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Major changes in the marketing strategies and tactics of the large companies in today's business environment

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INTRUDUCTION

In a situation of deepening global political and economic crisis, the business models of many leading companies are becoming obsolete. These developments require and in fact force the companies to change their management strategy in order to adapt to the changing business context.

The aim of this Master’s thesis is to examine the strategic management theory and to apply the theoretical model to the functioning of the multinational company Lindab Group. Lindab was chosen for the purposes of this paper as it a leading company that operates in one of the largest world business branches - the construction industry. The development of the business actions of Lindab has been monitored and analysed. Then the major changes in marketing strategies in a changing business environment have been presented. Finally, the tactics that the company has undertaken in order to achieve short term and long term goals have been looked at in Part Three.

The paper is considering the level of effectiveness of the strategies applied on a large company while having the ambitious goal to assess whether the chosen strategy of Lindab Group is effective and would allow Lindab to maintain its strong position on the European steel products market.

For this purpose a theoretical framework is presented in Part One, which clarifies the basic concepts and approaches. Then, Part Two deals with the methodology for analysis, selection, improvement and development of business strategy.

The selection and implementation of Lindab's strategy is complemented by an analysis of the European construction market and an analysis of the company's internal and external environment, which are outlined in Part Three.

PART ONE

I. Essence and importance of strategic management

1. Essence of Strategic Management

Strategic management is the process of defining the company's goals and intentions in the context of the relevant market situation, of deciding on specific actions over time, of their implementation and of achieving the final results leading to the achievement of the company's mission.¹

The role of the strategy in corporate planning is to define the main approaches the organization will use to achieve its goals. The strategy includes a selection of key areas in which the organization will take action to achieve its goals.²

2. Role of Strategic Management

- ✓ The strategy defines the direction of action;
- ✓ Strategy focuses on efforts and introduces co-ordination of activity;
- ✓ The strategy defines the organization - its scope, boundaries, purpose, role in society, legitimacy, etc. It gives meaning to the actions of the people working in it and guides the external organizations;
- ✓ Creates a focus, focus on the organization's attention and definition, the strategy reduces the uncertainty in its actions.³

1 Stoianov, D., *Strategic Management*, Sofia, 1999, page 23

2 J. H. Donnelly, J. L. Gibson, J. M. Ivancevich, *Fundamentals of Management*, 8th edition, IRWIN, 1992, page 179

3 Henry Mintzberg, *The Strategy Concept – Five Ps for Strategy*, *California Management Review*, v. 30, No1, 1987.

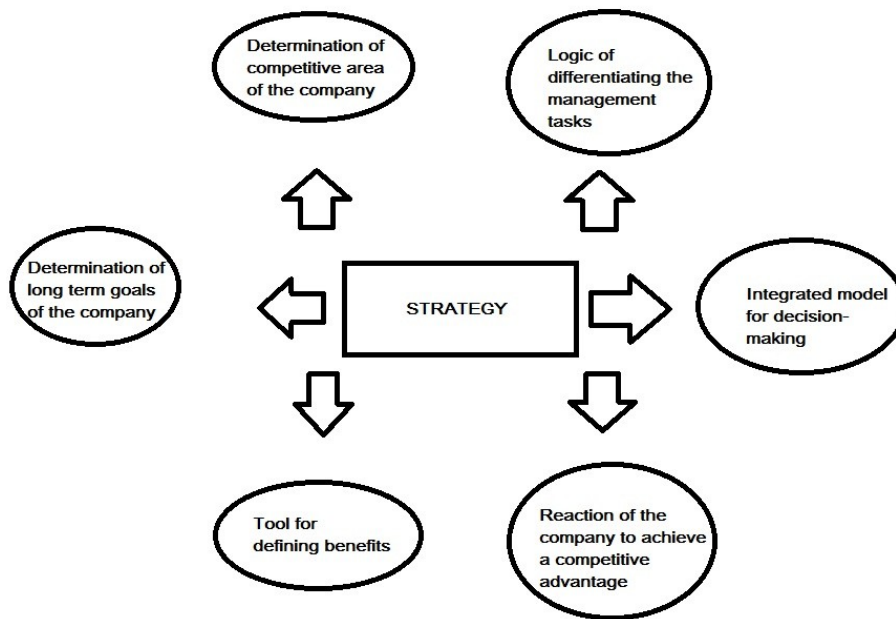


Figure 1. Aspects of the strategy⁴

The illustration is made in article Arnoldo Hexane „Defining the concept of strategy”

3. Strategic planning process

In today's highly competitive business environment, budget-oriented and trendy planning methods are sufficient for the survival and prosperity of a large corporation. The company must engage in strategic planning that clearly defines objectives and assesses both internal and external factors to formulate and implement a strategy, evaluate the process and adapt, making the necessary changes in the course of its existence. The process of strategic planning is presented in a simple way on the following diagram.

4 Hexabe, Arnoldo - ‘Definning the concept of strategy”, 1986, page 11.

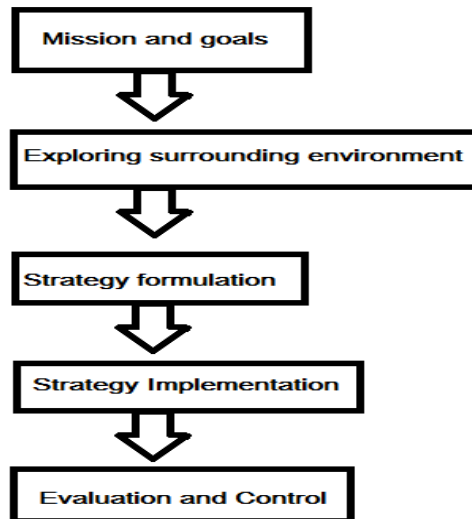


Figure 2. Strategic planning process⁵

3.1. Mission and goal

The mission statement presents the business vision of the company, including the immutable values and reasons for its creation, as well as the outlined goals that lead to the fulfillment of future opportunities. Taking into account the business vision, the company's leaders define measurable financial and strategic goals. Financial targets include indicators such as sales size and profitability. Strategic goals refer to the position of the firm and may include both market share and reputation.

3.2. Survey of the environment

The environment study includes the following components:

- ✓ Internal analysis of the company;
- ✓ Industry analysis (industry analysis);
- ✓ Analysis of the macroeconomic environment (PEST analysis);⁶

The internal analysis identifies the company's strengths and weaknesses, and the analysis of the external environment - the opportunities and threats facing the firm.

Profile of strengths and weaknesses. Opportunities and threats are built through SWOT analysis.

The industrial analysis can be based on the framework developed by Michael Potter and known as Potter's Five Powers. This framework assesses entry barriers, suppliers, customers, substitute products and competition in the industry.

5 Wilson, Charlie - Six Sigma Deployment, Chapter 6 - Strategic Plan, USA, 2003

6 PESTLE analysis - <http://pestleanalysis.com/what-is-environmental-analysis/>

3.3. Formulation of the strategy

Through the information obtained from the study of the environment, the company has to combine its strengths with the opportunities it has intensified, as well as its weaknesses and external threats.

In order to achieve greater profitability, the company seeks and develops a competitive advantage that distinguishes it from the rest. The competitive advantage can be cost-based or differentiated. M. Potter defines three alternative strategies that the company can choose.⁷

3.4. Implement the strategy

The chosen strategy is implemented through programs, budgets and procedures. Implementation involves organizing company resources and motivating staff to achieve goals. The way the strategy is implemented can have a significant impact on how successful it is. In big companies, people who implement the strategy are likely to be different from those who formulate it. For this reason, steps must be taken to explain the strategy and the reasons for its implementation.

3.5. Assessment and control

Implementation of the strategy must be carefully monitored and, where necessary, appropriate measures are taken. The evaluation and control contain the following steps:

- 1) Definition of the parameters to be measured;
- 2) Define the planned values for these values;
- 3) Performing the measurement;
- 4) Comparing measured results with predefined standards;
- 5) Make the necessary changes.⁸

⁷ Porter's sustainable competitive advantage model - <http://www.jbdon.com/porters-sustainable-competitive-advantage-model.html>

⁸ The strategic planning process, Strategic management, Quick MBA, Online MBA Programs, Thunderbird University, <http://www.quickmba.com/strategy/>

4. Business vision and mission of the company

As business needs to constantly adapt to a competitive environment, there are certain underlying ideas that remain relatively constant and serve as leadership in the strategic decision-making process. The unchanging ideals of the business vision are expressed in the statement of the company's mission.

The mission corresponds to the main ideology of the company and the objectives pursued consisting of the following three components:

Main goal of the company;

- ✓ The goals pursued by the company to fulfill its mission.

The main values of the company and the purpose of its creation are the main ideology and remain relatively constant. The three components of the business vision can be represented as follows:

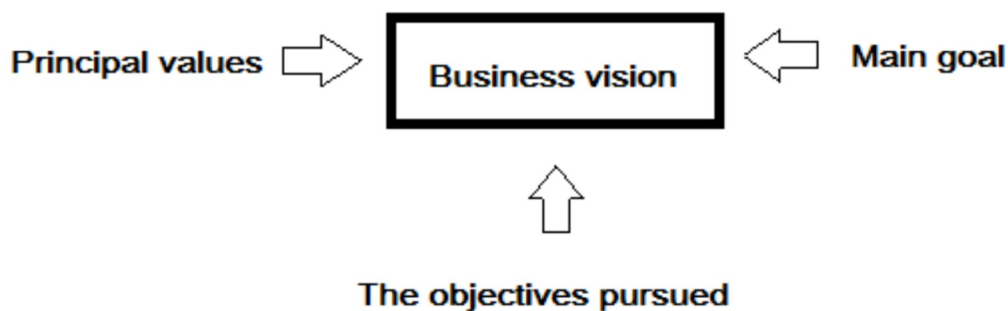


Figure. 3 Components of business vision⁹

4.1. Main Values

The main values are several values, no more than five, which are central to the company. They reflect the deep values of the organization and are independent of the current industry environment and management's whims.

One way to determine whether a value is a major asset of the company is whether it will continue to be maintained if circumstances change and it is treated as a liability. If they are preserved, it is a major asset. Another way to determine which value is the main thing is to move the business into a totally different industry. The values that will be transferred from the company to the new industry are core values of the company. If the industry changes so much

9 Professor Chungyalpa, Wangchuk - Crafting Strategic Objectives: Examining the Role of Business Vision and Mission Statements, India, 2017

that the core values are not properly valued, then the company has to look for new markets where its values will be treated as an asset.

4.2. Main Goal

The main purpose is the cause of the company's existence. It is precisely stated in the formulation of the mission. Both the main values and the main goals are unchangeable for the company and continue to exist for decade's even centuries. This goal separates the company from other companies in the industry and determines the direction in which the company will develop.

The main purpose is the idealistic reason for existence. Companies do exist to win, but the profit motive should not be highlighted in the mission statement as it contains a vague guideline for company employees. What is more important is how the company will make a profit, and that is decisive for it. Often, initial attempts to define a business goal result in a very specific statement that focuses on the product or service.

The main goals of the company are not chosen, they are opened. The ideology presented should not be a goal or an aspiration; it should represent the body as it is. Any attempt to offer a value that is not supported by the company's employees is likely not to be taken seriously.

4.3. Pursued Purposes

The goals pursued are the high goals that the company's management decides to pursue. This vision describes some important events the company will achieve in the long run. Unlike the main ideology the company opens, the goals pursued are chosen.

Most of the goals pursued fall into one of the following categories:

- ✓ Enemy - Focuses on overtaking a certain company;
- ✓ Role model - to become another company in a different industry or market;
- ✓ Internal transformation - especially preferred by large corporations. For example, the goal of becoming the number one or two in all markets on which it operates.

Although the goals pursued require a long period, many companies manage to achieve them. Once the goal has been achieved, it needs to be replaced to keep the company successful.¹⁰

10 Business vision and mission statement, Strategic management, Quick MBA, Online MBA Programs, Thunderbird University, <http://www.quickmba.com/strategy/>

5. Hierarchical levels of strategy

The strategy can be formulated at three different levels:

- ✓ Corporate level;
- ✓ Level of strategic business unit;
- ✓ Functional level or department level.

While the strategy may be competitive or related to the company's survival, the general opinion is that products, not corporations, and products are being developed by business units. The role of the corporation is to manage its business products and units so that each of them is competitive and contributes to corporate goals. While the corporation must manage its portfolio of business strands to grow and survive, the success of company diversification depends on its ability to manage each of its product lines. Many managers define business level as the core center for strategic planning.

5.1. Corporate level

A corporate-level strategy mainly concerns a set of business lines in which the company has to compete, as well as the development and coordination of its portfolio. The corporate-level strategy is associated with:

- ✓ Achievements - determining the results for which the corporation is responsible. This may include defining the corporate goals of the organization, the types of business areas in which the organization will take part, and the way in which business lines will be integrated and managed;
- ✓ Competitive contact - determining where the competition will be located in the corporation - at the corporate or affiliate level;
- ✓ Managing Active and Business Relations - Corporate Strategy seeks synergy effects by coordinating, staffing, and other resources in business units, investing their financial assets, and using business units to complement other corporate activities. Igor Ansof presents a concept about the synergy effects of corporate strategy;
- ✓ Management Practices - corporations decide how to manage business units: through direct corporate intervention (centralized) or through more or less autonomous management (decentralized), which requires strong belief in goals and higher remuneration.

Corporations are responsible for making profits from their business. They achieve this by managing a portfolio of business areas whose long-term prospects are successful, developing business units and aligning each business direction with others in the portfolio.

5.2. Strategic business unit level

The strategic business unit may be a division, a product line or other profit center that is planned independently of other business units of the firm. At the business unit level, strategic issues concern less the coordination of an operational unit and more to develop and establish a competitive advantage for the goods and services being produced.

Business Unit Level Policy addresses issues such as:

- ✓ Positioning of the business vis-à-vis competitors;
- ✓ Overtaking changes in demand and technology adaptation of the strategy to them;
- ✓ Influence the nature of competition through tragic actions such as vertical integration and through political action such as lobbying.

Michael Porter defines three major strategy - Leadership in Cost, Differentiation and Focus Strategy. They can be implemented at the business unit level to create a competitive advantage and to protect the business from the adverse effects of the five forces.

5.3. Functional Level

The functional level of organization is the level of operations of departments and departments. Strategic issues at a functional level relate to business processes and the value chain. Functional marketing, finance, manufacturing, human resources and development strategies include the development and coordination of resources through which business performance strategies are efficiently and effectively.

The functional units of the organization are present in higher-level strategies by providing information on the resources and opportunities on which a business unit and corporation level strategy can be developed. Once the strategy is created at a higher level, the functional units turn it into a separate action plan that a department or department has to accomplish in order for a strategy to be successful.¹¹

11 Hierarchical levels of strategy, Strategic management, Quick MBA, Online MBA Programs, Thunderbird University, <http://www.quickmba.com/strategy/>

6. Types of business strategies

6.1. Strategic business alternatives

6.1.1. Concentration strategy

The company's efforts focus on one product or a specific market. This concentration helps the company specialize in serving certain customers in the best way and in producing a separate product with high productivity, quality and efficiency.¹²

With the strategy of concentration in front of the company management there are the following possibilities for action:

a) Increase sales of current users through:

- ✓ Increase the size of individual purchases;
- ✓ Increasing the purity of purchases through the aging of purchased products;
- ✓ Advertising other benefits of the product;
- ✓ Providing a price incentive for increased volume of purchases;

b) Attract customers, competitors of customers through:

- ✓ Establishing a reputable trademark;
- ✓ Strengthening demand and sales promotion activities;
- ✓ Lowering prices;

c) Attract new buyers who have not used the product so far through:

- ✓ Stimulating purchases by displaying samples, etc.
- ✓ Advertise the benefits of the product;
- ✓ Stimulating prices.¹³

This strategy carries the risk of failure in the case of changing the needs of target customers, changing technology, or entering substitute goods, and concentration on a limited market hampers the growth of sales.¹⁴

12 Donchev, D., Velev, M, - Enterprise economy, Sofia, 2010, page 98

13 Pears II. J. and Robinson, R., Strategic Management – Strategy formulation and Implementation, Irwin, 1988

14 Donchev, D., Velev, M, - Enterprise economy, Sofia, 2010, c. 101

6.1.2. Market development strategy

It involves selling an existing product to new markets. This can be achieved by targeting new geographic areas or new market segments.

6.1.3. Product development strategy

This strategy involves modifying an existing product or developing a new, better product for the same market. Companies with short-lived products and services are suitable. The following action options are used:

- ✓ Development of new parameters and properties of the product;
- ✓ Development of different degrees of product quality;
- ✓ Developing new product models and sizes.

6.1.4. Innovation strategy

This strategy requires the creation of a new product based on the technology of the existing product. It differs from the product development strategy in that with the development of the new product, the old one is morally degraded.

The innovation strategy carries much more risk and requires higher costs but can also lead to greater success. Therefore, it is used more often by high-tech companies with good financial resources. The risk of this strategy is due to a low percentage of successfully generated, developed and marketed new products.

6.1.5. Horizontal integration strategy

This is a strategy where the company integrates with another company in the same industry. The goal is to jointly create a new product or service, enter a new market segment or region, or restrict competition.

6.1.6. Vertical integration strategy

- ✓ Vertical integration forward - the producer company unites with the distributor: purchasing its own stores developing its own distribution channels, etc., thus providing the company with control over the product placement process;
- ✓ Vertical backward integration - combining the manufacturer with the raw materials supplier to ensure the company with supply stability and reducing

the risk of sudden changes in material prices. An alternative form is to establish a long-term relationship with suppliers.

6.1.7. Strategy for setting up joint ventures

Formally concluded agreement for strategic alliances, combining the strengths of two or more companies to achieve a strategic goal. This ensures the need for resources, allocates economic risk, avoidance of customs or legal constraints, etc.

6.1.8. Concentric Diversification Strategy

It represents the creation of a new product, using the sophistication and marketing organization of the existing products, but designed a new market. It relies on the use of common technology, vendors, sales channels, management experience to increase the company's strengths.

6.1.9. Conglomerate Diversification Strategy

The company creates a product or acquires another company that produces or sells products that are not related to its production. This results in profit growth and accelerates the return on investment.

6.1.10. Savings Strategy

It is chosen when the company faces the decline or difficulty in its business. To stop bad trends, different efficiency-enhancing methods such as cuts in labor or management costs, redundancies, cost of marketing budget surveys, etc. are sought.

6.1.11. Release strategy

This is a strategy whereby the manager decides to sell part of the firm due to poor financial status in order to raise funds needed for other activities, etc.

6.1.12. Liquidation strategy

In case of expected bankruptcy, it is better to liquidate the company and earn money from selling parts of the company and its assets before they are fully depreciated.¹⁵

15 Donchev, D., Velev, M, - Enterprise economy, Sofia, 2010, c. 101-104

6.2. Alternative competitive strategies

6.2.1. Porter's Major Strategies

Table 1. Mainstream strategies of M. Porter

ASSIGNED RANGE	ADVANTAGE	
	LOW PRICES	UNIQUE PRODUCT
EXTENSIVE (large industry)	Strategy Leadership in costs	Differentiation strategy
NARROW (market segment)	Focus Strategy (low cost)	Focus Strategy (differentiation)

a) Cost Management Leadership Strategy

This strategy requires the presence of a low-cost manufacturer at a set quality level. The company sells average prices for the industry to raise profits higher than competitors. In case of price war, the company may continue to be profitable until the competition suffers a loss. The cost leadership strategy is usually targeted at a large market.

Some of the ways companies get the cost advantage are by improving process efficiency, gaining unique access to a large source of cheap materials, deciding for optimal outsourcing and vertical integration, or eliminating some of the costs in general.

Companies who manage to implement the cost leadership strategy typically have the following strengths:

- ✓ Access to capital required for significant investments in production assets; these investments are a barrier to entry that many companies can not overcome;
- ✓ Product design skills for efficient production, for example, having a small component that cuts the whole process;
- ✓ High level of assessment of the production process;
- ✓ Effective distribution channels.

Each strategy contains a risk, including the low cost strategy. For example, other forms may also reduce their costs. With technology improvements, competition may exceed production capacities and thus eliminate the competitive advantage. In addition, several companies that have a focus on strategy and target different small markets can achieve even lower costs in their segments and gain a significant market share.

b) Differentiation strategy

The differentiation strategy requires the development of a product or service that has unique characteristics that are relevant to consumers that are perceived by them as better or different from the competition products. The added value of product uniqueness allows the company to set a higher price. Through the higher cost, the company also covers the costs incurred in offering a unique product. If suppliers increase their prices, the company producing a product with unique characteristics is also able to increase its prices because consumers cannot easily find a substitute for the product.

Companies that succeed in developing a differentiation strategy often have the following strengths:

- ✓ Access to leading scientific discoveries;
- ✓ Creative product development team;
- ✓ Strong sales department with the ability to position the strengths of the product in the mind of the consumer;
- ✓ Corporate reputation for quality and innovation.

The risk of adopting the differentiation strategy is expressed in product imitation by competitors in the tastes of the consumer. In addition, companies using focus strategies can achieve even greater differentiation within their segment.

c) Focus strategy

The focus of the strategy is on a narrow market segment and in this segment it tries to achieve either a cost advantage or differentiation. The premise is that the needs of a group of enthusiasts can be better satisfied by focusing on them. A company using a focus strategy is often used to a large extent by the loyalty of its users, and that name, this loyal loyalty, discourages companies from direct competition. Because of the narrow market focus, companies pursuing a focus strategy have smaller volumes and therefore a greater opportunity to exert pressure from suppliers. The Focus differentiation strategy allows companies to raise prices until close substitutes exist.

Companies with a focused strategy are able to develop even a wide range of products for a relatively small market segment that will be very good. Some risks of this strategy include imitation or change across the segment. In addition, for the market leader in

the big market it can be easy to adapt your product to compete directly. Finally, other focus companies can devote some of the segment to better serve.¹⁶

6.2.2. Anosoph Matrix - Development Strategies

Table 2. Ansoff Matrix 's Matrix¹⁷

	Existing product	New products
Existing markets	Enter a market	Product improvement
New Markets	Development of the market	Diversification

✓ Market penetration strategies

The company is looking to grow through existing products in its current market segments in order to increase its market share. This strategy is least risky because it helps to realize the company's substantial resources and capabilities. In a growing market, simply maintaining market share will result in growth. There may be an opportunity to increase market share if competitors reach their capacity limit. But entering the market is limited and when the market is saturated, a new strategy must be chosen if the company wants to continue its growth.

✓ Market development strategy

The company is looking for growth by directing its existing products to new market segments or geographic regions. This is a good strategy if the company's main competencies are more relevant to a specific product than its experience with a specific market segment. As the company is developing in a new market, the market development strategy is typically more risky than entering the market itself.

✓ Strategy for product improvement

The company develops new products targeting its existing market segments. This strategy is appropriate if the strengths of the company relate to its specific clients rather than

16 Porter's Generic Strategies, Strategic management, Quick MBA, Online MBA Programs, Thunderbird University, <http://www.quickmba.com/strategy/>

17 Ansoff's Matrix - <http://www.ansoffmatrix.com/>

specific products. As with a new market case, developing a new product carries more risk than a simple attempt to increase market share.

- ✓ Diversification strategies

The company grows with the help of invested capital in various enterprises through the development of new products for new markets. This is the most risky of all growth strategies, as product and market development may be beyond the core competencies of the company. But diversification can be a justifiable choice if the high risk is offset by the chance of a high rate of return. Another advantage is the company's potential to establish itself in an attractive industry and thus lower the risk for the whole business portfolio.¹⁸

II. Global Strategic Management

In the last year of the twentieth century, many barriers to international trade were eliminated, and companies began to apply global strategies to win a competitive advantage. However, some industries benefit from globalization more than others and some countries have a competitive advantage over other countries in certain industries. To create a successful global strategy, managers need to understand the nature of global industries and the dynamics of global competition.

1. Sources of a competitive advantage from the global strategy

A well-organized global strategy can help the company gain a competitive advantage. This advantage can be created in the following ways:

1.1. Efficiency

- ✓ Savings on the scale due to access to more consumers and markets;
- ✓ Exploitation of the resources of another country - labor, raw materials, etc .;
- ✓ Extend product lifecycle - older products can be sold in less developed countries;
- ✓ Operational flexibility - timely change in production such as costs, exchange rates, etc..

18 Ansoff Matrix, Strategic management, Quick MBA, Online MBA Programs, Thunderbird University, <http://www.quickmba.com/strategy/>

1.2. Strategic

- ✓ Advantage of the first and only source of product on the market;
- ✓ Cross subsidy between countries;
- ✓ Transfer prices.

1.3. Risk

- ✓ Allocation of macroeconomic risks (business circles cannot be perfectly compared between countries);
- ✓ Diversification of operational risks (labor market shortages, earthquakes, wars).

1.4. Study

- ✓ Expanding the learning opportunity through the diversity of the environments in which the company operates.

1.5. Reputation

- ✓ Customer intercourse between markets - identification of reputation and trademark.

Sumantra Ghoshal from INSEAD offers a framework covering three categories of strategic goals and three sources of advantage that can be used. When we put them together in a matrix, the following frame is created:

Table 3. Matrix of Sumantra Ghoshal¹⁹

Strategic goals	Sources of competitive advantage		
	National differences	Economies of scale	Savings from the scope
Operational efficiency	Cost differences of operational factors	Scale of each activity	Shared investments and costs
Flexibility	Changes in the market or in politics	Balanced scale in strategic and operational risk	Diversification of the portfolio
Innovation and development	Social differences in management or organization	Experience - cost reduction and innovation	Sharing know-how between activities

19 Bartlett, Christopher, Ghoshal, Sumantra - Managing Across Borders: The Transnational Solution, USA, 1998

2. The Nature of Competitive Advantage in Global Industries

The global industry can be defined as:

- ✓ A branch in which the company competes in all markets around the world for the product in question to survive;
- ✓ A branch where the competitive advantage of the company depends on economies of scale and scope acquired by all markets.

Some industries are more suitable for globalization than others. The following mechanisms determine the potential for globalization of the sector:

2.1. Expense mechanisms

- ✓ Localization of strategic resources;
- ✓ Differences in country price levels;
- ✓ Potential for economies of scale;

Uniform experience in the industry hinders globalization.

Branches where doubling volume leads to a cost reduction of at least 20% are candidates for globalization.

- ✓ Transport costs (Value / Volume or Value / Weight ratio).

2.2. User mechanisms

- ✓ Global consumer needs favor globalization;
- ✓ Global users - if the company's users are other global companies, it is required to reach these users in all markets. In addition, global consumers often require globally standardized products;
- ✓ Global channels require global coordinated marketing programs. Well-established local distribution channels hinder globalization;
- ✓ Transferential marketing - Marketing elements, such as branding and advertising, require a lesser local adaptation. Worldwide brands can be developed for profit from a global advertising campaign.

2.3 Competitive mechanisms

- ✓ Global competitors - the existence of many global competitors' shows that the industry is ripe for globalization. Global competitors have a cost advantage over local ones;

- ✓ When competitors begin to fund their global position through cross-subsidized subsidies, the industry is ripe for globalization.

2.4. Government mechanisms

- ✓ Commercial policy;
- ✓ Technological standards;
- ✓ Ordinances.

3. Comparative advantages of nations

The competitive advantage is the company's ability to transform production costs into products and services with maximum profit better than competitors. The competitive advantage is rooted in the existence of factors of production and the use of these factors in certain regions. Factors for production include land, natural resources, labor and population size.

In the twenties of the last century, Swedish economists Eli Hecksher and Bertil Ohlin developed a theory of factor ratio²⁰, according to which one country has a competitive advantage for those goods whose production requires intensive use of factors that the country has in relative abundance.

Michael Porter refutes the theory by arguing that the country can create its own production factors to gain a competitive advantage. The creation of production factors includes specialized labor, technology, knowledge, government support and culture. Porter's diamond about the competitive advantages of nations is a framework that illustrates the determinants of national benefits. This diamond represents the national field of expression that the parties establish for their industries.

4. Types of international strategies

International Strategy:

- ✓ A product that is changed according to the needs of each market;
- ✓ Decentralized management - local decision making;
- ✓ Effective when there are large differences between countries;
- ✓ Advantages: product differentiation, local responsibility, minimal political risk, minimized currency risk.

20 Heckscher-Ohlin model <http://www.investopedia.com/terms/h/heckscherohlinmodel.asp>

Global Strategy:

- ✓ The product is the same in all countries;
- ✓ Centralized management - little autonomy in decision-making at the local level;
- ✓ Effective when differences between countries are not large;
- ✓ Advantages: cost, coordination of activities, faster product development.

The complete multinational value chain would have every function, from scientific and technical progress to distribution and services, all represented at the local level by each country. In the other example, the full global value chain will present each activity in a different country.

5. Knowledge Management in Global Companies

There is a lot of value in transferring knowledge and best practices between parts of the global company. But many barriers impede the transfer of knowledge:

- ✓ Barriers concerning the sources of knowledge:
 - lack of motivation;
 - lack of trust.
- ✓ Barriers relating to knowledge itself - ambiguity and complexity;
- ✓ Barriers to the recipient of knowledge:
 - lack of motivation;
 - lack of perceptive capacity - need of prior knowledge to reach the next level.
- ✓ Barrier perception of the existing process - stiffness of the process;
- ✓ Barrier in terms of perception of the external environment and constraints.

Moreover, even if the transfer is successful, there is often a temporary slump in performance before the improvements are available. During this period there is a danger of losing faith in the new way of working.

To help transfer knowledge, the company can:

- ✓ Perform processes, systematically identifying valuable knowledge and best practices;
- ✓ Create incentives for motivation both for the sources of knowledge and for those who absorb them;
- ✓ Develop the learning capacity of the learner - cumulative knowledge;

- ✓ Develop strong technical and social ties between the parts of the company that can exchange knowledge.²¹

III. Porter's Diamond for the Benefits of Nations

1. The Diamond of M. Porter

Classical theories of international commerce imply that the competitive advantage is the intrinsic quality of the factors of production of the state it owns. Factors for production include land, natural resources, labor and the size of the local population.

Michael Porter argues that the nation can create new, improved production factors such as a specialized workforce, a strong technology base and knowledge, government support, and culture. Porter uses a frame-shaped diamond to illustrate the determinants of national benefits. This diamond presents the field of expression of nations that states establish for their branches.

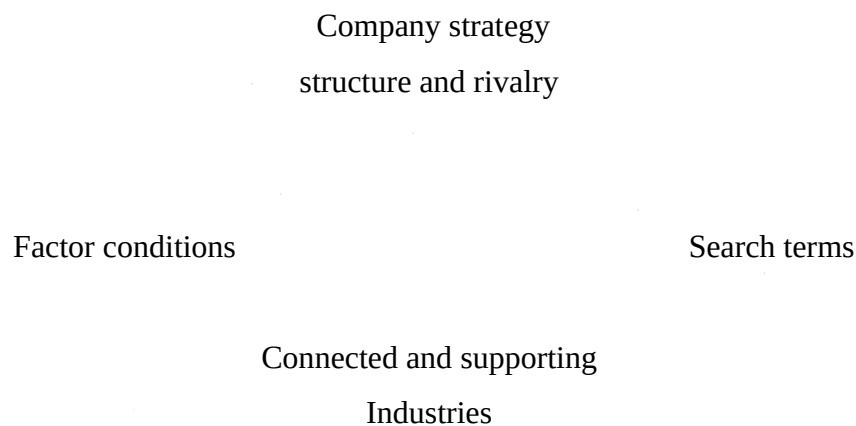


Figure. 4. Porter's Diamond on the Benefits of Nations²²

The individual consideration of diamond and diamond generally affects four elements that lead to a competitive advantage for nations. These elements are:

- ✓ The availability of resources and skills;
- ✓ Information companies use to decide what they can do with these resources and skills;
- ✓ Employee goals in the company;
- ✓ Pressure on innovation and investment companies.

21 Global Strategy, Strategic management, Quick MBA, Online MBA Programs, Thunderbird University, <http://www.quickmba.com/strategy/>

22 Porter, Michael - The Competitive Advantage of Nations, USA, 1990

The diamond's point of view is described as follows:

1.1. Factor conditions

- ✓ The state creates its own important factors, such as resources and technological base;
- ✓ The presence of factors at the moment is less important than their improvement and development;
- ✓ Local losses in production factors boost innovation. Unfavorable conditions, such as labor shortages or scarce raw materials, make the company develop new methods, and these innovations often lead to a national competitive advantage.

1.2. Search terms

- ✓ When a product market is larger at a local level than international markets, local firms concentrate their attention on this product, which ultimately leads to a competitive advantage when these companies start exporting the product to international markets;
- ✓ Greater demand on the local market leads to a national advantage;
- ✓ The strong, tendentiously positioned local market helps local businesses to meet the global market trends.

1.3. Associated and supporting industries

- ✓ When local support industries are competitive, companies enjoy more cost-efficient and innovative inputs for production;
- ✓ This effect is reinforced when the suppliers themselves are strong global competitors.

1.4. Company strategy, structure and rivalry

- ✓ Local conditions have an impact on company strategy. For example, German companies tend to have a hierarchical structure. Italians prefer to smaller companies acting as one big family. Such a strategy and structure helps to determine in which type of industry the companies of the country will outperform the others;
- ✓ In the model of Porter's five forces, the low level of competition makes the industry attractive. While from the point of view of the company it is better to

have weak competition at the moment, strong local competition puts pressure on the company for innovation and improvement in the long run. The de facto strong local competition results in a weaker global one;

- ✓ Local competition forces companies to continue beyond the basis of the advantage that the state possesses as a low cost level.

2. Diamond as a system

- ✓ The effect of one characteristic depends on others. For example, a shortage of production factors will not lead the company to innovation unless there is enough competition;
- ✓ Diamond is a self-reinforcing system. For example, high levels of competition often lead to the formation of unique specialized factors of production.

3. The Role of the Government

The government's role in the model is to:

- ✓ Encourage companies to improve their work, for example by setting strict production standards;
- ✓ Stimulates the demand for improved products;
- ✓ Focuses on the creation of specialized factors of production;
- ✓ Stimulate local competition by restricting direct associations and strengthening antitrust law.²³

IV. Models for entering international markets

1. Methods of entering foreign markets

The decision on how to enter a foreign market can have a significant impact on the results.

Expansion of foreign markets can be achieved through the following four mechanisms:

23 Porter's Diamond of National Advantage, Strategic management, Quick MBA, Online MBA Programs, Thunderbird University <http://www.quickmba.com/strategy/>

1.1. Export

Exports is a traditional and well-established way to reach foreign markets. It is implemented through marketing and direct sales of locally produced products in another country. Since exports requires goods to be manufactured in the country of destination does not require investment in production facilities abroad. Most of the costs associated with exports, take the form of marketing costs.

Exports usually requires coordination between the four groups of participants:

- Gas exporting;
- Importer;
- Transport provider;
- Government.

1.2. Licensing

Licensing basically allows the company to use the licensor's ownership in the country.

This feature is usually intangible, such as trademarks, patents and production technologies. The licensee pays tax on currency for the right to use intangible property and the possibility of technical assistance.

Since not require large investments by the licensor, licensing has the potential to provide greater returns. But as the licensee manufactures and sells products, the potential return on production and marketing activity can be lost.

1.3. Joint Ventures

There are five common goals in joint ventures: entry, risk sharing, technology sharing, joint product development and compliance with government regulations. Other benefits include access to potential communication and distribution channels.

Such alliances are often favorable when:

- The strategic objectives of the partners are united, while their competitive goals differ;
- The amount of partner companies, market power and resources are small compared with the leaders in the industry;
- The partners are able to learn from each other and at the same time restrict access to corporate skills.

The main issues that need to be addressed in the joint venture are the property control, the period of the agreement, pricing, technology transfer, capacity and resources of local business and government intentions.

Potential problems include:

- Conflict between asymmetrical new investments;
- Mistrust in corporate knowledge;
- Uncertainty of implementation;
- Lack of support from the parent company;
- Cultural clashes;
- If, how and when to end the partnership.

With joint ventures there is a conflict, evidenced by the compulsion to simultaneously cooperate and compete.

Strategic Imperative: the partners want to maximize the advantage gained by the joint venture, but also want to improve their competitive position;

Joint ventures are trying to develop shared resources, but each company is trying to keep its competence;

Joint Undertaking is managed by negotiation and coordination processes until each company would like hierarchical structure.

1.4. Direct foreign investments

Foreign direct investment benefits in foreign country. They are connected with the transfer of resources, including capital, technology and personnel. Foreign direct investment can be realized through acquisition of an existing unit or establish a business.

Direct ownership provides a high level of control operations and the possibility of better understanding the environment of consumers and competitors, but it requires a lot of resources and a high level of commitment.

2. Comparison of the options for market entry

The following table presents possible models for entering the foreign market:

Table 4. Comparison of models to enter the foreign market²⁴

Модел	Favorable conditions	Benefits	Disadvantages
Export	<p>Limited sales potential in the country; does not require large product adaptation;</p> <p>Distribution channels close to the company;</p> <p>High production costs in the country of import;</p> <p>Liberal trade policy;</p> <p>Great political risk.</p>	<p>Minimizing risk and investment;</p> <p>Rapid market penetration;</p> <p>Maximizes scale;</p> <p>Using existing means of production.</p>	<p>Trade barriers and tariffs;</p> <p>Transport costs;</p> <p>Limited access to local information;</p> <p>The company is seen as an outsider.</p>
Licensing	<p>Import and investment barriers;</p> <p>Possibility of legal protection in the host country;</p> <p>Small potential sales in the host country;</p> <p>Large cultural differences;</p> <p>The licensee is not competitive.</p>	<p>Minimize risk and investment;</p> <p>Rapid market penetration;</p> <p>Ability to circumvent trade barriers;</p> <p>High rate of return.</p>	<p>Lack of control over the use of the asset;</p> <p>The licensee may become a competitor;</p> <p>Recognition of knowledge;</p> <p>The license period is limited.</p>
Joint venture	<p>Import barriers;</p> <p>Large cultural differences;</p> <p>Assets can not be estimated accurately enough;</p> <p>High potential sales;</p>	<p>Overcoming the restrictions on ownership and cultural difference;</p> <p>Combining the resources of both companies;</p> <p>Potential for learning;</p>	joint venture

24 Foreign Market Entry, Strategic management, Quick MBA, Online MBA Programs, Thunderbird University, <http://www.quickmba.com/strategy/>

	<p>Political risk;</p> <p>Government restrictions on foreign ownership;</p> <p>Local companies can deliver the skills, resources, distribution networks, brands, etc.</p>	<p>Examination of the company as a member of the organization;</p> <p>They require less investment.</p>	
Foreign investments	<p>Import barriers;</p> <p>Reducing cultural differences;</p> <p>Assets cannot be estimated accurately enough;</p> <p>Great sales potential;</p> <p>Low political risk.</p>	<p>Better knowledge of the local market;</p> <p>Can offer better specialized skills;</p> <p>Minimize the spread of knowledge;</p> <p>The company is regarded as inside the country.</p>	<p>Higher risk than other models;</p> <p>Requires more resources and commitment;</p> <p>Local resources can be difficult to manage.</p>

PART TWO. METHODOLOGICAL GUIDELINES FOR THE DEVELOPMENT OF COMPANY STRATEGY

I. Milestones for the development of corporate strategy

Before defined strategic objectives need to be analyzed changes in the external environment and the ability of the company to respond appropriately.

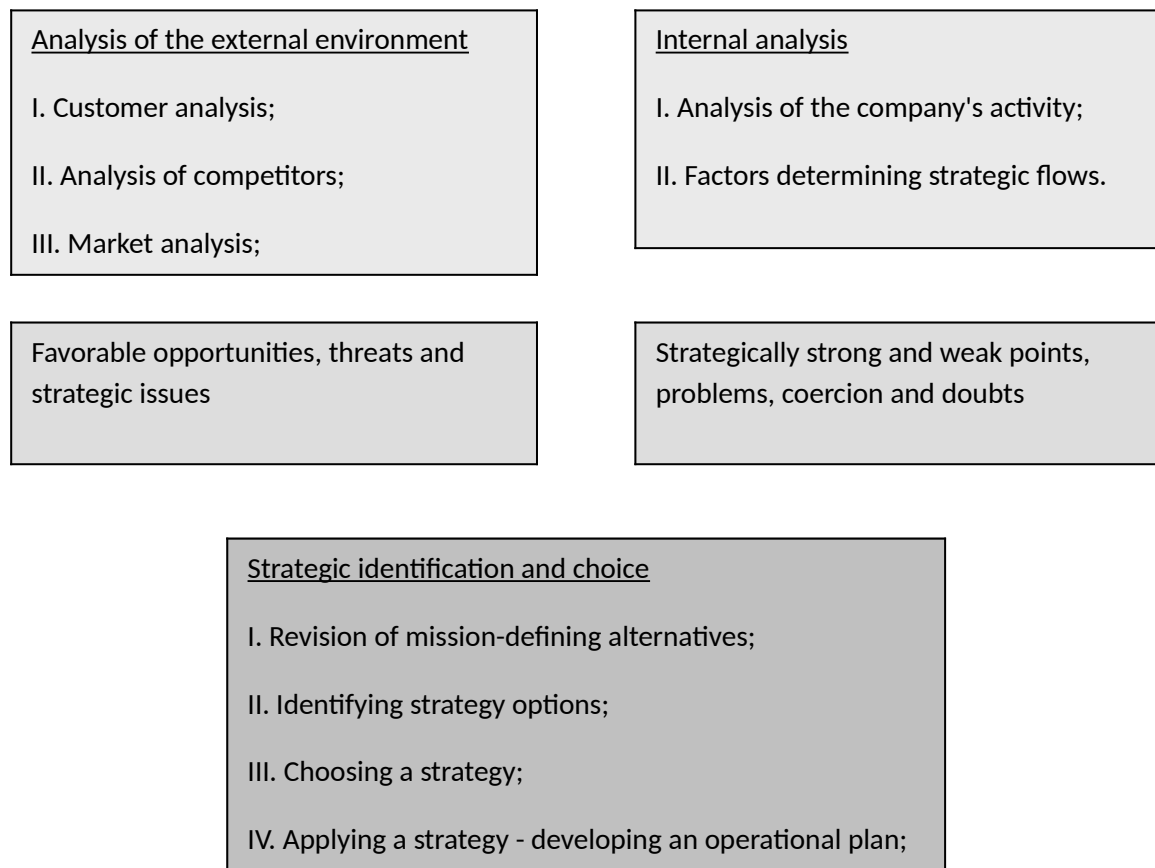


Figure. 5. Overview of the strategic management process ²⁵

The macro environment is seen as a set of factors influencing the activity of each company and manifesting itself as opportunities that the company should take advantage of and threats to be avoided in order to continue the business, its development and growth. As a set of factors directly operating in a competitive environment, the macro environment provides challenges that the company faces in trying to attract and retain the necessary resources and the drive to secure a profitable market.

25 Aaker, D., Strategic Market Management, USA, 1988

The internal factors influencing the choice of company strategy are: company personnel, staff management system, buildings, machinery and equipment, raw materials, financial resources, information.

The strategic analysis suggests to focus on identifying and analyzing those factors that are directly or indirectly related to the strategic management of competitors and could contribute to the acquisition of a comparative competitive advantage.²⁶

II. Analysis of the environment

1. Customer analysis

1.1. Analysis of the target market of the company and market segmentation

The company's market is defined as a set of all potential users with similar needs and requirements who are willing and able to meet their needs by exchanging.

Determining the target market is one of the main elements of marketing management imposed by the different requirements of the consumers towards the properties of the offered product, the different solvency degree, etc. Serving the targeted market is generally not profitable for businesses, which requires the segmentation of segments covering customers with similar needs and characteristics, the satisfaction of which best suits the company's experience and capabilities. In the process of market segmentation, the psychological and economic features of each of the segments need to be analyzed.

1.2. Analysis of purchase motivation in individual segments

- ✓ Motivation for choosing a particular brand;
- ✓ Motivation specifically related to the product of the given product class.

The purpose of the analysis at this stage is to identify those factors that most strongly influence the decision making of customers to purchase a particular product, preferring it to another with similar qualities, which is the basis of finding lasting competitive advantages.

26 Kotler, F., Marketing Management, Volume 1, USA, 1999

1.3. Unmet needs

Unmet consumer needs are such that for one reason or another, the market is not available means meet those needs. From a strategic point of view they represent opportunities to increase market share or enter new markets.

2. Analysis of the competitors and the competitive position

The analysis of competitors should be the identification of threats, opportunities or strategic issues provoked by the emerging or potential actions, weaknesses or strengths of competitors.

2.1. The analysis of competitors must be to identify threats, opportunities or strategic issues provoked by emerging or potential actions weaknesses or strengths of competitors.

The analysis of competitors must be to identify threats, opportunities or strategic issues provoked by emerging or potential actions weaknesses or strengths of competitors.

□□Size, Growth and profit level;

□□Objectives and assumptions of competitors - financial targets competitors hide in their decisions to expand investment, pricing policies; non relate to raise the technological level of service levels, expanding distribution;

□□Current and past strategies implemented by competitors;

□□Organization and corporate culture of competitors;

□□Cost Structure - such information, particularly for competitors relying on a strategy of leadership in costs is indicative of their future pricing policy:

- number of employees and the approximate amount of variable and fixed costs of their payment;

- relative cost of materials and raw materials;

□□Obtaining information about competitors - competitors usually maintain close communication with suppliers, customers, retailers and government agencies, and they are one of the sources of information in different spheres of activity.

The following types of activities can be found strengths and weaknesses of competitors:

a) Innovation - assess the ability of competitors to generate, develop and innovate;

b) Production - the main source of acquiring a competitive advantage, such as increasing production capacity increases the amount of fixed costs but growing market represents a strong point for the company as it will be able to respond in time of increased demand;

c) Access to capital:

- Financial income;
- Proceeds from short-term receivables;
- Ability to borrowing and external financing;

d) Management:

- Quality management of high and medium level;
- Level of knowledge of the business;
- Corporate Culture;
- Strategic Objectives;
- Enterprise;
- Merit, as measured by turnover;
- Quality of strategic decisions;

e) Marketing:

- Quality image of the product;
- Characteristics of products, product differentiation;
- Reputation of the company brand;
- A variety of product line - capacity systems;
- Market segmentation;
- Distribution;
- Relations retail customers;
- Ability to conduct advertising and promotional campaigns;
- Merchants;
- Offered accompanying the product services;

f) Major customers:

- Size and loyalty of key customers;
- Market share;
- Increased serviced markets.

2.2. Opportunities for the emergence of new competitors and barriers to them

In this case can they have the following options:

- Companies that may decide to extend its market;
- Companies that are aimed at expanding the product range;
- Integration of the company with customers - it is most commonly seen in industrial markets;
- Integration of the company with suppliers;

□□ Ability to purchase small local company by a foreign company and becoming a serious competitor.

3. Market Analysis

One of the main objectives of this analysis is to determine the degree of attractiveness of the market for current and future participants. The second task is to determine the dynamics of change in the market, identify potential key success factors, trends, threats and opportunities, which are the basis for the development of strategic issues, playing a leading role in the collection and processing of information.

3.1. Current and prospective market size

The starting point of any strategy is to determine the general level of sales, especially in cases of aggressive strategies to increase market share. In addition to this market need to be explored and the possible emergence of new users and user groups as well as the factors influencing them.

3.2. Market growth

After a certain amount of market and opportunity for growth, it is necessary to determine the extent of growth. *Ceteris paribus* growth means an increase in sales and profits, even without an increase in market share. The most important strategic issue here covers forecasting sales that are directly dependent on specific factors. Of importance for the development of prediction is the phase of the life cycle in which products are placed.²⁷

3.3. Model of Maykal Portar's industry analysis

3.3.1. Five Forces Porter

In economic theory, the model of pure competition implies that the variable level of profit should be constant for businesses and industries. But many economic teachings state that various industries can support different levels of profitability, partially explaining the difference with the branch structure.

Maykal Portar offers a framework that models an industry as influenced by five forces. Strategic manager looking to find an advantage over competitors, can use this model to better understand the nature of the industry in which the company operates. AHF five rams

27 Aaker, D., Strategic Market Management, USA, 1988

competitive forces affecting the level of competition in the sector are shown in the following figure:

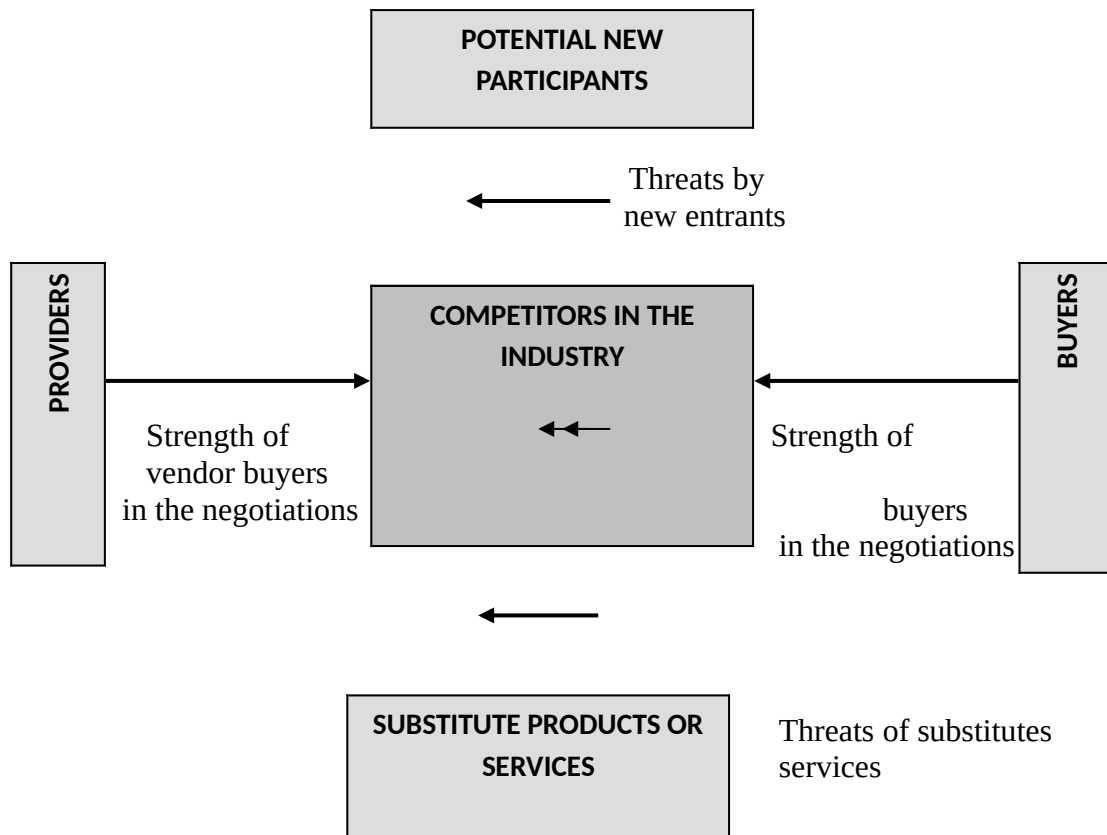


Figure. 6. A model of the five forces Porter²⁸

The intensity of the rivalry between the companies vary by sector and strategic analysts interested in these differences. Economists measure competition with the indicator of the branch concentration. The level of concentration shows the percentage of market share belonging to the four largest companies in the industry. The high level of concentration means that much of the market share in the hands of the four largest companies - the sector is concentrated. The low level of concentration shows that the industry is characterized by many competitors and none of them has a significant market share. These fragmented markets are competitive.

If the rivalry between companies in the industry is low, the industry is defined as disciplined. This discipline may result in the history of competition in the industry as a leading company or informal agreements. Intensity of competition in the industry can be

28 M. Porter , Five forces model was created, 1979
<https://www.strategicmanagementinsight.com/tools/porters-five-forces.html>

brutal, strong, and moderate or weak based on the aggressiveness of companies trying to achieve superiority.

In pursuit of competitive advantage a company can resort to the following actions:

- Change in prices - an increase or decrease in prices in order to obtain the temporary advantage;

- Improved product differentiation - improving the hallmarks using innovation in the manufacturing process and in the product itself;

- Creative use of distribution channels - using vertical integration or distribution channels that are new to the industry;

- Using relationships with suppliers.

The intensity of the rivalry is affected by the following industry:

- A large number of companies;

- Slow market growth;

- High fixed costs;

- High storage costs or perishable products;

- Low-cost customer when replacing one product with another;

- Low product differentiation;

- Major strategic investments;

- High exit barriers;

- A variety of competitors with a different culture, history and philosophy;

- Consolidation of the industry.

The model Porter substitute products relate to products in other industries. For economist threat of substitutes exist when product demand is influenced by changes in the price of substitute products. The more substitutes available, the more elastic demand, as consumers have more alternatives.

The power of buyers is the impact they have on consumer production sector. In general, when buyers have a strong impact on production, the link with the manufacturing sector is close to what economists call a monopsony - a market in which there are many suppliers and one buyer. Under such market conditions buyer determines the price. In reality there are few pure monopsony, but often there is an asymmetry between the manufacturing sector and buyers.

Buyers are stronger if:

- There is a concentration of buyers - there are few buyers with a significant market share;

Customers buy a significant share of the production - distribution of purchases or when the product is standardized;

Threat to have a backward integration - buyers can threaten the purchase of the manufacturer or competitor.

Buyers are weak if:

Producers threaten integration forward - manufacturers can bring their own distribution / retail;

Significant costs for buyer move - non-standardized products that do not allow the buyer to switch to another product;

Buyers are divided (and very different) - no buyer has no effect on product or price;

Producers supplied with critically small amounts of buyers.

The manufacturing sector requires inputs - labor, components and others. These needs led to relations buyer-supplier industry. Suppliers, if powerful, can exert influence on the manufacturing sector by selling raw materials at a high price to obtain some of the profits of the industry.

Suppliers are strong if:

threatened with forward integration;

Concentration of suppliers;

high cost when choosing a new supplier;

Strong purchasing power of customers.

Suppliers are weak if:

There are many competing providers - the product is standardized;

Sourcing branded products;

Threatened by integration back of the buyers;

Concentration of buyers;

Weak purchasing power of consumers.

The threat to the company due not only to competition in the sector, but also the possibility of a new company to enter the industry. In theory, any company should be able to enter or exit the market and because there is freedom of entry and exit, profits should be nominal. In reality, however, the industries have characteristics that prevent high levels of profits of companies in the market and hamper the entry of new competitors. These are entry barriers, which are more than normal balancing market regulators. Barrier to entry are unique characteristics of the industry to define it. They reduce the percentage of entrants,

maintaining profit levels of those already in the industry. From a strategic perspective barriers can be created or used to increase the competitive advantage of the company.

The barriers to entry in the sector arise from several sources:

- Barriers created by government;
- Patent and corporate know-how;
- Specificity assets;
- Organizational (internal) economies of scale.

Barriers to exit restrict the ability of the company to leave the market and can exacerbate competition.

Some of the branch entry and exit barriers can be represented as follows:

Table 5. Input and output barriers industry²⁹

	Easy	Hard
Step In	<ul style="list-style-type: none"> □ Common technology; □ Undeveloped franchise of marks; □ Access to distribution channels; □ Small input scale. 	<ul style="list-style-type: none"> □ Patents, corporate know-how; □ Difficulties in scaling; □ Limited distribution channels; □ Large-scale input.
Exit	<ul style="list-style-type: none"> □ Sale assets; □ □ Low cost of exit; □ Independent businesses. 	<ul style="list-style-type: none"> □ Specialized assets; □ High costs of exit; □ Associated Enterprises.

3.3.2. Chief strategist and strength in the industry

M. Portar identified three main strategies to counter the five forces - leadership in cost, differentiation and focus. To create competitive advantage, these strategies can be implemented at business unit as it is the most important in the context of sectoral rivalry. The exact strategy would positioning the company in terms of improving its strengths and protection against the adverse effects of the five forces.³⁰

29 Porter's 5 Forces Framework - Competitive Analysis of an Industry - <https://tech-talk.org/2015/08/27/porters-5-forces-framework-competitive-analysis-of-an-industry/>

30 Porter's Five Forces, Strategic management, Quick MBA, Online MBA Programs, Thunderbird University, <http://www.quickmba.com/strategy/>

Each of these strategies has certain properties that may be useful for protection from competitive forces. The following table compares some characteristics of the main strategies in the context of the five forces of Porter: F

Table 6. Chief strategist industry³¹

Forces industry	Main strategy		
	Leadership in costs	differentiation	Focus
Barriers to entry	Ability to reduce prices in order to deter potential entrants	Consumer loyalty may discourage potential entrants	Focusing develops the main competence, which can serve as barriers to entry
Power of buyers	Ability to offer a lower price on the strong buyers	Large buyers have less power to negotiate because of the existence of several similar alternatives	Large buyers have less power to negotiate because of the existence of several similar alternatives
Power suppliers	Better insulated from strong suppliers	Better opportunities to increase the price in the event of acceptance of the terms of supplier	Providers have an advantage because of the low volume but differentiated focus companies are able to meet price increases by suppliers
Threat of substituents	It can use lower prices to protect substituents	Reduces the threat of substitutes, providing customers differentiating characteristics of your product	Specialized products and the main competence protect company of substitute products
Rivalry	Better opportunity for price competition	Brand loyalty kept customers away from competitors	Competitors can not meet focus differentiated needs of consumers

3.3.3. Gaining a competitive advantage

When a company keeps profits that exceed the average for the industry, it is considered that the company has a competitive advantage. The purpose of most business strategies is the acquisition of inexhaustible competitive advantage.

Maykal Portar defines two basic types of competitive advantage: cost advantage and differentiation advantage.

Competitive advantage exists when the company is able to derive the same benefits as competitors but at a lower price (cost advantage) or to receive benefits superior to those of

31 Porter's Generic Strategies, Strategic management, Quick MBA, Online MBA Programs, Thunderbird University, <http://www.quickmba.com/strategy/>

competing products (differentiating advantage). So competitive advantage allows the company to create greater value for our customers and greater benefit for themselves.

Costs or differentiating advantage known as positional advantage because the present position of the company as an industry leader in cost or differentiation.

Resource-oriented approach emphasizes the use of resources and capabilities of the company to create a competitive advantage, which ultimately to have resulted in the creation of greater value for consumers.

The following figure combines resource-oriented and positional approach to illustrate the concept of competitive advantage:

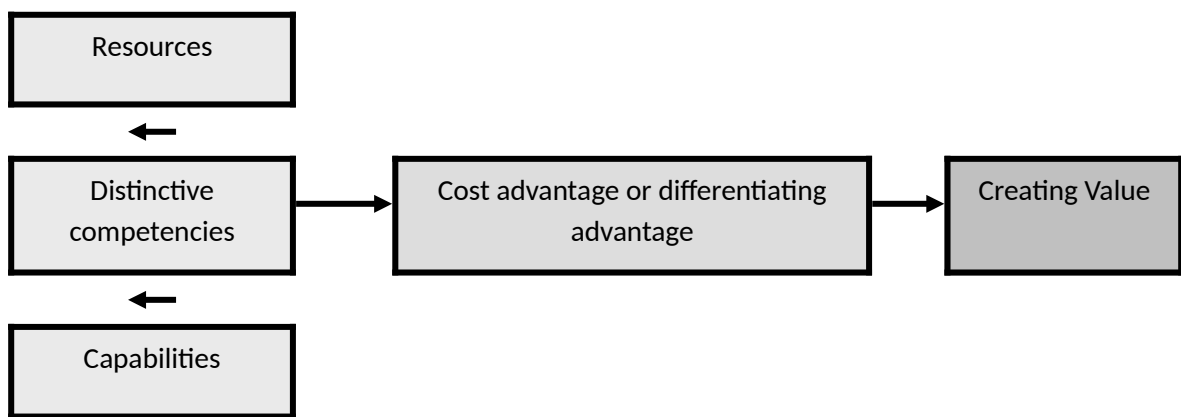


Figure 7. Model of competitive advantage³²

a) *Resources and capabilities*

According to resource-oriented approach to uncover a competitive advantage, the company must have the resources and capabilities that are superior to those of its competitors. Without superiority competitors can simply copy the company and any advantage would disappear.

Resources are specific assets of the company used in the creation of an advantage in costs or differentiating advantage that cannot be easily acquired by competitors. Examples of such resources are: patents, trademarks, corporate know-how, consumer base, company reputation, uniformity of quality.

Capabilities relate to the ability of the company to use its resources effectively. Example of power is the ability to offer a product to market faster than competitors. Such capabilities cover routine work of the organization is not easily documented and can hardly be borrowed from competitors.

32 Porter's sustainable competitive advantage model - <http://www.jbdon.com/porters-sustainable-competitive-advantage-model.html>

Resources and capabilities of the company together form its distinctive competencies. These competencies enable innovation, productivity, quality and attention to the user - anything that can be a means to achieve a cost or differentiating advantage.

b) *Advantage in cost and differentiation advantage*

Competitive advantage is created through the use of resources and capabilities to establish a lower cost structure or a differentiated product, ie position of the company in its industry, by choosing low cost or differentiation. This solution is a central component of competitive corporate strategy.

Another important decision is the planned size of the market segment. Porter formulated matrix using cost advantage, differentiation advantage and a broad or limited focus, to identify a set of basic strategies by which a company can choose to establish a competitive advantage.

c) *Creating Value*

The company creates value by performing a series of activities that Porter identified as value chain. In addition to its Company creates dollars and cost values, the company operates a system of values of vertical activities involving suppliers upstream and downstream outlets. To achieve competitive advantage, companies and should establish one or more activities that create value in a way that provides more value than competitors. Superior value is created by a lower cost or greater benefits for the user (differentiation).³³

4. Analysis of macro environment (PEST analysis)

Study it on the outer macro in which the company is operating, it can be presented in conjunction with the following factors:

- Political;
- Economics;
- Social;
- Technology.

The acronym PEST is used to describe a framework for analysis of the factors of the macro. PEST analysis refers to the study of the environment as a whole, as shown in the following figure:

33 Competitive Advantage, Strategic management, Quick MBA, Online MBA Programs, Thunderbird University, <http://www.quickmba.com/strategy/>

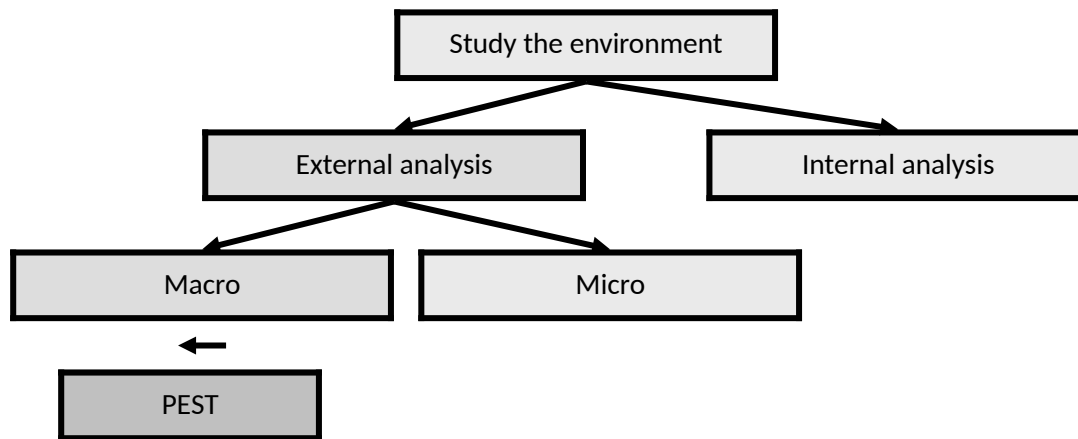


Figure 8. Investigation of the medium³⁴

4.1. Political factors

Political factors include government regulations and legal issues and define formal and informal rules, under which the company must operate. Examples: tax policy, labor legislation, regulations for environmental protection, trade restrictions and tariffs, political stability.

4.2. Economic factors

Economic factors affecting the purchasing power of potential customers and capital expenditures of the company. Examples of factors of macroeconomics are: economic growth, interest rates, exchange rates, inflation levels.

4.3. Social factors

Social factors include demographic and cultural aspects of the macro. These factors affect consumers' needs and the size of the potential market. Some social factors include health, fertility, age, income, education, and lifestyle.

4.4. Technological factors

Technological factors can reduce entry barriers, eliminating the least efficient production levels and influence the decision of outsourcing. Examples: research and development, automation, technology incentives, level of technology transfer.

34 Manov, V., Marketing and Strategic Planning: Theory, Practice, Training, International Scientific Conference, Sofia, 2005

PEST factors combined with external factors on microenvironments can be classified as opportunities and threats in a SWOT analysis.³⁵

III. Internal analysis of the company

The purpose of internal analysis is to identify strategically important strengths and weaknesses, based on which company to build its strategy.

1. Analysis of the company's activity

1.1. Identification of strategic internal factors

A) Marketing

- ✓ Business Products / Services: breadth of product line;
- ✓ Concentration of sales in some products;
- ✓ Ability to collect the necessary information about markets;
- ✓ Market share;
- ✓ Mix the product / service and potential for growth: life cycle of key products, balance revenue / sales or product / service;
- ✓ Distribution channels: number, coverage and control;
- ✓ Effective sales organization, knowledge of customer needs;
- ✓ Image, reputation and quality of products / services;
- ✓ Promotion and advertising efficiency;
- ✓ Pricing strategy and pricing flexibility;
- ✓ Procedure for extracting the feedback from the market and developing new products, services or markets;
- ✓ Service after sale or use;
- ✓ Brand loyalty.

B) Finance and Accounting

- ✓ Ability to increase short-term capital;
- ✓ Ability to increase long-term capital: liabilities;
- ✓ Resources at the corporate level;
- ✓ Cost of capital, similar to the industry and competitors;
- ✓ Tax considerations;
- ✓ Relations with owners, investors and shareholders;

35 PEST analysis, Strategic management, Quick MBA, Online MBA Programs, Thunderbird University, <http://www.quickmba.com/strategy/>

- ✓ Equilibrate position: the capacity to use alternative financing strategies such as sales of leasing;
- ✓ Cost of entry and barriers to entry;
- ✓ Attitude price - revenues;
- ✓ Working capital: flexible capital structure;
- ✓ Effective cost control: an opportunity to reduce costs;
- ✓ Efficient and effective cost accounting system, budget and planning of expected revenue.

C) The production (operating) technical

- ✓ Costs and availability of raw materials, relations with suppliers;
- ✓ Control system inventory;
- ✓ Location of the means of production, exposure and use;
- ✓ Economies of scale;
- ✓ Technical efficiency of the resources for the production and use of their capacity;
- ✓ degree of vertical integration: the added value;
- ✓ Efficiency and cost / benefits of the equipment;
- ✓ Effective procedures for operational control: design, scheduling, quality control;
- ✓ Costs and technological competence related to the industry and competitors;
- ✓ Research and Development: innovation;
- ✓ Patents, trademarks and similar legal protections.

D) Personnel

- ✓ Personnel Management;
- ✓ Skills and morale of workers;
- ✓ Related labor costs;
- ✓ Efficient and effective personnel policy;
- ✓ Efficient use of incentives as motivation for the presentation;
- ✓ Ability to equalizing the peak is they and lows in hiring;
- ✓ Responded to workers and absences;
- ✓ Specialized skills;
- ✓ Experience.

E) Organization and Management

- ✓ Organizational Structure;

- ✓ Image and reputation of the company;
- ✓ Organization of the communication system;
- ✓ Overall organizational control system;
- ✓ Organizational climate and corporate culture;
- ✓ Use of systematic procedures and techniques in making decisions;
- ✓ Top-management skills, abilities and interests;
- ✓ System for strategic planning.³⁶

1.2. The "value chain" of Maikal Portar

To analyze specific activities through which a company can create a competitive advantage, it is useful to make a model of the company, such as chain of value-creating activities. M. Portar defines a set of interrelated activities common to a wide range of companies. This model is known as the value chain:

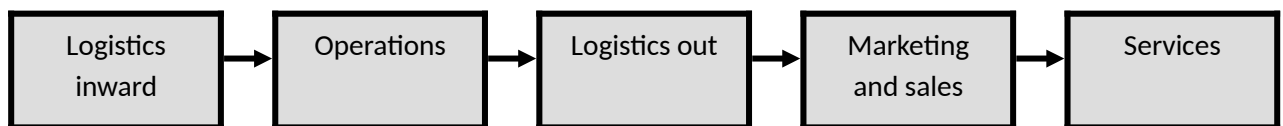


Figure 9. The main chain of activities that create value³⁷

The purpose of these activities is to create values that exceed costs Delivery layers of the product or service and generate profit margin.

□ *Logistics inward* includes the supply, storage and inventory of inputs / raw material;

□ *Operations* are value-creating activities that transform input materials into a finished product;

□ *Logistics outdoors* are activities related to the achievement of the final product to the consumer;

□ *Marketing and Sales* are those activities that are associated with assisting buyers when choosing a product, including distribution channels, advertising, pricing;

□ *The services* are those that maintain and enhance the value of the product and after sales support, warranty and more.

These core activities are vital in the development of competitive advantage. Each main activities include specific activities that vary by industry.

36 Stoianov, D., Strategic Management, Sofia, 1999

37 Porter's Value Chain - <http://www.businesssetfree.com/porters-value-chain/>

The main activities of the value chain are supported by additional activities. Porter identifies four main categories supporting activities whose detailed examination depends on the specificity of the sector:

□Supply - function in the purchase of raw materials and other input materials used in activities creating value;

□Technological development - includes scientific and technical progress, process automation and other technological developments;

□Management of human resources - activities related to recruitment, development and remuneration of staff;

□Firm Organization - includes activities such as finance, law, quality management and others.

When the individual activities are set, must be identified links between them. Competitive advantage can be achieved in the optimization and coordination of related activities.

The value chain is useful in decision making for outsourcing. Understanding the links between activities leads to optimal deciding whether a product to be created by the company or be purchased, resulting in cost advantages or differentiating advantage.

The chain of value of the company is ahead of the value chain of suppliers and buyers back. The result is a golya m stream of activity known cat o system of values. Developing a competitive advantage does not only depend on the specific circuit values of the company, but also from the system of values, where the company is a part of them. ³⁸

2. Identify the factors determining strategic choices

2.1. Compared to previous options and performance

It is a method that uses historical experience of the company as a basis for evaluation of internal factors.

2.2. Stages in the evolutionary product-market

The requirement for success in product market segments evolve and change over time. The result can be used changing patterns associated with the different stages of product market as a framework to identify company strengths and weaknesses.

38 Value Chain Analysis, Strategic management, Quick MBA, Online MBA Programs, Thunderbird University, <http://www.quickmba.com/strategy/>

2.3. Comparison with competitors

Companies in the same industry often have different marketing skills, financial resources, location, brand image, managerial talent and equipment to facilitate the work, etc. These abilities are different internal sources strengths or weaknesses of the company depending on the chosen strategy. The manager must compare key internal capabilities with those of their competitors and thus to isolate key strengths and weaknesses.

2.4. Key factors for success - based competition

Key success factors are those resulting from market needs and could give the company a comparative advantage over competitors.

Since each strategic group is characterized by various features have to be carefully studied factors that influence their chosen business strategy. Only identification is not enough to achieve lasting success, it is necessary to assess the significance of their present and forecast future periods depending on the phase of the life cycle, in which the product.

2.5. Financial analysis - key financial indicators

One of the most important methods of assessing the strength of an organization is financial analysis. It is used by managers, creditors and investors as a starting point for making financial decisions.³⁹

Key financial indicators

a) Liquidity indicators

Current ratio (CR):

$$CR = \frac{\text{Current assets}}{\text{Current liabilities}} = \frac{CA}{CL}$$

The numerical value of this ratio indicates how many times the value assessment of current assets exceed the value of existing currently assessing the short-term financial obligations. As is greater magnitude of current assets to current liabilities, the greater the confidence that these obligations can be repaid at the expense of these assets. It can therefore be seen as a kind of indicator of solvency. On the other hand, the excess of current assets over

39 Kotler, F., Management of marketing, Volume 1 and 2, USA, 2000

current liabilities provides emergency stocks to cover losses that may incur in possibly now the Elimination of all current assets.

Quick ratio (QR):

Through it gets meaningful information on the solvency of potential customers. Calculated as follows:

$$QR = \frac{CA - I}{CL} = \frac{STR + FAR + FA}{CL}$$

I – inventories; STR – short-term receivables; FA – financial assets;

FAR - Financial autonomy ratio;

The quick liquidity ratio clearly identifies the actual liquidity of the entity and its ability to pay its liabilities.

Immediate liquidity ratio (ILR) u absolute liquidity (AL):

$$ILR = \frac{CA - (I + STR)}{CL} \quad \text{or} \quad ILR = \frac{FA + FAR}{CL}$$

$$AL = \frac{CA - (I + STR + FAR)}{CL} \quad \text{or} \quad AL = \frac{FA}{CL}$$

Applying these two indicators during the analysis may help clarify a particular moment of risk but cannot change the lessons learned and results from the previous two indicators. Moreover, as they are based on significantly more liquid current assets, their impact is much shorter.

b) Current solvency ratios

Under current solvency is understood the ability of the entity to execute its monetary obligations under commercial transactions or public-law obligations associated with its business.

Current solvency ratio (CSR):

$$\begin{aligned} & \text{Initial balance of cash} \\ & + \\ CSR & = \frac{\text{Revenue during the period}}{\text{Payments during the period}} \end{aligned}$$

The coefficient calculated in this way shows to what extent, under unfavorable conditions, cash receipts can be reduced in order to make the necessary payments.

Another option for calculating the factor is:

$$\text{CSR} = \frac{\text{Cash receipts during the period}}{\text{Payments during the period}}$$

The two indicators are convenient and easy to apply but can hardly be used as a warning signal when insolvency occurs. The aim is to apply it as necessary to take urgent financial recovery measures and to avoid bankruptcy.

The following is used to characterize the degree of financial independence of an enterprise:

$$\text{FAR} = \frac{\text{Equity}}{\text{Liabilities}}$$

c) Profitability indicators

Profitability indicators characterize the entity's ability to generate income. Therefore, these indicators are qualitative characteristics of the company's performance.

$$\text{Profitability of sales revenue} = \frac{\text{Profit}}{\text{Net sales revenue}}$$

$$\text{Profitability of own capital} = \frac{\text{Profit}}{\text{Equity}}$$

$$\text{Profitability of liabilities} = \frac{\text{Profit}}{\text{Liabilities}}$$

$$\text{Profitability of assets} = \frac{\text{Profit}}{\text{assets}}$$

Each of these indicators characterizes a particular party's business. Thus, the indicator, calculated on the basis of sales revenue, gives the most accurate idea of the company's final performance, its actual position on the market.

The indicator, calculated on the basis of equity, is considered as a key investment indicator. It characterizes the profitability of the enterprise from all types of activity in it.

The indicator, calculated on the basis of the total assets, generally serves to determine the resource efficiency as it gives an overall estimate of the return on the inputs in

the production, including both own and borrowed capital. This indicator is used very often by company managers to assess the activity of their structural units (branches).⁴⁰

IV. Strategic identification and choice

1. Revision of the mission definition alternatives

Whether a new business is being developed or a redefined orientation of a working company, the main goals, characteristics and philosophies that will determine the strategic position of the company must be developed.

The mission of the company is defined as a fundamental and unique goal that distinguishes the business from that of other companies of the same type and determines the sphere of its activities in product and market conditions. Typically, this is rather a statement of attitudes, views and orientation, according to the results of the above analyzes rather than detailed and measurable objectives.

2. Defining strategic goals

The results a company is looking for in the long run are its long-term goals. These goals usually include some or all of the following:

- ✓ Profitability;
- ✓ Return on investment;
- ✓ Competitive position;
- ✓ Technological leadership;
- ✓ Productivity;
- ✓ Relationships between employees;
- ✓ Public responsibility;
- ✓ Workforce development.

They are mentioned in a relatively abstract form and open goals, ie. they do not specify exact execution time and quantitative dimension but are defined in a qualitative description. The objectives are a definition of what is expected from the performance of certain business activities directly subordinated to the pursuit of the global goal expressed in the mission.

40 Todorov, G., Financial-accounting analysis of the company, Varna, 2005

3. Identification of strategic alternatives

The main objective of the analysis of the external environment and the company analysis is to contribute to the generation of strategic business alternatives and to provide selection criteria among them. David Aaker offers us three dimensions to identify strategic alternatives.

Firstly, there are the product markets that the company will operate and what investments are needed for the purpose. At this stage it is defined:

- ✓ The specific product to be accentuated;
- ✓ The way in which it will be positioned;
- ✓ The market segment that the firm has or can acquire a comparatively competitive advantage;

Next, the development of the company is outlined, using the matrix showing the strategic alternatives, depending on the product (new and existing) and the market (current and new).

Third, functional strategies are identified. The aim is to highlight those elements that provide a lasting competitive advantage.

The goal is to develop a strategy that uses the strengths of the firm and the weaknesses of competitors, while taking advantage of market opportunities and neutralizing the strengths of competitors and potential threats.⁴¹

4. Evaluation and selection of business strategy

4.1. Application of SWOT analysis for strategy selection

SWOT analysis provides information that helps to combine resources and capabilities with the competitive environment in which the company operates. As such, it serves as a tool in the choice and formulation of the strategy. The following figure shows how the SWOT analysis is consistent with the study of the environment.

41 Aaker, D., Strategic Market Management, USA, 1988

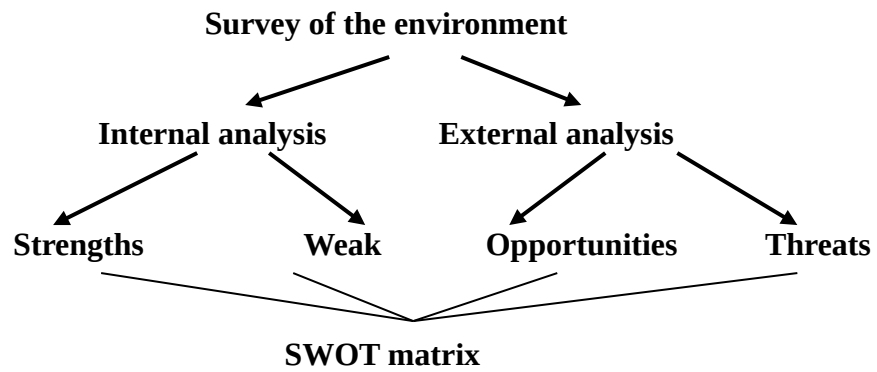


Figure. 10. Frame of SWOT analysis⁴².

Strengths

The strengths of the company are its resources and capabilities, which can be used as a basis for developing a competitive advantage. Examples of strengths include: patents, branding, good reputation, cost benefit from company know-how, exclusive access to high-quality natural resources, and priority access to distribution channels.

Weaknesses

The absence of strengths can be seen as a weakness. For example, any scar can be defined as a weak side: lack of patent protection, lack of brand awareness, bad reputation among customers, high costs, and lack of access to the best natural resources, lack of access to major distribution channels.

In some cases, weaknesses can be the opposite side of the strong. If a company has a large production capacity, it can be defined as a strong country that is absent from competitors, but it can also be seen as a weakness if large investment in production capacity prevents the firm from responding rapidly to environmental changes.

Opportunities

External environmental analysis may reveal some new opportunities for profitability and growth, such as unmet needs, new technology, regulatory oversight, and removal of barriers to international trade.

Threats

Changes in the external environment may also pose a threat to the company. Examples of such threats are: changes in consumer tastes that the company cannot satisfy, the emergence of substitute products, new regulations, increasing barriers to trade.

SWOT matrix

42 Ozark Consulting Group – SWAT analysis - <http://ozarkcg.com/growth/swot-analysis/>

By pursuing more profitable opportunities, the company may have a better chance of finding a competitive advantage by establishing a match between its strengths and upcoming capabilities. In some cases, the company can overcome the weaknesses in order to prepare for the pursuit of an irresistible opportunity. Taking into account the analysis profile, a SWOT matrix of strategy detection factors can be built.

- ✓ S-O strategy pursues opportunities that are in line with the strengths of the company;
- ✓ The W-O strategy overcomes the weaknesses to achieve an opportunity;
- ✓ The S-T strategy identifies ways in which the company can use its strengths to reduce its vulnerability to external threats;
- ✓ The W-T strategy sets out a defensive plan to prevent the weaknesses becoming highly vulnerable to external factors.⁴³

The basic idea of the matrix is that two variables are centered in the selection process:

- 1) The main purpose of the business strategy;
- 2) Choice of internal or external emphasis on growth or profit.

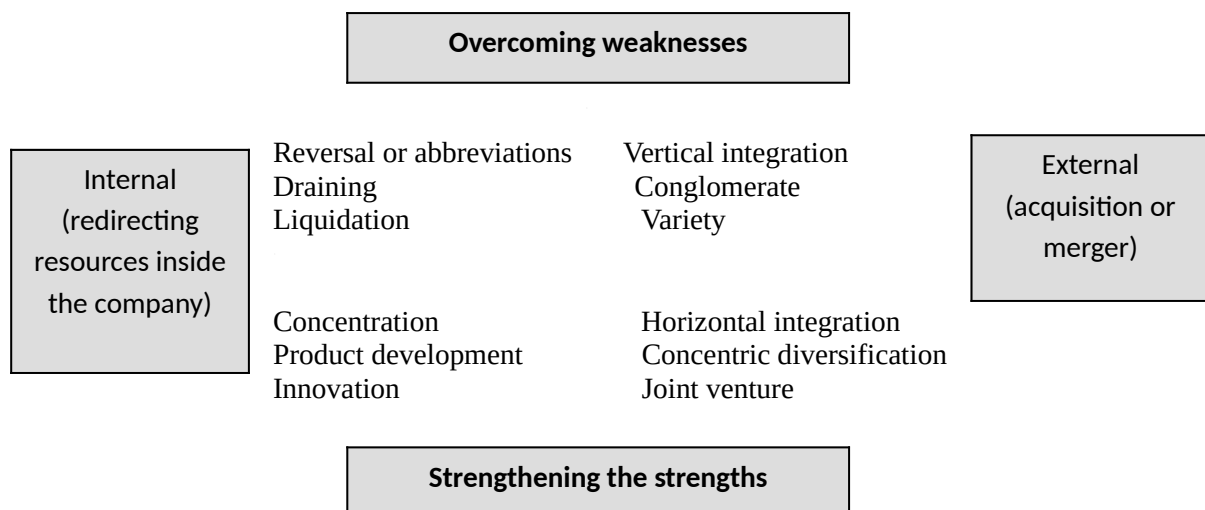


Figure. 11. Matrix for choosing a business strategy⁴⁴

43 SWOT analysis, Strategic management, Quick MBA, Online MBA Programs, Thunderbird University, <http://www.quickmba.com/strategy/>

44 Pinterest - <https://www.pinterest.com/pin/540924605224839497/>

5. Develop a tactical plan

5.1. Defining tactical goals

The tactical goals of the firm specify the strategic ones for a shorter period of time, and the average management level is responsible for them. They are usually up to one year and include areas similar to those included in the long-term goals that originate from them and determine the concrete results for the company, functional area, or unit. The difference lies in the generally possible and binding greater specificity of short-term goals and their quantitative dimension.

5.2. Defining Functional Strategies

In the overall business strategy framework, each individual business function or subdivision needs a specific and comprehensive action plan. Most strategic managers are trying to develop an operational strategy for each set of annual targets, ie. have a functional strategy for achieving the annual objectives of marketing departments, another for production purposes, etc.

Functional business strategies are detailed definitions of the funds that will be needed to meet the targets in the coming year.

6. Revision of the strategy - control and evaluation

The applied strategy needs to be reviewed to determine the extent to which the objectives are met. Strategic managers should observe the first signs of a market response to their strategies, for which it is necessary to provide monitoring and control methods, first that the plan is followed, and secondly, that the strategy is successful.

Ultimately, an enterprise is successful only when the desired strategy has achieved the desired results.⁴⁵

45 Aaker, D., Strategic Market Management, 1988

PART THREE. STRATEGY OF LINDAB GROUP

I. General business information

1. Presentation of the company

Lindab is an international concern based in Sweden that develops, manufactures and sells modern solutions for civil and industrial construction as well as environmentally friendly ventilation systems using steel sheet metal as a base material. The concern was set up in 1959, registered with corporate N556606-5446 in Sweden, headquartered in Bostad. In 1984, Lindab was listed on the Swedish Stock Exchange, and in 1002 Danish in Stockholm. In 2001, Lindab was redeemed by Ratos AB together with Skandia Liv and Sjätte AP-fonden. The parent company changed its name to Lindab International AB in May 2006 and on December 1, 2006. Lindab registers again on the Stockholm Stock Exchange. Through the development and sale of steel building materials, Lindab is gradually developing its operations in Europe, the United States and Asia. At present, the company has 136 offices and partners in 60 countries with 178 production units. In this way, it owns one of Europe's most extensive distribution network, and continues to review it periodically on its presence, scope and structure.



Figure 12. Lindab's international presence⁴⁶

The main market is non-residential construction, which accounts for 80% of the sales, and the dwellings account for 20% of the sales. In 2015, the Scandinavian market is 44%, Western Europe - 33%, CEE / CIS and other former Soviet countries - 19%, and other markets - 4% of total sales.

Lindab develops, manufactures, offers and supplies steel products and system solutions to simplify construction and improve the climate systems providing an improved indoor climate. The company's products are characterized by high quality, simplified installation, energy efficiency, environmentally friendly design and high levels of service and delivery service. All these metrics increase the value for the user.

Lindab's proposal addresses three major axes of real demand for the construction market:

- Building components - Sheet steel products and systems for water removal, roof and wall fencing, as well as structural wall profiles and structures;
- Buildings - steel buildings complete solution: basic construction, wall fencing, roof and accessories;
- Ventilation - air ducts and accessories, as well as ventilation, heating and cooling solutions for controlled indoor climate.

2. Mission, vision and values of the company

The mission of Lindab is aimed at simplifying and making more value to the largest possible number of people. In summary it has formulated: "**Lindab simplifies construction.**" In fact, the company's defined mission includes all the required components: the main product / service, the principled technology of production, supply and market.

Simplified construction is a starting point and a driving force for the company when it creates new products, improves IT solutions, optimizes distribution, and increases service delivery. In this regard, Lindab's vision is formulated as follows: "**Simplification is our passion, ultimate comfort is our vision.**"⁴⁷

In March 2015, Lindab changed his logo, defining this step as "evolution, not revolution." In line with the concept of simplifying and improving product solutions for customers, the company's own marketing department has simplified and improved corporate logo. The vision for development is in sync with Changes in Lindab's strategy and structure. At the same time, the company says they stay the same, just "improve quality and equip themselves with the necessary knowledge and skills appropriate to the time we live."

47 Business concept & vision – Lindab -

http://www.lindabgroup.com/English/Documents/News/Presentation/Lindab_GoodThinking_brochure_EN.PDF

Among the main values in the activity of the company is: "At Lindab we are driven by the desire to create continuous improvement - to all customers and partners who use our products and solutions as well as for all people who live or work in our buildings."

As specific values that form the basis of entrepreneurial culture that permeates throughout the group Lindab brand relies on the following:

1) Customer Success - the company believes that customer success is also a success for Lindab. With the simplification of construction, customer business becomes more efficient. This is achieved by following the development of decisions in the main segments in which the group operates.

2) Strongly on the ground - Lindab strives for a long-term relationship built on an uncompromising, modest and reliable approach. An important part is effective and quick decision-making, avoiding bureaucracy and cost accounting.

3) Tenderness and order - the sensitivity and order of the company have a positive impact on efficiency, the overall impression and contribute to the sense of pride in Lindab's presentation by its employees and partners.

Working in close proximity to customers is the essence of business philosophy of Lindab. That's why the company is concentrating its efforts to meet rising market demands with ever shorter delivery times. More than 80 distribution centers for Lindab products work around the world, making it possible in some cases to deliver the supplies in one day. This speed is not only about the delivery of standard products, but also about the production and delivery of special products and orders.

Another side of getting closer to the market is direct customer contact. Determining their exact needs is the result of continuous dialogue, in order to improve the products offered, increase consumer benefits and achieve greater benefits for both the company and anyone who uses its solutions.

- "Simple Construction" - this value coincides with Lindab's vision. It means that the company works to add extra value and make it easier for customers to do their job both through products and through the way employees think and act;
- "Practical and realistic" - this is a principle that applies both in the organization itself and in relations with clients and partners. It implies honesty, trust, flexibility and responsibility;
- "Purity and order" - for Lindab this means much more than ordering. This is an approach that includes responsibility, care, communication and information.

Since 1 December 2006, Lindab has strictly adhered to the principles of the Swedish Code of Good Corporate Governance. Accordingly, the management and control of the group's activities include the following main components:

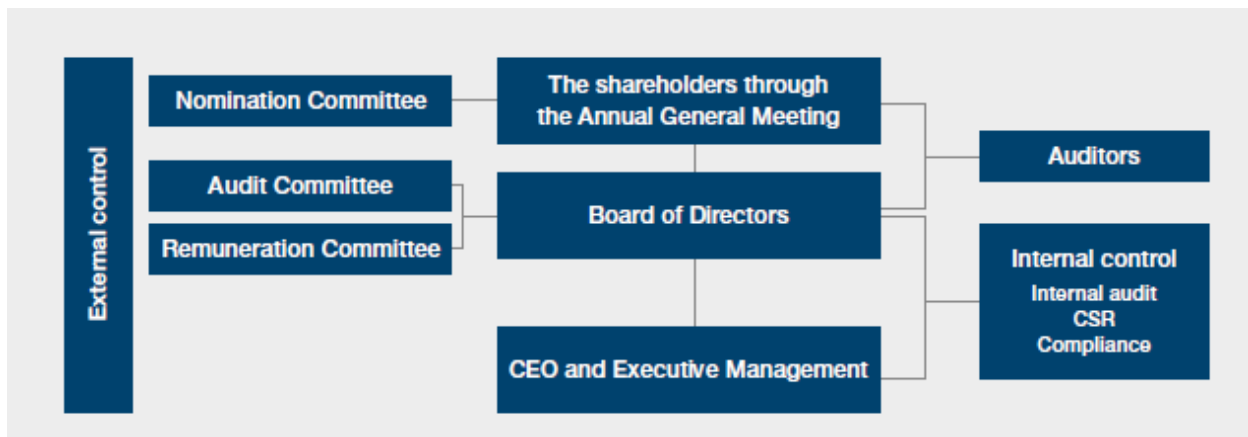


Figure 13. Components of Corporate Governance and Control in Lindab⁴⁸

II. Analysis of the external environment

1. Customer analysis

Lindab's clients are mainly distributors, installers and contractors in the construction and ventilation industry.

Through its representations in different countries and together with its local partners - over 400 construction companies in 40 countries, Lindab offers the following services:

- Conceptual design and design;
- Building permit;
- Building of foundations;
- Delivery and building of the building;
- Installations;
- Finishing works;
- Support;
- Purchase of land and financing;
- Certification.

Lindab's customers benefit from the experience of an international business group in construction and the flexibility of local experts, providing the perfect solution for each building. In this way each building is made according to the specific requirements of the individual client and not according to the company's capabilities. Lindab aims to spread its tradition of producing products and building high-quality buildings through new partnerships

with construction companies that share the group's vision of perfectionism in implementing individual projects.

Thanks to its international development and numerous partnerships, Lindab has built and maintains strong positions on the European construction market and operates in two market segments, the construction sector and the ventilation industry. The company has a long-standing strong presence in the markets of the Scandinavian Peninsula. Over the last few years, the holding has established itself in the markets of Central and Eastern Europe. After making successful investments in major markets in Eastern Europe, it continues to strengthen its position in this region.

For customers who expand their operations in Europe, Russia, the CIS, Lindab offers a personalized approach. Wherever he wants to build a customer, the group takes care of the quality and speed of execution through an expanding network of partners. This allows customers to target the right architects, engineers, builders locally. Lindab relies on its partners for excellent performance, as they rely on the excellent products of the company.

2. Competitors' analysis and competitive position

In recent years, the steel and sheet metal market for the construction industry has been growing rapidly. Main competitors of Lindab include Ruukki, Tata Steel, Armat, Marley, Plannja, Balex Metal, Budmat, Pruszynski, Fläkt Woods, Swegon, Systemair, Trox, Goldbeck and Llentab.

However, Lindab has long proven itself to be the market leader in supply to Europe, leading most of its key markets for a large part of the product segments of the two major business areas - building components and ventilation.

The company gains competitive advantages mainly due to the fact that it not only sells sheet metal products but also develops solutions that meet the needs of different customers. To do so, all of the Lindab Group's divisions work in one direction. Progress is due to the development of new intelligent management systems as well as the introduction of a new competitive distribution concept, including the creation of different cross-border R & D units, to be launched in 2017.

Among the most important competitive advantages is the fact that Lindab owns one of Europe's most extensive distribution network and continues to review it periodically on its presence, scope and structure.

In order to remain at the forefront and at the same time strengthen its long-term competitiveness, Lindab's focus is on innovation. In 2016, a project to increase innovative ideas among employees was launched. By capturing all possible ideas from the business itself and from customer dialogue, the company is able to quickly adopt those creative solutions that are able to strengthen competitiveness in the long run. In 2017, emphasis is placed on proposals for new products and solutions, mainly by focusing on energy efficiency and digitization.

3. Market analysis

Lindab works mainly in the Northern region, Western Europe and Central and Eastern Europe / CIS, positioning itself in two major market segments: the construction industry and the ventilation sector.

Approximately 80% of Lindab's sales are generated by products used for the reconstruction and renovation of non-residential properties and 20% in new construction and renovation in the residential sector.

The European construction market shows a good growth of 2.9% in 2016, where demand is positive. Differences are observed in trends in different regions and segments. In general, there are high levels of housing construction in the Scandinavian region, with the first signs of a more sustainable recovery in southern Europe. Lindab continues to focus strongly on upgrading in all segments in line with new directives and laws to improve energy efficiency in buildings.

Over the last three years, the Group has achieved strong sales growth in the Scandinavian region and Western Europe.

Table 8. Lindab net sales by region⁴⁹

Net sales by region						
SEK m	2016	Share, %	2015	Share, %	2014	Share, %
Nordic region	3,654	47	3,372	44	3,208	46
Western Europe	2,600	33	2,481	33	2,106	30
CEE/CIS	1,352	17	1,408	19	1,479	21
Other markets	243	3	328	4	210	3
Total	7,849	100	7,589	100	7,003	100

In 2016 there was a good growth in all the Nordic markets. Different products and solutions show continued strong growth throughout the year, taking into account the share of total sales and organic growth.

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http://www.lindabgroup.com/English/ir/reports/Documents/annual_report_2016.pdf

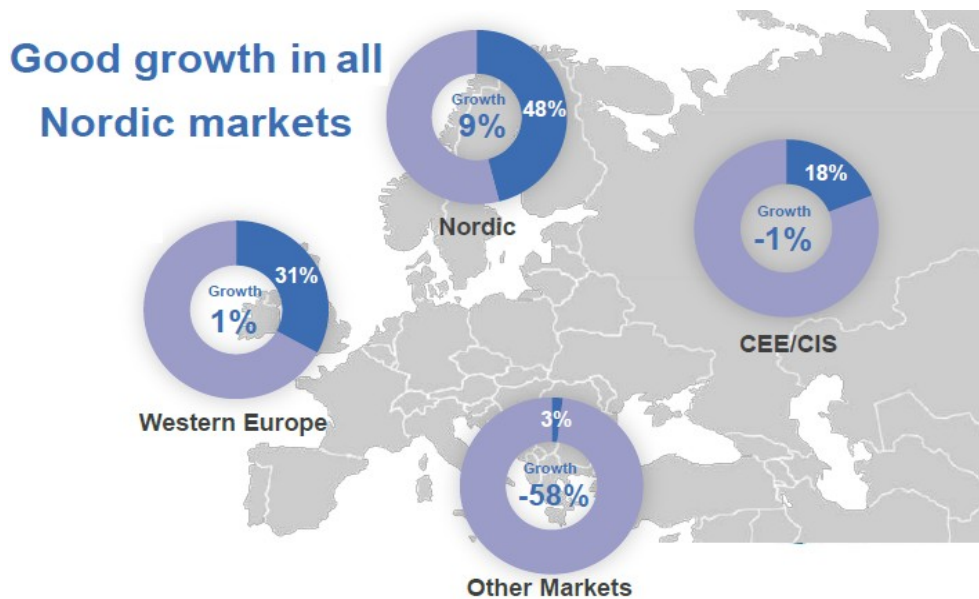


Figure 14. Growth of individual markets, %⁵⁰

1) Northern region - 47% share of Lindab market.

The Scandinavian market is the largest in terms of sales, production and number of employees. Lindab has an exceptional market position within a large part of its product groups, especially in ventilation and indoor climate solutions. The strength of the brand is mostly related to the highest-quality quality.

In Sweden and Norway, ventilation and construction products are sold in all 39 branches. Some of the products are also available from a large number of retailers and contractors. Lindab also makes direct deliveries to construction sites where regional production units are located. In autumn 2017, the new distribution concept will be launched in the Scandinavian region, where products will be shipped and distributed from the center in Greve, Sweden.

Lindab's sales continue to grow very well in 2016. High levels of construction activity in Sweden contribute to a record high demand for the company's products and solutions. High growth is also seen in Denmark and Norway, while sales remain unchanged in Finland, despite the increase reported in the last quarter.



2) Western Europe - 33% share of the Lindab market.

Through acquisitions and organic growth, Lindab has achieved a significant advantage in Western Europe, especially in the ventilation segment. The largest markets are Britain, Germany and France. Retailers and developers have a small share in sales, but they are growing. Construction systems and complete



steel structures are sold throughout the region, with the largest importance on the German market.

Offered ventilation products are tailored to the specific needs of each individual market. In 2016, the extensive offering of innovative products within Fire & Smoke and Air Movement began, which had a positive effect on sales. However, growth varies from country to country. The strongest growth was registered in Ireland and Italy, while growth in large markets such as Germany and France was limited.

3) CEE / CIS - 17% share of the Lindab market.

In Central and Eastern Europe, Lindab has long been a strong player in construction products. Through organic growth and previous acquisitions, the company has achieved significant sales of ventilation products everywhere in the region, with Poland and the Czech Republic being the largest markets. With the acquisition of the Slovenian company IMP Klima in 2015, the Air Movement positions in Central and Eastern European markets, especially in the Balkans and the Middle East, are strengthening.

In Russia and other CIS countries, the company has won a niche in terms of building systems and steel structures. Construction products are sold mainly through independent distributors, while ventilation products are supplied in their own branches or delivered directly to construction sites. Building systems are offered by building a network of contractors.

The continued weak growth in Russia and the CIS, partly due to increased barriers to trade, has a negative impact on sales in the region in 2016. There are also some positive trends, for example in ventilation products in Central and Eastern Europe where organic growth continues for the sixth another year.



3) CEE / CIS - 17% share of the Lindab market.

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4) Other Markets - 3% share of Lindab's market.

The Group's core market is Europe. However, the company sells its products and solutions to other regions, often in connection with a particular project or business of a customer. This share of sales in other markets, however, shows large differences each year. In August 2015, Lindab sold his venture business in the US, accounting for a large share of sales in other markets. At the same time, increased sales in the Middle East, Asia and Africa to some extent offset this.

In Asia, Lindab has been growing well in recent years, but sales levels are still low. The supply of the company's products is mainly done through agents and mainly includes Spiro machines, which are used mainly for the production of ventilation products. Japan stands out as a strong market in 2016 with a large number of machines sold, for example, the largest manufacturer of Fukugawa ventilation, with 30 branches across the country. Despite strong competition, the Spiro machines are considered to be best suited to the need for higher quality and efficiency in production at Fukugawa's branches.

In Africa in 2016, Lindab received his largest order in the field of building construction. The order is worth EUR 10.3 million and is intended for the construction of 20 Astron to produce sugar with a total area of 30 000 square meters south of Algeria. The client, Algerian group Mazouz, there are three critical requirements to supplier: a short time from order to delivery, ability to deal with complex design and proven experience in managing international projects. Lindab Building Systems and are able to meet the requirements for this project, and many others on the African continent. At the end of the year there Astron buildings in 18 African countries, from South Africa to Algeria.

Lindab sales increase and the Middle East. Salam Terminal is a new passenger terminal at the international airport of Imam Khomeini, which is the largest in Iran. To optimize the quality of the air in the new terminal, Lindab is selected provider 26 AHUs with high ventilation technology to control the humidity and temperature as well as the total capacity of the air flow of 1.4 million m³ / h. Lindab's high quality products combined with excellent cooperation, technical assistance and documentation are crucial for the completion of this difficult project in the shortest possible time.⁵¹

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4. Analysis of the environment

Dynamic, globalized environment of the world economy turns increasingly pressure on the ability of businesses to remain competitive. Understanding of global trends is crucial in determining how companies can strengthen their market position. Rapid population growth and urbanization, the demand for more energy-efficient technologies and materials for intelligent buildings, compiled the list of challenges and opportunities of which we are surrounded. In this context, the main global trends that shape the future of modern construction is limited to:

4.1. Economic factors and forecasts

Global economic processes and models generally are as follows:

- uneven recovery in developed economies;
- depressed construction industry in many countries;
- large-scale investment in infrastructure in developing countries, which are the engine of global demand;
- access to finance for SMEs is still difficult in many countries, especially developing;
- emerging markets can quickly change under the influence of turbulence in the middle or under pressure from the developed countries.

Specifically in the markets in which it operates Lindab trends are:

1) Continuing rapid rise in steel prices. Steel prices are increasing rapidly for a year and this growth is expected to continue in 2017. The company focuses on management of prices in both major segments in which it operates in order to cope with the substantial increase in costs. The application of different business models in different segments leads to additional challenges and trends. Most clearly the negative impact observed on building systems.

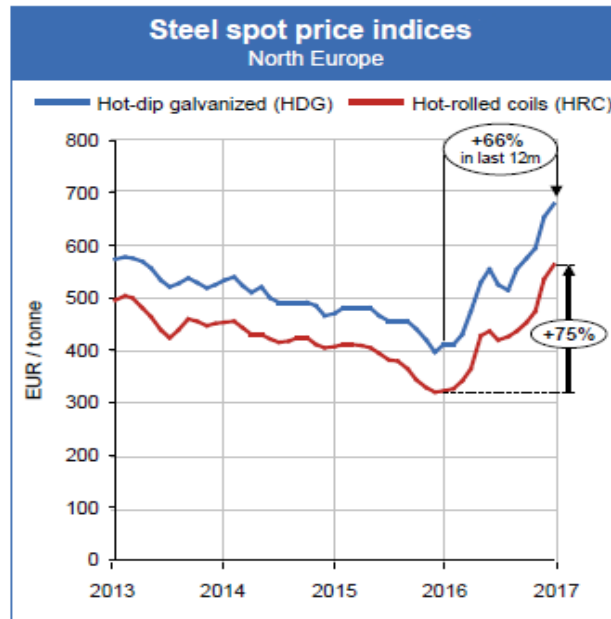


Figure 15. Indices of steel prices⁵²

2) The construction market in different parts of Europe is developing unevenly. In Western Europe, housing covers 50% of the market, while in Eastern Europe there is a preponderance of civil engineering and industrial construction. Furthermore, in Western Europe estimated budget per person for building three or four times higher than the costs incurred in Eastern Europe. This gives grounds to predict that in the next few years in the eastern states will be monitored more pronounced growth in the market.

3) Prospects for market development. In 2016, the construction market grew by 2.9%. The growth is mainly due to housing, while the segment of non-residential buildings Lindab grew by only 1.3% in Europe. Markets such as Ireland and Sweden have a positive growth in 2016, however, Euroconstruct predicts a market slowdown in 2017. Growth in strong northern region is expected to be more modest in the year and in the UK is predicted to fall. However, Lindab strives to continue to improve the supply to their customers and thus increases the target market share.

4.2. Environmental and technological conditions

The environmentally friendly development and the achievement of energy efficiency are important challenges facing the sector. In this context, highlight the following trends:

1) Intelligent buildings - the cheaper technology, our buildings become more intelligent. While most of the attention at present is focused on home automation and

52 Trading economy - <https://tradingeconomics.com/commodity/steel>

ergonomic monitoring largest economic potential lies in business applications, delivering value throughout the life cycle of use of buildings.

3) Environment, legislation and energy efficiency - initiatives such as the Kyoto agreement represent a vision for healthy and sustainable lifestyle. Building laws to achieve this vision now been introduced in most European countries and large countries around the world. This is a great opportunity for companies to target further away from "green", which is already mandatory for all companies today.

4) Development of new materials and processes - preform elements and modularisation contribute to a more efficient process in construction, with less time to work on the site. The growing need for intelligent buildings and cities is a prerequisite for innovation. Also software solutions such as BIM (Building Information Modeling), is quickly becoming an important part of the planning and execution of construction projects.

4.3. Social conditions

The construction sector will also need to adapt to new trends in lifestyle: a growing population, an aging population, high levels of migration, etc. Furthermore, the development of construction will depend on external factors, such as politics of urban planning, mobility, urbanization and more.

According to the audit report of the United Nations: Perspectives of urbanization by 2014, people living in urban areas will increase from 54% today to 66% by 2050. By 2045 the urban population in the world is expected to exceed 6 billion. This will no doubt create a dramatic increase in demand for housing, energy and infrastructure, will lead to a more acute need for solutions for cleaner air and sustainable urban development.

III. Analysis of the internal environment

1. Marketing

1.1. Value chain

Lindab, as mentioned, has three business areas:

1) Building components

Business area provides construction components of the construction industry a wide range of components and systems of steel. It provides independent decisions on roofs, drainage, secondary structures, panelling and others. The main customers are construction companies, installers and end users. Depending on the structure of the market, products are disposed of in its own sales network, through distributors or in the professional segment of partners - developers.

This business area of practice includes everything from entire buildings "turnkey" to the smallest components of the building. Lindab offers unlimited range of economical, functional, simple and environmentally friendly construction solutions for residential and commercial buildings. Completely customers depend on to what extent they want to extend the participation of Lindab in the realization of a project.

Building systems of the company make it possible to design and construction of supermarkets, car dealerships, sports halls and warehouses quickly and cost effectively - without compromising on quality and appearance. Special or standard building systems Lindab represent an attractive option for companies who appreciate quality and municipalities must comply with fixed deadlines and budgets.

Offered by Lindab building components range from ingenious systems for roofs, walls and structures to the specially designed accessories such as rivets, fasteners and tools. Regardless of what the client needs - structure for changing the slope of the roof or brace for roof drainage system - Lindab will make the decision.

2) Metal buildings

Business area metal buildings offers design and delivery of metal buildings and simplified IT solutions for designers and builders. The advantage of Lindab is offered complex building system plus a feasibility study and design. The key is the effectiveness of proposed single-storey industrial buildings. The company focuses on the design and supply of industrial buildings for various applications: warehouses, factories, farm buildings, offices, car repair shops, car dealers, car washes and more. Metal building includes steel structure, secondary structure, roofing, wall cladding and roof drainage system. More than 400 construction companies and key corporate clients throughout Europe, Russia and former Soviet republics, as well as large investors in key international projects benefit from the advantages of metal buildings Lindab.

3) Ventilation

Business area offers ventilation system solutions for ventilation and indoor climate. Products and systems are aimed at mounting and construction companies in the ventilation industry. The product range includes both itself round ventilation system and accessories, and machinery for the production of the system. In addition, it offers software for design, calculation and planning of complex ventilation and indoor climate.

Lindab's business is conducted in three business areas to the reorganization of October 1, 2013 previous structure of the business areas and ventilation components for construction was replaced by geographic sales organization to benefit from the strong presence of Lindab and is supported by product and system areas plus central production and purchasing functions. In 2013, the segments are reported under the previous structure.

From January 1, 2014 further prepare reports under the new structure for reporting, which means that the group now consists of two segments: Products and solutions; and

building systems. Products and solutions consists of the former business areas ventilation and building components and building systems continue as its own segment, as before. This is reflected in the figures presented for the segments. Other segment, as before, covers the functions of the parent company.

In January 2010 the profile of the former business area is divided into two: Building components and building systems. Net sales, operating profit (EBIT) and operating margin in % business areas, depending on the segmentation into three main segments are presented in the following table:

Table 9. Sales, operating profit and operating margin by segment⁵³

SEK m	Net sales					Operating profit					Operating margin, %				
	2016	2015	2014	2013	2012	2016	2015	2014	2013	2012	2016	2015	2014	2013	2012
Products & Solutions	6,949	6,727	6,084	5,496	5,643	565	504	471	360	398	8.1	7.5	7.7	6.6	7.1
Building Systems	900	862	919	1,027	1,013	-12	16	52	159	100	-1.3	1.9	5.7	15.5	9.9
Other operations	-	-	-	-	-	-42	-57	-26	-21	-38	ET	ET	ET	ET	ET
Total, excluding one-off items	7,849	7,589	7,003	6,523	6,656	511	463	497	498	460	6.5	6.1	7.1	7.6	6.9
One-off items	-	-	-	-	-	-28	6	-30	-46	-126	ET	ET	ET	ET	ET
Total, including one-off items	7,849	7,589	7,003	6,523	6,656	483	469	467	452	334	6.2	6.2	6.7	6.9	5.0

Knowledge, partnerships and experts Lindab may be useful to customers at every stage of the implementation of a construction project:

- ✓ Investment planning and analysis of the market - experts Lindab go at the client to provide a solution and to discuss the project. Expert's representations of the company speak these languages: English, French, German, Dutch, Italian, Swedish, Spanish, Portuguese, Polish, Czech, Slovak, Hungarian, Serbian / Croatian, Romanian, Ukrainian, Russian, Azeri, Turkish, Arabic. Furthermore, there is an opportunity to connect with partners of the company offering various investment services, especially in Eastern Europe, Russia and CIS.
- ✓ Terrain survey and administrative procedures - through local partners in different countries Lindab is able to direct customers to the right areas and the right consultants to assist in the procedures required by the local administration to start the implementation of a project.

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- ✓ Commercial offer - according to customer requirements, Lindab prepare a proposal with detailed technical details, fixed price and delivery time. The latter two components are what distinguishes the company from competitors. Possible solutions included financing or leasing.

- ✓ Design - the investment of customer care at Lindab, so the company focuses on the optimization of the design of each project. Lindab Building is a system that allows optimally utilize the inner area of the building, eliminating the need for internal columns in the hole to 100 meters. Consulting centers of the company in Europe and Russia prepare projects in line with the European and national legislation. Breaking and attractive architecture of the buildings Lindab is achieved with a choice between several wall and roof systems in a wide range of colors and the necessary accessories to complete integrated system for construction.

- ✓ Supply of components - for the past 40 years Lindab delivers components for the construction of more than 50,000 buildings, which has established itself as a leading European manufacturer of systems for the construction of steel buildings. Plants in Luxembourg, Czech Republic and Russia make the company's products available with short delivery times, contributing to a lower price and duty-free to the EU, Russia and the CIS. Lindab factories are certified to ISO 9001: 2008.

- ✓ Project management - all building projects is appointed project manager to oversee the implementation of the terms of the supply and construction of the building.

- ✓ Construction - for each project has details that require further attention, as they are private cases. For this purpose Lindab develops specific solution together with the contractor of the works. Moreover, if necessary, conducts training on the handling of the products Lindab employees and workers of the contractor company.

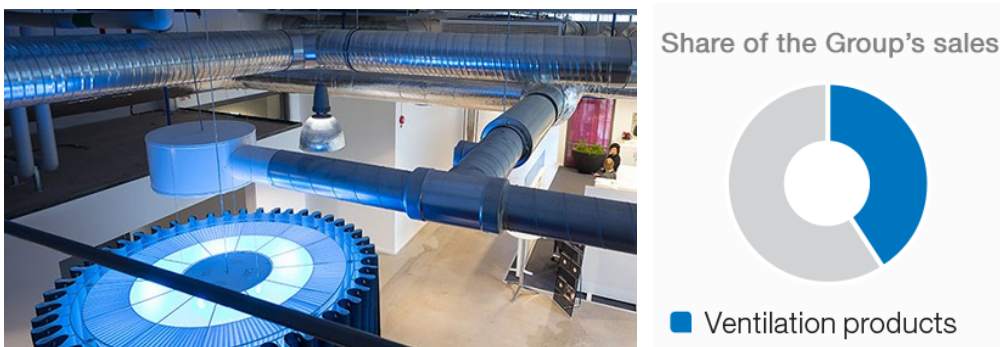
- ✓ Maintenance and extended warranty - with each building customer receives recommendations support future expansions or changes in the distribution. At the request of the customer is able to provide extended warranty and kits for repair and maintenance.

1.2. Product mix

The broad product portfolio Lindab simple intelligent solutions combined with service, maintenance and availability, create an offer that simplifies the construction of hermetically energy efficient buildings.

1) Air Products

Within Lindab ventilation products offers solutions and systems that are efficient, easy to install and well documented. The wide range includes round and rectangular systems, as well as a large selection of accessories.



Source: Lindab Group - www.lindabgroup.com

The main products in this series are:

- ✓ Lindab Safe (original);
- ✓ Lindab Inside Housing ventilation incl. InDomo systems and InCapsa;
- ✓ Suspension systems;
- ✓ Intelligent tools - help customers in their daily work.

2) Construction products

Covering everything from systems for roofs, walls and floors to specially designed components such as gutters, rivets and screws. For whatever is necessary - roof or hook system for roof drainage - there is always a solution.

The main products in this series are:



Share of the Group's sales



■ Building products

Source: Lindab Group - www.lindabgroup.com

- Rainline (drainage of the roof);
- Coating (cladding of the roof and the wall) less than 45 mm
- Seamline (standing seam roofing);
- Products Safety cover;
- Tools and other equipment.

3) Internal climate solutions

The product range includes three zones - diffusers, waterproof air conditioning systems and acoustics designed to create a comfortable, healthy and productive indoor environment. Decisions are one of the simplest and energy that the market offers.



Share of the Group's sales



■ Indoor climate solutions

Source: Lindab Group - www.lindabgroup.com

The main products in this series are:

- Lindab Pascal;
- Lindab Solus;
- VAV and other control equipment;
- Chilled beams;
- mufflers;

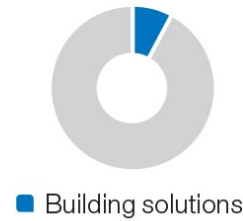
- Software for project planning;
- Marine solutions.

4) Construction solutions

A wide range of economic, functional, simple and environmentally friendly construction solutions for residential and commercial projects. Supplied as standard or customized solutions as required.



Share of the Group's sales



Source: Lindab Group - www.lindabgroup.com

The main products in this series are:

- System Line (Hall);
- Construline (light steel building products for walls, roofs and beams);
- Lining (lining of the roof and wall) 45 mm or more;
- Sandwich panels;
- Doorline (garage and industrial doors);
- Software as Lindab Roofer.

5) Complete steelwork

Complete construction of steel structures and software that simplify the work of designers and contractors. The leading offer is effective concept for the construction of large buildings for industry and storage.



Share of the Group's sales



Source: Lindab Group - www.lindabgroup.com

The main products in this series are:

- Industrial buildings;
- Commercial buildings;
- Recreational facilities;
- The concept of EcoBuild small buildings;
- Calculation and optimization of energy;
- Software.

Lindab Building Systems are environmentally friendly and 100% recyclable (steel is 100% recyclable product). The software with which the company can evaluate the physics building needs light and heat, which helps optimize energy costs.

Lindab products comply with relating to sun technology. With such technology extends the life of the roof fencing and walls, as well as reducing power consumption.

Lindab will continue to work actively to reduce the impact on the environment caused by the activities and products of the group.

2. Financial Highlights

Lindab's net sales for 2016 show an increase of SEK 7,849 million (7,589), of which organic growth stands at 4%. Operational earnings increased to SEK 511 million (463), excluding one-off SEK-28 million (6). The operating margin, excluding one-off items, increased to 6.5% (6.1).

The tables below illustrate the net sales of Lindab, the profits and various key performance figures of the company for the past 5 years:

Table 10. Key performance indicators⁵⁴

Key figures	Key figures				
	Year 2016	Year 2015	Year 2014	Year 2013	Year 2012
EBITDA margin, %	8.4	8.4	8.9	9.3	7.4
Operating margin, %	6.2	6.2	6.7	6.9	5.0
Operating margin, excluding one-off items, %	6.5	6.1	7.1	7.6	6.9
Profit margin, %	5.7	5.7	5.5	5.0	2.7
Return on capital employed, %	8.8	8.6	8.9	9.1	6.8
Return on shareholders' equity, %	8.4	8.8	9.0	8.5	4.6
Equity/assets ratio, %	51.3	49.1	48.0	45.5	40.5
Net debt/equity ratio, times	0.4	0.5	0.5	0.5	0.8
Interest coverage ratio, times	11.4	8.6	5.4	3.5	2.1
Net debt/EBITDA, excluding one-off items	2.5	3.1	2.9	3.1	2.1

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Table 11. Sales⁵⁵

Net sales and profit	Sales				
	Year 2016	Year 2015	Year 2014	Year 2013	Year 2012
Net sales	7,849	7,589	7,003	6,523	6,656
Growth, %	3	8	7	-2	-3
Sales abroad, %	74	76	75	76	76
Operating profit before depreciation/amortisation – EBITDA	657	637	625	609	490
Depreciation/amortisation	174	168	158	157	156
Operating profit	483	469	467	452	334
One-off items ¹	-28	6	-30	-46	-126
Operating profit, excluding one-off items	511	463	497	498	460
Earnings before tax	445	431	386	329	178
Profit for the year	306	305	283	233	122
Comprehensive income	433	228	366	283	36

Table 12. Cash Flow⁵⁶

Cash flow	Cash flow				
	Year 2016	Year 2015	Year 2014	Year 2013	Year 2012
Cash flow from operating activities	499	460	278	620	222
Cash flow from investing activities	-92	-288	-292	-111	-441
Cash flow from financing activities	-290	-177	-24	-482	291
Cash flow for the year	117	-5	-38	27	72
Operating cash flow	544	442	58	546	319

Table 13. Capital Table 14. Data on shares⁵⁷

Capital	Capital				
	Year 2016	Year 2015	Year 2014	Year 2013	Year 2012
Total assets	7,503	7,149	6,961	6,517	6,623
Capital employed	5,720	5,506	5,438	4,952	5,134
Net debt	1,396	1,657	1,746	1,612	2,106
Shareholders' equity	3,849	3,511	3,344	2,967	2,683

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Table 14. Data on shares⁵⁸

Data per share, SEK	Data per share				
	Year 2016	Year 2015	Year 2014	Year 2013	Year 2012
Average number of shares, thousands	76,332	76,332	76,332	76,332	75,998
Number of shares outstanding, thousands	76,332	76,332	76,332	76,332	76,332
Earnings per share, SEK	4.02	3.99	3.71	3.05	1.61
Shareholders' equity per share, SEK	50.41	45.98	43.31	38.87	35.15
Cash flow from operating activities per share, SEK	6.54	6.03	3.64	8.12	2.92
Dividend per share	1.40	1.25	1.10	-	-
P/E ratio	18.2	15.8	17.7	20.8	26.7
Quoted price at year-end, LIAB	73.05	62.90	65.60	63.40	43.00
Market capitalisation at year-end	5,576	4,801	5,007	4,839	3,384

Of the interim report for the second quarter of 2017, published on July 20, 2017 it is clear that net sales increased by 5% to 2118 million. SEK (2,016), of which organic growth amounted to 2%. Operating profit adjusted by 9% to 151 million. SEK (139). The adjusted operating margin is increased to 7.1% (6.9). Profit for the period increased by 23% to 106 million. SEK (86). EPS is increased to 1,39 SEK (1,13). Cash flow from operating activities amounted to 162 million. SEK (187). The ratio of net debt / equity amounted to 0.4 (0.5) at the end of the period.

The share capital amounts to SEK 78,707,820, divided between 78,707,820 shares of Class A, including those bought back by the company. At the end of 2016 Lindab holds 2,375,838 treasury shares (2,375,838). All shares have a nominal value of SEK 1,00 and hence an equal share in the assets and profits of the Company. Each share entitles the holder to one vote at the annual general meeting of Lindab.

Lindab's market capitalization at flotation on 1 December 2016 was 8.658 million SEK. The market capitalization at June 30, 2017 amounted to 4.839 million SEK.

According to the Statute of Lindab the issued share capital must not fall below 60 million SEK nor exceed 240 million SEK, and the number of shares should not fall below 60 million, or more than 240 million.

The number of shareholders on June 30, 2017 was 6 891. Lindab International AB holds 2,375,838 own shares (which are not included in the total number of shares outstanding: 76,331,982).

Established by board policy on dividends indicates that a dividend of 30% of the net profit can be paid, taking into account long-term financial needs of Lindab.

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3. Staff

The board consists of a chairman and members, namely: Peter Nilsson Bent Johannesson, Sonat Burman-Olsson, Hans Porat, Marianne Brismar, Per Bertland, Viveka Ekberg, Anders Lundberg, Pontus Andersson.

Lindab Executive management consists of:

- President and CEO - Anders Berg;
- Chief legal adviser, director of public relations and human resources - Fredrik Liedholm;
- CFO - Kristian Ackeby;
- Product and Market Officer - Bengt Andersson.

Lindab is working in a matrix organizational structure with four geographical areas of sales, five product divisions and one division. This organization allows the company to get closer to customers and better use of synergies and expertise within the Group.

Operational management is implemented by a team of 10 people, including four members of the executive management, and focuses on the continuous strengthening of the Group's business.

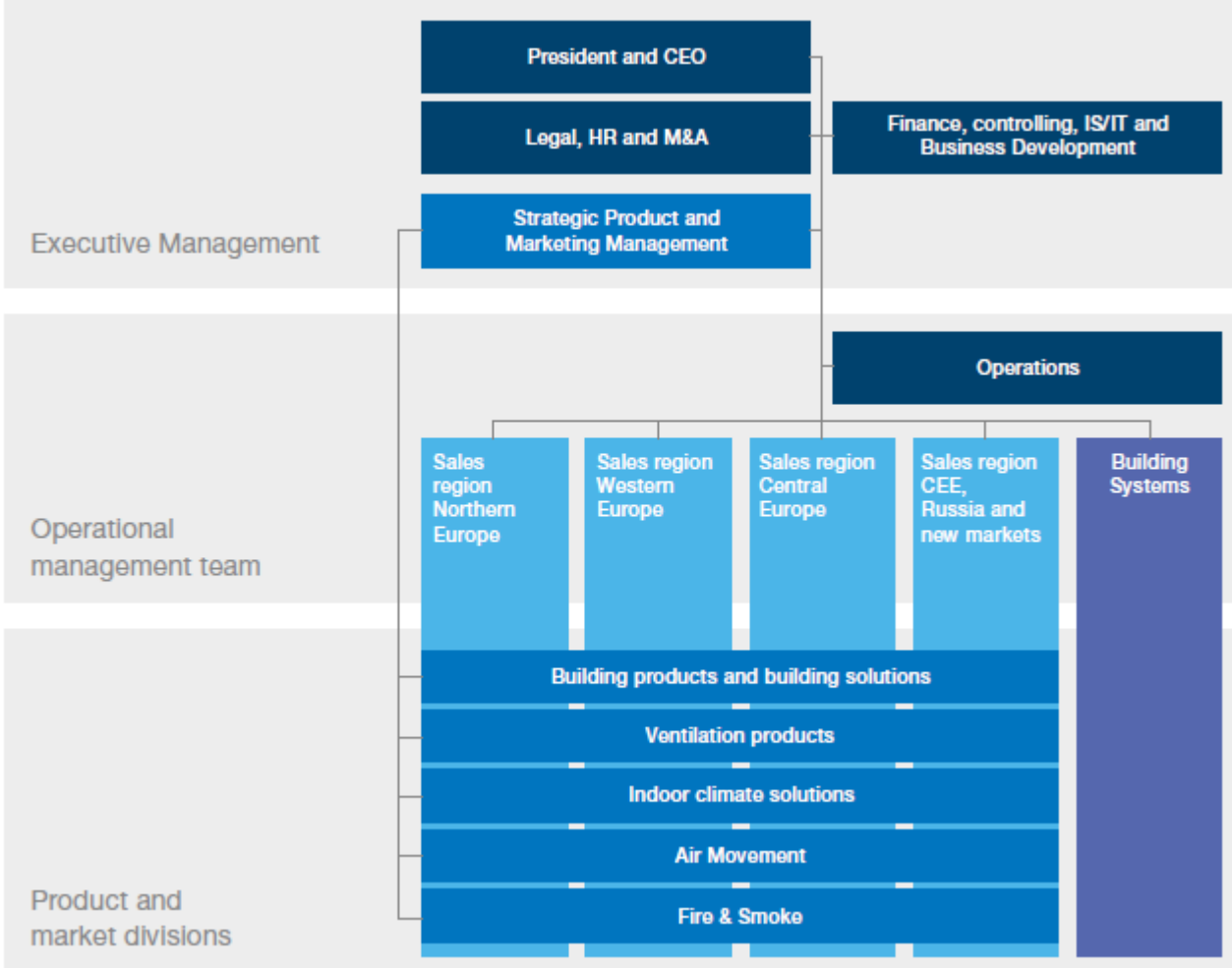


Figure 16. The organization and management structure of the Lindab Group⁵⁹

The company has over 5100 employees in 32 countries. In 2016 the number of employees continues to grow. The northern region is the strongest market for Lindab, and Sweden is the country with the most employees, representing about 22% of the total workforce of the Group. In the Nordic region generally work 36% of the employees in Western Europe - 22%, while in CEE / CIS - 42%.

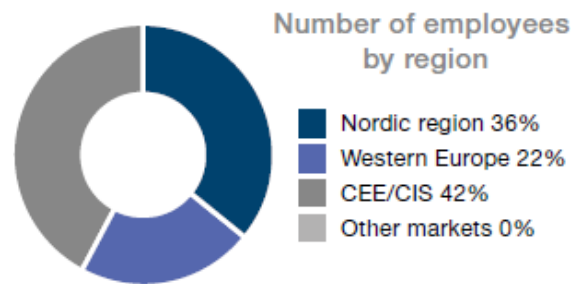


Figure 17. Distribution of employees of Lindab by region⁶⁰

The positive development of the company in recent years wouldn't have been possible without dedicated and skilled employees. Therefore Lindab invests in skills development and implementation of a strong corporate culture. Priority areas are health, welfare and ethical treatment of employees.

In addition to efforts to maintain a successful corporate culture based on strong values and focuses on key initiatives to simplify and facilitate the development of local employees. Lindab increased its focus on developing skills and strengthening their employer brand to become one of the most attractive employers in the industry.

Employees who feel good are a prerequisite for success. Therefore Lindab strives to minimize injuries and illnesses jobs in the company. Swedish standards are observed wherever the company operates. Health care is an important part of business. In Sweden there are constantly busy health officer who gives individual advice and initiate collective actions aimed at increasing welfare. These measures lead not only to healthier individuals, but also to reputation - necessary when hiring new employees.

In 2016 Lindab started a comprehensive program to strengthen and strategic development of the Group, while continuing to develop the skills needed to sell more systems, solutions and services. In general, the program consists of several steps. First found what roles are needed and what skills are related to those roles, then analyzed existing skills within the Group to identify employees who could take on these roles. For this purpose developed learning platform through the implementation of various courses. Employees can elect

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training course from platform to develop their skills. The program is built in the Nordic region, where it already has accumulated enough experience in selling solutions and systems. Thereafter, it will be evaluated and introduced into other markets where the company operates.

Continue efforts to increase diversity and create a more unified organization. This includes initiatives to hire more employees from other cultures, and increase the proportion of women in positions and roles. The competition for talent in the labor market increases and to ensure that the skills needed in the industry in the long term, it is essential that more women pursue different technical degrees and professions. In addition to the implementation of equal opportunities policy, Lindab highlights success by sharing stories that illustrate the diversity of employees in various specialized functions and leadership positions to show the career opportunities offered by the company.

IV. Development strategy Lindab

1. Highlight the strategic advantages

Lindab's vision to simplify the construction forms the basis of the strategic course and methods for achieving objectives. Innovation and products with easy installation, the strong focus on profitability and local market presence increased benefits for customers and growth opportunities for holding. These are main strategic advantages of the Group in the following areas:

1) The user value. The basis for the success of Lindab are the company's products, their development and distribution in various markets. Therefore, the Group focuses its efforts on key products: folding roofs, gutters and downpipes, lightweight steel structures and air conditioning systems. Increasing the level of innovation in the development of products that adds value to the user should result in strengthening the company's position in the market. Analyzing and tracking the evolution of new products and product systems requiring large investments could further help the company to achieve high profitability.

2) Profitability. Knowledge of individual markets and products forms the basis of the precise strategy of the Groupe. Prices reflect the benefits to the consumer, offered by Lindab products and lead to profitability. Reducing the cost of production could be achieved by creating synergies between business areas, upgrading of product structure and expand distribution channels and partner relationships.

3) Cash flows. Historical Lindab is financially stable dig with large cash flows that it provides an opportunity for business development through the acquisition of companies and opening new branches. Stable cash flows are strong basis for investment and therefore continue to be a priority area for the company.

4) Market. One of the strong sides of Lindab is that positioned its affiliates closer to users in the right markets. Therefore, this priority is the development of local markets, as well as adaptation and development of distribution. The company focuses on product positioning in the markets of Central and Eastern Europe continues its policy of maintaining existing markets and analyze options for entering new.

5) Growth. For the development of Lindab it is extremely important to continue its system growth. The company should not stop expanding, developing potential affiliates to create synergistic effects and lead to an increase in market share, positioning in new markets, and consolidation of products on the market or access to new products. The wide range of products and largest market allow Lindab take advantage of the synergies that are created in the business areas. Coordination is a priority of paramount importance.

6) Leadership. Strong and insightful corporate culture was established based on the longstanding traditions of the company and the fundamental values that govern business. Adopted in 2007 Code management is implemented in all divisions of the Group. The Code is based on the values of Lindab, the reliability of the company's integrity in business relations and in accordance with legal and social norms. Describes the principles of behavior of every employee in the company in terms of relationships between employees, shareholders, business contacts and all interested groups. Managers should continue to focus on corporate culture, building upon the organization of employees and businesses.

7) Brand. The main brand of the Group is "Lindab" Brand. It is one of the main assets of the company and all employees should treat her with respect and consideration. The brand is created and protected by integrity and clarity in the relationship as well as relationships with customers and partners all the time.

8) Environmentally sound development. Development of environmentally wins the general public, nature and the population around us. But it also contributes benefits of Lindab as a company, its employees and their families. The group creates a recyclable product that reduces energy consumption and have the least possible negative impact on the environment. The company aims all plans and actions implemented to comply with the policy to reduce harmful emissions.

2. Defining strategic objectives

The financial goals of Lindab revised on October 28, 2014 and applies from the beginning of 2015. Generally they boil down to the following:

- Annual growth rate - 5-8%, a combination of organic and acquired growth. The expectations are that the European construction sector as a whole will grow by 2-3%

annually until 2020. As is focused on expanding its offering in the fast-growing areas such as ventilation and indoor climate, as well as through the implementation of complementary acquisitions will strengthen Lindab their positions and will ensure higher growth in the market as a whole.

- Annual operating margin - 10%. By offering more services and value-added solutions to its customers, Lindab will be able to improve their prices. This, combined with continuing improvements in production, procurement and logistics, enhance competitiveness and profitability, thus making it possible to achieve the objective average operating profit to grow 10% annually to 2020
- Net debt to operating profit, excluding one-off items - does not exceed 2.5%. In recent years Lindab gradually improved its financial situation. This allows us to streamline production and facilities, and to strengthen cash flow, which in turn reduces debt. To avoid high levels of debt in the future, Lindab has formulated specific target for debt to profit, adjusted for one-off items should not exceed 2.5% in the long run.
- Dividend policy - 30% annual profits. The Board of Directors of Lindab aims to distribute 30% of net profit of the company each year, taking into account the capital structure, needs and requirements for obtaining long-term financing. This dividend policy was introduced in 2014 and aims to balance long-term shareholders and the financial flexibility of the company. This will ensure that Lindab can continue to invest in new ventures with which to execute its strategy

Non-financial objectives of Lindab is predetermined by aspiration work on sustainability a priority and an integral part of the strategy and everything the company does. Through a strong focus on greater energy efficiency in the company's activities and products, and develop solutions for optimal indoor climate, Lindab increased its ambitions in this area in recent years. Compliance with non-financial goals is part of the job. They are limited generally to the following:

- Lindab aims at being one of the most attractive employers in the industry - the company's strategy includes long-term expansion to generate more value for more stakeholders. Maintaining and developing the key skills in the company and the recruitment of new key talent is therefore a priority for Lindab. The company also has a strong commitment to diversity.
- Carbon dioxide emissions, measured as a percentage of sales should be reduced by 20% by 2020 - Lindab constantly strive to improve production and logistics to increase efficiency and reduce costs. An important part of this work is to increase energy efficiency and maximum use of renewable energy. As a leader in simplified

construction and energy efficient solutions, the company feels responsible to show that its own operations meet these requirements.

- Health and safety: the number of injuries per million hours worked should be reduced by 20% each year - a total of 37 production facilities in 21 countries and a comprehensive and complex logistics network of own and hired transportation services, Lindab has a strong commitment to safety. From 2012 onwards the company aims at a zero rate of accidents and continuously carries out new initiatives to raise awareness of employees about the importance of compliance with procedures and minimizing risks.

3. Strategy practice

The practical implementation of the strategy requires comprehensive and committed leadership. The management of Lindab is created based on broad knowledge and understanding of the four basic elements: People, Numbers, Business and Future.

- People with the right skills and understanding are the essence for growth.
- The numbers are a major landmark in the search for new goals. Analyzing and understanding of numbers helps to correct the mistakes and discover new opportunities.
- Business is how others see Lindab and how the company differentiates from its competitors. It is crucial that understanding what is important to the company's customers and why they choose Lindab (near products that facilitate the construction, complete solutions, additional services).
- The future is being built now. Courage and forward planning are prerequisites in an effort to be successful.

Lindab's strategy for the period 2015 - 2020, the most common can be illustrated as follows:



Figure 18. Strategy Lindab⁶¹

Lindab's new strategy implies long-term redirection to generate more added value to many stakeholders and cover a large part of the value chain. The company is based on inner strength and unique opportunities for expansion, taking advantage of global trends in population growth, urbanization, energy efficiency, smart buildings and materials and rapidly growing market segment HVAC (HVAC). Briefly, the strategy comprises five focus areas that will generate a higher yield and growth in the coming years.

1) Through a strong distribution network and supply a wide range of products, along with numerous close relationships with customers, market positions Lindab will develop further.

2) The supply chain that includes purchasing, production, logistics and distribution will generate a higher value based on a common approach focused on customers by simplifying, streamlining and innovation.

3) Using the power of its portfolio for ventilation and indoor climate, which includes a strong R & D and custom manufacturing, will be offered complete solutions for new segments of customers.

4) Strengthening long-term and innovative culture should help generate successful ideas and the gradual improvement in all areas will ensure future growth and profitability.



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5) strong leadership brand employers, culture and investment in staff development should create the right conditions to ensure that Lindab has the best team for your business.

Product development and quality

Lindab's commitment with respect to product liability is governed by the Code of Conduct Group (environmental protection and workplace safety) and environmental policy is strong.

The basic idea of Lindab is to contribute to simplification of construction in all phases of the construction process: in the design phase of the product, its installation and delivery. Lindab also produces materials for research and development projects with suppliers, in particular in the field of surface treatment, corrosion problems, strength, health and environmental aspects.

Lindab tested and documented products developed to ensure quality and functionality. Systems for quality management apply throughout the business. Almost all production facilities of Lindab have quality systems certified to ISO 9001. The products are supplied with the documentation required by different markets, such as user manuals, certificates and Environmental Product Declarations.

Many people spend 80-90% of their time indoors. The company therefore is making sure that the environment is healthy and the building components do not present any health risks. Lindab has long worked actively to identify and replace anything that could be considered dangerous to the environment or health. A suitable example of this substitution is a shift to a metal that is free of hexavalent chromium.

In recent years, are not detected violations of the rules on marketing, product information, availability of products or product's effects on the health and safety of the group. Therefore, any fines for such violations have not been declared or paid.

Research and development

Research and development of Lindab is conducted in close cooperation with universities and suppliers of materials. By cooperating with other key players, Lindab is able to ensure that you always have access to the latest knowledge in the areas in which it operates, and thus may create solutions that best meet customer expectations.

Also devote resources to developing products to optimize the production process and reduce costs and environmental impact. Thanks to its extensive experience Lindab has built the necessary knowledge to meet all the needs and desires of the customer. Listening to the comments and requests of customers increased understanding and Lindab is able to work more closely with the client. An example is the development of a series of instruments launched under the concept of "intelligent tools" aimed at improving the ergonomics of installers and simplifying the construction process.

Work on sustainability

Lindab takes responsibility for the creation and the sustainable development of its products and services that improve energy efficiency and reduce resource consumption. The company also assumes responsibility for all the people who are affected by its actions in some way. Through its work on sustainability continues to improve the working environment for its employees, reduces the number of accidents and increase its focus on creating a more equitable workplace including diversity and differences among people. Also reduces resource consumption in production and increased investment in developing products and solutions that have a low environmental impact for all customers and stakeholders.

Work on sustainability is a natural part of the new strategy of Lindab. The company does not just want to be part of the future. It seeks to help shape it according to changing needs.

Lindab's work on sustainability is based on a series of guidelines and tools. The Code of Conduct and the company's environmental policy are important components of the internal regulatory framework for sustainable business ethics. Details of efforts Lindab sustainability is published annually as in the annual report of the company and in its GRI-index, in addition to the full index GRI contains comments from CEO, details on the operation and analysis of materiality of Lindab and dialogue with stakeholders.

4. Manage risks to activity

Since 2012 Lindab has a program for risk management - Enterprise Risk Management (ERM), covering all parts of the business, including segments and group functions. The aim is to work on prevention of risks in a more structured way than before. The risks of the Group are divided into four main areas of risk: operational risks, strategic risks, financial risks and risks of compliance. The probability for each risk and its impact on business Lindab is evaluated continuously by subsequent action plan. Reporting, monitoring and control are performed by formally established procedures and methods. The identified risk areas of the group are illustrated in the following figure:



Figure 19. Identified risk areas⁶²

1) Operational risks

a) The price of steel. Lindab buys large quantities of steel, mainly in the form of sheet metal, and is influenced by developments in the market of raw materials. The strategy of long-term buying, developed by Lindab, is based on long-standing relationships with the major suppliers of steel and sheet metal, allowing the company to purchase directly from steel mills rather than intermediaries. The close relation of Lindab to steel mills allows for the development of special grades of steel and finishes adapted to the systems and the company's products. Lindab buys only steel complying with the requirements and do not speculate or hedge on future steel prices.

In its policy Lindab has chosen to centralize all purchases of steel to use his size and thus obtain competitive rates and terms with steelworks and thus create competitive advantages in terms of smaller competitors. Carry out a thorough internal review, to enable the company to react and adapt their prices to customers in case of price increases can not be absorbed by the organization through rationalization

b) stop. Lindab may be affected by interruptions due to various reasons such as accidents for example, as well as other causes beyond the control of the company, for example natural disasters. Global presence offers the group a lot of opportunities to move their operations to other locations in the event that any part be removed, thus ensuring the fulfillment of all tasks. Updated global insurance programs Lindab cover property damage, interruptions and mechanical failures.

c) Bad debts. Bad debt losses relate to risk customer can not pay for delivered products due to their financial situation. Lindab sells a large number of customers worldwide.

Inevitably some clients enter into liquidation or their financial situation makes them have trouble paying. This in turn can lead to a situation where Lindab not receiving payment for products sold. To minimize losses from bad debts, a large number of companies within the Group have insured their claims against losses from bad debts. The company receives credit information for new customers and monitor existing customers. This leads to fewer losses on bad debts. The biggest represents about 2.2 % of sales.

In principle, the Group made a provision of 50% of receivables that are due between 180 and 360 days, and for receivables due for more than 360 days, made a provision of 100%. It must be taken into consideration also the credit insurance, etc. It also needs to make individual assessments when necessary. As of December 31, 2016 the provision for unpaid debts amounted to 73 million SEK. During the year, the amount of 12 million. SEK is spent on provision for unpaid debts, representing 0.2% of the Group's sales. The introduction of a strict interpretation of domestic policy in the previous year led to higher costs and consequently to an increase in provisions for unpaid debts

d) Disputes. This risk refers to costs that the Group may suffer as a party to various litigations. Responsibility for monitoring and management of the management of legal risk is borne by the legal department, headed by chief adviser to Lindab. In the segment "Building systems" regularly make provisions for potential future claims.

e) IS / IT. Lindab harmonize business processes and consolidate IS / IT systems of the Group in order to create sustainable value chain, offering management and service orders and service to customers and markets, fully balanced with the total cost. To ensure highly available and disaster preparedness, and to minimize the risk of interference is backed IT infrastructure (communication lines, servers, storage rooms and servers). Regular risk analyzes for the critical IS / IT systems, including measures for identification, analysis and mitigation. Implemented a comprehensive project methodology to ensure uninterrupted start with the introduction of harmonized business processes and consolidated systems IS / IT.

e) Product liability. The risk of product liability refers to costs that the Group may suffer if a manufactured product causes injury or property damage. Within the building systems Lindab is responsible for product design and therefore carries the risk of product liability in case of damage. The Group has insurance "liability" while procedures for eliminating the risk of damage there and constantly further developed.

Historically, claims relating to systems for air in the direction ventilation are low and claims for indoor climate systems are slightly higher due to the complex nature of the products. For building components the level of claims is low by historical standards. Within the building systems Lindab is essentially the sole provider of local builders, responsible for carrying out the works. This means that there should be no risk of claims. Some sales are made directly to end customers, but in such cases the liability for benefits rests jointly with

Lindab. Regardless of who has the construction risk, the company is responsible to ensure that supplied materials are safe.

2) Strategic risks

a) *Competition.* Lindab different markets compete with a large number of small companies and a small number of relatively large national and multinational companies. Major competitors of the company are Ruukki, Tata Steel, Armat, Marley , Plannja, Balex Metal, Budmat, Pruszynski, Fläkt Woods, Swegon, Systemair, Trox, Goldbeck and Llentab.

To face this competition, Lindab has undertaken to work with highly automated central production units for volume products. These products can be easily transported. This is combined with a small local production units for products that require local adaptation and are difficult to transport. Lindab also decided at an early stage to establish production in countries with low price to be more competitive.

Thanks to well-developed distribution network Lindab can monitor changing trends and new customer demands and to lay the foundations for adapting products, system solutions and services. The main raw material of Lindab's steel, mainly in the form of sheet metal, and the competitive strength of the company is partially affected by changes in commodity prices in recent years.

Lindab constantly rationalize production, distribution and organization to maintain a competitive advantage. Steel has many advantages over competing materials like plastic and concrete. Client campaigns also influence the choice of products by customers. Lindab works to build long-term relationships with customers and to provide added value by simplifying construction using the products and system solutions to brand Lindab.

b) *Customer behavior.* Demand for the products of Lindab is affected by changes in investment plans and production levels to customers. Investments clients may change if you change the political or economic situation in a country or industry. Lindab is distributed in 32 countries, which balances the various country-specific risks in the construction industry. However, as the construction industry is cyclical, it is possible to prevent a decline in the global economy. The current economic climate in Europe affects most markets Lindab and therefore has some influence on the company. Political unrest and instability, eg. Russian market also have some impact on Lindab.

c) *Macroeconomics / market.* Lindab's business is late cyclical, with 80% of sales are directed to non-residential construction and a range of products and solutions that are installed primarily at a later stage of the construction process. Overall, over time the construction market should total GDP growth, albeit with higher volatility. The market for non-residential construction is often a little later in the business cycle than residential construction as related projects are usually larger and spread over a longer period of time. During normal business cycles that allows Lindab have some freedom to manage capacity planning. However, in the

event of macroeconomic crises, the financial crisis of 2008, the opposite usually happens faster and significantly greater fluctuations in construction activity compared to the overall economy.

3) Financial risks

a) Funding. Financial risk that the financing of capital expenditure of the Group and the refinancing of outstanding loans impede or become more expensive. As of December 31, 2016 the total credit limit of Lindab amounted to 1,600 million. SEK. The loan agreement with Skandinaviska Enskilda Banken (SEB) and Nordea Bank includes two contracts as net debt in relation to Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) ratio and interest coverage that are coming quarters. Lindab believes that credit conditions will be met. According to the Group of Treasury long-term funding relationship should always be in effect 12 months before the expiration of existing funding.

b) Liquidity. Liquidity risk is the risk of cost increase of the Group due to lack of liquidity. At the end of 2016 non-cash cash and cash equivalents of the Group, including unused credit facilities amounted to EUR 1 064 million based on the underlying credit limit of 1,600 million..

All centrally managed maturities of loans are planned in conjunction with the consolidated cash flow. The above loan agreement protects liquidity needs. Lindab's operations are seasonal, which affects cash flow. During the period from January to June this is negative, then turned positive in July to December. According to the Group in terms of government securities company at any time would hold unassigned funds, including unutilized credit facilities to cover all the liabilities of the business.

c) Interest Rate. Interest rate risk is the risk that changes in the current interest rates have a negative effect on the Group Lindab is a net borrower. Net debt at the end of 2016 amounted to EUR 1,746 million., which means that rising interest rates have an adverse effect on the Group. In accordance with the policy of the Treasury, any surplus liquidity must be used for amortization of existing loans. According policy treasury bills, the period of the fixed rate will be 1-12 months.

d) Currency. Currency risks are risks that changes in currency negatively impact on cash flow. Moreover, exchange rate fluctuations affect revenue and statement of financial position of Lindab in the following ways: first, the result affected when revenues and expenses in foreign currencies are translated into Swedish kronor; secondly, the statement of financial position are affected when assets and liabilities in foreign currencies are translated into Swedish kronor.

The risk can be divided into transaction risks and translation exposure.

Transaction risk arises when trading between companies, suppliers and customers of the Group, if the payment is made in a currency other than the local currency of the company. Exchange rate fluctuations, which can be attributed to exposure to the transaction are

recognized in the income statement. Practically 75% of the Group's sales are made using foreign currency. Sales are made in 14 different currencies, the most important of which, except SEK, were EUR, DKK, GBP and NOK. The net exposure of Lindab, translated into SEK, approximately 200 million. SEK annually. The reduced exposure due to better matching of inflows and outflows in foreign currencies. 26 million. SEK exposure of transactions recorded in the statement of financial position is hedged at the end of the year.

To reduce exposure to currency, the Group is trying to capture the tides of different currencies, such as using the same currency for invoicing purchase. Each company of the group is responsible for identifying their currency exposure. Some special orders, projects, investments and purchases can be hedged in order to provide certainty of future cash flows. The function of the Treasury is responsible for the overall currency exposure of the Group and take decisions and implement any hedging the exposure of subsidiaries.

The differences in the translations occur when translated into SEK of the statements of financial position of foreign subsidiaries in local currency. This is because the current year is translated at different rates of completion of the previous year. The revenue and expenses are recalculated at the average rate for the year and statement of financial position is recalculated on December 31. Translation differences apply to other comprehensive income. Exposure to translation risk translation differences to be represented in terms of impact on comprehensive income. Parts of this exposure is hedged from 2013 onwards.

Lindab has currency risks and in taking and lending companies of the group, which takes place mainly in the local currency of the Group companies. At the end of 2016 Group's net assets in foreign currency amounted to 4,120 million. SEK (3,832), of which 1,205 million. SEK (951) are hedged with foreign currency loans. Providing and lending Lindab in foreign currency at the end of 2016 amounted to 342 million. SEK (92) and 296 million respectively. SEK (269).

Hedge exposure is determined by the Board. Up to 90% of the exposure in each currency can be hedged. The currency risk in these transactions are hedged through forward exchange agreements. They are evaluated monthly and the effect is recognized in net financial income in the statement of comprehensive income.

4) Risks of compliance

a) *Taxes.* Lindab operates in many different countries and viewed as a whole that the tax laws and regulations are becoming more complex. Predictability has declined and is increasingly important to keep updated and fully functional systems and processes for managing taxes. These taxes must be treated correctly by Lindab directly or indirectly in the various jurisdictions in which business is conducted or where required: income tax, VAT, duties, social security and the like, as well as withholding taxes and other taxes as coupon fee and excise duties.

In recent years, attention has focused more closely on the area of taxes on income, especially transfer pricing issues that relate to the agreed prices in cross-border transactions between related companies. Domestic prices affect revenue and expenditure and hence taxable profits in the countries in which they operate. Accepted international opinion that conditions should be in line with what would have been agreed between independent parties, known as the principle of independence. Transfer pricing guidelines of the OECD for multinational enterprises and tax administrations are designed to achieve some understanding of how to apply and how to avoid double taxation. By 2013 Since the OECD is currently performed project called BEPS (Basic offset profit erosion) to further strengthen the regulations in the field of transfer pricing. In principle, all countries in which it operates Lindab are members of the OECD or acceded to the Convention model. Lindab is constantly working to ensure that the Group complies with the rules laid down in the model convention with respect to pricing, documentation and overall. The company monitors and project development BEPS, to adapt the new rules. They are members of the OECD or acceded to the Convention model. Lindab is constantly working to ensure that the Group complies with the rules laid down in the model convention with respect to pricing, documentation and overall. The company monitors and project development BEPS, to adapt the new rules. They are members of the OECD or acceded to the Convention model. Lindab is constantly working to ensure that the Group complies with the rules laid down in the model convention with respect to pricing, documentation and overall. The company monitors and project development BEPS, to adapt the new rules.

Lindab works in general for the development and adaptation of procedures to identify tax risks and their effective management. The company also maintains regular contact with tax consultants for the interpretation of tax laws to determine how to deal with different issues. A malfunction can affect Lindab by higher operating costs and tax expenses plus interest and penalties. The group is not involved in tax disputes that could have a negative impact on results or financial condition of Lindab.

b) Ambient environment. Lindab is actively working to minimize the environmental impact created by the Group's operations and its products. The company's policy on the environment is a key document that is the basis of the environmental work within the Group. Manufacture of products of Lindab Steel has minimal impact on the environment. In cases where there is a risk of environmental liability is doing a review to determine whether any provision. Products generated by the manufacture, consist essentially of scrap, which is restored completely and other wastes which are recycled to 90%. Unused sorted and disposed of in accordance with applicable regulations.

To protect the company and third parties in the event of environmental accidents, Lindab has environmental insurance, where required by applicable laws, and in some cases it

is extended to include voluntary environmental responsibility. The insurance includes liability for damages, which are part of or resulting from environmental damage.

c) Business Ethics. Lindab's reputation is a valuable asset that can be influenced by the actions of the Group as well as external stakeholders. The group seeks to avoid actions that could jeopardize the wellbeing of the company. Lindab strives to be a good corporate citizen, where the Group is active. In this connection it is created and implemented a Code of Ethics which ensures that all employees in the markets for Lindab follow good business practices.

The construction industry and in various geographic markets where Lindab operates, there are some operators that act in a way that does not comply with good business practices. Lindab has long had a policy of competition, which is constantly reviewed and updated. Behavior that distorts competition, is unacceptable. The company's employees are informed and trained on policy content of Lindab to avoid violation of these rules. The company has zero tolerance for corruption and anti-corruption policy exists to ensure that the group will conduct that may be considered corruption.

d) Operating environment. Good and safe working environment is an important strategic issue for the group. Lindab policy for work environment is for groups with clearly defined responsibilities for both managers and employees. The focus is on preventive work, carried out in cooperation between management, employees, organizations for safety and health at work.

Incidents that result in loss of working hours by at least one day occur and are reported as Frequency of lost time injury frequency (LTIF). Over the past two years LTIF dropped from 17.1 to 9.5. In case of serious accidents at risk of permanent disability, the President and CEO are informed within 24 hours and take corrective and preventive action within two weeks. In 2016 there were no serious incidents.

e) Internal control. To ensure that financial reporting is accurate and complete, consistent with applicable laws, rules and recommendations provide a fair picture of the company and supports rational and informed assessment of the business, Lindab has developed internal control functions, which is based on requirements of the Swedish companies Act and the Swedish Code of corporate governance. Lindab financial statements are in accordance with the laws and regulations applicable to companies listed on NASDAQ OMX Nordic Exchange and the local rules in each country where it conducts business. The internal control structure is based on the recommendations of the Committee of Sponsoring Organizations of the Committee on internal controls (COSO).

CONCLUSION

The new economic realities imposed in recent years have led to the need for a more active and consistent with the current requirements policy. Whether developing a new business or reformulate the orientation of an operating company should develop basic goals, characteristics and philosophies that will determine the strategic position of the company.

Every company strives for selection and application of the most effective methods, forms and tools to manage their business. This means adopting a certain conception of the principles of corporate governance, elaboration of corresponding business strategy and policy, implementation of approaches and tools for conducting competitive struggle in the market. There are different management approaches in line with developments in the market, the possibilities of companies and other factors. Strategic marketing, however, has established itself as one of the most fully corresponding to the nature and logic of development of market economy.

There is no strict assessments of the role of objectives, strategies and marketing mix elements in business management. Effectiveness of various marketing tools and various combinations thereof depends on a number of internal and external conditions and factors. However, the implementation of dynamic competitive behavior of companies in the constantly changing environment is possible only in the presence of a single corporate strategy and its respective private strategies. Thus strategic management ensures sustainability through the development of the company as a system of units with a common vision and values.

To survive an enterprise nowadays need his leadership targeted and periodically examines the state of the company and its place in the market, as it and its competitors, suppliers and customers to be able to promptly react to any occurrence of negative change and take timely measures for its prevention. This increases the importance of forecasting, planning and analysis with a view to proper positioning of the company on the market and creating competitive advantages. The strategic analysis is the basis for the adoption and implementation of relevant development strategy, according to the mission, vision and long-term goals of the company. Thus creating an effective connection and coordination of the activities of subject's management in a functional aspect, and consistency and continuity in the implementation of various management and marketing activities.

In Lindab best thinking is a philosophy that leads the company in everything they manage. The mission of the group is to create a healthy indoor climate and to simplify the construction of sustainable buildings. This is achieved by designing innovative products and solutions that are easy to use, and by offering a high degree of reliability in supply. The company also works for the realization of various ways to reduce the impact on the

environment and climate. This is achieved through the development of leading, energy-efficient solutions that bring additional use-value for customers and other stakeholders.

Despite the unfavorable economic climate in recent years, Lindab Group managed to maintain its leading position in the European market for steel products and to continue its steady growth. The company proudly announces its vision: "Leader in industrialized ventilation and building solutions."

The successful development of Lindab for the past 50 years is indicative of the vital role of choosing a development strategy for any company that wishes to be a leader in its industry.

The strategy, which Lindab Group has chosen - to be positioned close to consumers, operates mainly in the industrial sector and furthers its expansion in Central and Eastern Europe, combined with innovation and product development is extremely profitable account the particularities of the construction industry in Europe during the global crisis. It helps the company continues to marked growth as its sales in the first years after the crisis have fallen by only 5 to 10% compared to the expansive period before.

For 2017 the strategy of Lindab follows the same line - the company continues to strengthen its offering and creates value for customers in the growing but increasingly complex market. Innovative products and solutions based on new technologies are first on the agenda. Priority since the beginning of the year effectively cope with the sharp increase in steel prices. Last but not least, the most important criterion for the success of the company's continuous development of quality control. Lindab has created a body of work in this direction, which will not only meet but also exceed customer expectations of future decisions of the Group.

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