive advantage depends on a firm's strategic directions.

### PORTERS VALUE CHAIN ANALYSIS

A very useful strategic management tool that helps companies to understand all the business activities and maximise a profit margin. Managing value chain activities and which can then be each changed in order to reduce cost and improve the value.

Small and medium-sized (SMEs) firms tend to make up over 95% of all firms but not all of them are active in foreign markets. For many organisations the reasons are the costs to get products through the border, but some risks and cost can be reduced if SMEs manage to connect to global value chains as small and medium-sized (SMEs) companies can improve their position by moving into more complex and higher value-added business functions also increasing their customer base.

For manufacturers, the value chain extends to the raw materials used to manufacture the products and that includes all steps before the products are sold to consumers. The value chain involves design, production, marketing and distribution. To uncover which activities are providing the most value and which one could be improved in terms of costs saving or competitive differentiation to be sure a value chain analysis will be used to look at an organisation as a system made up of subsystems that must work together in order to transform inputs into outputs.

### **INBOUND LOGISTIC**

Plus, Samples Ltd is distribute raw material for manufacturing that is carried through to the delivery of finished products to their customers.

### **OPERATIONS**

Plus, Samples studio is domestic garment manufactory located in London that runs three different business lines: women, men and children. The process starts with consultation meeting and planning and the company work together in collaboration with their customer's.

### **OUTBOUND LOGISTIC**

Finished products by Plus Samples Ltd are protected in wrapping which is mage of bio-degradable material and collected or delivered by a courier to its customer's.

### **MARKETING-SALES**

In comparison to other companies Plus Samples Ltd does not engage in marketing strategy program but joined some social media to build brand awareness, showing their product operations and helpful educational posts about their patterns, samples, grading and production.

### **SERVICE**

Plus, Samples Ltd have a majority of new start-up designer's customer's that are interested in buying their services. The company is on mission to help new designers to start-up their business by providing them with the knowledge, support and experience in the fashion industry. They are also trying to respond quickly to their requirements.

**LIFE CYCLE MODEL**

Everything that is made has a lifecycle and the journey of a product is made from its raw materials that follows through production usage and then to its disposal. To examine the textiles life cycle and their environmental impact which includes growing and processing the fibre, manufacturing the yarn, manufacturing the fabric, dyeing and finishing and making the final product of fashion items by designers and manufacturers and then through various norms of advertising and promotion all of which are devoted to the goal of satisfying customers demand. Life cycle analysis measures the impact on the environment related with the life cycle of a product, process or service. Every part of a product life cycle can have an impact on the environment in many ways and these parts of a life cycle are called stages.

Life cycle can be applied for various scopes: “cradle to gate” which means “raw materials until factory gate and “gate to gate” is focusing on the manufacturing processes or “cradle to grave” which means raw material design until disposal. Life cycle analysis are helpful to industries and businesses, thru understanding with improvement of products, product development, marketing, strategic planning also policy making. For instance, designers can explore how their design choices may affect the sustainability of the product. Fashion is a fast-changing industry where new trends are changing continuously.

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| <b>The life cycle stages</b>      | <b>Each stage's sustainability</b>                                            |
|-----------------------------------|-------------------------------------------------------------------------------|
| Design                            | Raw materials pattern making, sampling and sourcing-leftover fabric recycled. |
| Manufacturing of garment          | Cutting, grading, sewing, finishing the garment design.                       |
| Transporting of finished products | Garments wrapped in bio-degradable material; hangers made from cardboard.     |
| Retail                            | Packaging, sales.                                                             |
| Disposal                          | New trends and decline in obsolete trends.                                    |

### EXTERNAL ANALYSIS

A business cannot operate by its own and there are numerous factors that determine its performance thus examining the industry environment of a company, including factors such as competitive structure and competitive position that allows business to make changes. Some examples involve new technology and changes in taxes or interest rates and minimum wages. In business terms, these are called external factors that can be affected by both, positive and negative impacts on business operations. To sustain profitable growth, companies must constantly monitor environmental changes and adapt to those changes in order to minimise their negative consequences. Through PESTEL understanding of what external forces may affect the organisation with and how those factors could create opportunities or threats to the business and whether the companies' production experience inflation, awareness of this economic factor can help the company in adjusting its revenue projection. Knowing what to do to grow the business and drive the business success is difficult so choosing the right strategic analysis tools and gather all the important information's in order to prepare and complete the successful strategic plan is a valuable in making the right decisions that influence the industry.

Plus, Samples Ltd mission is to share their expertise with their customers through webinars and seminars. Webinars are essential marketing tool as with webinars the company is building a better brand image.

Traditional clothing manufactures often struggle to compete with fast fashion brands that can produce and sell items at much lower cost because they rely on manual labour which can be costly and time-consuming. Streamlining the manufacturing process is crucial for the clothing industry to remain competitive and efficient therefore implementing advanced technologies in garment manufactory would be beneficial. By streamlining the manufacturing process, companies can improve their productivity and reduce cost also increase their overall competitiveness.

## **PESTLE ANALYSIS**

### **POLITICAL**

Tax policy

Employment law

### **ECONOMIC**

The importance of SMEs to the economy shows the importance of having government policies to support SMEs. Economic stability increases sales of garment businesses as the consumers maintain high disposable income as economic decline influences consumers spending on necessities.

### **SOCIOLOGICAL**

The garment industry is considered as one of the most chemically hazardous industries and more importantly it pollutes the water. For these reasons, the brand tries to be more socially responsible and has sustainability policy.

### **TECHNOLOGICAL**

Technology has a huge impact on how business is done.

### **LEGAL**

Labour law and workers' rights defined by law is followed by Plus samples as well as health and safety.

### **ENVIRONMENTAL**

Some governments regulate the industry to reduce the pollution. Although fashion and textile industries are not seen as sources of pollution they are. However, waste disposal concerns and its proper management is dealt by the company and working towards sustainability approaches to manufacturing clothes and limiting the damaging impact on the environment.

Scarcity of raw material.

### **INDUSTRY ANALYSIS**

To assess and evaluate the competitive strength and position of a business supplier power to determine the long run potential profitability and attractiveness of the company. The best framework to analyse and measure an industry's attractiveness is Porter five forces framework which will be used in this report. The industry environment, such as competitive behaviour of competitor of organisation, the bargaining power of buyers/customers and suppliers, also, threats of new entrance to the industry and the ability of buyers to substitute products (Porter's 5 Forces); and the internal environment, regarding the strengths and weaknesses of the organisation's resources (i.e., people, processes and IT systems) (Mintzberg, Quinn, 1995)

### **PORTERS 5 FORCES**

Once an organisation has passed the start-up stage, its processes become embedded into systems that may or may not continue to add value to the business. Porter five forces is analysing the operating environment. This framework is an important business tool that helps to understand what makes industry profitable. The key factors of this framework determine the competitive strength of a business compared to others. For example, if a business is facing a high threat of new entrants the business may decide to sell its products at more competitive price.

Plus, Samples Ltd objective is to reduce cost because it can increase revenue and profitability. There are many trends shaping the future of manufacturing and the fashion industry needs to evolve quickly. Right now, the most significant trend that is influencing manufacturing companies is the raise of digitization.

### **COMPETITIVE RIVALRY**

The garment industry is experiencing a strong force of the competitive rivalry. Several organisations provide similar products and services thus the competitive rivalry, therefore the business must formulate ways to thrive in the market.

### **SUPPLIER POWER**

Suppliers in the clothing and fashion industry generally have little impact because most firms source their raw materials from providers who sell cheaply.

### **BUYER POWER**

In the fashion industry, customers can lower product prices by choosing to buy from an alternative company, therefore they have a large force in the industry to determine the profitability of the company so Plus Samples Ltd must find ways of attracting new clients to boost revenues.

### **THREAT OF SUBSTITUTION**

It is not easy to substitute clothes thus the threat of substitution is insignificant.

### **THREATS OF NEW ENTRY**

Threats from existing and new competitors pose a significant threat to a company's ability to maintain or improve its performance level, but they are not the only threat in corporate environment. A new firm have limited effect since they have little uniqueness to induce into the market. However, emerging companies can use social media and other platforms for marketing their products leading to increasing their brand awareness than those already existing ones.

**SWOT ANALYSIS**

|                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>STRENGTH</b> <ul style="list-style-type: none"> <li>• High quality clothing manufacturer and skilled professionals working with fashion designers and retailers on garment sampling, grading and production.</li> <li>• Fashion production academy running webinars, masterclasses and courses to help designers to grow their business.</li> <li>• Ethical supplier</li> <li>• All services in one place</li> <li>• London location</li> </ul> | <b>WEAKNESSES</b> <ul style="list-style-type: none"> <li>• Limited budget</li> <li>• Visibility</li> <li>• Sustainability</li> <li>• Technology</li> </ul>     |
| <b>OPPORTUNITIES</b> <ul style="list-style-type: none"> <li>• Loyal customers</li> <li>• Customer demand</li> <li>• Technology advancement</li> </ul>                                                                                                                                                                                                                                                                                              | <b>THREATS</b> <ul style="list-style-type: none"> <li>• Similar products with competitors</li> <li>• Technological trends</li> <li>• Sustainability</li> </ul> |

## 2. STRATEGIC GROWTH

The garment industry is highly competitive, and marketing plays an important role in differentiating a brand from its competitors. By creating a strong brand image and loyal customer base, companies can secure its place in market position and increase market share. Marketing allows companies to reach potential customers and inform them about their products. This is done through various channels such as advertising. In the garment industry, branding is important as it helps companies establish a unique image in the minds of customers. Well-known and reputable brands are more likely to be successful in attracting customers and generating sales. Effective marketing is essential for the success of the garment industry. By promoting products, attracting customers, building a strong brand image, and creating a positive image of the company and its products, marketing helps companies to stay ahead of the competition and achieve their business goals.

### ANSOFF MATRIX MODEL

|                                                                                                                                    |                                                                                                                                         |
|------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| <b>Today</b> <ul style="list-style-type: none"> <li>• Market penetration</li> <li>- Offer various discounts.</li> <li>-</li> </ul> | <b>New</b> <ul style="list-style-type: none"> <li>• Market development strategy</li> <li>- Optimise manufacturing processes.</li> </ul> |
| <ul style="list-style-type: none"> <li>• Product development</li> <li>- Expand existing product lines.</li> </ul>                  | <b>New</b> <ul style="list-style-type: none"> <li>• Diversification</li> <li>- Launch new product line.</li> </ul>                      |

## SFA FRAMEWORK

Strategy options must be developed and selected. A successful strategy must be built on the unique capabilities of the organisation and its unique relationship with external parties such as suppliers, customers and distributors also government. For many organisations this means developing a long term and sustainable advantage over competitors. The selected option should be implemented. Great challenges can arise related to motivation, power relations, negotiations with governments, and many other issues.

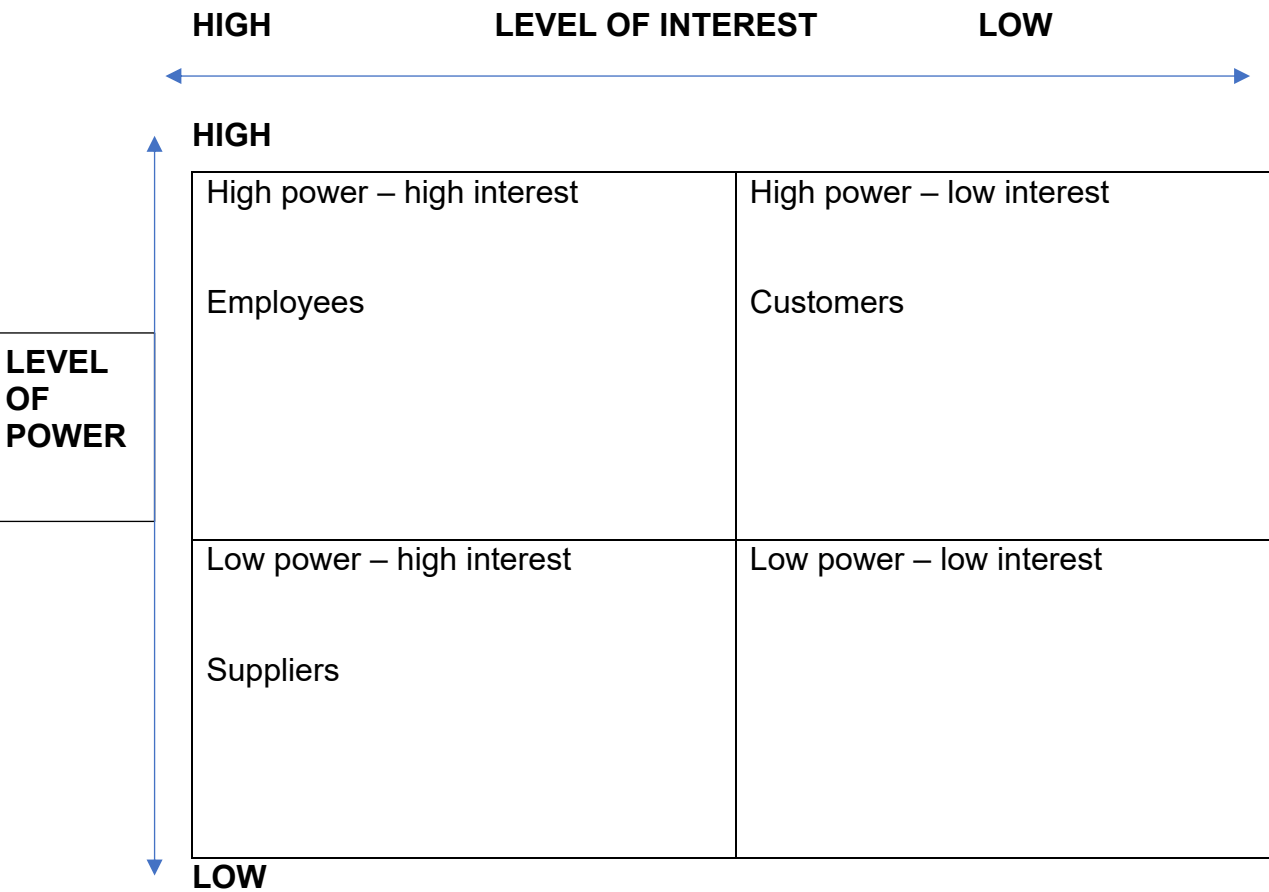
Clothing design is an important function of the fashion industry. Fashion designers are the creative minds behind the designs. They create designs with the seasons and trends also with the future trends in minds. The design of the garment is not enough to create a product. There are many other things that go into making it.

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| SFA           | OPTION 1<br>Cut cost | OPTION 2<br>Sustainability | OPTION 3<br>Automation |
|---------------|----------------------|----------------------------|------------------------|
| SUITABILITY   | 5                    | 3                          | 5                      |
| FEASIBILITY   | 2                    | 5                          | 4                      |
| ACCEPTABILITY | 4                    | 5                          | 5                      |
| TOTAL         | 11                   | 13                         | 14                     |

## STAKEHOLDER ANALYSIS

## MANDELOWS STAKEHOLDER MATRIX ANALYSIS



Understanding the different stakeholders, their needs and expectations in the fashion industry can help business to better understand and navigate the company towards the right directions. This shows to be extremely helpful when it comes to marketing and strategy development as well as gaining new customers. Marketing and strategy development can also help business to increase sales and improve brand recognition.

### **BENEFIST OF FOLLOWING SUSTAINABILITY PATH**

One of the things that many organisations need to do is to stand out of the crowd. This is adequately discussed by (Jonsons, Scholes and Whittington, 2008, pg. 225). By differentiating the industry from competitors in sustainable way is beneficial because customers often prefer to be associated with “green” businesses.

Sustainability embraces economic, social, environmental, physical and scientific topics (Keeble, et al, 2003) as a result of the overlap of the various issues in the implementing it as it is not going to be easy to rely only on just one issue. It will need to have management capability of various fields.

Governments play an important role in the fashion industry as they set laws, policies, and regulations on various aspects of the industry such as the issue of sustainability in the fashion industry. One of the issues concerns that were addressed are poor working conditions in garment factories where employees are usually being paid low wage. Pluss Samples Ltd is committed to the welfare of their employees by paying them the fair wage.

Sustainable manufacturing is better for the environment. In textiles it means using fabrics from recycled materials. The key issues in garment industry are toxic chemicals.

### IMPLEMENTATION

The implementation process is partly about developing an organisation or allow them to evolve towards a chosen purpose. Strategic planning happens around strategic thinking or strategy development activity (Mintzberg and Quinn, 1995) they further stated that strategic management is often described as including two major processes: strategy formulation and implementation strategy. The formulation strategy involves analysing the environment in which the organisation operates, then making a series of strategic decisions about how the organisation will compete.

It is essential to have a way to implement the processes and procedures to become a sustainable friendly organisation. Manufacturing organisations can visualise sustainability in a way that allows organisations to consider redesigning their products. For example, this is where the product uses less raw materials. While this may not be entirely feasible, but actions such as designing products to use recycled materials or designing products that can be recycled at the end of their product life cycle should be considered. Likewise, the processes used to manufacture products can be more sustainable, for example using less energy, or using alternative method that does not require extensive use of energy. In all these cases the sustainability can be noticeable.

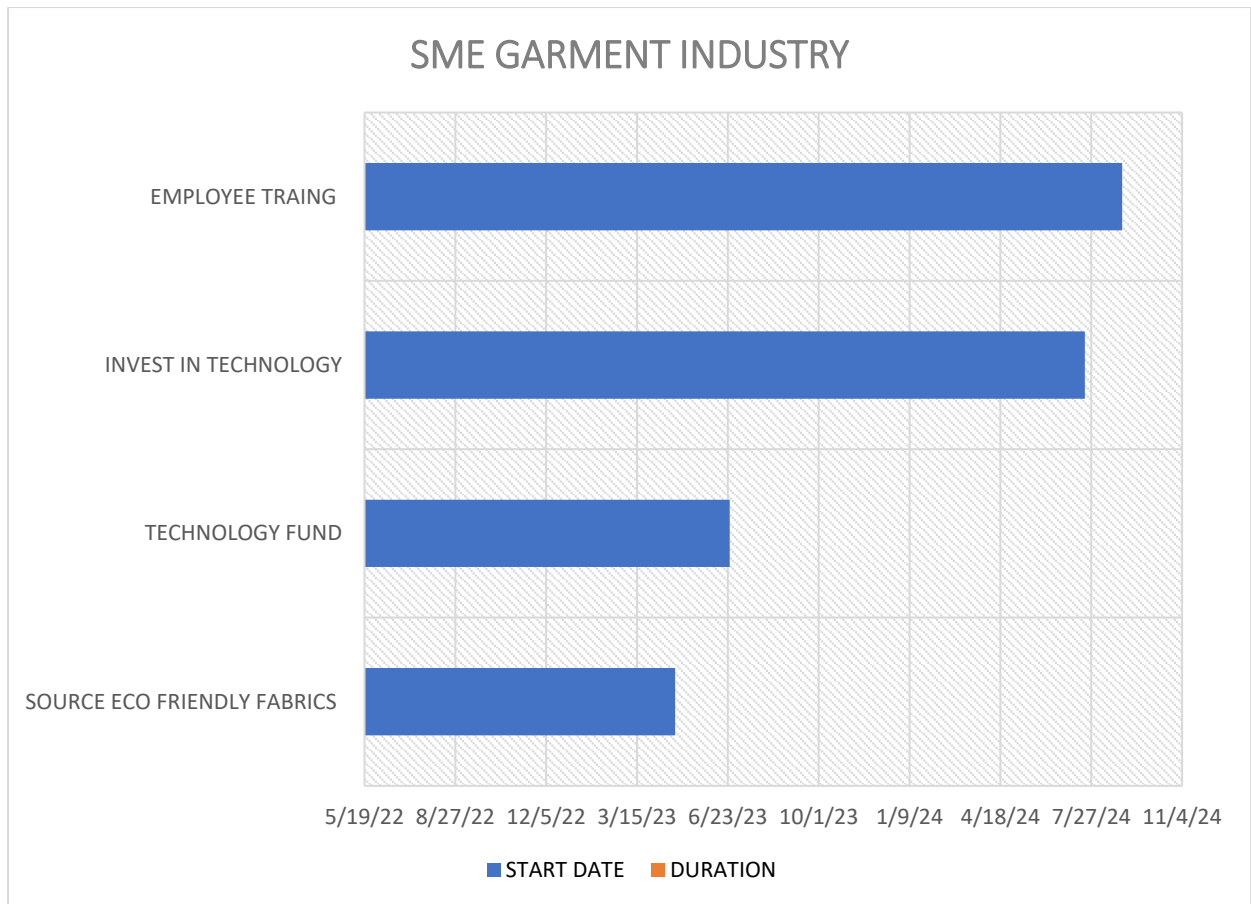
Manufacturing companies are pursuing breakthrough by introducing various advanced technologies to ensure their competitiveness. While it difficult for small and medium sized enterprises (SMEs) to adopt smart factory technologies due to financial and technical burdens the concept of an appropriate smart factory involves applying appropriate measures in terms of cost and scale with consideration of the situation.

### Reduced cost -Sustainability-Technology Advancement Implementation Plan

Plus Samples Ltd took already small steps towards sustainability goals, some of those steps could be implemented immediately such as switching their packaging to use only bio-degradable wrapping and using hangers made from cardboards also switched to “green energy” bulbs also reduction of material waste is recycled by professional company. To make manufacturing safer and more sustainable there are several sustainability strategies that garment companies should focus on such as to make garments in a way that meets business economic needs without compromising the needs of the environment. The next step should be to utilise an eco-friendly material that come from renewable resources. Although it is difficult for small and medium-sized enterprises to adopt smart technology due to financial struggles, it is important to apply appropriate measures in terms of cost and consider the adoption of affordable technology with a goal to form smart factory that will fit in with the industry and the situation of how the technology will be used. For smooth manufacturing and designing processes the adopted technology will enable fabrics and patterns to be virtually created and that means a solution for waste reduction. Digital technologies are designed to boost growth, productivity and will also increase competitive capability of the garment manufactory.

To ensure the long-term growth and success in the garment industry this strategy will continue to evolve.

- Being a responsible brand in garment industry the first step in shifting towards greener alternatives and set sustainability targets that include reducing the environmental carbon footprint.
- Investing in digital technology to drive sustainability and growth.



### CONCLUSION

Strategic management is time consuming and challenging as it makes fundamental decisions about the future directions of an organisation such as its purpose, its resources and how it interacts with the world in which it operates. Every aspect of the organisation plays an important role in this strategy. Meeting the demands of today's customers in this fast-paced modern world.

### RECOMMENDATIONS

Many SMEs are also not fully prepared for digitalization, which can create a communication gap between customers and producers. If the organisation wants to bring in more money, a strong social media presence is not only recommended, but also crucial. In this developing world, technology has become an essential part of running any business. It is crucial for garment manufacturers to introduce timely technological advancement in order to ensure product quality and sustainable growth. Modern innovations such as digital product development process using virtual technologies, provide the opportunity for companies to shrink the product development cycle time from months to days. Product development is not just one key success factor but an inevitable part to survive in this global competition.

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