

A Work Project, presented as part of the requirements for the Award of a Master's Degree in  
Management from the Nova School of Business and Economics

Lusoforma:

The success of its competitive strategy

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## Abstract

The importance of strategy and business development emerges nowadays due to the underlying dynamic changes within industries in which competitiveness is the watchword. Thus, the following case study intends to broadly analyse the world of the aluminium packaging industry, in particular Lusoforma S.A.

Lusoforma S.A is a family business founded in 1988 that established its own niche market and it is successfully producing aluminium foil containers for several different segments. Following its strategy based on high level of service, the company is now recognized as the main player of the Portuguese market, and one of the most relevant players in the Iberian market.

Therefore, this work project sought to study the strategic design of Lusoforma, based on the different steps of a strategic management model. Hence, an environmental scanning with internal and external analysis was developed, the formulation process was evaluated, as well as the strategic implementation and control. Here, several auxiliary instruments were described and applied.

As a result of the forgoing, it was concluded that Lusoforma has been developing a strong strategic plan based on production customization to reach customer needs, which has been permitting to exploit crucial competitive advantages that allow the organization to constantly grow. However, there are some problems that must be overpassed in order not to sentence the future of Lusoforma.

Keywords: Business strategy, strategic model, Aluminium foil container industry, competitiveness,

## Chapter 1: Introduction

The following work project addresses the format of a research case study and intends to analyse the role of a Portuguese company, Lusoforma, within the foil packaging containers industry. Lusoforma is a family business factory, based in Mem Martins, which is focused in aluminium foil containers since 1988.

Therefore, the project intends to assess the market where Lusoforma operates, exploring how the strategic design is defined, to find the key success factors, the competitive strategy and positioning that it is pursuing and to evaluate if it is exploiting a competitive advantage comparing to other competitors. As such, the main question addressed by this dissertation is: **How is a strategic plan of a family business company like Lusoforma designed, and how can it be improved?** This question is answered throughout the paper, which is composed by 5 chapters that start with the explanation about the chosen methodology, followed by a literature review, constituted by the main concepts and findings which result from an extensive analysis of different sources (articles, publications and Institutions' websites) considered relevant for the work project – theoretical concepts and industry analysis. After this, Lusoforma is presented. To make sure the readers have a deep understanding of the organization, an interview was undertaken with the current administration team that provided essential information for the case-study, e.g. the annual report and ratio maps mentioned during the project. Finally, the dissertation answers the main question through the application of a strategic management model developed by Thomas L. Wheelen. This model is composed by three main phases that will be developed through this paper. The dissertation is finished with the presentation of the main findings and the limitations that were faced throughout this study.

## Chapter 2: Methodology

In order to answer the main research question - **How is a strategic plan of a family business company like Lusoforma designed, and how can it be improved?** – The case study research

was the chosen methodology. Therefore, it is essential to explain this research method and assess its relevance in research projects. According to Yin, this method stands for “an empirical inquiry that investigates a contemporary phenomenon within its real-life context, (...) in which multiple sources of evidence are used” (Yin, 1994). As stated by Zainal in case study methods, a researcher is able to go beyond the quantitative statistical results and understand the behavioural conditions through the actor’s perspective (...); a case study method selects a small geographical area or a very limited number of individuals as the subjects of study” (Zainal, 2007). Moreover, the case study is “a research strategy which focuses on understanding the dynamics present within single settings (...). Case studies typically combine data collection methods such archives, interviews, questionnaires and observations. The evidence may be qualitative (e.g words), and quantitative (numbers)” (Eisenhardt, 1989). In this case, it was based on primary data, derived from interviews conducted by the author with two members of Lusoforma’s Administration - Bernardo and Marcos Teotónio Pereira - and the Human Resources manager - Claudia Passarinho - and secondary data, which included the organization’s website, annual reports, newspaper articles and blog entries, among others.

## **Chapter 3: Literature Review**

### **3.1 What’s Strategy**

The word strategy has its origin in ancient Greek *strategos*, which means leadership and command. It started to be a military term, defined as “the art of planning and directing the larger military movements and operations of a campaign” by the Oxford English Dictionary. Nowadays, one of the meanings of this concept is linked with management and the art of efficiently driving a business. The concept tries to answer questions like “What is our business?”, “What could be our business?”, “Where do we want to go?”

However, as stated by Mintzberg “the field of strategic management cannot afford to rely on a single definition of strategy, indeed the word has long been used implicitly in different ways

event if it has traditionally been defined formally in only one” (Mintzberg, 1987). He defines strategy as *Plan*, being a guideline to deal with a situation, as a *Pattern*, since it should have consistency in behaviour, as a *Position*, becoming “the mediation force between organization and environment, that is, between the internal and the external context” and as a *Perspective*, with a particular vision and direction. Moreover, Kenneth Andrews describes strategy as “the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, (...)” (Andrews, 1971).

According to Chandler’s definition, strategy implies “determination of the basic long-term goals of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals” (Chandler, 1962). Finally, Michael Porter argues that strategy is about being different, choosing a different set of activities to deliver a unique mix of value. He also defends that it stands for competitive position, about differentiating yourself in the eyes of the customer, adding value through a mix of activities which are different from those used by competitors. At the end, it represents a “combination of the ends (goals) for which the firm is striving and the means (policies) by which it is seeking to get there. (Porter, *What's Strategy*, 1996).

### 3.2 Strategic Management model

As a concept of strategy, the definition of strategic management does not submit an unique definition. The model of Wheelen is an important approach, which defines strategic management as the set of managerial decisions and actions that determine the long-run performance of a corporation, which is composed by the following steps: **Environmental Scanning** (both external and internal), which monitors and evaluates the information from the environment within and out of the company. The purpose is to identify strategic factors that can determine the future of the corporation. **Strategic Formulation**, which is the development of

long term plans for the effective management of environmental opportunities and threats, according to the company's strengths and weaknesses. **Strategy Implementation and Control**, the third step of the model, represents the process by which strategies and policies are put into action through the development of programs, budgets, procedures and by which corporate activities are controlled, as performance is evaluated and monitored, to compare current results with the desired ones (Wheelen & Hunger, 2013). A detailed explanation of each phase of the strategic management model is presented below, as well as the tools that should be used to get effective results.

### **3.2.1 Environmental Scanning**

The main purpose of this phase is to answer the question "Where are we?" and to identify strategic factors, both internal and external, that can influence the company. In order to assess this information, an External and Internal analysis must be performed.

#### External Analysis

It is crucial for a company to consider the external factors that can affect the business either direct and indirectly, namely exogenous factors and relationships with other entities in the industry. The **Porter's Five Forces model** - composed by suppliers, clients, substitute products and new entrants' forces, which aims to evaluate the level of industry's rivalry (**See Exhibit 1**) – and the **PESTLE analysis** – a descriptive framework of macro-environmental factors (Political, Economic, Social, Technological, Legal, Environmental) used in the environmental scanning component of strategic management" (Gupta, 2013)- were the chosen instruments to study the external environment. Other considered instruments (Value Net and Swot analysis) are detailed in **further analysis** section on the Appendix.

#### Internal Analysis

This analysis consists in finding variables that are embedded in the organization itself, whether present in the culture, structure or resources. They can also be used as key strengths that will translate in competitive advantages in the market. To assess if Lusoforma is producing a

competitive advantage, i.e. offering a product that is more valued than the competition, two strategic tools should be used - the **value chain model**, and the **Resource-based view** (RBV model). Firstly, the **value chain model** which is, according to Michael Porter, a sequence of activities found to be common to a wide range of firms (**See Exhibit 2**). The value activities can be divided into two main types: primary activities and support activities. Primary activities are those involved in the physical creation of the product, its sale and transfer to the buyer. Support activities support the primary activities by providing purchased inputs, technology, human resources and various firm-wide functions (Porter, *Competitive Advantage: Creating and sustaining a superior performance*, 1985). Secondly, the **resource-based view model**, developed by Jay Barney, is based on a VRIO framework that is used to analyse internal resources and capabilities of a firm to find out if they can be a source of a sustainable competitive advantage. According to the author, the resources of a company must be Valuable, Rare, Inimitable and Non-substitutable in order to support a sustainable competitive advantage (Barney, 1991). A firm is said to have a competitive advantage when it is implementing a value creating strategy which is not mirrored by any current or potential competitors<sup>1</sup>.

#### Internal/External Analysis: Growth Strategy

The **Ansoff Product-Market Growth Matrix** - a marketing tool created by Igor Ansoff in 1957 - considers different ways to grow the business via existing and/or new products, in existing and/or new markets, converging in four types of arrangements chosen to assess what type of growth strategy – market penetration, product development, market development or diversification – Lusoforma is pursuing to face the market (**see Exhibit 3**). Additionally, the **Business Model Canvas**<sup>2</sup> is presented to give a global picture of the Lusoforma business through the analysis of nine crucial areas within the company (**See Exhibit 4**).

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<sup>1</sup> Journal of Management 1991, Vol. 17, No. 1, 99-120

<sup>2</sup> It is composed by the main areas that make up a company. It is represented as a map and was invented by Alexander Osterwalder in 2008

### **3.2.2 Strategic Formulation**

Between the strategic definition and the environmental analysis, the company mission, vision, values and objectives should be defined, as well as the critical success factors. Firstly, a company's **vision** is seen as a picture of the future. It has to be understandable, easy to remember, positive, motivational, inspiring, attractive and future-oriented. Secondly, the **mission** is the purpose or reason for the organization's existence. Thirdly, the **core values** represent the intrinsic standards of your organization. They also define how a company will act as a group, helping companies to determine if they are on the right path and reaching their business goals, being the main pillar to build a sustained culture within a company. Moreover, feeling aligned with a company's values is one of the top reasons why employees love their work. Fourthly, the **global objectives** represent the final results of planned activities. Their achievement should result in the fulfilment of its mission. However, the global objectives used to be generic, not quantifiable and not time measured (Dess, Taylor, & Lumpkin, 2005). Thus, an extension to these goals should be implemented through the **SMART goals** (*specific, measurable, achievable, results-oriented and time-constrained*) in order to give measurability and time components to global objectives. Fifthly, the **Critical Success Factors** are defined for both the company and the industry, representing the key areas where 'things must go right' for the business to flourish and for the manager's goals to be attained" (Rockart, 1981). Subsequently, we enter the phase of the strategy's concrete formulation, which will be translated into the choice of the path that a company establishes to compete in the market, deciding which business it wants to probe.

**Competitive Strategies:** The business strategy represents the path that a company has defined to compete in a certain market. It is related with the term of competitive advantage which is the capacity to create value for its buyers which exceeds the value created by competitors and the firm's costs of creating it. In order to find the competitive advantage that a company might possess, Michael Porter has defined the generic strategies model (**See Exhibit 5**), constituted

by two dimensions (strategic scope and strategic strength) that include three business strategies a company can pursue: **Cost Leadership strategy**, which emphasizes efficiency, where the company exploits all sources of cost advantage, like economies of scale in production and experience curve effects, and aims to become a low cost producer in the industry. **Differentiation Strategy** is aimed at the broad market and involves the creation of a product that is perceived as unique. Companies should develop a distinctive competence to differentiate their products and compete successfully. **Focus Strategy**, which specifies the cases where a firm seeks a narrow competitive scope, selects a segment and tailors its strategy to serve it. It joins costs advantages with a high differentiation level according to Michael Porter's model (Tanwar, 2013).

### **3.2.3 Strategic Implementation & Control**

**The implementation process**, the last step of the strategic management model, consists on the alignment between the formulated strategy and the external environment and the internal resources of the company (Santos, 2008). The implementation process includes three fundamental aspects of a company: organizational structure, processes and behaviours. The organizational structure allows to affect the resources according to the objectives outlined. The processes guarantee that the procedures are enhancing the key resources and the critical success factors previously identified. The final aspect, behaviours, concerns the level of involvement, motivation and sharing of objectives, so that everyone is oriented in the right direction - towards the strategy's execution. Linked with the previous phase, **the management control** allows the evaluation of established objectives and possible deviations that may arise, making the corresponding correction (Santos, 2008). Within the existing subsystems of management control, the balanced scorecard could be highlighted as an example of a control tool. The Balanced scorecard tool (**See Exhibit 6**) is "not just about monitoring how well the organization and its member are performing currently (...). It is about how to create incentives to keep employees motivated and focused on the important problems (...) that they work together to

find solutions that helps company to perform better in the future” (Hill & Jones, 2008). This model includes three additional perspectives: customers, internal business processes and learning and growth. According to Robert Kaplan, this method enables “companies to track financial results while simultaneously monitoring progress in building the capabilities an acquiring the intangible assets they would need for future growth.” (P.Norton, 2007). By using the Balanced Scorecard analysis, companies can link long-term strategic objectives with short-term actions.

### **3.3 Industry Data**

#### **3.3.1 What is Aluminium?**

Aluminium is a silvery-white metal, which represents the 13th element in the periodic table. One surprising fact about aluminium is that it's the most widespread metal on Earth, making up more than 8% of the Earth's core mass. It's also the third most common chemical element on our planet after oxygen and silicon. The primary raw material in the Aluminium production is Bauxite. Aluminium offers “a rare combination of valuable properties. It is one of the lightest metals in the world: it's almost three times lighter than iron but it's also very strong. It doesn't magnetise, it's a great electricity conductor and can be easily processed using pressure both when it's hot and when it's cold. It can be rolled. Aluminium doesn't catch fire, it doesn't need special paint and, unlike plastics, it's not toxic”. (What is Aluminium, 2015) Finally, it is more cost effective than any other material, since it can be used recycled infinitively. In fact, 75% of all the aluminium ever manufactured – dating back 125 years and over multiple generations – is still in use today as the metal is recycled after each use phase.

#### **3.3.2 Worldwide Production & Applications**

In 2014, global aluminium production reached 54 million tonnes, being led by China, with a total production of 36.6 million tonnes. Other main producers include Russia, North America, Australia, Africa and Brazil. There are more than seven main aluminium applications: transport, construction, consumer goods, machinery & equipment, foil and packaging, electrical

engineering, among others (see **Exhibit 7**). Transportation and construction have together 52% of the total market share, followed by foil and packaging industry with 16%.

### **3.3.3 Aluminium Price**

The global aluminium industry is characterized by a strong relationship between the real price of the metal and the gap between the demand and supply of the metal as captured by the variations in total stocks. Prices “tend to rise for very low levels of inventories, while being quite stable despite high level of inventories as prices cannot drop below their average operating costs for a long period of time” (Cappi, 2013). However, since the middle of the past decade, another aluminium price determinant has been identified with the growing popularity of commodities as an asset class, with investors using a variety of instruments and strategies to gain exposure to commodity prices.

### **3.3.4 Aluminium Packaging Industry – Foil Containers**

Aluminium foil container is one of several possible packaging solutions within the food packaging material. Over 12 billion aluminium foil containers produced worldwide on an annual basis. They are almost pure aluminium and 100% recyclable. Aesthetically appealing aluminium containers are ideal for table-ready service after the container has functioned first as a package and a heating utensil. They are used to prepare, freeze, store, transport, cook and serve a variety of foods. Containers made from aluminium foil are the only containers that can be used in all types of ovens: microwave, conventional, and broiler. Moreover, its recyclability makes aluminium one of the most environment friendly materials on earth. Recycled aluminium saves more than 95% of the energy necessary to produce new primary aluminium. Summing up, the aluminium foil quantities can be considered as the “perfect package” since they are: **consumer friendly**, as foil can withstand wide temperature changes better than other packaging materials; **durable and strength**, as it is commonly produced in the 1000 series alloys, alloyed only with iron and silicon, retaining their shape and rigidity; **tri-oven able**, as only aluminium food containers can be safely used in all regular ovens (including broiling), toaster ovens and

microwave ovens; and **recyclable**, being a recycled material leader worldwide, saving billions of dollars annually in energy costs.

## Chapter 4: Case Study

### 4.1 Lusoforma: History

In 1958, two brothers - Alberto and João Teotónio Pereira - felt that their traditional family business related with wine exportation was reaching a decline and was needing a profound restructuration. Therefore, they decided to try a very small investment on the aluminium industry. The company grew, supported by the accelerated industrial development of the time, and evolved, by focusing decisively on packaging production. At this time, they started to supply the first Portuguese supermarket chain. This acquisition allowed to form the first society, Aluemba – Metallic Products Ltd, translating in a substantial reinforcement of the capital, new building acquisition and settlement of a considerable new equipment park. In 1973 the two brothers decided to sell Aluemba with the objective to explore new business areas. However, the revolution of 1974 and the subsequent political instability changed their plans. Thus, in 1976 they decided to return to the aluminium business, founding the **Aluforma – Methalic Products** with two Aluemba's collaborators. They acquired a small store in Benfica and with the accumulated know-how in the aluminium food packaging process manufacturing, they built an innovative, cheap, light, quick and riskless operation. All the procedures and the machinery were internally engineered. In 15th of January of 1988 **Lusoforma S.A** was constituted as a family business, focusing on the production of the aluminium food packaging containers (**See Exhibit 8**) for the pastry industry, based on a unique production process, on low capex expenditure and on clients' needs. The business prospered and the company had to keep pace with. So, in 1996 the company invested in a new plant located in Mem-Martins that allowed to gather all the departments: production, administrative and commercial. This strategic decision has become decisive for the company's development. Thenceforth, the company gained a consistent growth dynamic and few years later they guaranteed an important client (Makro

Portugal), allowing the company to enter in the Cash&Carry market. More recently, in 2007, Lusoforma acquired a small competitor that was focusing its activity on the wholesalers segment, being able to target three main segments. Nowadays, Lusoforma is recognized as the leader producer in Portugal and is gaining market share in Spain. This growth permitted Lusoforma to reinforce the social capital which paved the way to obtain the status of 2008 SME's Leader. In 2011, they were distinguished by IAPMEI<sup>3</sup> with the SME<sup>4</sup> Excellence. Located in Mem Martins, Lusoforma is now composed by 50 collaborators amongst five departments (see organogram on Exhibit 9), represented by a majority of 40-50 years old employees.

## 4.2 Lusoforma Operation

Lusoforma is operating in four segments with different specifications: Cash&Carry, pastry industry, supermarket and wholesalers. In the first three, the company operates through the Lusoforma brand. In the Cash&Carry market, Lusoforma is operating in Portugal and Spain. According to Bernardo and Marcos “the market requires a high quality service based on personalized packaging” that led to the creation of an own packaging line with own manpower. The pastry industry operates also in quality and service that “requires a high level of adaptation to fit orders’ quantities and mould size. Millions of containers are sold per week”<sup>5</sup>. The supermarket segment emerged as a complement of the cash & carry segment, but has a small impact on revenues. Finally, in 2007, Lusoforma started its operation in the wholesalers market, through the acquisition of Trainalda, which would allow it to compete with a different strategy that would not affect its results. This market is composed by small stockists that supply the hospitality chain at a low price. The total weight of each segment in revenues is the following: 40% for Cash&Carry segment, 30% for pastry industry and 30% for wholesalers.

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<sup>3</sup> Institute for Small and Medium-Sized Enterprises and Innovation

<sup>4</sup> Small and Medium Enterprises

<sup>5</sup> Reported from the interview with Bernardo and Marcos

### 4.3 Clients

Concerning the company's clients, it is important to note that 60% of revenues are concentrated in five major ones: Makro (Spain and Portugal), Recheio, from the Cash&Carry segment, Panpor from the pastry industry and Trainalda from wholesalers (**See Exhibit 10**). Regarding geographical distribution, the company is strongly exposed to the national market with a percentage of 74%, whereas 24% stands for the European market, mainly Spain. The list presented on **Exhibit 11** shows the top clients that represent 90% of total revenues.

### 4.4 Suppliers

Concerning suppliers, there are no national producers or distributors, therefore, all the aluminium must be imported. Consequently, the percentage of international suppliers is around 87%. The other 13% stand for card and plastic for caps production that are purchased nationally. The geographic distribution is presented on **Exhibit 12**.

### 4.5 Lusoforma Financial Statement

Lusoforma's performance has been outstanding. The number of containers sold have been increasing, reaching 190 million in 2015. According to the Financial ratios map, the company has been increasing positively the total revenues reaching 6.134 million in 2015, which represents a growth of 7% comparing with 2014 (**See Exhibit 13**). According to Bernardo and Marcos, this value will increase 5% reaching 6.6 million in 2016 (**See Exhibit 14 Indicators Map**). Although the sales grew, the EBITA in 2015 presented a weaker increase when comparing to 2014, due to the raise on cost of goods sold. Regarding the gross margin, Lusoforma decreased its 50% margin of 2014 to 46% in 2015, representing a total of 3.302 million in 2015 (**see Exhibit 15**). Lusoforma has also reached a net income of almost 500.000 euros, which represents 8% of the total revenues (**see Exhibit 16**). It is also relevant to mention that the company reached a financial solvency ratio of 242%, meaning the company's capital can cover twice the current debt.

## 4.6 Production Process

The production process is composed by two types of machinery: small size machines produced internally and big size machines (press machines) bought from external suppliers. However, all the maintenance is done internally, being semi-automatic, labour intensive and having low investment in capital. The process is established in five main phases that go from the raw material storage to the execution of each specific container, until the caps production, finishing with the packing phase before being distributed to the final client. Besides aluminium, Lusoforma also produces PVC and aluminium board paper caps which are an important asset on Cash & Carry's packages. To increase efficiency and control, the company has been developing internally an informatics tracking software that follows the production process from the raw material arrival until the final container.

## 4.7 Mission & Vision and Values

Lusoforma states that its **mission** is to “meet the needs of its customers through a performance focused on excellence, leading to the personal realization of collaborators and to ensure their own profitability and development, seeking for functional improvement”. Regarding its **vision**, Lusoforma wants to reinforce the national position and to become a relevant player within the European market. Finally, the organization defined the **values** that they want to embed in the organization: innovation seeking, human resource quality management, growth, client satisfaction, respect everyone, be competitive and financial stability.

## 5.8 Research & Development

The R&D assumes a fundamental role on Lusoforma's activity. Since the company is operating in a niche, all the commercialized products rely on customers' needs. Although the basis of the product is aluminium, the company must adapt to different characteristics that are valued by customers. In order to do so, and to guarantee a high quality product, the firm follows the continuous machine's improvement program. This program is composed by different initiatives: new moulds and press machine production, press machine automation, automatized

production process (i.e. machines can produce during night without local supervision) and an updated production process that guarantees food safety standards. A relevant example is the implementation of the IFS<sup>6</sup> norm certification that Lusoforma has been doing. In fact, Lusoforma is anticipating its competitors because, according to Bernardo and Marcos, “the norm will be mandatory in the next few years. Therefore, it will be a competitive advantage to reach new clients since we are the first player that has the certification”.

## **Chapter 5: Answers and conclusions**

In order to answer the main question of this work project - **How is a strategic plan of a family business company like Lusoforma designed, and how can it be improved?** – A strategic management plan will be followed in order to evaluate the attractiveness of the industry and the key factors that Lusoforma should take into account in the future. This analysis includes an internal perspective to evaluate how the company is creating value and to assess if it is exploiting a source for a competitive advantage in the market. The second step of the plan is to analyse the strategic formulation of Lusoforma. Here, a critical analysis of the defined vision, mission and values of Lusoforma is performed. Furthermore, the general objectives mentioned in the interview are pointed out and a suggestion of an adaptation to the SMART model is given, adding more objectivity. Subsequently, the critical success factors for Lusoforma’s operation are analysed. Here, the competitive strategy of Lusoforma is defined, as well as plausible strategies for the future. Finally, an evaluation of the current implementation and control phase of Lusoforma is made and a value proposition is suggested, based on the balanced scorecard tool, in order to improve the final step of the strategic management plan.

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<sup>6</sup> The IFS Food Standard is a GFSI (Global Food Safety Initiative) recognized standard for auditing food manufacturers.

## 5.1 Environmental Scanning

### 5.1.1 External Analysis

To examine the external environment of the Lusoforma, Porter 5 forces and business model Canvas are held to assess the industry attractiveness and to understand which external factors can affect Lusoforma in the aluminium foil packaging market. The 5 forces analysis will be done based on a table (**Exhibit 18**), resulting in the respective global impact of each force for the market where Lusoforma operates. There are several characteristics highlighted regarding each force (**Exhibit 19**). Firstly, considering the **potentiality of new entrants**, it is important to consider that: (1) there is a high investment in CAPEX due to plant, machinery and raw materials; (2) great cost concerning logistic and distribution services; (3) high demand for constant investment on R&D on machineries and processes; (4) market with demanding specifications with products; (5) industry characterized for blurred and hidden prices. **The global value of this force is low.** Secondly, **regarding the bargaining power of clients**: (1) they are more sensitive to quality of product than prices; (2) there are few players in the industry, being difficult to replace one supplier with another; (3) they have high bargaining power due to the high scale of orders; (4) in certain markets it is crucial to adapt to clients requirements, regarding new shapes or high quantities. (5) Market pressure to decrease prices. **The global value of this force is high.** Thirdly, there is a high **threat of substitutes**, due to the high availability of different products on food packaging industry as paperboard and plastic. **The global value of this force is high.** Fourthly, regarding the **bargaining power of suppliers** in the industry it is important to point out the following: (1) the price of the aluminium is constantly changing, impacting the final price of the product; (2) The current set of raw material suppliers is “cartelized”; (3) Regarding other materials that are crucial for the production process, there are few relevant suppliers offering high quality products (for caps production); (4) there are no national aluminium producers. **The global value of this force is medium.** Finally, concerning **the level of rivalry**, it should be considered that: (1) According to Bernardo

and Marcos, “the market is in the mature phase”, presenting residual growth rates; (2) Although the base product is quite similar, in the industry there is a great need for ultimate customization that results from research and innovation; (3) The industry is highly technological and regulated; (4) there is no severe direct competition in the national market and few in the Spanish market. (5) There is some competition regarding the price of product, however, the companies that can conciliate the price with quality are always elected. **The global value of this force is low.**

Overall, the attractiveness of the foil packaging containers industry appears to be medium. On the other hand, the bargaining power of the clients is high as well as the threat of substitutes due to the presence of the paper and plastic food packaging, which offer lower prices and the same usage. However, the rivalry between aluminium foil container producers and the threat of new entrants is low.

Concerning the **Pestle analysis**, some factors should be highlighted. Firstly, regarding the social factors, it is important to consider the increasing trend of convenient meals. People are shifting from spending hours in a restaurant to grabbing a hot convenient meal that can be consumed anywhere. This trend is linked with another trend - people are more concerned about having a healthier lifestyle. Therefore, they have been occupying lunch time with sport activities. This can contribute for the growth of aluminium packaging containers, due to their advantages comparing to other materials. There are also some political factors which can be relevant - the Brexit process of United Kingdom, the USA-Russia tension and the political instability in Spain should be considered since they can impact raw materials’ importations. The completed PESTLE analysis is depicted in **Exhibit 20** on the Appendix.

### **5.1.2 Internal Analysis**

The internal analysis identifies the strengths and weaknesses of Lusoforma and assesses if the developed strengths can be sources of a competitive advantage. Therefore, two strategic tools

will be used: the Value Chain and the Resource-based view (RBV) model. The value chain is an useful tool in identifying potential sources of competitive advantage. In the Lusoforma case, it is necessary to identify the areas where the company is contributing with the best results: Technology development, Service.

As a support activity, technology development is related with internal knowledge that Lusoforma is developing and implementing on the production process. Lusoforma developed internal knowledge that allows it to update, construct, innovate and maintain all the machinery with internal resources. Some examples of value creation in Lusoforma are the software that tracks all the production process, allowing to increase the efficiency, and the permanent adaptation regarding moulds and new formats to implement.

Regarding the primary activities, service is becoming the differentiating factor in the market where Lusoforma is inserted in. For example, the Cash & Carry market requires a product that should include the aluminium container, the respective cover, the packaging service and finally the distribution. According to Bernardo and Marcos, “there are no other players that are able to offer the same level of service as Lusoforma”. Thus, the company has been developing a close relationship with its clients, enabling Lusoforma to innovate based on clients’ perception of the best quality product.

After identifying the company’s potential key resources, it is necessary to evaluate whether these key resources fulfil the following criteria, according to RBV model: Valuable, Rare, Inimitable, and Difficult to Substitute (**See Exhibit 21**). On one hand, the **internal knowledge** is obviously a valuable asset since it contributes for business sustainability. Furthermore, it can also be considered as rare since Lusoforma is “implementing a value-creating strategy not simultaneously implemented by a large number of firms” (Barney, 1991). The next criteria, inimitability and substitutability are also fulfilled. Firstly, it is impossible for a competitor to

imitate or acquire this internal knowledge. It is only possible if a company acquires the whole company with the same employees. Secondly, it cannot be replaced for any other exploited resource. The internal knowledge is one of the pillars of Lusoforma success. On the other hand, **the service** is also a valuable asset once it enhanced the brand awareness of Lusoforma in the market. Moreover, the rareness criteria is also accomplished - there is no other player capable of offering a service as customized as Lusoforma, at the same price. This resource is also inimitable because, besides a huge investment in machinery and human capital know-how, it is quite impossible to replicate in the short term. This resource is crucial for the company success, since it is the source of the Cash&Carry and pastry industry supply and is embedded on the business process. So it is also unique and impossible to substitute. Overall, all these factors combined transform the presented resources in sustainable competitive advantages that allow Lusoforma to overpass the competition in the segments where it performs.

### **5.1.3 Internal/ External Analysis: Growth Strategy**

**The Ansoff Matrix** is useful to understand which type of growth strategy Lusoforma has been using. In this matrix, there are four ways to grow the business via existing and/or new products, in existing and/or new markets. Lusoforma's strategy is divided in two different phases. As the company is operating in a niche that values customized service, it should be permanently adapting the production process to clients' needs. Thus, and given the constant interconnection between the clients and Lusoforma, it can be stated that the company has been investing permanently on product development (the investment is done in the same market, but the type of product is constantly innovating even if it maintains the same raw material). However, more recently, the company entered in a new market segment (wholesalers) through the purchase of Trainalda, as mentioned before. This new entry is clearly perceived as market development, since Lusoforma is offering the same product but in a different market that was not reached in the past. In the future, the company should follow the product development strategy investing in adaptation capacity to be able to reach more and more clients in the Pastry industry that value

fast production and permanent mould change. On the other hand, the company should maintain its close relationship with clients, aiming permanent customization, namely through the investment in customer relationship management systems. Regarding the **business model Canvas** analysis (See Exhibit 23) the company is focused on empower the clients with a product that joins the best quality and the best price of the market. As well the company seeks for offering a customized service, which is adapted according to the clients' specifications.

## 5.2 Strategic Formulation

**Vision:** The chosen vision – *to reinforce national position and to become a relevant player in the European market* - should be maintained since it points to a milestone for the short-term and long-term. Firstly, Lusoforma aims to strengthen its position in the national market, delivering a wider range of products to its clients. In the future, and after stabilizing the national position (and even the Iberian position), the company should seeks to grow in the European market. This vision shows that Lusoforma has well-defined targets for the next years.

**Mission:** The current mission presented by Lusoforma - *meet the needs of its customers through a performance focused on excellence, leading to the personal realization of collaborators and to ensure their own profitability and development, seeking for functional improvement* - is partly adequate to the company. However, it does not represent a concise message of the developed strategy. It includes some objectives that should be described independently. Therefore, as the company is seeking to be a national leader and a relevant player in the European market, the suggested mission is:

*Lusoforma's mission is to develop, produce and sell aluminium containers for the packaging market, surpassing the expectations and needs of our customers"*

**Values:** Regarding Lusoforma's core values, some improvements can be highlighted. In fact, as stated by Bernardo and Marcos, there is a wide range of values - *innovation seeking, human resource quality management, growth, client satisfaction, respect everyone, be competitive,*

*financial stability* – which intends to constitute the bricks of the company’s culture. These are relevant and follow the company’s activities. However, they were only exposed as ideas that Lusoforma aims to follow and are not presented in any of the company’s communication channels. Moreover, they are too many, making it difficult to memorize and implement. These values may be defined on the top-management brains, but they are not impacting the company’s culture as they are not acknowledged by all employees. In conclusion, the presented values are not yet viewed as part of company’s DNA.

Thus, the idea is to organize and simplify the presented values in order to embed them in the company’s culture. For this, it would be relevant to post it on the website and on the employees’ workplaces directly or indirectly. Furthermore, each value should be explained and contextualized according to the company’s operation, creating a reason to believe. Lusoforma’s values could be defined as:

***Client Satisfaction:*** deliver a product that exceed clients expectations

***Rigour:*** put the maximum attention and effort into daily work

***Innovation Seeking:*** Foster the highest standards of quality to surpass competition

***Adaptation:*** Learn with new opportunities and obstacles that can emerge

***Respect:*** Respect everyone as equal

**Global/ SMART Objectives:** The strategic objectives are “used to operationalize the mission statement. That is, they help to provide guidance on how the organization can fulfil or move toward the “high goals” in the goal hierarchy” (Dess, Taylor, & Lumpkin, 2005). As it was identified by Bernardo and Marcos, Lusoforma holds three global objectives for 2017 - machinery improvement, communication between the commercial teams from the three main segments and new technological development. In addition, the company has also defined several objectives regarding clients, processes, safety, and financial management, among others. For those objectives, the company is already using SMART objectives (**See Exhibit**

15). However, there are no SMART objectives concerning the annual goals. Therefore, the following table gives a suggestion of SMART objectives for the goals of 2016.

Global Goals	SMART Goals
Normalize Machinery features with equal level of technology	<ul style="list-style-type: none"> <li>• Choose the technology in 3 months</li> <li>• Decide the Time spent per Machine</li> <li>• 50% of machines normalized in the first 6 months</li> </ul>
Improve communication between the commercial teams	<ul style="list-style-type: none"> <li>• Finish the CRM formulation in the first 7 months</li> <li>• 2 months of experimental</li> <li>• Be operational for 50% of the sale force until October</li> </ul>
Electric presses implementation	<ul style="list-style-type: none"> <li>• Design in 2 months</li> <li>• Install in 6 months</li> <li>• 3 months for testing</li> </ul>
Implement da IFS norm in the Production Process	<ul style="list-style-type: none"> <li>• Implement the 50 missing points of the norm</li> </ul>

**Key Success Factors:** Considering the analysis made, the following aspects could be pointed out: firstly, Lusoforma should continue investing on R&D, maintaining itself as a partner of clients in the search for new solutions; secondly, it should hold the investment in technology to increase operational efficiency (speed in production, packaging, increase the capacity to adapt to customers' needs in the pastry industry); thirdly, it should stay updated about certifications, mainly food certification and environmental procedures; fourthly, the company should increase facilities allowing itself to purchase more press machines and increase the storage space; fifthly, Lusoforma should diversify the number of clients in order to spread the risk regarding clients' concentration; lastly, increase the participation in the Spanish market due to the proximity of the market.

**The chosen competitive strategy:** Taking into consideration the three competitive strategies defined by Michael Porter as possible sources of competitive advantages, it is important to adapt

the reasoning to the Lusoforma's case. The first idea that is important to point out is that Lusoforma has created its own market niche. In fact, there are some aluminium containers' producers but none can offer what Lusoforma has been offering. Besides the remarkable quality of its containers, Lusoforma is also capable of adapting its production process to its client's expectations at a lower cost, and still offer high level of service. This service is represented through the capacity to produce in the same production unit the aluminium containers and the PVC covers (which are very valued by the Cash & Carry market) or the capacity to adapt to the pastry clients, which is constantly changing the size of mould, or to adapt to unexpected orders that obligate to change by few centimetres the size containers. For other players, it represents the substitution of all production process and therefore an enormous investment. However, Lusoforma, with its internal expertise which has been a part of its DNA, has been able to position itself as a company that offers more than a aluminium container, but a product that fits clients expectations at a lower cost.

Furthermore, it is also relevant to consider that the origin of Lusoforma is directly related with the need to create a business that generates cash quickly given the family needs. Therefore, the Lusoforma's founders took advantage from their own expertise and started to create machines to produce aluminium containers. In conclusion, the company has been permanently adapting the production capacity in order to gain more and more clients. This constant improving rose two important competitive advantages of the company. Firstly, the technology knowledge passed from generation to generation and, nowadays, to employees, allowing the exploitation expertise related with machinery that saves a lot of money in maintenance. On the other hand, the close relationship has put the company always ahead of competitors, allowing a faster evolution and adaptation to the real needs of the market and has contributed for the reputation of the company in the market. At the end, Lusoforma was able to build a production process that reached easily the clients requirements without needing big investments.

### 5.3 Strategic Implementation & Control

The strategic implementation & control is the last step of the strategic management model presented by Wheelen in this dissertation. This last step is crucial to align the formulated strategy with the external environment and the internal resources, as well as, the evaluation of established objectives and the correction of possible deviations that may arise (Santos, 2008). This step can be supported by a balance scorecard map developed by Kaplan and Norton that joins four main areas of the business - financial, customer, process, and learning & growth perspective - allowing companies to link long-term strategic objectives with short-term actions.

Regarding to this step, Lusoforma has been developing an Indicators map (**See Exhibit 14**) as a monitoring and implementation tool which includes some important areas of the business (financial indicators, clients, employees, production, Improving & monitoring, food safety and suppliers), the selected improvements, the objective for the next year, the responsible area, the evaluation metric and the period of evaluation. In fact, this map is permitting to make a broad control of the business.

Comparing the balanced scorecard map with Lusoforma's indicators map, it can be concluded that Lusoforma already has the majority of the pillars needed to conceptualize the Kaplan and Norton's methodology, since the map already includes the financial, customer and internal process perspective. However, and given the importance of the R&D for Lusoforma business, the company should develop the learning and growth perspective in its indicators map. This perspective is related with the development of employee's knowledge, which is crucial for a company like Lusoforma that has been constantly improving its production process and is enhancing its internal knowledge to support the machinery maintenance and innovation. Moreover, Lusoforma has been implementing a new food safety norm (IFS) that requires new employees' habits and knowledge, as well as a new channel for sales force's communication. Therefore, metrics regarding the employee's training programs and the implementation of new

requisites related to both the IFS norm and the communication channel should be added in the learning and growth perspective in order for them to be monitored and periodically evaluated.

In the end, in order to guarantee the success of the model, the company should make sure that the four inter-dependent perspectives are in fact linked with each other.

## **5.4 Conclusions and Further Research**

This dissertation aims to investigate, through the means of a case-study research, the following question: How is a strategic plan of a family business company like Lusoforma designed, and how can it be improved? To answer this question, the different steps of a strategic management model presented by Thomas Wheelen were assessed according to Lusoforma's data which was provided by email, phone and personal interviews.

Through the analysis of the case study, it can be concluded that Lusoforma is operating in a mature market with residual growth rates and several barriers to the entrance of new players related with economies of scale or the significant investment required. However, it is important to consider that 5 customers contributes to more than 50% of the total revenues. The relationship that Lusoforma has been developing with its clients, that permits to constantly reach customer expectations, is crucial to decrease the risk of customer loss. Considering the internal analysis, it can be stated that Lusoforma has been developing sustainable competitive advantages in technology development and service, which has allowed the company to increase its sales year after year even though it is operating in a market with residual growth rates. Given the relevance of internal knowledge in the organization, Lusoforma should create specific goals regarding employee's training programs. The company is also developing a well-structured strategy focused on building an organized and structured firm that has been constantly betting on stakeholders' engagement.

Considering that Lusoforma has been depending on such a small number of clients, and given the social trends that people are bringing home meals to the workplace in order to save time

and money, it is suggested that Lusoforma should invest more on the Supermarket segment. The acquired level of experience in other segments that results in the production of millions of containers per year and the capacity to have its own labelling process (service), facilitate the possibility reach and engage new clients (such Sonae and Lidl) as a private label. Yet, and given the advantages of the aluminium on food packaging, Lusoforma could also reach these clients as Lusoforma brand, betting on external communication allowing to showcase the advantages of the product.

Some **limitations** were found while the case-study was written. On one hand, it was difficult to schedule the interviews with more people from different areas within the company, due to lack of availability of the employees. Secondly, it was very difficult to find quantitative information about the market size which made it impossible to present a reliable value. In the end, it was impossible to quantify Lusoforma's market share. The only information gathered about the market was qualitative and it was based on the interviews performed.

As for **future research**, it would be interesting to analyse the opportunity to start operating in other European countries. The company is now able to be competitive within the Iberian market due to proximity of both countries, however, the distribution costs make it impossible to reach more distant markets, where the opportunities to grow could be huge.

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