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EXPORT POSSIBILITIES FOR LATVIAN  
ENTERPRISE: ENTERING NEW MARKET

LATVIJAS UZŅĒMUMA EKSPORTA ATTĪSTĪBAS  
IESPĒJAS: IEKĻŪŠANA ĀRVALSTU TIRGŪ

MASTER`S THESIS

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## **DEDICATION**

Verily, with every difficulty there is relief.

A côté de la difficulté est, certes, une facilité !

## ACKNOWLEDGEMENTS

First, I would like to show my sincere gratitude to Professor. Dr .oec.Viesturs Pauls Karnups for his inspiration, his support and his enthusiasm during all the time I have worked on this thesis. If it had not been his continuous generous support, I would have had much more difficulty to finish this thesis.

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## ABSTRACT

**Master's thesis topic:** Export Possibilities for Latvian Enterprise: Entering New Market.

Since its foundation (2001), the company “Ramkons” Ltd has firmly established itself in the Latvian market, entered into the top ten of the largest concrete structures manufacturers. For many years of work in the Latvian market, “Ramkons” Ltd has developed an extensive client base consisting mainly of local medium and small enterprises. Despite the fact that “Ramkons” Ltd products enjoy stable demand in Latvia, however, the company does not use the full production facilities potential that could be used to increase the manufactured products output. In this regard, the exporting products issue to international markets becomes especially topical.

The main goal – to analyze the enterprise “Ramkons” Ltd financial condition and assess its export potential to determine new sales markets.

Tasks:

1. To investigate the theoretical aspects and methodology of entering the enterprise into new export markets, identify the main strategies for entering international markets, the resources and export potential of the enterprise;
2. To conduct an analysis of the Concrete and Cement market in Latvia, explore the dynamics of concrete and cement structures exports to target markets;
3. To investigate the financial and economic activities of “Ramkons” Ltd, to describe the main activity, to analyze the production and financial performance of the enterprise in Latvia;
4. To assess “Ramkons” Ltd export potential, to assess the enterprise's products exporting prospects to the European Union countries, to identify the most attractive target market.

The results of the study revealed two main, most promising export markets for the marketing of “Ramkons” Ltd products – Finland and Germany. Therefore the research has confirmed the hypothesis: The company “Ramkons” Ltd will be able to fully realize its economic and production potential by exporting products to “Finland and Germany”, taking into account high purchasing prices and the market export capacity.

The master's thesis consists of 97 pages. The paper contains 25 tables, 33 figures and 68 literary sources.

Keywords: EXPORT, ENTERPRISE, STRATEGY, FINANCE, ANALYSIS, MARKET, CONCRETE, CEMENT

## ANOTĀCIJA

**Maģistra darba tēma:** eksporta iespējas Latvijas uzņēmumam: ieiešana jaunā tirgū.  
Kopš uzņēmuma dibināšanas (2001) SIA "Ramkons" ir cieši nostiprinājies Latvijas tirgū un atrodas starp top desmit lielākajiem betona konstrukciju ražotājiem.

Pēc daudzu gadu darbības Latvijas tirgū SIA "Ramkons" ir izstrādājis plašu klientu bāzi, kas sastāv galvenokārt no vietējiem, vidējiem un maziem uzņēmumiem. Neskatoties uz to, ka "Ramkons" SIA produkti ir pieprasīti Latvijā, uzņēmums neizmanto pilnu ražošanas iekārtu potenciālu. Šo potenciālu varētu izmantot, lai palielinātu saražotās produkcijas apjomu. Tādēļ šis produktu eksporta jautājums starptautiskajā tirgū kļūst aktuāls.

Galvenais mērķis - analizēt uzņēmums SIA "Ramkons" finansiālo stāvokli un novērtēt eksporta potenciālu jaunā pārdošanas tirgū.

Uzdevumi:

1. Izpētīt teorētiskos aspektus, metodes, lai uzņēmums iekļūtu jaunā tirgū un noteikt galvenās stratēģijas, resursus, uzņēmuma eksporta potenciālu.
2. Izpētīt dinamiku betona un cementa konstrukciju eksportam uz mērķa tirgiem, lai veiktu analīzi betona un cementa tirgū Latvijā,
3. Izpētīt SIA "Ramkons" finanšu aktivitātes un saimniecisko darbību, lai aprakstītu galveno darbību, analizētu ražošanu un finanšu rādītājus uzņēmumam Latvijā;
4. Noteikt "Ramkons" SIA eksporta potenciālu, uzņēmuma produktu eksporta izredzes uz Eiropas Savienības valstīm, nosakot vispievilcīgāko mērķa tirgu.

Pētījuma rezultāti atklāja divus galvenos, visizdevīgākos eksporta tirgus - Somiju un Vāciju. Tāpēc pētījums apstiprināja hipotēzi: kompānija SIA "Ramkons" varēs pilnībā realizēt tā ekonomisko un ražošanas potenciālu, eksportējot produkciju uz Somiju un Vāciju, ņemot vērā augstās iepirkuma cenas, un tirgus eksporta kapacitāti.

Maģistra darbs sastāv no lapām. Darbā iekļautas 93 tabulas, 33 attēli un 68 literatūras avoti.

Atslēgas vārdi: EKSPORTS, UZŅĒMUMS, STRATĒGIJA, FINANSES, ANALĪZE, TIRGUS, BETONS, CEMENTS.

## RÉSUMÉ

**Thème de mémoire :** Possibilités d'exportation pour les entreprise lettone: entrer dans un nouveau marché. Depuis sa foundation en (2001), la société "Ramkons" Ltd s'est fermement établie sur le marché letton, elle est entrée dans le top dix des plus grands fabricants de structures en béton.

Pendant de nombreuses années de travail sur le marché letton, "Ramkons" Ltd a développé une vaste base de clients composée principalement de petites et moyennes entreprises locales. Malgré le fait que les produits "Ramkons" Ltd bénéficient d'une demande stable en Lettonie, la société n'utilise pas tous son potentiel de production qui pourrait être utilisé pour augmenter la production de leur produits . À cet égard, la question des produits exporté sur les marchés internationaux devient particulièrement important.

L'objectif de cette étude- et d'analyser la situation financière de l'entreprise "Ramkons" Ltd et d'évaluer son potentiel d'exportation pour déterminer de nouveaux marchés de vente .

Missions :

1. Étudier les aspects théoriques et la méthodologie de l'entrée de l'entreprise dans de nouveaux marchés d'exportation, identifier les principales stratégies d'accès aux marchés internationaux .
2. Effectuer une analyse du marché du béton et du ciment en Lettonie, explorez la dynamique des exportations de structures de béton et de ciment sur des marchés ciblée
3. Enquêter sur les activités financières et économiques de "Ramkons" Ltd, décrire l'activité principale, analyser la production et la performance financière de l'entreprise en Lettonie .
4. Évaluer le potentiel d'exportation de "Ramkons" Ltd, afin d'évaluer les produits de l'entreprise exporté vers d'autre pays de l'Union européenne afin d'identifier le meilleur marché .

Les résultats de l'étude ont révélé deux marchés d'exportation principaux et prometteurs pour la commercialisation des produits "Ramkons" Ltd - la Finlande et l'Allemagne. Par conséquent, la recherche a confirmé l'hypothèse: la société "Ramkons" Ltd sera en mesure de réaliser pleinement sa production et exporté des produits vers «la Finlande et l'Allemagne», en tenant compte des prix d'achat élevés et de la capacité d'exportation du marché.

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## LIST OF ABBREVIATIONS

Explanation	Abbreviations
European Union	EU
Environmental Stability	ES
Financial Strength	FS
Competitive Advantages	CA
World Trade Organization	WTO
Internal Factor Evaluation	IFE
External Factor Evaluation	EFE
The Internal-External	IE
The Strategic Position and Action Evaluation Matrix	SPACE
Grand Strategy Matrix	GSM

# INTRODUCTION

**Master's thesis topic:** Export Possibilities for Latvian Enterprise: Entering New Market.

## **The research topic relevance**

Since its foundation (2001), the company “Ramkons” Ltd has firmly established itself in the Latvian market, entered into the top ten of the largest concrete structures manufacturers. For many years of work in the Latvian market, “Ramkons” Ltd has developed an extensive client base consisting mainly of local medium and small enterprises. Despite the fact that “Ramkons” Ltd products enjoy stable demand in Latvia, however, the company does not use the full production facilities potential that could be used to increase the manufactured products output. In this regard, the exporting products issue to international markets becomes especially topical.

## **Research problem**

Despite the fact that all the European Union countries (EU) are integrated into a single economic space, they all differ not only in terms of geographical location and levels of socio-economic development, but also in export potential, including in the field of concrete structures import. In this regard, there is a serious problem – finding the most attractive market for the Latvian concrete structures export, taking into account this product specific import in each EU country and the geographical distance of the target market from Latvia.

## **Research goal**

The theme of the master's thesis choice, the justification of its relevance and the research problem statement, determined the main goal of the work – to analyze the enterprise “Ramkons” Ltd financial condition and assess its export potential to determine new sales markets.

## **Research tasks**

To solve the identified problems and achieve the goal of the study, the following key tasks were identified:

1. To investigate the theoretical aspects and methodology of entering the enterprise into new export markets, identify the main strategies for entering international markets, the resources and export potential of the enterprise;
2. To conduct an analysis of the construction materials market in Latvia, explore the dynamics of concrete and cement structures exports to target markets;

3. To investigate the financial and economic activities of “Ramkons” Ltd, to describe the main activity, to analyze the production and financial performance of the enterprise in Latvia;
4. To assess “Ramkons” Ltd export potential, to assess the enterprise’s products exporting prospects to the European Union countries, to identify the most attractive target market.

### **Research object and subject**

According to the chosen theme of master’s thesis, the object of research is the enterprise “Ramkons” Ltd, specializing in the production of concrete structures in Latvia.

According to the stated problems and the set goal, the research subject is an enterprise economic development and export opportunities interrelation on the example of “Ramkons” Ltd.

### **Research hypothesis**

The company “Ramkons” Ltd will be able to fully realize it’s economic and production potential by exporting products to “Finland and Germany”, taking into account high purchasing prices and the market export capacity.

### **Research methodology**

To write the master’s work, the author used the following methodology, the combination of which allowed revealing the selected research topic:

- Situation method – allowed to consider the research problem in local meaning, with reference to the current situation, taking into account the results of financial and production activities of “Ramkons” Ltd in Latvia;
- Comparative method – made it possible to compare the European Union countries import capacities in the field of concrete structures supplies and also to identify the main advantages and disadvantages in each individual case;
- Factor method – used for comprehensive, systematic study and measurement of internal and external factors impact on the result of the effective export “Ramkons” Ltd performance in “Finland and Germany”;
- Graphic method – was used to make the trends and interrelations of economic and production potentials “Ramkons” Ltd more expressive and understandable.

## Research period

Research title	Interval
The Enterprise Financial Analysis	2014-2016
The Enterprise Production Capacity Analysis	2017
Product Competitiveness Evaluation	2017
Trade Balance	2008-2016
Export Data	2008-2016
Export Potential	2016
The Enterprise Production Plan Development	2018-2020

## The research theoretical basis

To write the master's work, the author used special scientific literature and other literary sources, mainly in English. The work also used the statistical data "Trade Map" and the internal documentation of the enterprise "Ramkons" Ltd. A full list of literature is available in the section "Bibliography".

## Work structure

The master's work is written in accordance with the guidelines "UNIVERSITY OF LATVIA". The main part of the study is divided into four sections.

- The first part explores the theoretical aspects and methodology of entering the enterprise into new export markets, identifies the main strategies for entering international markets, the enterprise resources and export potential;
- In the second section, an analysis of the construction materials market in Latvia was conducted, the dynamics of the export of concrete and cement structures to target markets was investigated;
- In the second section, the financial and economic activities of "Ramkons" Ltd were analyzed, the financial and production potential of the enterprise and the competitiveness of the products were assessed.
- The third section assesses the export potential of "Ramkons" Ltd, analyzes the specific weight of concrete structures imports in the European Union 28 countries, identifies the main target market for exporting products and developed a production plan.

## **Limitations**

The only restriction in master's work is a sample. The decision on a limited sample was due to the established limits of "UNIVERSITY OF LATVIA", according to the guidelines and the required volume of pages (80-100 pages). With the aforementioned limit, it is not possible to consider all the countries of the world as potential markets for the products of "Ramkons" Ltd. As a result, the sample size was 28 EU countries.

# 1. INTERNATIONAL MARKET ENTRY STRATEGIES: EXPORT MARKET

## 1.1. The enterprise entrepreneurial activity fundamentals

Under the general title “enterprise” in economic practice is meant a commercial organization pursuing as the main goal of activity the extraction of profit on the invested labor and capital.

In accordance with the main purpose of the production enterprise – making a profit on the labor and capital invested in production – a chain of actions is being built. First of all, the enterprise determines<sup>1</sup>:

- Where, in which sphere, specific industry, a particular type of production and products, can be profitably invested;
- How, by what means and mechanisms can the capital increase.

In this regard, the enterprise thoroughly studies available markets for marketable products, analyzes its potential, including<sup>2</sup>:

- Production facilities, their structure and loading;
- Personnel of the enterprise, their qualifications and the possibility of replenishment;
- Finance (both own financial resources and prospects for obtaining bank loans);
- The availability and the possibility of implementing innovative projects (including those financed from outside) for a selected perspective product type.

A manufacturing enterprise is a separate specialized organization, the basis of which is a professionally organized labor collective capable of manufacturing the products (products, services) of the appropriate purpose, profile and range with the means at its disposal<sup>3</sup>.

Industrial enterprises include factories, combines, mines, quarries, ports, roads, bases and other economic organizations for industrial purposes. The activities of a manufacturing enterprise are formed in the internal and external environment, called – “internal and external environment”<sup>4</sup>.

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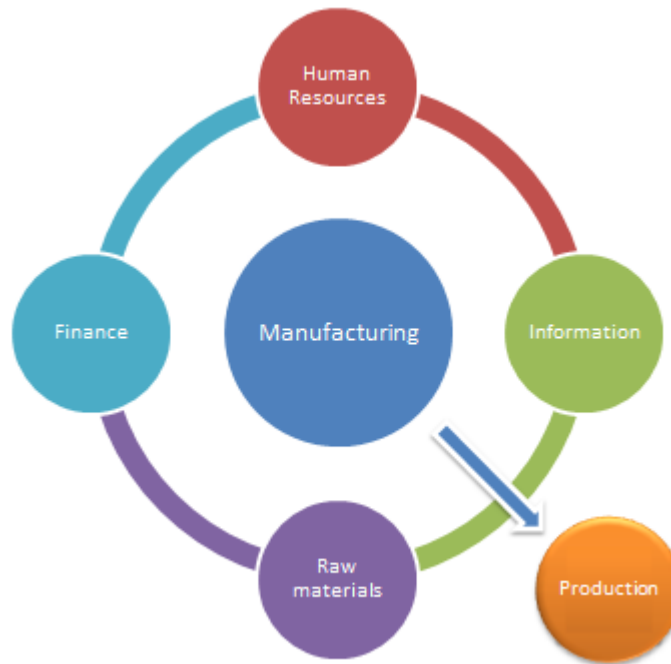
<sup>1</sup> Blanchard O., Johnson D.R. *Macroeconomics (6th Edition)*. Publisher: Pearson. 2012, pp. 32

<sup>2</sup> Hall R.E., Lieberman M. *Macroeconomics: Principles and Applications 6th Edition*. Publisher: South-Western College Pub. 2012, pp. 67

<sup>3</sup> Jones C.I. *Macroeconomics (3rd Edition)*. Publisher: W. W. Norton & Company. 2013, pp. 412

<sup>4</sup> Hubbard R.G., O’Brien A.P. *Macroeconomics (6th Edition)*. Publisher: Pearson. 2016, pp. 117

The internal environment of the enterprise is people, resources, production technologies, information and money. The result of the internal environment components interaction is finished production. (see Fig. 1.1).



1.1 Fig. **Manufacturing Enterprise**<sup>5</sup>

The basis of the enterprise is people who are characterized by a certain professional composition, qualifications and interests. They are leaders, specialists, workers. From their efforts and skills depends the results of the enterprise work<sup>6</sup>.

For the effective operation of a production enterprise, the means of production are needed: the basic means by which production is manufactured and the circulating assets from which this product is created. To calculate necessary materials, equipment for supplies, energy resources, to pay salaries to employees and make other payments, the company needs money that is accumulated on its current account with the bank and partly at the company's cash desk. In the absence of a sufficient amount of own money, the enterprise resorts to loans.

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<sup>5</sup> **McConnell C., Brue S., Flynn S.** *Macroeconomics (McGraw-Hill Series Economics) 19th Edition.* Publisher: McGraw-Hill Education. 2011, pp. 307

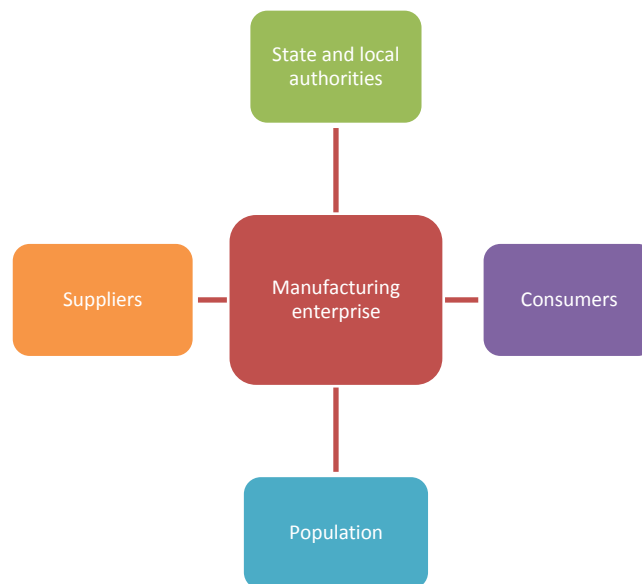
<sup>6</sup> **Colander D.** *Macroeconomics (McGraw-Hill Series in Economics) 10th Edition.* Publisher: McGraw-Hill Education. 2016, pp. 364

Information plays an important role in the life of the production enterprise. There are three types of information – commercial, technical and operational<sup>7</sup>.

Commercial information answers questions: what products and in what quantity it is necessary to make; at what price and to whom to implement it; what expenses will be required for its production<sup>8</sup>.

Technical information gives an exhaustive description of the products, describes the technology of its production, determines which raw materials and materials each product should be manufactured, with what equipment and tools, in what order the work should be carried out<sup>9</sup>.

On the basis of operational information, assignments are given to personnel, its placement is performed at workplaces, monitoring, accounting and regulation of the production process progress, as well as adjustment of managerial and commercial operations are carried out. With the help of information, all components of the operating enterprise are linked into a single synchronously functioning complex aimed at producing a given type of the appropriate quantity and quality product<sup>10</sup>.



1.2 Fig. The External Environment of the Manufacturing Enterprise<sup>11</sup>

<sup>7</sup> O’Sullivan A., Sheffrin S., Perez S. *Macroeconomics: Principles, Applications, and Tools (8th Edition)*. Publisher: Pearson. 2013, pp. 121

<sup>8</sup> Goodwin N., Harris J.M., Nelson J.A. at all. *Macroeconomics in Context 2nd Edition*. Publisher: Routledge. 2013, pp. 178

<sup>9</sup> Musgrave F., Kacapyr E., Redelsheimer J. *Barron's AP Microeconomics/Macroeconomics, 5th Edition*. Publisher: Barron's Educational Series. 2015, pp. 307

<sup>10</sup> Welker J. *AP® Macroeconomics Crash Course Book + Online (Advanced Placement (AP) Crash Course)*. Publisher: Research & Education Association. 2011, pp. 112

<sup>11</sup> Moss D.A. *A Concise Guide to Macroeconomics, Second Edition: What Managers, Executives, and Students Need to Know*. Publisher: Harvard Business Review Press. 2014, pp. 183

Of course, there are no enterprises isolated from the outside world. The external environment, which directly determines the efficiency and expediency of the enterprise, is, first of all, consumers of products, suppliers of production components, as well as state bodies and the population living in the vicinity of the enterprise (see Fig. 1.2).

The population, in the interests and with the participation of which the enterprise is created, is the main factor of the external environment. The population is also the main consumer of products and the supplier of labor. Since the processing of raw materials into ready-to-use products goes through many stages in individual specialized enterprises, most of them (especially in the concrete construction industry) are not only suppliers of their own products, but also other enterprises products consumers (concrete, fittings, specialized equipment for production Concrete structures, etc.).

Among the suppliers of the enterprise, obviously, not only suppliers of production raw materials, but also credit institutions – banks supplying money resources, as well as scientific and design organizations, which prepare necessary scientific and technical information and project documentation for the enterprises should obviously be included. Control of law enforcement is carried out by the government and local authorities. Due to the fact that the company occupies a central place in the national economic complex, its activities focus on the subjects of the external environment – the population, government bodies, suppliers and products consumers. In the external environment, competitors are active, ready at any time to fully or partially take the place of the enterprise in the market<sup>12</sup>.

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<sup>12</sup> **Krugman P., Wells R.** *Macroeconomics 4th Edition*. Publisher: Worth Publishers. 2015, pp. 132

The main functions of the production enterprise can be attributed<sup>13</sup>:

- Manufacture of products for industrial and personal consumption in accordance with the profile of the enterprise and market demand;
- Sale and supply of products to the consumer;
- After-sales service of products;
- Material and technical support of the production process at the enterprise;
- Management and organization of labor in the enterprise;
- Improving the quality of products;
- Reduction of unit costs and increase in the volume of production in the enterprise;
- Entrepreneurship;
- Payment of taxes, making mandatory and voluntary contributions and making payments to the budget, etc.;
- Compliance with existing standards, regulations, state laws.

The functions of the enterprise are specified depending on the size of the enterprise, which is determined by the volume of production; Industry affiliation; Degree of specialization and cooperation; Availability of commercial and social infrastructure; Form of ownership; Relations with local authorities.

## **1.2. Manufacturing enterprise in the sphere of market commodity exchange**

All material values are created at production facilities and with their help, non-material goods are also reproduced. Enterprises specializing in the production of homogeneous products (for example, concrete structures) form the corresponding branches of material production. They form the structure of industries, determine their direction and scale<sup>14</sup>.

Industry affiliation almost always influences the structure of the enterprise and its size to some extent. These two factors – the industry and the size of the enterprise – are largely related. For example, it is impossible to create a small enterprise for the production of many types of machinery and materials, such as airplanes, cars, tractors, rolling mills, chemical fertilizers, locomotives, ships and a number of others. This product is created only in large enterprises. The technology of its manufacture does not fit into the framework of a small or even medium-level

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<sup>13</sup> **Abel A.B., Bernanke B., Croushore D.** *Macroeconomics (8th Edition)*. Publisher: Pearson. 2013, pp. 457

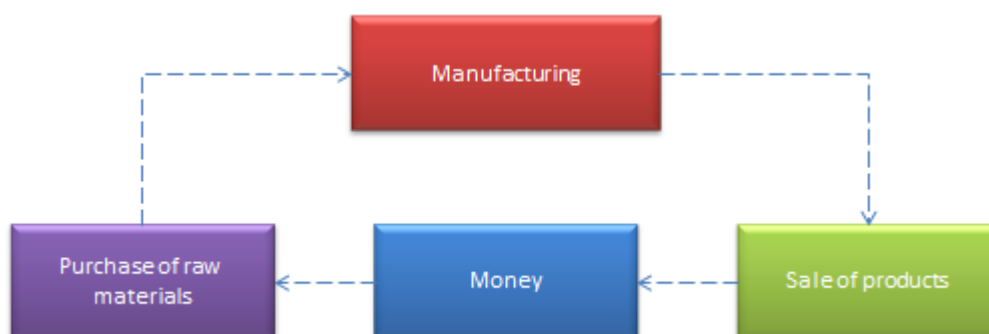
<sup>14</sup> **Carlin W., Soskice D.** *Macroeconomics: Institutions, Instability, and the Financial System 1st Edition*. Publisher: Oxford University Press. 2014, pp. 411

production link. The principle of natural monopoly comes into force when objectively the technology itself and the organization of production create a monopoly. At the same time, it is absolutely inappropriate to create large facilities for consumer services – shoe repair shops, individual tailoring and repair of clothes, hairdressers, pharmacies, canteens, etc. The structure of the enterprise is largely formed directly under the influence of the industry's production technology. The higher the complexity of the technological process, the more branched and cumbersome is the structure of the enterprise and, consequently, its size is larger.

The enterprise's activity in the sphere of material production implies two main stages<sup>15</sup>:

- Production of tangible product;
- Sale of the production good and purchase of the necessary production components (exchange).

The first stage basically occurs within the enterprise itself, the second – outside of it. The process of production begins with an act of exchange (purchase and sale), is accompanied by an exchange and ends with it: the purchased raw materials and materials, with the help of hired workers and purchased energy, fuel and tools of labor are turned into a commodity – a new item for sale on the market, and the “Goods – Money – Commodity” is infinite. Continuous exchange is the essence of modern production. It functions only because itself consumes and for that it must have the means to purchase the consumed resources. These means a manufacturing enterprise receives through the sale of its own products on the (see Fig. 1.3).



1.3 Fig. Manufacturing and Exchange of Goods<sup>16</sup>

<sup>15</sup> Baumol W.J., Blinder A.S. *Principles and Policy 12th Edition*. Publisher: South-Western College Pub. 2011, pp. 276

<sup>16</sup> Cowen T. *Modern Principles: Macroeconomics 3rd Edition*. Publisher: Worth Publishers. 2014, pp. 304

Thus, production, being a generator of commodity exchange, together with it becomes a regulator of the market as a sphere of commodity relations. It follows that a market directly connected with production is subject to and regulated by its laws. Without the product that is created in production, the market will disappear<sup>17</sup>.

The production of goods and commodity exchange, which complement each other and support the functioning of a complex production and market complex of the economy, are nevertheless different technical and economic categories, which should not be confused and identified.

Production is a way to obtain the product necessary to ensure the livelihoods of people. Exchange – the result of labor professional and geographical division, due to the action of natural and climatic number, historical and social factors<sup>18</sup>.

Thus, if the systematically organized production of a product is a means of achieving a tactical and strategic goal set by the owner and staff of the enterprise, then exchange is the way to this goal.

Regardless of the enterprise ownership form and the methods of management, the products manufactured on it are goods that are intended for exchange for other goods necessary for the enterprise and its personnel.

## **Product**

The goods are everything that is sold and bought in the market. Money at the same time as a universal, proportionally weighted intermediary serves as a measure of the goods value and they themselves become commodities in the process of exchange<sup>19</sup>.

Goods are divided into two groups – material goods and services. Thus, commodity production is the production of goods and services not for own consumption but for exchange and sale with the aim of simultaneously acquiring the necessary goods from another enterprise. Products manufactured by the enterprise and intended for sale are called marketable products<sup>20</sup>.

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<sup>17</sup> **Williamson S.D.** *Macroeconomics (5th Edition)*. Publisher: Pearson. 2013, pp. 331

<sup>18</sup> **Hubbard R.G., O'Brien A.P.** *Macroeconomics (6th Edition)*. Publisher: Pearson. 2016, pp. 125

<sup>19</sup> **Abel A.B., Bernanke B., Croushore D.** *Macroeconomics (9th Edition)*. Publisher: Pearson. 2016, pp. 428

<sup>20</sup> **Mankiw N.G.** *Macroeconomics 9th Edition*. Publisher: Worth Publishers. 2015, pp. 238

Commodity production includes the following economic categories<sup>21</sup>:

- Production of goods;
- Specialization of commodity producers;
- Production co-operation;
- Exchange of goods (purchase and sale) between producers;
- Final consumption.

The last two categories (exchange of goods and final consumption) form the market of goods. The main focus of the enterprise – the market, its needs, structure, dynamics and capacity. With the market, the enterprise is connected both with the production and marketing of its own products and with the material and technical support of the production of raw materials, equipment, etc. In this connection, it is necessary to clarify the very concept of “market”.

## **Market**

The market is a system of economic relations that are formed in the process of production, circulation and distribution of goods. The market develops together with the development of commodity production, involving in exchange not only the products produced, but also products that are not the result of labor, for example – minerals, land, wild forest, water<sup>22</sup>.

The content and forms of the market at the present stage are very diverse. The largest trade transactions are currently being conducted in absentia, by means of communications, in the absence of the goods themselves and mainly through intermediaries and proxies.

In the wholesale trade of the commodity itself, as a rule, there is not, it still has to be manufactured. At best, the buyer is introduced to the sample, and more often only with the description stated in the “product certificate”, which indicates<sup>23</sup>:

- Characteristic and price of goods;
- The way the goods are delivered to the buyer;
- Obligations of the goods after-sales service on the part of the seller.

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<sup>21</sup> **Tucker I.B.** *Macroeconomics for Today 8th Edition*. Publisher: Cengage Learning. 2012, pp. 526

<sup>22</sup> **Uribe M., Schmitt-Grohe S.** *Open Economy Macroeconomics*. Publisher Princeton University Press. 2017, pp. 57

<sup>23</sup> **Slavin S.** *Macroeconomics (McGraw-Hill Series Economics) 11th Edition*. Publisher: McGraw-Hill Education. 2013, pp. 197



1.4 Fig. Market Structure<sup>24</sup>

From the enterprise-commodity producer point of view, markets exist in the form of<sup>25</sup>:

- Sales markets;
- Procurement markets;
- Financial markets;
- Intermediaries of market transactions;
- Labor markets.

Initially, the markets are divided into wholesale and retail, internal and external. In turn, these markets are grouped according to subject and industry characteristics, for example, commodity markets, food markets, real estate markets, etc. Further differentiation of markets is carried out for individual products, for example, markets for concrete structures<sup>26</sup>.

Studying the possibilities of the most effective investment of capital for the future, the enterprise must certainly at least get acquainted with the state of affairs at all markets of interest and access to it. The great importance is the capacity of the market, that is, the volume of solvent consumer demand, determined in kind (pieces, tons, etc.) and value terms. Further, the positions of buyers and sellers are clarified, the balance of supply and demand and prices for products. The

<sup>24</sup> Krugman P., Wells R. *Macroeconomics, 3rd Edition*. Publisher: Worth Publishers. 2012, pp. 169

<sup>25</sup> McConnell C., Brue S., Flynn S. *Macroeconomics with Connect Access Card 20th Edition*. Publisher: McGraw-Hill Education. 2014, pp. 322

<sup>26</sup> Krugman P., Wells R. *Macroeconomics, 3rd Edition*. Publisher: Worth Publishers. 2012, pp. 169

current and long-term (predicted) dynamics of market transactions for products with which the enterprise intends to enter the market or which it intends to purchase for its own needs is taken into account without fail. The morphological structure of the market is taken into account, which is formed as a ratio between suppliers and consumers of the commodity mass (see Tab. 1.1).

Table 1.1

**Market Relations: Suppliers/Consumers<sup>27</sup>**

Suppliers	Consumers		
	Many small	A few medium	One large
Many small	The complete set (oligopoly)	A limited set (oligopoly)	Monopoly of the consumer (monopsony)
A few medium and large	Partial restriction (oligopoly)	Mutual limitation	Limited consumer monopoly
One large	Supplier's monopoly	Limited Vendor Monopoly	Mutual monopoly

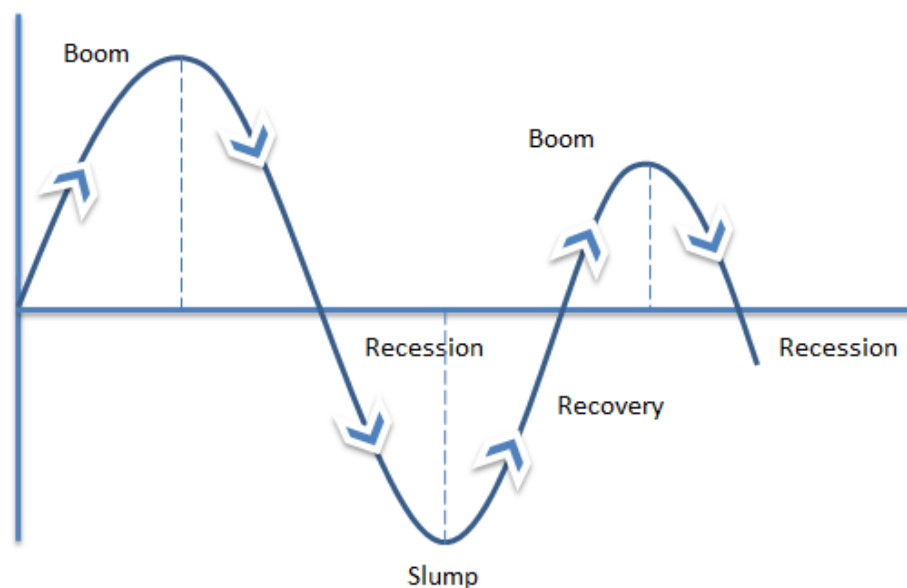
Market situations such as “polypoly” are rare, because they are destroyed as a result of competition. Many small businesses fail to compete and quickly leave markets. Their place is occupied by vigorous competitors, which grow to the size of medium and large enterprises. It is also difficult to maintain a monopoly for a long time – this applies to both suppliers and consumers (monopsony). Monopoly is maintained mainly due to the superiority of technology and the organization of production. With the loss of such superiority, the monopoly in the market is coming to an end and a period of competition is coming, in which the one who has managed to make the best use of the latest achievements of science and technology has won, he has studied the market better. Most often in the markets there is a situation where, with a relatively small number of suppliers, there are many consumers – oligopoly<sup>28</sup>.

The next most important characteristic of the market is its dynamics, manifested in the form of trends (rise, stagnation, reduction in sales). These trends can cover both individual sectors of the economy or types of products and the market as a whole. Markets dominated by the rise, create conditions for the company to increase production and sales, which, in turn, leads to a reduction in unit costs per unit of output, contributes to the improvement of the business

<sup>27</sup> **Baumol W.J., Blinder A.S.** *Macroeconomics: Principles and Policy 13th Edition*. Publisher: South-Western College Pub. 2015, pp. 233

<sup>28</sup> **Mankiw N.G.** *Principles of Macroeconomics (Mankiw's Principles of Economics) 7th Edition*. Publisher: Cengage Learning. 2014, pp. 379

environment. With a reduction in market turnover, the economic situation of the enterprise deteriorates: production decreases, the cost of production increases and income decreases. The stagnation of the market (“stagnation” – the state at the stage of stopping growth) can lead to a sharp drop in business activity and cause a crisis, which is manifested in a sharp drop in production, sales, rising costs, lower demand and the emergence of losses.



1.5 Fig. **Market Cycles**<sup>29</sup>

The normal state of the market is the growth in the volume of trade. When the market is overcrowded with certain types of products, the balancing occurs due to the outflow of suppliers. Through the diversification and restructuring of production, some suppliers leave the oversaturated market and transfer capital to other industries; other suppliers cannot withstand competition and are ruined. As a result, the most competitive enterprises remain on the market. Free capital is transferred to those industries and to organize the production of such products, for which there is an increased demand. Unending market fluctuations eventually lead to a conditional balancing of supply and demand. Conditional it is called because it is impossible to achieve full balance across the whole spectrum of the commodity mass movement.

<sup>29</sup> **Dodge E.R.** *5 Steps to a 5: AP Macroeconomics 2017 3rd Edition*. Publisher: McGraw-Hill Education. 2016, pp. 94

### 1.3. The enterprise resources

Under the resources of the enterprise should be understood the totality of those natural, material, technical, labour, financial, information, temporary forces and opportunities that are used in the process of creating goods, services and other values<sup>30</sup>.

The enterprise's resources can be classified according to the economic principle, limited access, accounting and business environment. Since all the resources of the enterprise are subject to quantitative and qualitative assessment, the most interesting classification of resources is the classification by accounting.

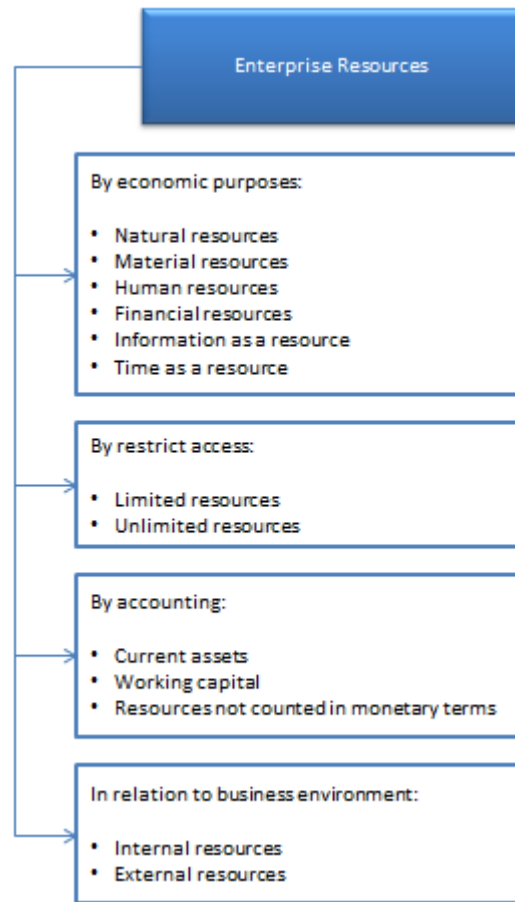
Fixed assets include buildings, structures, workers and power machines and equipment, measuring and control devices and devices, computers, vehicles, tools, production and household implements and supplies. In addition, in the structure of fixed assets the land plots owned by the enterprise are taken into account<sup>31</sup>.

Fixed assets function in the sphere of material production, participate repeatedly in the production process, wear out gradually and transfer their value to the created product. Production fixed assets constitute the material and technical base of the enterprise and the basis of its authorized capital.

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<sup>30</sup> **Hubbard R.G., O'Brien A.P.** *Macroeconomics 5th Edition (Pearson Series in Economics)*. Publisher: Pearson. 2014, pp. 581

<sup>31</sup> **McLaney E., Atrill P.** *Accounting and Finance: An Introduction 8th edition*. Publisher: Pearson. 2016, pp. 203



1.6 Fig. **Enterprise Resource Model**<sup>32</sup>

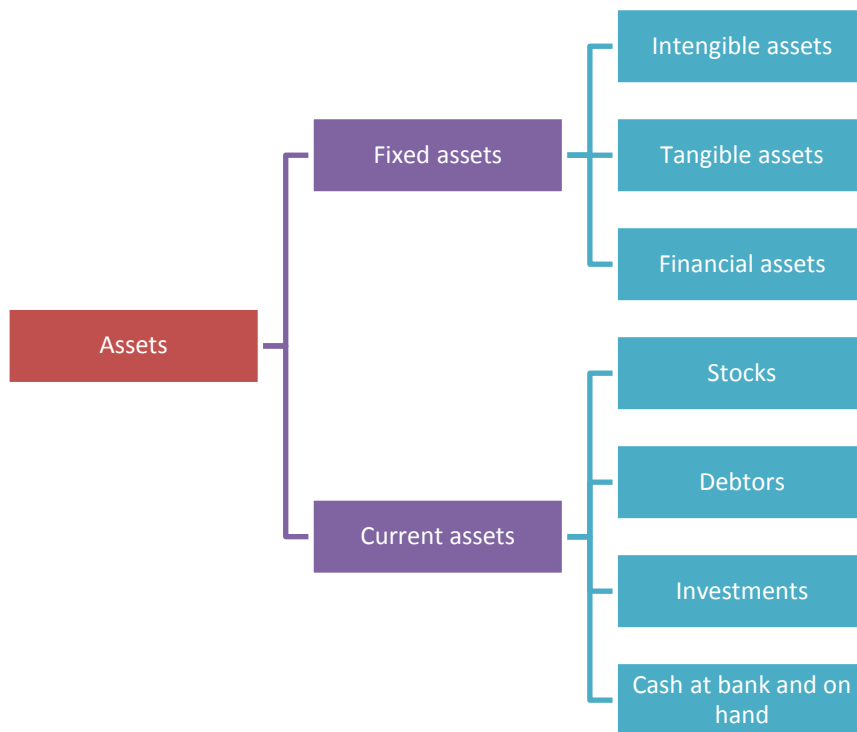
In the practice of planning and technical and economic analysis, production assets are delineated into: active and passive.

The active part of fixed assets affects the object of labor, moves it in the production process and controls production; their passive part creates conditions for the uninterrupted functioning of the active part<sup>33</sup>.

At acquisition of the basic means their initial cost develops from the sum of actual expenses for acquisition and-or manufacturing of object (minus the VAT and other reimbursable taxes).

<sup>32</sup> **Jackson H.** *Accounting and Finance (University Casebook Series) 1st Edition*. Publisher: Foundation Press. 2004, pp. 27

<sup>33</sup> **Griffin M.P.** *MBA Fundamentals Accounting and Finance (Kaplan Test Prep)*. Publisher: Kaplan Publishing. 2009, pp. 102



1.7 Fig. **Classification of Current Assets**<sup>34</sup>

In the composition of actual costs or in the initial cost, this may include<sup>35</sup>:

- Amounts paid in accordance with the contract to the supplier (seller);
- Amounts paid to enterprises under a construction contract and other contracts for transportation and construction and installation work;
- Amounts paid to enterprises for information and consulting services related to the acquisition of fixed assets;
- Registration fees, state fees and other similar payments made in connection with the acquisition (acquisition of rights to an item of property, plant and equipment);
- Customs duties and other payments;
- Non-refundable taxes paid in connection with the acquisition of fixed assets.

Not included in the actual costs of acquiring fixed assets – general and other similar costs (except when they are directly related to the acquisition of fixed assets).

<sup>34</sup> **Piper M.** *Accounting Made Simple: Accounting Explained in 100 Pages or Less*. Publisher: Simple Subjects, LLC. 2013, pp. 66

<sup>35</sup> **Jones. C.I.** *Macroeconomics (Fourth Edition)*. Publisher: W. W. Norton & Company. 2017, pp. 154

In the process of creating a finished product, along with the basic means of production, labor items participate, which, unlike fixed assets, are consumed completely and fully reflected in the cost of the final product.

The current assets of the enterprise are monetary combination and material assets advanced to the means of production that are once participating in the production process and completely transfer their value to the finished product. Circulating assets ensure the continuity and rhythm of all processes occurring at the enterprise: supply, production, marketing, financing<sup>36</sup>.

The current assets of the enterprise are constantly in motion, making a circuit. The circuit begins with the payment of cash resources necessary for the enterprise material resources and ends with the return of all costs along the entire flow of funds in the form of revenue from the sale of finished products. Then the cycle repeats. Thus, in the process of circulation, circulating assets consistently pass through the following stages<sup>37</sup>:

1. Monetary – at this stage, funds are financed in necessary items of labor;
2. Productive – at this stage there is a qualitative change in the objects of labor in the finished product, i.e. the production process is carried out directly;
3. Commodity – the stage of finding working capital in the objects of labor and finished products.

The composition of working capital means the totality of elements (articles) that form circulating assets. The structure of working capital means the ratio between their articles. Current assets are divided into circulating production assets and circulation funds. The composition of working capital stock includes<sup>38</sup>:

- Production stocks – items of labor received by the enterprise for further processing or ensuring the production process (stocks of raw materials, materials, components, fuel, low-value and wearing items, containers, etc.);
- Work in progress – objects of labor that entered the production process and are located in and between workplaces (blanks, parts, aggregates, products that did not pass through all processing stages);

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<sup>36</sup> **Piper M.** *Accounting Made Simple: Accounting Explained in 100 Pages or Less*. Publisher: Simple Subjects, LLC. 2013, pp. 68

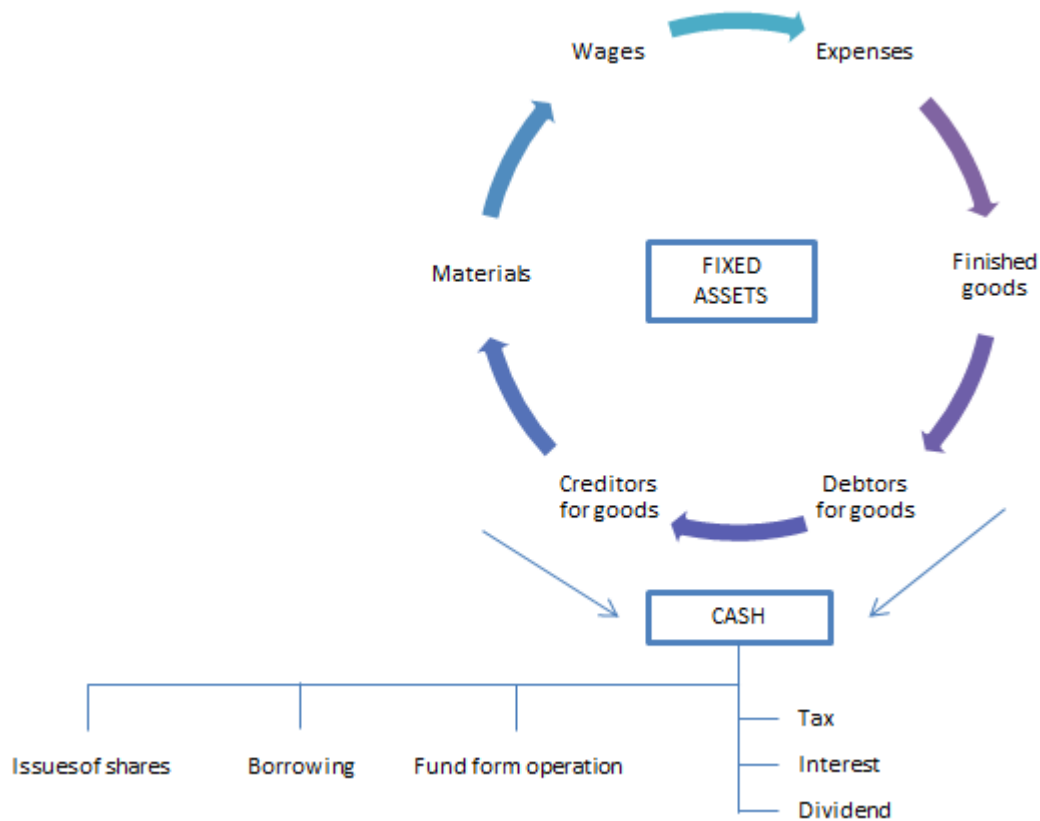
<sup>37</sup> **Tsvetanov G.** *Visual Finance: The One Page Visual Model to Understand Financial Statements and Make Better Business Decisions*. Publisher: CreateSpace Independent Publishing Platform. 2015, pp. 113

<sup>38</sup> **Eisen P.J.** *Accounting 6th Edition*. Publisher: Barron's Educational Series. 2013, pp. 161

- Expenses of the future periods – cost estimation of expenses on preparation and development of new kinds of the production made in the given period, but subject to payment in the future.

The composition of circulation funds is included<sup>39</sup>:

- Finished goods, goods for resale and goods shipped – items of labor that have passed all the processing stages and are ready for implementation, i.e. products of labor;
- Receivables – debts to the enterprise from legal entities, individuals and the state. In the composition of accounts receivable are allocated debts of buyers and customers, bills receivable, debts of subsidiaries and dependent companies, debts of founders for contributions to authorized capital, advances issued;
- Cash.

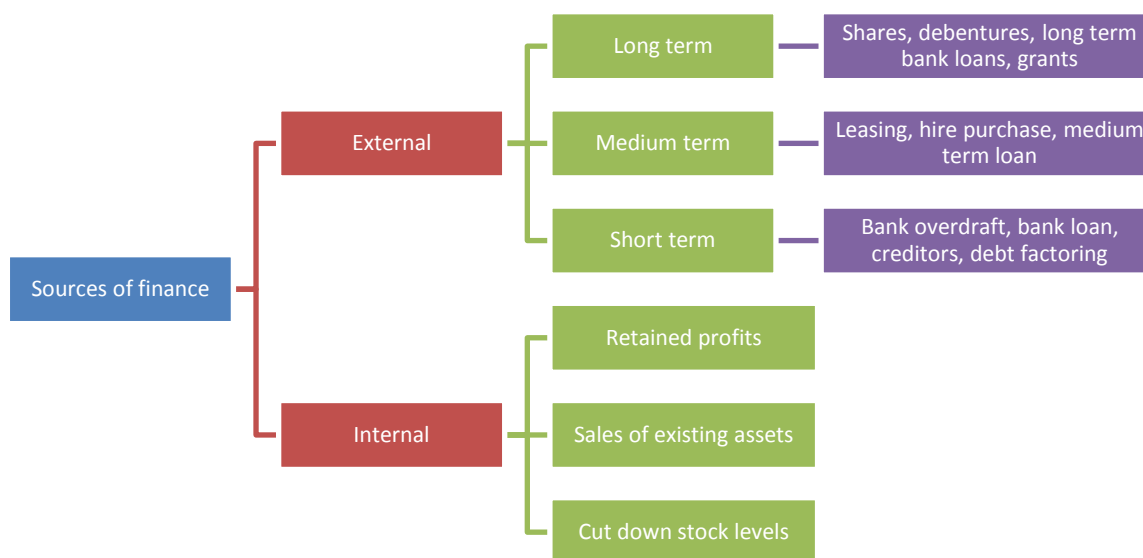


1.8 Fig. Circulation of Working Capital<sup>40</sup>

<sup>39</sup> Ittelson T.R. *Nonprofit Accounting & Financial Statements: Overview for Board, Management and Staff*. Publisher: Mercury Group. 2017, pp. 108

<sup>40</sup> Bragg S.M. *Public Company Accounting and Finance*. Publisher: Accounting Tools. 2014, pp. 184

In conditions of a stable demand for products, enterprises can resort to an external source of financing. Borrowed funds are also enterprise resources. Borrowed funds allow replacing obsolete equipment, introducing new, more progressive, which allows enterprises to reduce production costs, achieve high productivity, which ultimately provides advantages over competitors in choosing a marketing and price strategy.



1.9 Fig. **Sourcing of Finance**<sup>41</sup>

Financing part of the working capital at the expense of borrowed funds is considered a perfectly normal operation. All enterprises in one way or another attract borrowed funds to finance the circulation of current assets. Moreover, each enterprise has so-called sustainable liabilities – a non-decreasing, permanent balance of accounts payable, consisting of wages arrears, to the budget, to social contributions, etc. The problem of borrowing is the observance of proportions in the structure of working capital financing. The ratio between the amounts of own and borrowed funds characterizes the financial stability of the enterprise. It is believed that the greater the proportion of own funds, the more financially stable. In the world practice it is accepted that the company loses its financial stability (independence), if less than 10% of the total amount of current assets is financed from own funds.

<sup>41</sup> **Calvo G.A.** *Macroeconomics in Times of Liquidity Crises: Searching for Economic Essentials (Ohlin Lectures)*. Publisher: The MIT Press. 2016, pp. 213

#### **1.4. The enterprise export potential, market entry strategies and growth factors**

To enter the international market, an enterprise must have a competitive product and the consumer on the foreign market – the necessary funds (solvency) for its acquisition. Neither the supplier of the goods, nor his consumer, with rare exceptions, do not know each other and therefore, for the realization of goods, it is necessary to find effective distribution channels. Goods from different countries of the same title (for example, concrete structures), meeting in a foreign market, create fierce competition. Enterprises – suppliers of products, trying to stay on the foreign market, are forced to improve the quality and reduce prices for their goods, relying not only on their own knowledge, but also on foreign experience. Competitiveness of commodity producers from different countries accelerates technical progress and thereby enriches the intellectual and economic potential of participants in competition.

The contract of sale on the international market includes several sections, each of which is negotiated between the supplier and the buyer in the course of negotiations. First of all, the date and place of signing the contract are indicated, the full legal name of the parties. Further, it is called the “Subject of the contract”, which indicates the type of foreign trade operation, the terms of delivery, the exact name of the goods (in accordance with the customs classification), the quantity and origin of the goods. Separately, the qualitative characteristics of the goods are indicated, the relevant documents confirming the quality and method of its determination are attached. At the same time, the marking of the goods and their packaging, the correspondence of the marking to the purpose and quality of the goods and guaranteeing the safety of its quality characteristics during transportation and storage are specified. The price and the total amount of the contract, as well as the currency of the price and the terms of payment are clearly fixed. As agreed by the parties, the price and payments in the contract are fixed in the currency of one of the parties or in the currency of the third country. Place and date of payment are established by agreement of the parties to the transaction. The payment method is also indicated:

- Advanced payment;
- Payments on delivery;
- Letter of credit.

The exact place of delivery is fixed. It can be chosen in the country of the seller and in the buyer's country. It can be an enterprise, a seller's warehouse, a port of destination, etc. Sanctions are also envisaged for unfair fulfillment of obligations under the contract, including failure to meet delivery deadlines, non-compliance of the delivered goods with the necessary qualitative characteristics and quantitative shortage.

The procedure for resolving disputes that may arise in the performance of contracts between the parties is determined. Including under force majeure – circumstances of force majeure that may impede the execution of the contract, but which could not be foreseen at the time of signing the contract. Such circumstances include natural disasters, wars, blockades, epidemics, strikes, etc. In addition to the basic terms of the contract, the parties can also agree on other discretionary and mutual rights and obligations. In the final part of the foreign trade contract, the legal addresses of the parties, their full name, location and postal details should be mentioned.

Further, in the process of implementing the contract, customs documents are drawn up, including a customs declaration and payment of customs duties and fees. Export control of the products exported from the country is being carried out. Transportation across the state border and registration of customs documentation is the main difference between international commercial transactions and domestic ones. In other respects, they are basically not different and are guided by the internal rules of each country.

Before any successful enterprise specializing in production, sooner or later the question arises about exporting products to other countries. The reasons for this are a lot: gaining additional profits, gaining access to the latest technologies, saving on the scale of production, bringing manufacturers closer to sources of raw materials, bringing production closer to new sales markets.

The analysis of the company's export capabilities should begin with an analysis of the internal and external environment, determining the main advantages and disadvantages of entrepreneurial activity, competitiveness of goods in comparison with competitors. In this connection, the methodology of strategic planning should be considered as a tool for developing strategies for mastering external markets.

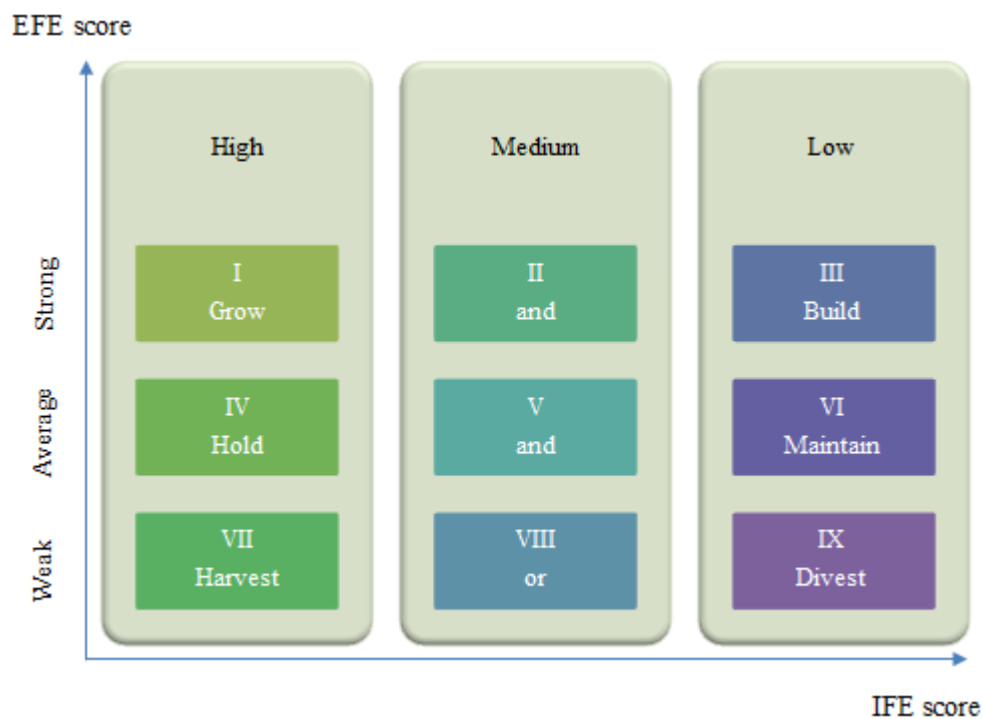
Analysis of the internal and external environment is recommended to be carried out in a complex way – using various, complementary methods of strategic planning. In this regard, the combination of the following methods of strategic planning is perfect: IE Matrix, SPACE Matrix,

GSM Matrix, and QSPM Matrix. Complex strategic analysis allows the company to realize its strengths and weaknesses in comparison with competitors, potential opportunities and threats and to develop the most effective strategy for entering new export markets.

## IE MATRIX

The Internal-External (IE) matrix is another strategic management tool used to analyse working conditions and strategic position of a business. The IE matrix is based on the following two criteria<sup>42</sup>:

- Score from the EFE matrix – this score is plotted on the Y-axis;
- Score from the IFE matrix – plotted on the X-axis.



1.10 Fig. IE Matrix: Example<sup>43</sup>

<sup>42</sup> **Maxi-Pedia.** *Internal-External (IE) Matrix.* 2014. Available: <http://www.maxi-pedia.com/internal+external+ie+matrix>

<sup>43</sup> Prepared by the author

The IE matrix can be divided into three major regions that have different strategy implications<sup>44</sup>:

- **I, II, II Quadrant**
  - Market development;
  - Market penetration;
  - Product development;
  - Vertical or horizontal integration;
  - Concentric diversification.
  
- **IV, V, IV Quadrant**
  - Market penetration;
  - Product development;
  - Joint venture;
  - Concentric diversification;
  - Vertical or horizontal diversification;
  - Conglomerate diversification;
  - Retrenchment;
  - Divestiture.
  
- **VII, VII, IX Quadrant**
  - Retrenchment;
  - Divestiture;
  - Liquidation;
  - Concentric diversification.

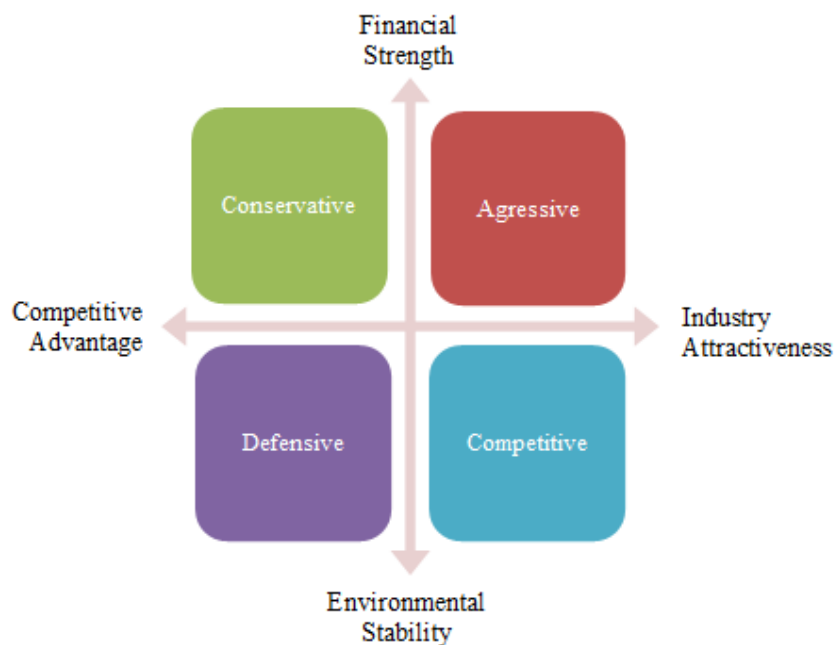
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<sup>44</sup> **Rothaermel F.** *Strategic Management: Concepts (Irwin Management) 3rd Edition*. Publisher: McGraw-Hill Education. 2016, pp. 323

## SPACE MATRIX

The Strategic Position and Action Evaluation Matrix or SPACE analysis matrix is a technique for evaluating the sense and wisdom in a particular strategic plan. It was developed by strategy academics Alan Rowe, Richard Mason, Karl Dickel, Richard Mann and Robert Mockler and I don't understand why it isn't hugely popular. SPACE Analysis is a systematic appraisal of four key issues that balance the external and internal factors that should determine the general theme of the strategy<sup>45</sup>:

- External
  - Industry Attractiveness;
  - Environmental Stability.
- Internal
  - Competitive Advantage;
  - Financial Strength.



1.11 Fig. SPACE matrix: Example<sup>46</sup>

<sup>45</sup> **Differentiate Your Business.** *SPACE Analysis – Strategic Position and Action Evaluation Matrix.* 2011. Available: <http://www.differentiateyourbusiness.co.uk/space-analysis-strategic-position-and-action-evaluation-matrix>

<sup>46</sup> Prepared by the author

The SPACE matrix can be divided into four quadrants that have different strategy implications<sup>47</sup>:

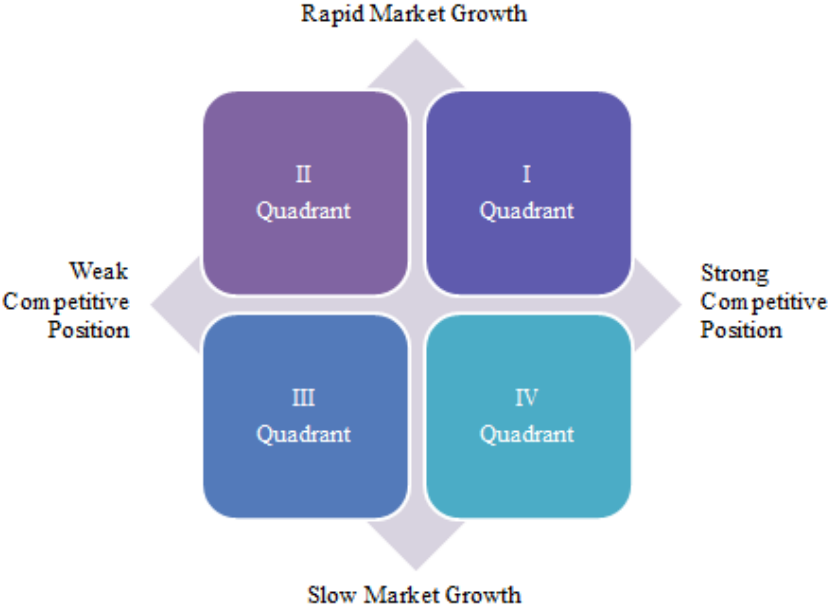
- **Conservative**
  - Market development;
  - Market penetration;
  - Product development;
  - Vertical or horizontal diversification;
  - Concentric diversification.
- **Aggressive**
  - Market development;
  - Market penetration;
  - Product development;
  - Vertical or horizontal integration;
  - Conglomerate diversification;
  - Concentric diversification.
- **Competitive**
  - Vertical or horizontal integration;
  - Vertical or horizontal diversification;
  - Market development;
  - Market penetration;
  - Joint venture.
- **Defensive**
  - Retrenchment;
  - Divestiture;
  - Liquidation;
  - Concentric diversification.

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<sup>47</sup> Hitt M.A., Ireland R.D., Hoskisson R.E. *Strategic Management: Concepts and Cases: Competitiveness and Globalization 12th Edition*. Publisher: South-Western College Pub. 2016, pp. 346

**GSM MATRIX**

GSM matrix has four quadrants; each quadrant contains different sets of strategies and the entire firms along with their respective divisions must fall in one of the quadrant. This matrix has two dimensions (competitive position and market growth).



1.12 Fig. **GSM Matrix: Example**<sup>48</sup>

<sup>48</sup> Prepared by the author

Suitable set of strategies for each GSM matrix quadrant are given below<sup>49</sup>:

- **I Quadrant**
  - Market development;
  - Market penetration;
  - Product development;
  - Vertical or horizontal integration;
  - Concentric diversification.
- **II Quadrant**
  - Market development;
  - Market penetration;
  - Product development;
  - Vertical or horizontal integration;
  - Divestiture;
  - Liquidation.
- **III Quadrant**
  - Concentric diversification;
  - Retrenchment;
  - Divestiture;
  - Liquidation.
- **IV Quadrant**
  - Vertical or horizontal diversification;
  - Conglomerate diversification;
  - Concentric diversification;
  - Joint ventures.

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<sup>49</sup> Dess G., McNamara G., Eisner A. *Strategic Management: Text and Cases (Irwin Management) 8th Edition*. Publisher: McGraw-Hill Education. 2015, pp. 649

## QSPM MATRIX

The Quantitative Strategic Planning Matrix is a strategic tool which is used to evaluate alternative set of strategies. The QSPM incorporate earlier stage details in an organize way to calculate the score of multiple strategies in order to find the best match strategy for the organization<sup>50</sup>.

In Table 1.2, constructing a QSPM matrix example is given. Suppose that the enterprise on the IE matrix took a position in the first block (**Grow and Build**), in the SPACE matrix – **Aggressive**, and in GSM – **I Quadrant**. Thus, an enterprise can choose one or several alternative strategies from five options: *Market development; Market penetration; Product development; Vertical or horizontal integration; Concentric diversification*.

In the event that some strategies do not meet the objectives or production and financial capabilities of the enterprise or if the analyst doubts the choice of certain strategies, he can conduct additional analysis, evaluating the strategy from the perspective of the necessary investments, timing of implementation and other criteria.

Table 1.2

**QSPM Matrix: Strategic Alternative<sup>51</sup>**

Strategic Alternative	IE	SPACE	GSM	TOTAL
Market development	1	1	1	3
Market penetration	1	1	1	3
Product development	1	1	1	3
Vertical or horizontal integration	1	1	1	3
Vertical or horizontal diversification	-	-	-	-
Conglomerate diversification	-	1	-	2
Concentric diversification	1	1	1	3
Joint ventures	-	-	-	-
Retrenchment	-	-	-	-
Divestiture	-	-	-	-
Liquidation	-	-	-	-

<sup>50</sup> **MBA Tutorials.** *Quantitative Strategic Planning Matrix (QSPM)*. 2011. Available: <http://www.mba-tutorials.com/strategy/230-quantitative-strategic-planning-matrix-qspm.html>

<sup>51</sup> Prepared by the author

If we are talking about an export enterprise planning to enter new export markets, then in addition to the previously considered strategic analysis, it is necessary to analyze the potential sales markets. In this regard, it is recommended to calculate the export potential of potential sales markets.

The country's export potential is the potential ability of a country to export its available or produced resources, products<sup>52</sup>.

The analysis of export potential consists in studying and researching export potential, which assumes knowledge of the market for which the export goods are intended. The export potential is calculated using the following formula<sup>53</sup>:

(1.1)

**Export potential** = Total Import of Goods "X" of Country "A" – Export of Goods "X" of Country "B" to Country "A".

Table 1.3

**Latvia's Export to Lithuania: Concrete and Cement, 2016, thousand USD<sup>54</sup>**

Latvia/Lithuania 2016, thousand USD	Latvia's export to Lithuania	Lithuania's import from world	Latvia's export to world
	6 774,0	275 190,0	45 409,0
Export potential	275 190 – 6 774 = <b>268 416</b>		

We can consider the formula for calculating Latvia's export potential using a concrete example (see Tab. 1.3). The analyzed market is Lithuania. Statistical data for the calculation of export potential were taken from the international statistical database "Trade Map".

<sup>52</sup> **Calvo G.A.** *Macroeconomics in Times of Liquidity Crises: Searching for Economic Essentials (Ohlin Lectures)*. Publisher: The MIT Press. 2016, pp. 237

<sup>53</sup> See at the same literary source, pp. 237

<sup>54</sup> **Trade Map.** *Bilateral Trade between Latvia and Lithuania*. 2016. Available: [http://www.trademap.org/Bilateral\\_TS.aspx?nvpm=1|428|440|2523||4|1|1|2|2|1|1|1|1](http://www.trademap.org/Bilateral_TS.aspx?nvpm=1|428|440|2523||4|1|1|2|2|1|1|1|1)

The calculations showed that the export potential of Latvia for the group of goods “Concrete and Cement” to Lithuania by results of 2016 is 268 416 thousand USD or 268.4 million USD. Thus, in 2016, Lithuania’s total imports for the Concrete and Cement group of products were about 40 times larger than Latvia was able to export to Lithuania. It follows that Lithuania is an extremely promising market for Latvian exporters “Concrete and Cement” and enterprises should work more intensively in this direction. According to a similar example, in the research part of the work, Latvia’s export potential will be calculated for the group of goods “Concrete and Cement” and to other countries of the European Union. As a result of multi-structure analysis (export potential, duties, and transportation), the most attractive market for Latvian products, Concrete and Cement will be selected. As the object of the study, Ramkons Ltd, which specializes in the production of concrete structures, will be considered.

## **2. FOREIGN TRADE: EXPORT OF CONCRETE AND CEMENT**

Since 2004 Latvia is a member of the European Union – the largest single market in the world. The average salary in the country has almost tripled since Latvia joined the EU, reaching 631 euros (after taxes) in 2016. Latvia fulfilled the Maastricht criteria and on January 1, 2014 joined the Eurozone.

After Latvia's accession to the European Union, external borders between Latvia and other EU countries were abolished, thus free movement of goods within the common market is guaranteed. Between the EU members states the customs formalities were abolished, i.e. when delivering goods from one EU country to another, customs procedures are not applied.

At the same time, the border of Latvia with the Russian Federation and Belarus, as well as airports and railway stations for receiving and delivering goods, are the external border of the EU, where customs operations, clearance and control of goods, vehicles and individuals are carried out.

Customs procedures in Latvia as well as in other EU member states are determined by customs regulations – EU regulations. National legislation regulates only those areas that do not regulate.

The EU customs regime is based mainly on the following documents:

- The EU Customs Code, which is the core of substantive law, as provided for by Council Regulation No. 2913/92 and implemented by the Regulation of the EU Commission No. 2454/93;
- EU Council Regulation 918/83, providing for a unified system of customs duty rebates;
- Council Regulation No. 2658/87, which introduces a mandatory tariff and statistical accounting system, as well as a common customs tariff.

Customs fees and trade policy measures apply only to those goods that are imported from countries that are not EU member countries. Since the customs fees are the same throughout the EU, the importer pays customs fees in accordance with the values specified by the EU regulations. The remaining taxes on the goods the importer pays in accordance with the rates determined by the legislation of the relevant country of the EU member.

Latvia's membership in international organizations:

- On September 18, 1991, Latvia joined the United Nations (UN).
- On 10 February 1999, Latvia joined the World Trade Organization (WTO)

- On March 29, 2004, the country joined the North Atlantic Treaty Organization (NATO).
- On 1 May 2004, Latvia, along with the other 9 countries – Estonia, Lithuania, Poland, Slovakia, Czech Republic, Hungary, Slovenia, Malta and Cyprus became a full member country of the European Union
- On 21 December 2007, Latvia acceded to the Schengen Agreement, which provides for the abolition of border controls at internal borders and ports with respect to citizens of participating States.
- On January 1, 2014 Latvia joined the euro area, replacing the LVL with the common European currency, the EUR.
- From January 1 to July 30, 2015, Latvia was the presiding country in the Council of the European Union.

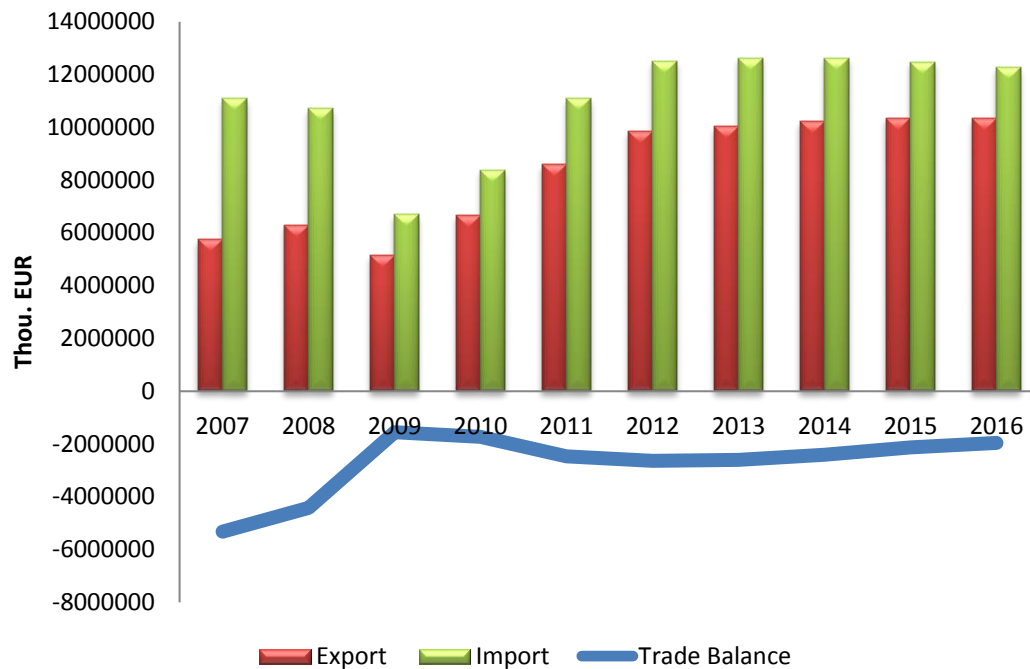
Strict financial discipline helped Latvia to overcome the global financial crisis of 2008. The government has fulfilled all obligations in relation to international creditors. Between 2011 and 2013, the Latvian economy returned to normal. The national credit rating in 2014 reached the level of “A” with a stable outlook. In the same year all banks of Latvia passed the stress test of the European Central Bank. According to forecasts of the World Bank and the European Central Bank until 2018, the average growth of the economy of Latvia will be about 4%.

Four Latvian leading industries are agriculture, chemical industry, logistics and woodworking. Other significant sectors include the textile industry, food production, engineering and green technologies.

Due to its geographical location, logistics and transit are well developed in Latvia. Ports, railways and roads of the country have always connected Europe and the rest of the West with the East.

Let’s consider the general indicators of foreign trade in Latvia. The dynamics of the trade balance in the period from 2007 to 2016, indicates the import orientation of the economy, since there is a negative balance in the structure of the trade balance (the total imports exceed annually those of exports).

The largest indicator of negative trade balance was recorded in the pre-crisis period of time – in 2007 the negative balance was -5.3 billion EUR. With the onset of the global financial crisis, the negative balance began to decline, which was due, to a large extent, to a sharp drop in imports. At the peak of the crisis (2009), the volume of exports fell to 5.1 billion EUR; imports amounted to 6.6 billion EUR.



2.1 Fig. **Latvia: Trade Balance (World), 2007-2016, (thou. EUR)**<sup>55</sup>

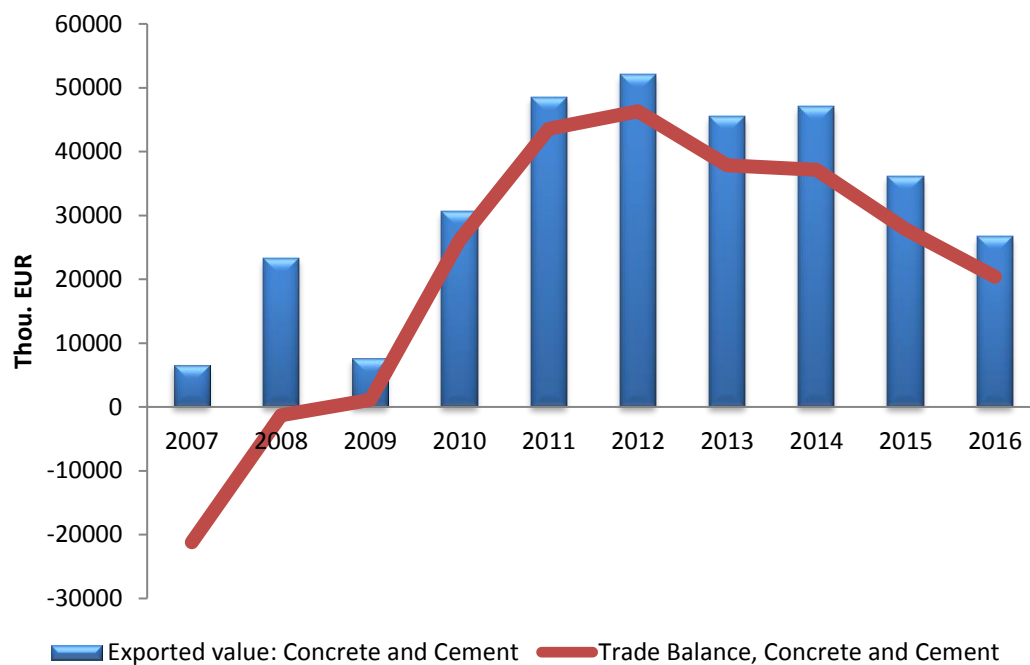
With the resumption of the growth rate of foreign trade, the volume of exports in 2010, compared with 2009, increased by 22.9%, amounting to 6.6 billion EUR, imports increased by 20.2% to 8.3 billion EUR. Over the next years, the growth rate of exports began to slow down significantly. So, in 2015 the volume of exports increased by only 1.1%, while the volume of imports fell by 1.3%. In 2016, in comparison with 2015, Latvia's exports decreased by 0.2%, amounting to 10.3 billion EUR, imports – by 1.6%, amounting to 12.2 billion EUR.

According to the author, the main reasons for the decline in exports are due to the insufficient development of the funds of the Euro funds and the partial loss of the Russian market as a result of trade embargoes. The redirection of the export of goods and services to other markets, mainly to the EU countries, helped partially compensate losses in the Russian market. Exporters are trying to conquer new markets, but the most important is whether they will be able to be retained. The author predicts that in the next couple of years the world increase in commodity prices and the improvement of external demand should positively affect the growth rates of Latvia's commodity exports.

<sup>55</sup> **Trade Map. List of products commercialized by Latvia.** 2016. Available: [http://www.trademap.org/Product\\_SelCountry\\_TS.aspx?nvpm=1|428|||TOTAL||2|1|1|3|2|1|1|1|1](http://www.trademap.org/Product_SelCountry_TS.aspx?nvpm=1|428|||TOTAL||2|1|1|3|2|1|1|1|1)

## 2.1. Export of Latvia's concrete and cement to World

In the structure of Latvia Concrete and Cement trade balance in the period from 2007-2008, there is a negative balance. Thus, during this period of time the industry had an import orientation. Nevertheless, starting from 2009-2016, the industry acquired an export orientation, since the balance of trade in Latvia Concrete and Cement began to form a positive balance, reaching its peak in 2012 – 46.3 million EUR, with the volume of 52.0 million EUR (Exports) and 5.7 million EUR (imports). Starting from 2013, the share of exports in the total structure of Latvia's trade balance Concrete and Cement began to decline. By the end of 2016, the positive balance of Concrete and Cement amounted to 20.3 million EUR, which is assessed negatively.

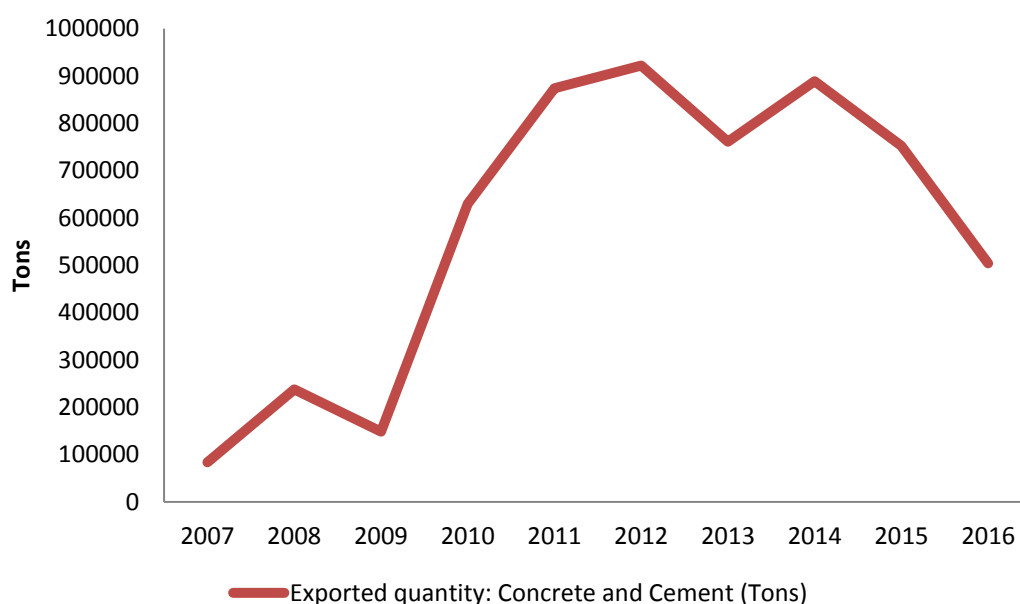


2.2 Fig. Latvia's Exported Value: Concrete and Cement (World), 2007-2016, (thou. EUR)<sup>56</sup>

In the period from 2007-2012, in Latvia the export volume of Concrete and Cement, mainly to the countries of the European Union, has increased rapidly. If in 2007 the volume of exports was 6.5 million EUR, by 2012 the volume of exports increased more than 7 times, amounting to 52.0 million EUR. Thus, in 2012, the volume of Latvian exports of Concrete and Cement reached the highest level for the entire analysed period of time. Nevertheless, starting in 2013, the volume of Latvian exports of Concrete and Cement began to decline gradually.

<sup>56</sup> Trade Map. List of products commercialized by Latvia. 2016. Available: [http://www.trademap.org/Product\\_SelCountry\\_TS.aspx?nvpm=1|428|||TOTAL||2|1|1|3|2|1|1|1|1](http://www.trademap.org/Product_SelCountry_TS.aspx?nvpm=1|428|||TOTAL||2|1|1|3|2|1|1|1|1)

The tendency of decline in export volumes remained until the end of 2016, amounting to 26.7 million EUR. Despite the fact that the volume of Latvian exports of Concrete and Cement in 2016 significantly exceeds the analogous figures for 2007 (6.5 million EUR), however, the disappointing dynamics of the recession, apparently, will continue in 2017, which is highly negative. From this we can conclude that over the last 4 years (2013-2016), the international demand for Latvian products Concrete and Cement began to decline, which, in the author's opinion, is due not only to the lack of obvious competitive advantages of the products in comparison with foreign counterparts, but also a partial reorientation of producers to the domestic market of Latvia.



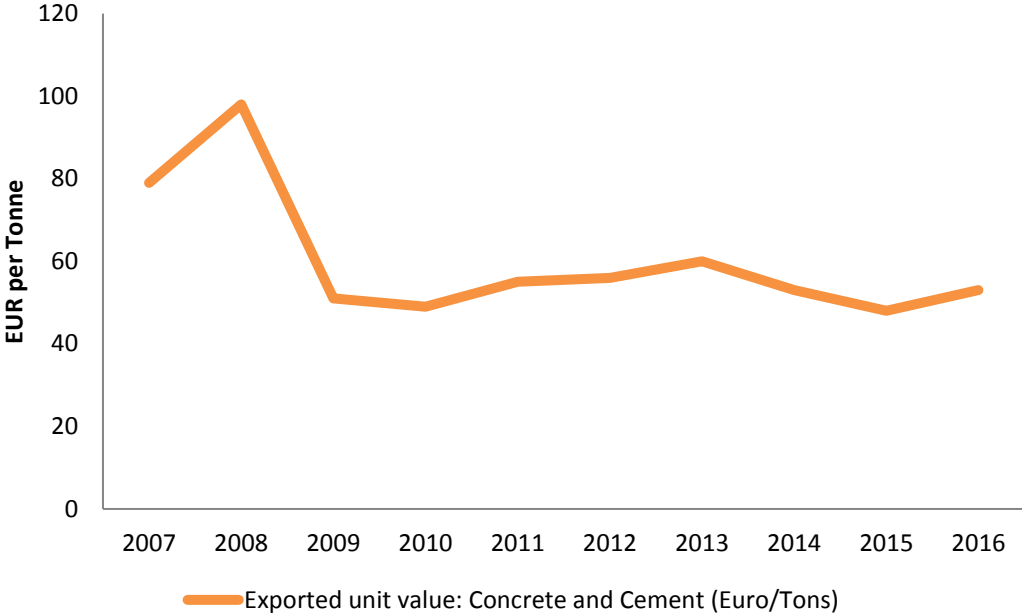
2.3 Fig. Latvia's Exported Quantity: Concrete and Cement (World), 2007-2016, (Tons)<sup>57</sup>

A similar situation is observed with the quantitative volumes of the supply of Latvian Concrete and Cement products to foreign countries. In 2007, Latvian enterprises exported 83,683 tons of concrete. Concrete and Cement. By 2008, the volume of export supplies jumped to 237,783 tons, but with the onset of the global economic crisis that peaked in 2009, the volume of shipments fell to 148,219 tons.

With the resumption of Latvia's economic development, Concrete and Cement's export supplies began to increase rapidly from year to year, reaching a climax in 2012 – 921,827 tons,

<sup>57</sup> Trade Map. Lists of products exported by Latvia. 2016. Available: [http://www.trademap.org/Product\\_SelCountry\\_TS.aspx?nvpm=1|428|||2523|||4|1|1|2|2|1|1|1|1](http://www.trademap.org/Product_SelCountry_TS.aspx?nvpm=1|428|||2523|||4|1|1|2|2|1|1|1|1)

but then, the period of growth, was replaced by a recession. In 2016, the volume of export supplies of Concrete and Cement fell to 504,398 tons, which is 45.3% less than in 2012. Thus, over the past 4 years, the volume of export supplies Concrete and Cement has fallen almost twice. It follows from this that the export potential of the industry is practically not used.



2.4 Fig. Latvia’s Exported Unit: Concrete and Cement (World), 2007-2016, (EUR/Tons)<sup>58</sup>

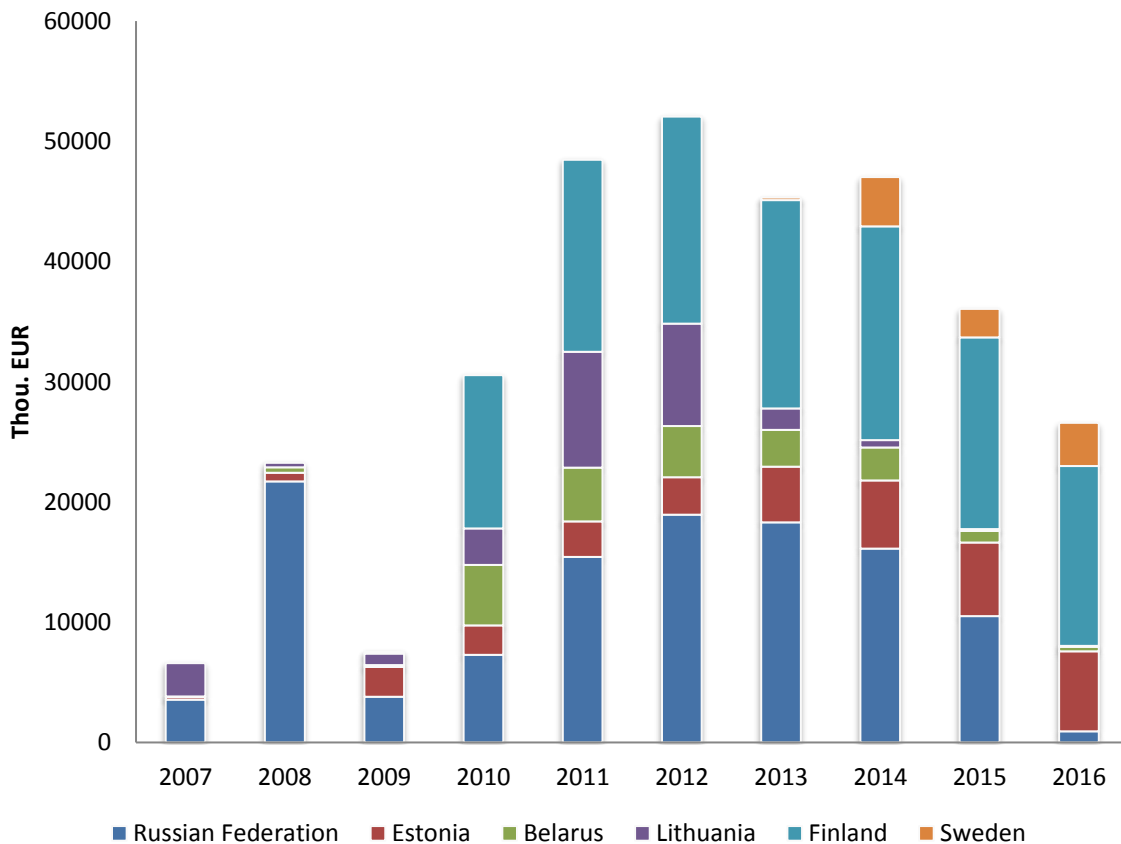
Figure 2.4 shows the dynamics of export supplies of Concrete and Cement in the period from 2007-2016 and it should be noted that the situation here is somewhat different. If in previous cases, the fact of a decrease in the export value and volumes of supplies in 2016 was revealed, then the price per unit of output in 2016, on the contrary, increased. In comparison with 2015, the price for one ton of Concrete and Cement increased from 48 EUR to 53 EUR, which is assessed positively.

In the next subsection, the dynamics of export sales of Latvian Concrete and Cement products to foreign countries will be examined in detail, and the main sales markets will be evaluated.

<sup>58</sup> Trade Map. Lists of products exported by Latvia. 2016. Available: [http://www.trademap.org/Product\\_SelCountry\\_TS.aspx?nvpm=1|428|||2523|||4|1|1|2|2|1|1|1|1](http://www.trademap.org/Product_SelCountry_TS.aspx?nvpm=1|428|||2523|||4|1|1|2|2|1|1|1|1)

## 2.2. Export of Latvia's concrete and cement in Europe

Figure 2.5 shows the dynamics of Latvia's exports (Concrete and Cement) to the largest markets. According to statistics, the market of the Russian Federation was one of the main sales markets for Latvian Concrete and Cement products. But in view of the deterioration in foreign policy relations between the two countries' leaders (trade embargoes were introduced by countries in 2014), the volume of Latvian Concrete and Cement products exports to Russia after 2015 fell to a minimum, amounting to 937 thousand EUR in 2016. What is most interesting, the imposed trade embargoes did not affect the Concrete and Cement sector and nevertheless, the Latvian exporters decided to abandon the export of products to Russia and reoriented to other sales markets. One of these markets was the Finnish market.



2.5 Fig. List of Largest Trading Partners of Latvia: Export of Concrete and Cement, 2012-2016, (thou. EUR)<sup>59</sup>

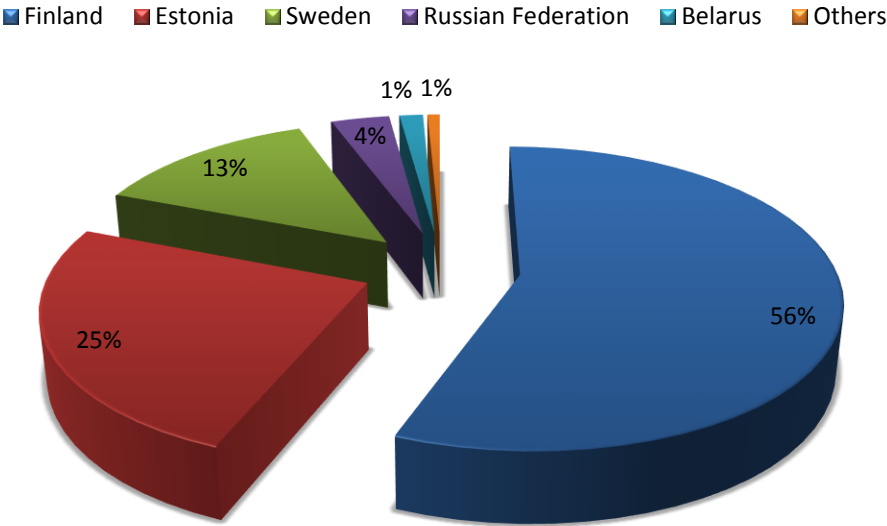
<sup>59</sup> **Trade Map.** List of importing markets for a product exported by Latvia. 2016. Available: [http://www.trademap.org/Country\\_SelProductCountry\\_TS.aspx?nvpm=1|428|||2523|||4|1|1|2|2|1|2|1|1](http://www.trademap.org/Country_SelProductCountry_TS.aspx?nvpm=1|428|||2523|||4|1|1|2|2|1|2|1|1)

According to statistics in 2016, 56% of all Concrete and Cement export products in Latvia are exported to Finland, which is 14.9 million EUR. In recent years, Latvian exporters have begun to actively export Concrete and Cement products to Estonia and Sweden. Apparently, Scandinavian countries in the next few years will become the main sales markets for Latvian Concrete and Cement products.

According to the statistics of 2016, the structure of Latvian Concrete and Cement products supplies is as follows: Finland is the main importer (56%), followed by Estonia (25%), Sweden (13%), Russia (4%) and Belarus (1%). The share of Latvian exports of Concrete and Cement to other countries does not exceed 1%.

In 2016, Latvian enterprises supplied to Finland Concrete and Cement products with a total volume of 262 629 tons. The share of export deliveries to Estonia was 129,106 tons, to Sweden 74,934 tons, to Russia 30 528 tons and to Belarus – 5 861 tons.

Thus, the Latvian exporters really started reorienting the export supplies of Concrete and Cement, mainly to the Scandinavian markets and to the neighbouring countries of the European Union. In the author opinion, it is in this direction that the export component of the industry will develop in the near future.



2.6 Fig. Latvia TOP 5: Export of Concrete and Cement, 2016 (thou. EUR, %)<sup>60</sup>

<sup>60</sup> Trade Map. List of importing markets for a product exported by Latvia. 2016. Available: [http://www.trademap.org/Country\\_SelProductCountry\\_TS.aspx?nvpm=1|428|||2523|||4|1|1|2|2|1|2|1|1](http://www.trademap.org/Country_SelProductCountry_TS.aspx?nvpm=1|428|||2523|||4|1|1|2|2|1|2|1|1)

Let's consider export deliveries of Latvian Concrete and Cement products on the map of Europe. The analysis showed that Latvia practically does not export Concrete and Cement to other countries.

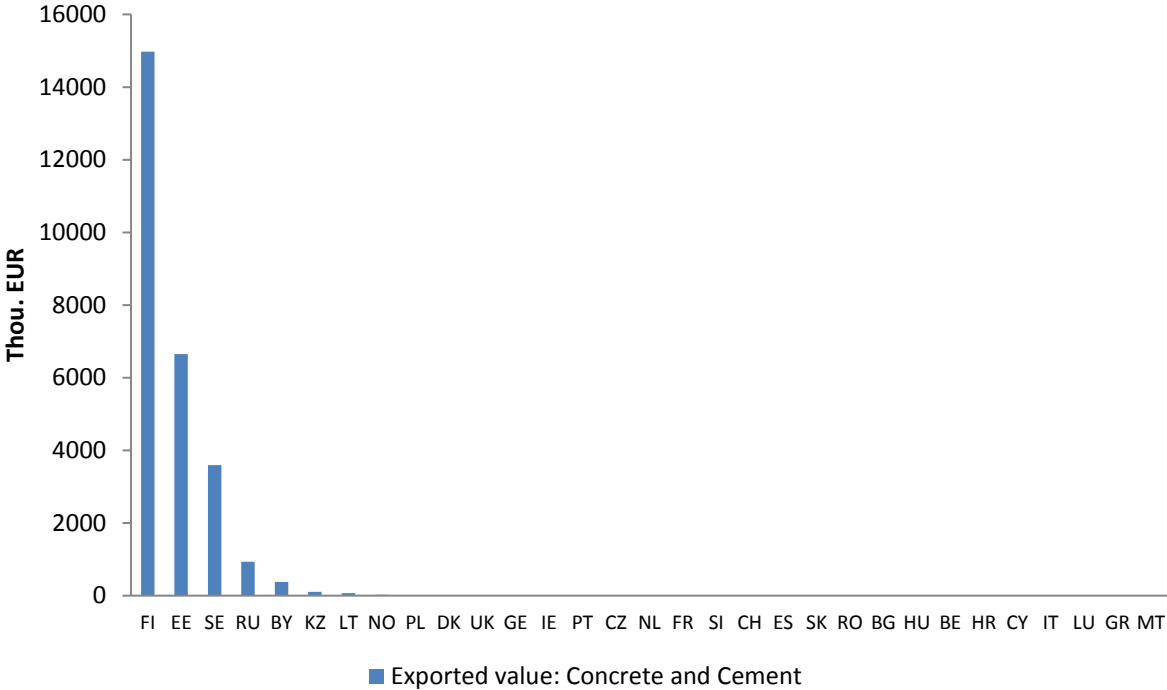


Fig. 2.7 Latvia's Export in EU-28: Export of Concrete and Cement, 2016 (thou. EUR)<sup>61</sup>

It should be noted that Latvia is a member country of the European Union – between the EU member states the customs formalities have been cancelled, i.e. when delivering goods from one EU country to another, customs procedures are not applied. Some enterprises have already started reorienting the sales channels for Concrete and Cement products to Scandinavia, which is due to the presence of domestic demand and the close geographical location of these countries. Therefore, Latvian exporters should take a more proactive approach to finding new markets, since under current conditions, focusing exclusively on the domestic market of Latvia is not able to ensure high competitiveness of products in comparison with foreign counterparts and to obtain the necessary economic benefits for long-term development.

<sup>61</sup> **Trade Map.** List of importing markets for a product exported by Latvia. 2016. Available: [http://www.trademap.org/Country\\_SelProductCountry\\_TS.aspx?nvpm=1|428|||2523|||4|1|1|2|2|1|2|1|1](http://www.trademap.org/Country_SelProductCountry_TS.aspx?nvpm=1|428|||2523|||4|1|1|2|2|1|2|1|1)

### 3. “RAMKONS” LTD FINANCIAL AND ECONOMIC ANALYSIS

#### 3.1. The enterprise general characteristic

“Ramkons” Ltd was founded in 2001, in the centre of Europe – Latvia. For over 10 years “Ramkons” Ltd is a leader in manufacturing and sale of reinforced concrete and cement items among the Baltic States, and, also successfully competes with the leading manufacturers in the general European market.

Table 3.1

“Ramkons” Ltd: Basic data<sup>62</sup>

Name	“Ramkons” Ltd
Legal form	Limited responsibility company
Registration number, date	40003537230, 20.03.2001
SEPA ID	LV73ZZZ40003537230
Data from the VAT Register	LV40003537230
Legal address	Mārkalnes St. 11 k-2, Riga, LV-1024
Register, Included in The Register	Commercial register 12.08.2003
Certificate of registration	Nr. C16841. 12.08.2003
Fixed capital	Paid capital – 200000.00 EUR (Registered in State Enterprise register 16.07.2015) Registered capital – 200000.00 EUR (Registered in State Enterprise register 16.07.2015)
Activity code (NACE)	Manufacture of concrete products for construction purposes (23.61, version 2.0)
Encumbrance(s) etc.	
Liquidation process	Not registered
Actual insolvency process	Not registered
Current overdue payments	Not registered
Actual pledge acts	Not registered
Actual restrictions	Not registered

Restructuring and modernization of the plant in 2004 positively affected the quality of the manufactured production. Mostly part of the gained profit is spent on development of new technologies, as well as growth of the item range. The “Ramkons” Ltd constantly carries out similar production market analysis, and never misses any progressive decision or innovation in

<sup>62</sup> Lursoft. *Ramkons Ltd: Basic data*. 2017. Available: <http://company.lursoft.lv/en/ramkons/40003537230>

this sphere. Introduction of new technologies allows manufacturing not only general items, such as manholes, window lintels, foundation blocks, ready-mixed concrete, slabs, but also manholes with embedded plastic bottoms, landing pontoons, products of watertight concrete, and any other items on demand. This corresponds to the latest trends. All the items are certified in Russia and in Europe, and meet the highest standards. The plant gives 24 month warranty on the items. Manufacturing of any on demand item takes not more than two weeks.

The “Ramkons” Ltd can state with all the responsibility – all items are manufactured exclusively in Europe – at Latvian plants, under constant supervision, that ensures reliability and confidence.

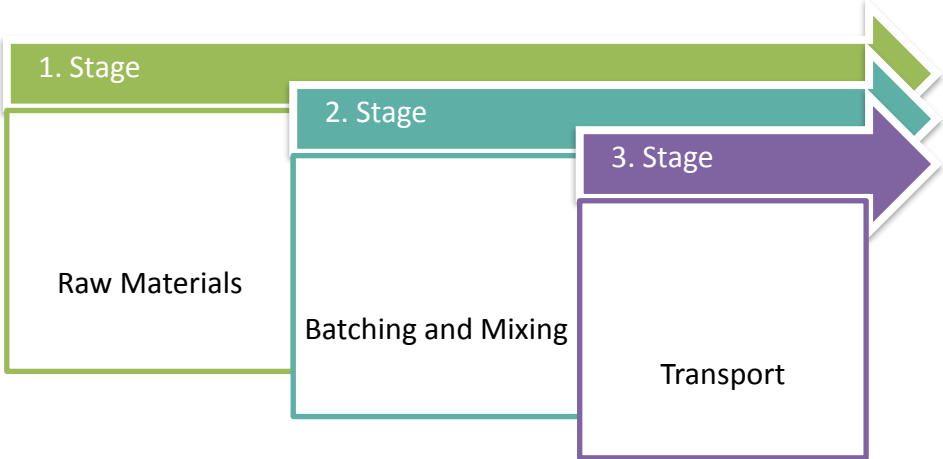


Fig. 3.1 **Production of ready-mixed concrete**<sup>63</sup>

**Raw materials:** sand, gravel, and cement are transported to the concrete plant by truck. Certain materials, such as inert aggregates, are typically stored outdoors in stockpiles. Moisture-sensitive materials, such as cement and flash, may be stored in high-capacity silos. As the materials are needed, they are transported by conveyor to large storage bins at the top of the block plant (University of Virginia: School of Architecture).

**Batching and Mixing:** at the start of production, dry materials from the upper storage bins are discharged into the plant's stationary central mixer. The proportion of materials in the mix is custom-designed to meet the specifications for each project. Proportioning is controlled by computer to ensure quality control. The customer typically works with the ready-mixed concrete producer to determine characteristics such as aggregate size, slump, air content, and strength based on the intended use. Typical composition by volume is about 10-15% cement, 60-75%

<sup>63</sup> “Ramkons” Ltd: Internal documentation

aggregates, and 15-20% water. Entrained air bubbles may also account for 5-8%. Using less water generally results in a higher quality concrete (University of Virginia: School of Architecture).

**Transport:** after mixing is complete, the mixture is discharged into a truck-mounted, rotating drum mixer. Rotating-drum truck mixers typically have a capacity of 9-11 cubic yards and discharge the concrete from the rear. Because slump loss can occur during transit, it is required that the concrete be discharged on the job site within 90 minutes or before 300 revolutions after the addition of water to the cement. Admixtures may be added to the concrete mix in situations of extreme temperature or long delivery times. Concrete plants typically include a full service garage to maintain their fleet of trucks<sup>64</sup>.

### 3.2. The enterprise production activity analysis

The “Ramkons” Ltd specializes in manufacturing of concrete, lintels, base, canalisation, pontoons, concrete pillars base, slabs etc. Characteristics of the “Ramkons” Ltd products are available in the Figure 3.2.

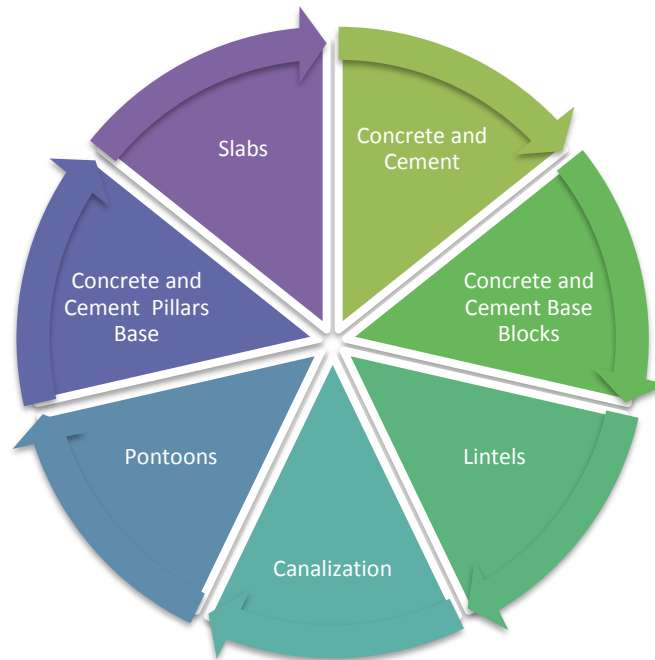


Fig. 3.2 “Ramkons” Ltd: Production<sup>65</sup>

<sup>64</sup> University of Virginia: School of Architecture. *Concrete production of ready-mixed concrete*. 2009. Available: [http://www.arch.virginia.edu/build/concrete/readymix\\_graphical.html](http://www.arch.virginia.edu/build/concrete/readymix_graphical.html)

<sup>65</sup> “Ramkons” Ltd Web-page. *Products*. 2017. Available: <http://www.ramkons.lv/index.php?page=products&lng=en>

**Concrete and Cement:** Concrete and Cement with large and small dolomite gravel, mortar mix. “Ramkons” Ltd concrete production can be categorised into two groups:

- Asphalt Concrete – C8/10, C12/15, C16/20, C20/25, C25/30, C30/37, C35/45.
- Waterworks concrete – W4 F100, W6 F150, W8 F200, W10, and F200.

**Concrete and Cement Base Blocks:** Always available blocks 06/03/24, 06/03/12, 9-3-6, 06/04/24, 06/04/12, and 9-4-6.

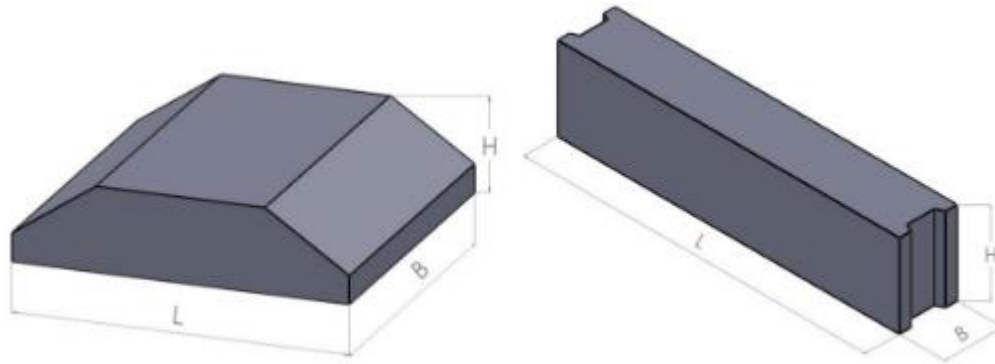


Fig. 3.3 “Ramkons” Ltd: Concrete and Cement Base Blocks<sup>66</sup>

The “Ramkons” Ltd provides concrete foundation blocks and reinforced foundation blocks. All technical information is presented in the next table (see 3.2.tab.).

Table 3.2

“Ramkons” Ltd: Concrete and Cement Base Blocks, Technical Information<sup>67</sup>

Type	Length mm	Breadth mm	Height mm
Concrete foundation blocks	780-2380	300-400	290-580
Reinforced concrete foundation blocks	800-1200	1180	300

**Lintels:** concrete is a composite material – a cement matrix with aggregates for reinforcement – that works well in compression, but not in tension. The “Ramkons” Ltd can solve that problem by casting wet concrete around strong, steel reinforcing bars (tied together to make a cage). When the concrete sets and hardens around the bars, get a new composite material, reinforced concrete (also called reinforced cement concrete or RCC), that works well in either

<sup>66</sup> “Ramkons” Ltd Web-Page. Base. 2017. Available: <http://www.ramkons.lv/index.php?page=products&iid=177&lng=en>

<sup>67</sup> See at the same literary source

tension or compression: the concrete resists squeezing (provides the compressive strength), while the steel resists bending and stretching (provides the tensile strength). In effect, reinforced concrete is using one composite material inside another: concrete becomes the matrix while steel bars or wires provide the reinforcement.



Fig. 3.4 “Ramkons” Ltd: Lintels<sup>68</sup>

The “Ramkons” Ltd provides larger and smaller loads lintels. All technical information is presented in the next table (see 3.3.tab.).

Table 3.3

“Ramkons” Ltd: Lintels, Technical Information<sup>69</sup>

Type	Length mm	Breadth mm	Height mm
Larger loads	1030-3630	120-250	90-220
Smaller loads	2200-2980	120	190

**Canalization:** Curbs, covers and manhole bases, as also rainwater receiving blocks. The “Ramkons” Ltd canalization production can be manufactured to individual requirements, following an accurate (take-off) from drainage plans and has numerous advantages over the traditional labour intensive method of forming manhole bases.

**Pontoons:** Concrete and Cement pontoons for boat docks and floating bridges. Pontoons stand out in contrast to other pontoons for its stability and durability. The concrete pontoons are filled with foam plastic covered from all sides with arm concrete.

<sup>68</sup> “Ramkons” Ltd Web-Page. Lintels. 2017. Available: <http://www.ramkons.lv/index.php?page=products&iid=176&lng=en>

<sup>69</sup> See at the same literary source

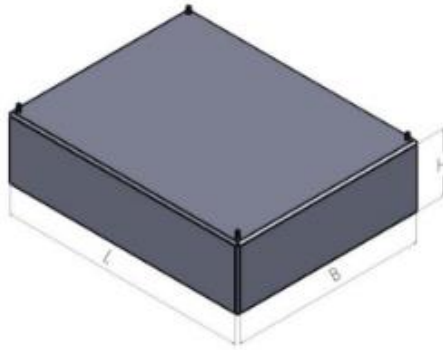


Fig. 3.5 “Ramkons” Ltd: Pontoons<sup>70</sup>

The “Ramkons” Ltd pontoons length 2370 mm, breadth 1865 mm, height 650 mm. These pontoons are resistant to freezing in and to salt water exposure. The all concrete and Styrofoam construction of the pontoon produces a very high degree of buoyancy thus making it virtually unsinkable. It is practically maintenance-free and has little or no impact upon Nature and the Environment. Each standard pontoon is designed to accept electrical and water supply services.

**Concrete and Cement Pillars Base:** length 450 mm, breadth 450, height 1300. Main technical data:

- Concrete: C20/25;
- Compressive strength:  $\geq 25 \text{ N / mm}^2$ ;
- Reaction to frost: F 100;
- Density dry basis:  $\geq 2260 \text{ kg / m}^3$ ;
- Reaction to fire: Euro class A1;
- Steel reinforcement: S235 JR;
- Tensile strength: FTC 123 N / mm<sup>2</sup>.

**Slabs:** Concrete and Cement slabs are used to support everything from patio furniture, to foot traffic, to semi-trailer trucks. A slab pour requires efficient planning so that all of the elements that go into producing a high-quality slab are done in time (before the concrete sets) and done correctly. Knowing the right finishing tools to use and the right time to start bull floating and final trowelling are essential to preventing dusting, scaling and craze cracking of the slab.

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<sup>70</sup> “Ramkons” Ltd Web-Page. Pontoons. 2017. Available:  
<http://www.ramkons.lv/index.php?page=products&iid=179&lng=en>

### 3.3. The enterprise financial activity analysis

There are a number of techniques which an enterprise can use to perform financial statement analysis for your business firm, depending on what you are trying to find out. For example: an analysis of the balance sheet, income statement, and statement of cash flows.

Financial analysis is the study of the organization financial condition and financial performance main indicators with the aim of making interested persons management, investment and other decisions<sup>71</sup>.

Individual investors or firms that are interested in investing in small businesses use financial analysis techniques in evaluating target companies' financial information. By examining past and current financial statements – balance sheets, income statements and cash flow statements – potential investors can form opinions about investment value and expectations of future performance<sup>72</sup>. Financial analysis can also assist small-business owners as they weigh the effect of certain decisions, such as access to new export markets.

Ratio analysis compares values within the company from year to year and against other companies and the industry. Business owners and small-business management teams might use ratio analysis in their regular planning to measure their companies against others in their industry. If ratio analysis shows that a company has a great deal more debt than other businesses in its industry, the owner might be prompted to pay off or reduce some loans.

The work of the “Ramkons” Ltd is organized according to the Republic of Latvia law “On Accounting” and the Cabinet Regulations dated to 21.10.2003. No. 585 “Rules on the conduct and organization of accounting”. For accounting in “Ramkons” Ltd, the program “1C” – version 7.7 is used. Financial resources of “Ramkons” Ltd are formed at the income expense, from the provision of goods and services. Profit is determined by the end of each financial year, based on financial reporting and approval of financial indicators.

Consider the dynamics of the main economic indicators of the “Ramkons” Ltd for 2014-2016 (see Fig 3.5, 3.6, and 3.7). The dynamics of assets in the period from 2014-2016 is uneven. Therefore, it is difficult to predict. If in 2015 assets amounted to 459,578 EUR, by 2015 they increased by 35.9%, amounting to 717,202 EUR and in 2016 – decreased to 682,859 EUR (-4.8%). The increase in assets in 2015 was due to the acquisition of fixed assets at this time. The

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<sup>71</sup> **McLaney E., Atrill P.** *Accounting and Finance: An Introduction 8th edition*. Publisher: Pearson. 2016, pp. 13

<sup>72</sup> **Crawford C.** *Purpose of financial analysis: Chron.* 2011. Available: <http://smallbusiness.chron.com/purpose-financial-analysis-59178.html>

decrease in assets in 2016 is due to depreciation of fixed assets, respectively, the value of fixed assets decreased.

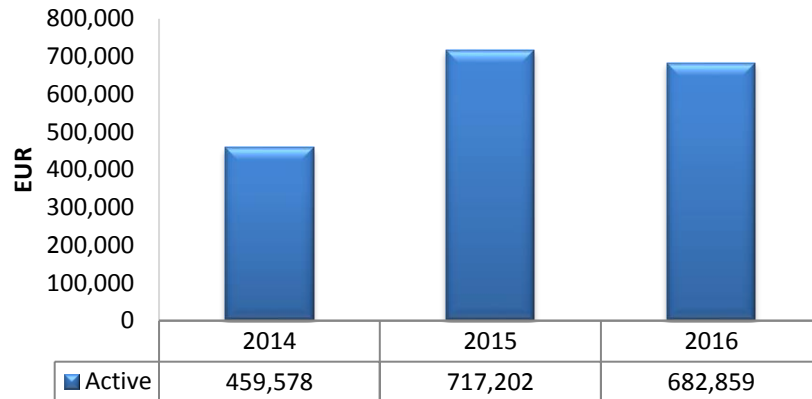


Fig. 3.6 “Ramkons” Ltd: Active Dynamic, 2014-2016, EUR<sup>73</sup>

The net turnover of “Ramkons” Ltd in the period from 2014-2016 has a steadily growing dynamics, which indicates the availability of demand. In 2015, the net turnover of the “Ramkons” Ltd increased by EUR 27 246 and in 2016 there was a sharp increase of another EUR 158 976. If in 2015 the increase in net turnover is caused by an increase in income subject to a 0% rate of PVN, then in 2016, revenue growth is associated with an increase in all types of “Ramkons” Ltd income. The growth of incomes of the company in the period from 2014-2016, indicates an increase in the competitiveness and an increase in the client base.

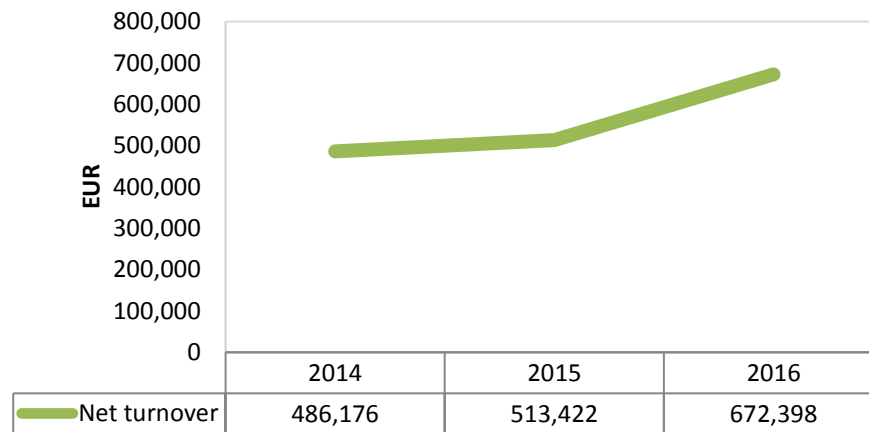


Fig. 3.7 “Ramkons” Ltd: Net turnover, 2014-2016, EUR<sup>74</sup>

<sup>73</sup> “Ramkons” Ltd: Annual Financial Reports, 2014-2016

<sup>74</sup> See at the same literary source

The profit of the “Ramkons” Ltd in the period from 2014-2016, shown in Figure 3.8, as well as the net turnover, have a stable growth dynamics, which indicates the efficiency of the economic activity of the enterprise. The growth in the volume of profit is due to an increase in revenues. Despite the losses of 2014, the financial condition of the “Ramkons” Ltd in 2016 markedly improved, and the profit was 22 371 EUR.

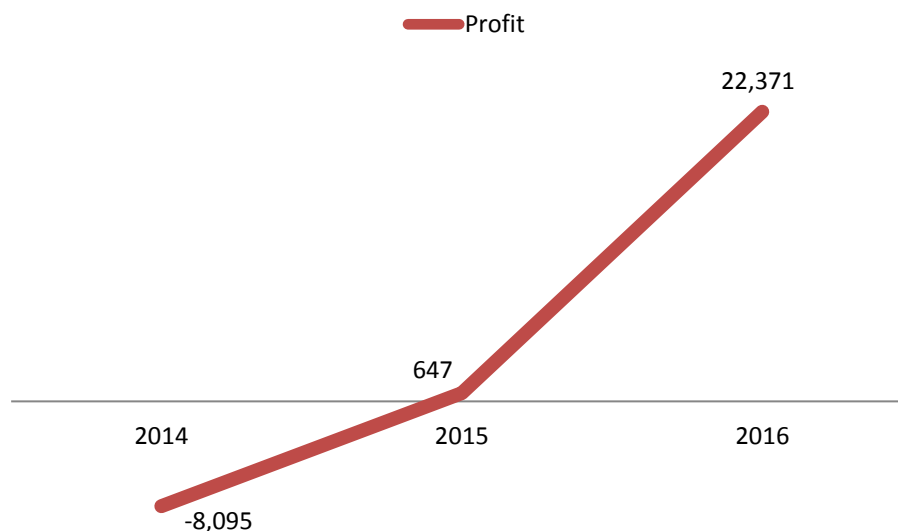


Fig. 3.8 “Ramkons” Ltd: Profit, 2014-2016, EUR<sup>75</sup>

**Profitability:** Net profit margin means profitability of entrepreneurial activity. An enterprise is considered to be profitable if the revenues from the sale of products (services) cover the costs and, in addition, form a profit amount sufficient for the normal functioning of the enterprise<sup>76</sup>.

Profitability is assessed in three aspects<sup>77</sup>:

- Commercial profitability shows how much profit the enterprise received, taking as a basis the net turnover unit.
- Economic profitability describes how much profit the enterprise earned per unit of assets.
- Financial profitability shows the amount of profit received by shareholders per unit of capital.

<sup>75</sup> “Ramkons” Ltd: Annual Financial Reports, 2014-2016

<sup>76</sup> **Ittelson T.R.** *Nonprofit Accounting & Financial Statements: Overview for Board, Management and Staff*. Publisher: Mercury Group. 2017, pp. 47

<sup>77</sup> See at the same literary source, pp. 48

For the assessment of net profit margin there is no clear norm, as the size of profitability depends on the specifics of the activity, turnover structure and other factors. Profit is one of the most important aspects of enterprise performance assessment; therefore negative profitability indicators indicate a poor financial condition. If this situation does not change, then the enterprise can go bankrupt. Net profit margin is calculated as a percentage.

3.4 Table

**“Ramkons” Ltd: Profitability, 2014-2016, %<sup>78</sup>**

Type of profitability	Index	2014 (%)	2015 (%)	2016 (%)	2016 in comparison with	
					2014	2015
Commercial	Profitability of implementation	-1.67	0.13	3.33	4.99	3.20
	Profitability of operational activities	-0.93	1.38	3.96	4.89	2.58
	Profitability of gross profit	60.80	57.47	53.61	-7.18	-3.86
Economic	Return On Assets	-0.98	0.99	3.90	4.88	2.91
Financial	Profitability of invested capital	-11.16	-9.75	9.47	20.63	19.22
	Profitability of equity capital	-9.64	0.78	15.35	24.99	14.57

The profitability of sales shows general information on the profitability of economic activity. Table 3.4 shows that in 2014 the profitability was negative, which indicates losses in this period. In 2015, the profitability was 0.13%, and in 2016 – 3.33%, which is 3.20% more than in the previous year. But even despite the improvement in the situation in 2016, the profitability of the implementation is very low and indicates the ineffective operation of the “Ramkons” Ltd.

The dynamics of the operational activities net profit margin is exactly the same as the profitability of the implementation: the improvement in indicators is noticeable in 2016 and is 3.96%.

Profitability indicators of gross profit are high, so in 2014, when the “Ramkons” Ltd had losses, the indicator was 60.8%, which indicates a low cost price. The profitability of gross profit in 2016 was 53.61%, which is 7.18% less than in 2014. This is explained by the increase in prime cost in view of the new goods provision for which fixed assets were acquired.

Profitability of equity – reflects the ratio of profit to equity. This ratio in 2016 (15.35%) is the best for all 3 analyzed years, meanwhile as the worst indicator was in 2013 (-9.64%).

<sup>78</sup> “Ramkons” Ltd: Annual Financial Reports, 2014-2016

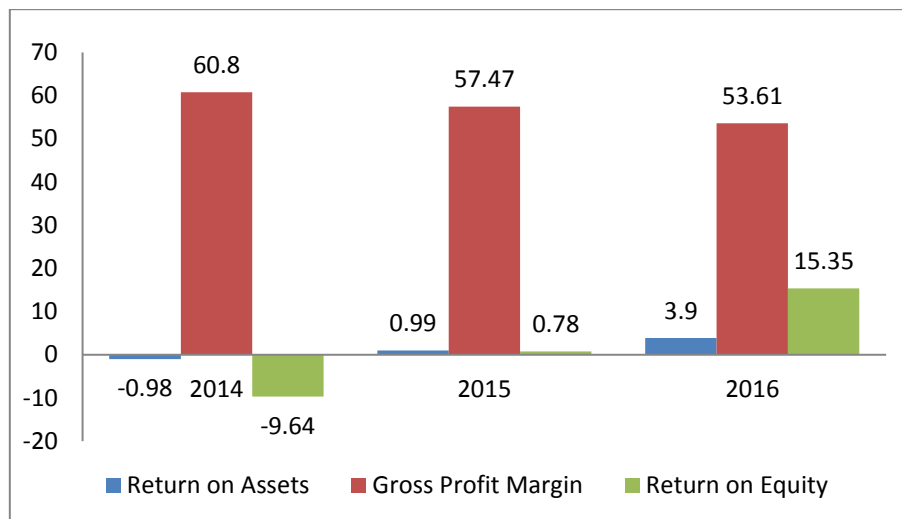


Fig. 3.9 “Ramkons” Ltd: Profitability Dynamics, 2014-2016, %<sup>79</sup>

The return on assets shows how much the “Ramkons” Ltd earns from every euro it invests in its assets: in 2014, each euro was invested with losses of 98 euro cents, and in 2015, for each euro invested; the profit was 99 euro cents.

The dynamics of profitability indicators, shown in Figure 3.8, indicates the improvement of the “Ramkons” Ltd in 2016, which is explained by the increase in profit, the provision of new goods for which the company needed to purchase fixed assets.

**Liquidity:** Liquidity – the company’s ability to convert assets into cash and pay off its payment obligations. In other words, this is the degree of the enterprise's debt obligations coverage with its assets, the term of which turns into cash in cash corresponds to the maturity of payment liabilities.

The overall liquidity ratio is within the norm only in 2014. In 2016, this ratio decreased by 0.327 compared with 2014. This was due to the decrease in working capital of the “Ramkons” Ltd and due to the increase in short-term liabilities. This dynamic indicates that the company is unable to pay off its short-term liabilities.

It is necessary to take into account that the overall liquidity indicator reflects the situation for a specific time. In calculating this indicator does not take into account the turnover of funds. In 2016, despite the low liquidity ratio, the activity of the “Ramkons” Ltd was profitable. Taking into account this fact, it should be concluded that the company does not have sufficient financial independence.

<sup>79</sup> “Ramkons” Ltd: Annual Financial Reports, 2014-2016

**“Ramkons” Ltd: Liquidity, 2014-2016<sup>80</sup>**

Index	2014	2015	2016	2016 in comparison with	
				2014	2015
Total liquidity ratio [1-2]	1.301	0.573	0.974	-0.327	0.402
Intermediate liquidity ratio [0,8-1]	1.269	0.531	0.924	-0.345	0.393
Absolute liquidity ratio [0,20-0,25]	0.084	0.068	0.187	0.103	0.119
Working capital [>0]	49371	-145684	-4103	-53474	141581

The intermediate liquidity ratio shows the financial situation of the enterprise more clearly. Unlike the general liquidity indicator, this indicator does not take into account reserves, which are the most illiquid assets. This coefficient at the “Ramkons” Ltd in 2014 exceeds the norm (1.269) in 2015 it decreases and is below the norm (0.531). This indicator is stabilized only in 2016 and is 0.924, which corresponds to the norm. This means that in 2016 company does not have financial risk and there are no problems with borrowing.

The coefficient of absolute liquidity depends on the cash assets of the enterprise, as well as short-term liabilities. The higher this indicator, the more stable the activity of the enterprise. In 2014 and in 2015, these indicators are very low. In 2016, the absolute liquidity ratio was 0.187, which is 0.119 higher than in 2015. In 2016, the coefficient is closest to the norm, but still does not correspond to it, which indicates unstable economic activity.

The working capital of the “Ramkons” Ltd is only positive in 2014, which indicates that after deducting all short-term obligations, company has free current assets in possession. In 2015 and in 2016, these indicators are negative, which is a negative indicator for investors, and also shows that the “Ramkons” Ltd does not have the means to further develop the market.

Analyzing Figure 3.10 it is possible to reveal dynamics of “Ramkons” Ltd liquidity indicators. The total liquidity ratio, the interim liquidity ratio and the absolute liquidity ratio – decreased in 2015, and are below the established rate. In 2016, the activities of the company improved, which reflected on the liquidity indicators.

<sup>80</sup> “Ramkons” Ltd: Annual Financial Reports, 2014-2016

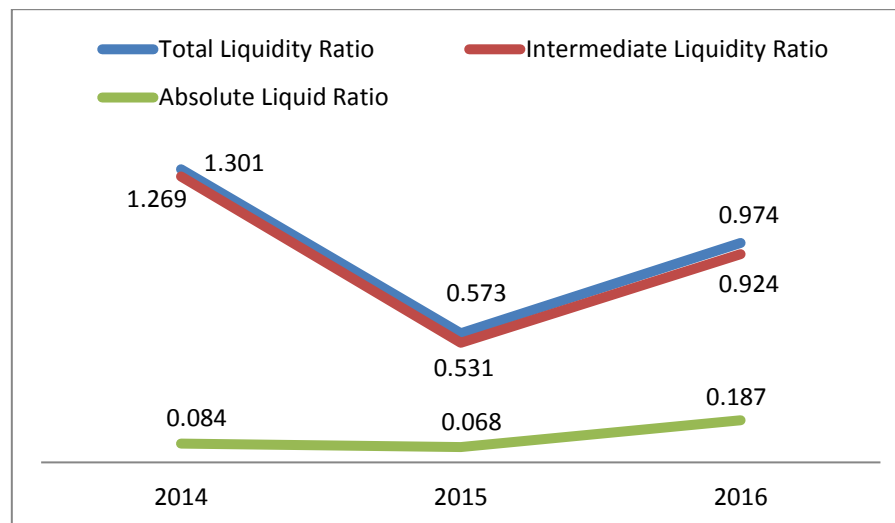


Fig. 3.10 “Ramkons” Ltd: Liquidity Dynamics, 2014-2016<sup>81</sup>

The debtor turnover ratio shows how many times the claims from debtors turn around on average during a year or more precisely how many times debts are created and how many will be paid out of them for the year. The ratio of creditor’s turnover indicates how many times an enterprise needs turnover in order to pay off its accounts to creditors. The stock turnover ratio is calculated to determine the liquidity of inventories or to calculate the average rate of the invested capital turnover in inventories for the period under review.

3.6 Table

“Ramkons” Ltd: The turnover of funds 2014-2016<sup>82</sup>

Index	2014	2015	2016	2016 in comparison with	
				2014	2015
Inventory turnover ratio	461.2	45.3	132.9	-328.3	87.6
Duration of turnover reserves	0.79	8	2.74	1.95	-5.26
Coefficient of debtors turnover	2.44	3.19	5.55	3.11	2.36
Duration of accounts receivable turnover	149	114	65	-84	-49
Crediting turnover ratio	0.51	0.34	0.59	0.08	0.25
Length of accounts payable turnover	708	1046	617	-91	-429
Duration of the financial cycle	-558	-923	-549	-365	9

<sup>81</sup> “Ramkons” Ltd: Annual Financial Reports, 2014-2016

<sup>82</sup> See at the same literary source

**Optimum equation** “Period of turnover of accounts receivable” > “Period of turnover of accounts payable”

Throughout 2014-2016 period of time, this equation is not executed, which indicates that the “Ramkons” Ltd cannot timely pay off its debtors. It should be noted that the current trend exacerbates the situation, as the period of accounts receivable decreases, and accounts payable – on the contrary, increases.

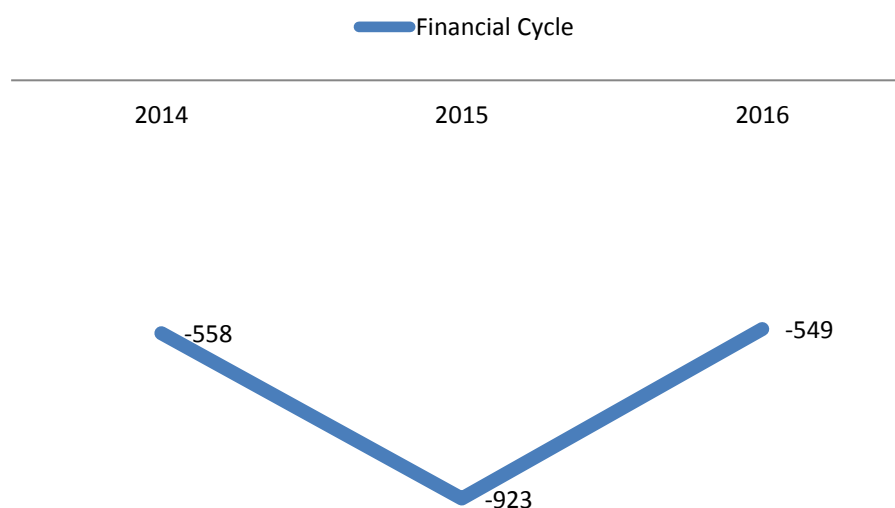


Fig. 3.11 “Ramkons” Ltd: Financial cycle, 2014-2016, days<sup>83</sup>

The financial cycle of the “Ramkons” Ltd is negative for all three analyzed years. In 2015, it was -923 days, but in 2016 a positive trend is noticeable, the financial cycle has dropped to -549 days.

The financial cycle starts from the moment of sending money for the purchase of goods and raw materials, and ends with the moment of receiving payment from the customers. Thus, until a complete turnover is achieved, it is impossible to involve working capital in a new cycle of profit-making. Therefore, the reduction of any of these stages in time means an increase in the efficiency of the working capital use.

<sup>83</sup> “Ramkons” Ltd: Annual Financial Reports, 2014-2016

Financial stability is characterized by the degree of reserves provision by own and borrowed sources of funds and their ratio. The low share of borrowed funds is an indicator of the financial stability.

The own current assets maneuverability coefficient shows the company's ability to maintain its own working capital level and replenish working capital, if necessary, from its own sources. Intervals are 0.2-0.5. The closer to the upper border of the interval, the company has more growth opportunities.

The ratio of borrowed funds and own funds shows how much borrowed funds attracted the company for 1 euro invested in the assets of its own funds. The value must be  $< 0.7$ . If  $> 0.7$ , then it means the dependence of the enterprise on external sources of funds, the loss of financial stability.

The coefficient of the equity share in the total amount of assets means the independence from borrowed funds. The minimum value is at the level of 0.5. Excess indicates that the company should expand the scope of external funds.

3.7 Table

**“Ramkons” Ltd: Financial Stability, 2014-2015<sup>84</sup>**

Index	2014	2015	2016	2016 in comparison with	
				2014	2015
Coefficient of own circulating assets maneuverability [0.2 - 0.5]	-0.35	-0.61	-0.56	-0.21	0.05
Debt to Equity Ratio [ $< 0.7$ ]	4.40	7.50	3.62	-0.78	-3.88
The ratio of equity in the total amount of assets [0.5]	0.18	0.12	0.21	0.03	0.10

The “Ramkons” Ltd own working capital maneuverability coefficients in the period from 2014-2016 are negative and lower than the set standards, which indicates the inability to replenish current assets, if necessary, from own sources. This also indicates the lack of opportunities for business development.

The ratio of borrowed funds to own funds is  $> 0.7$ , which indicates the dependence of the “Ramkons” Ltd on external sources of financing and financial instability, since many loans were taken for business.

<sup>84</sup> “Ramkons” Ltd: Annual Financial Reports, 2014-2016

The coefficients of the equity share in the period from 2014-2016 do not exceed the recommended rate, so the “Ramkons” Ltd has a large share of borrowed funds.

The dynamics of financial stability indicators, indicates an improvement in the maneuverability ratio, the ratio of borrowed and own funds and the ratio of own funds in 2016. But, despite the improvement, the indicators are not within the norm. This is due to the increase in loan capital, which was necessary for the “Ramkons” Ltd to create fixed assets.

### **Main results:**

1. The general dynamics of profitability indicators indicate an improvement in the activities of the “Ramkons” Ltd in 2016, which is explained by the increase in profit, the provision of new goods for which it was necessary to purchase fixed assets.
2. The overall liquidity ratio, interim liquidity ratio and absolute liquidity ratio decreased in 2015, and are below the norm. In 2016, the activities of the “Ramkons” Ltd improved, which reflected on the liquidity indicators, but the figures are below the norm. This dynamic indicates that the company is unable to pay off its short-term liabilities.
3. The financial cycle is negative for all three analyzed years. In 2015, it was -923 days, but in 2016 a positive trend is noticeable. This indicates inefficient use of working capital.
4. The dynamics of financial stability indicators indicates an improvement in the maneuverability ratio, the ratio of borrowed funds to equity and the equity ratio in 2016. But, despite the improvement, the indicators are not within the norm. This is due to the increase in loan capital, which was necessary for the “Ramkons” Ltd to create fixed assets.

### **3.4. The enterprise competitiveness evaluation and analysis**

Complex strategic analysis is a comprehensive study of the positive and negative factors of the internal and external environment through a combination of various methods of strategic planning that in the foreseeable future can affect the economic position of the enterprise and the way to achieve strategic goals<sup>85</sup>.

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<sup>85</sup> **McConnell C., Brue S., Flynn S.** *Macroeconomics with Connect Access Card 20th Edition*. Publisher: McGraw-Hill Education. 2014, pp. 372

In this regard, the author uses a set of strategic planning complementary methods – IE, SPACE, GSM matrix. Further, the results of the research will be systematized through the QSPM matrix to develop alternative strategies for the development of the “Ramkons” Ltd.

**IE Matrix:** Analysis of the internal environment showed that the “Ramkons” Ltd has a number of competitive advantages and, nevertheless, they are not unique, which means that they can be simulated by competitors. In this regard, the “Ramkons” Ltd needs to carry out additional activities to strengthen competitive advantages, introduce new products and services, improve the process of customer service, and more actively act in the Internet environment and social networks in particular.

3.8 Table

**“Ramkons” Ltd: IFE Analysis (Internal Factor Evaluation)<sup>86</sup>**

Factors	Weight	Rating	Weighted Score
Product and Service Quality	0.06	8	0.48
Product and Service Competitive Advantages	0.06	7	0.42
Assortment of Products and Services	0.05	7	0.35
Volume of Sales (Market Share)	0.06	7	0.42
Price Policy and Strategy	0.06	7	0.42
Discounts and Special Offers	0.05	6	0.3
Infrastructure	0.06	9	0.54
Distributing Channels	0.05	8	0.4
Brand	0.06	7	0.42
Promotion	0.06	6	0.36
Customer Loyalty	0.06	6	0.36
Marketing Communications	0.05	6	0.3
Level of Service (Staff Competence)	0.05	8	0.4
Order Execution Speed	0.05	7	0.35
Financial Condition	0.06	6	0.36
Good Credit History	0.05	7	0.35
Advanced and Reliable Technology	0.05	8	0.4
Effective Management	0.06	7	0.42
<b>Total</b>	<b>E = 1</b>	<b>-</b>	<b>7.0</b>

<sup>86</sup> Prepared by the author

It should be noted that the brand of the “Ramkons” Ltd is not known to the general public in Latvia, which significantly limits the opportunities for attracting new customers. In this regard, it is necessary to promote more actively the goods and services to achieve greater integration with the consumer through marketing communications, to increase customer loyalty by introducing actual discounts and individual offers for the largest customers that provide a large volume of sales. These are mainly corporate clients – large building and construction organizations. According to the author, the company should more actively integrate into the B2B (Business to Business) marketing model, as the largest and most regular customers in the future will be able to provide relatively “uninterrupted” demand.

3.9 Table

**“Ramkons” Ltd: EFE Analysis (External Factor Evaluation)<sup>87</sup>**

Factors	Weight	Rating	Weighted Score
Ecological/Environmental Issues	0.05	7	0.35
Current Legislation Home Market	0.06	7	0.42
International Legislation	0.05	7	0.35
Government Policies	0.06	7	0.42
Government Term and Change Trading Policies	0.05	7	0.35
Wars and Conflicts	0.06	8	0.48
Lobbying/Pressure Groups	0.05	6	0.3
Home Economy Situation	0.06	7	0.42
Home Economy Trends	0.06	7	0.42
Taxation	0.06	6	0.36
Seasonality Issues	0.06	3	0.18
Customer Drivers	0.06	7	0.42
Lifestyle Trends	0.05	7	0.35
Demographics	0.06	3	0.18
Fashion and Role Models	0.05	7	0.35
Buying Access and Trends	0.06	7	0.42
Competing Technology Development	0.05	8	0.4
Information and Communications	0.05	9	0.45
<b>Total</b>	<b>E = 1</b>	<b>-</b>	<b>6.6</b>

<sup>87</sup> Prepared by the author

“Ramkons” Ltd operates in conditions of the external environment inconstancy. The aggravation of political relations between Latvia and Russia affected not only mutual trade turnover, but also a partial cessation of business activity between the entrepreneurs of these countries. As a result, many companies in Latvia partially lost one of the most attractive segments of the Russian consumer, including the “Ramkons” Ltd. Among other things, the business activity of the company is subject to seasonal fluctuations – in the warmer months, demand for goods is increasing, in the cold is declining. One should also mention the long-term demographic crisis, which affects the decrease in the share of the internal target consumer.

The results of IFE and EFE analysis make it possible to develop an IE matrix for the “Ramkons” Ltd (see Fig. 3.12). According to the IE matrix, the strategic position of the company is on the border of two squares intersection, III and VI at once, which means that the position is relatively unreliable and can be corrected both in one and the other direction in the foreseeable future.

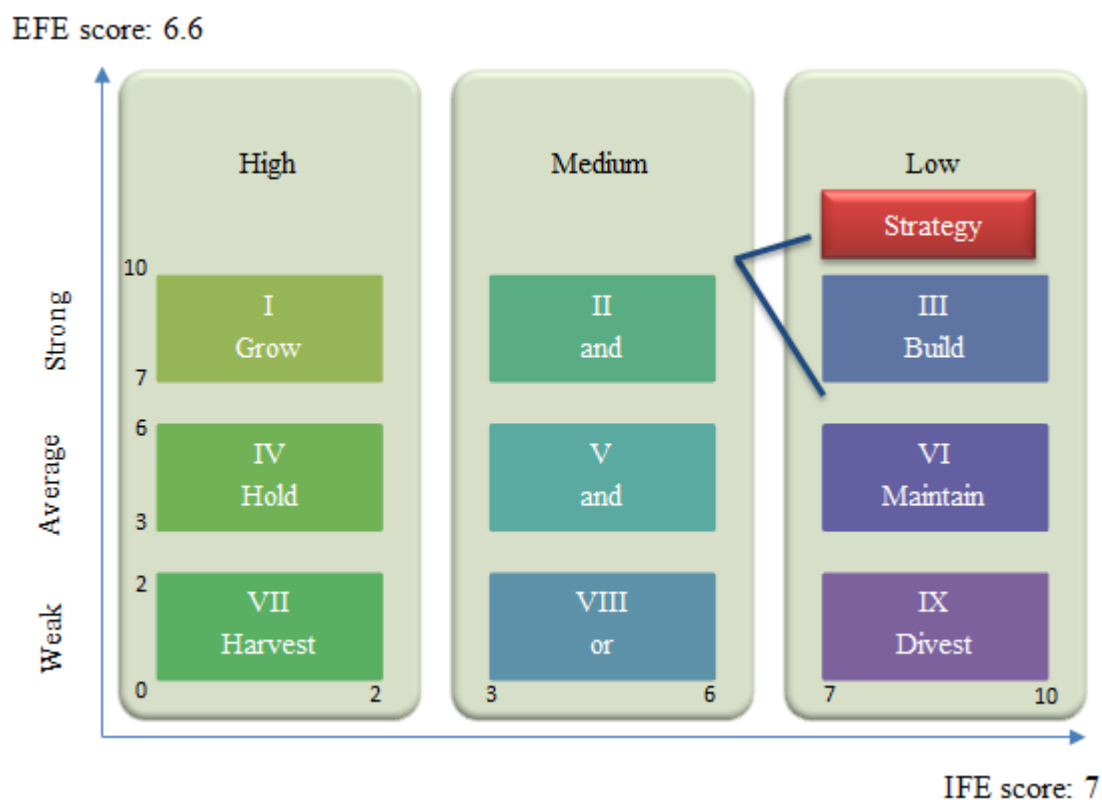


Fig. 3.12 “Ramkons” Ltd: IE Matrix<sup>88</sup>

<sup>88</sup> Prepared by the author

In accordance with the occupied squares (III and VI) on the strategic matrix IE matrix, “Ramkons” Ltd can choose one or several alternative development strategies:

- Market Development;
- Product Development;
- Concentric Diversification;
- Joint Ventures;
- Divestiture.

**SPACE Matrix:** The matrix analyzes four groups of factors – Environmental Stability (ES), Industry Attractiveness (IA), Financial Strength (FS) and Competitive Advantages (CA). The matrix has two axes “X” and “Y”, the intersection of which forms four squares. Squares ES and IA – refer to the external environment, the squares FS and CA – to the internal environment.

3.10 Table

**“Ramkons” Ltd: Environmental Stability (ES)<sup>89</sup>**

Factors	Weight	Rating	Weighted Score
The Impact of Geopolitical Events	0.1	6	0.6
Inflation	0.09	7	0.63
Taxation	0.09	6	0.54
Barriers to Market Entry	0.09	3	0.27
Regulatory Competition	0.09	7	0.63
Legislation	0.09	7	0.63
Investor Protection Mechanisms	0.09	8	0.72
Market Structure	0.09	6	0.54
EU Directives and Regulations	0.09	6	0.54
A Favourable Business Environment	0.09	6	0.54
Bankruptcy Proceeding	0.09	7	0.63
<b>Total</b>	<b>E = 1</b>	<b>-</b>	<b>6.3</b>

The data of the analysis testify to the relative stability of the market. In recent years, Latvia’s economy is developing at a steady pace, which contributes to the growth of business activity in virtually all sectors of the economy. Changes in the legislation regarding the tax increase for microenterprises of tangible damage to the industry did not inflict, as market

<sup>89</sup> Prepared by the author

participants are predominantly large enterprises, which is due to the specific nature of the activity being carried out. At the same time, certain social tension persists in Latvia due to a slowdown in the pace of economic development, high emigration and a demographic crisis. These processes have a negative impact on the industry as well, as the outflow of potential labor to other countries already creates a certain deficit of skilled labor in the market and low birth rates are not able to fill this loss in the future. Thus, in the long term, the situation of labor shortages can arise in the market. As an alternative, there are options for attracting immigrants to the market, but unlike the countries of Western Europe, the average salary level in Latvia is incommensurably lower compared with countries such as Germany, France and Italy. As a result of emerging circumstances, the Latvian labor market will undergo a number of significant adjustments in the coming years, as a result of which it will be very difficult for many enterprises to find highly qualified specialists in narrow areas of activity. Many companies in Latvia will conduct such specialists either immediately from the “benches of universities”, simultaneously teaching and creating all the necessary working conditions or enticing other fabulous fees from other competing companies.

3.11 Table

**“Ramkons” Ltd: Industry Attractiveness (IA)<sup>90</sup>**

Factors	Weight	Rating	Weighted Score
State Support to Entrepreneurship	0.1	7	0.7
Distribution Channels	0.1	8	0.8
Credit Availability	0.1	8	0.8
Market Grow	0.1	7	0.7
Market Capacity	0.1	7	0.7
Market Participation Structure	0.1	6	0.6
Free Market Niches	0.1	3	0.3
Changes in Demand	0.1	6	0.6
Change in the Purchasing Power	0.1	6	0.6
Product and Service Differentiation	0.1	8	0.8
<b>Total</b>	<b>E = 1</b>	<b>-</b>	<b>6.6</b>

The attractiveness of the market for doing business is also relative. This is due, first of all, to high entry barriers to the market and seasonal specifics. It should be noted that there are

<sup>90</sup> Prepared by the author

practically no free market niches on the market and in this regard, it is extremely difficult for local entrepreneurs to integrate into the market structure in view of the presence of strong brands. At the same time, the level of prices on the market is partially standardized; as a result, the overwhelming majority of enterprises do not have the opportunity to influence market prices.

All major distribution channels are equally accessible to virtually all major market participants. Nevertheless, some enterprises use them more efficiently than others. This is due not only to the size of the budget for promotional activities, but also to the effectiveness of management, which, like in any other field of activity, plays an important role. It should be noted that the degree of differentiation of goods and services on the market is extremely high, which greatly limits the opportunities for expanding the market share from small enterprises. All of the above indicates that the market is in the stage of maturity and goods and services almost filled all free market niches. In this regard, there may be an early recession, which, under adverse circumstances, may turn into a new industry crisis. In case of implementation of such an unfavorable scenario, many enterprises may face the issue of **entering new export markets**.

3.12 Table

**“Ramkons” Ltd: Financial Strength (FS)<sup>91</sup>**

Factors	Weight	Rating	Weighted Score
Probability of Bankruptcy	0.17	5	0.85
Changes in Net Turnover	0.16	7	1.12
Changes in Net Profit	0.17	6	1.02
Changes in Equity	0.16	6	0.96
Changes in Liquidity	0.17	6	1.02
Changes in Profitability	0.17	6	1.02
<b>Total</b>	<b>E = 1</b>	<b>-</b>	<b>6.0</b>

The financial condition of the “Ramkons” Ltd is assessed satisfactorily, as in 2016 there are significant improvements in business activity. This favorable trend should be used as much as possible, not stopping at the achieved result. It is necessary to develop and introduce new types of goods and services, to actively promote enterprise goods in the Internet environment and social networks in particular. Create additional prerequisites for increasing the loyalty of the target audience.

<sup>91</sup> Prepared by the author

As the analysis of business activity showed, “Ramkons” Ltd has certain competitive advantages, mainly due to the quality of the service provided and the strategic location. At the same time, the remaining competitive advantages are relatively weak in comparison with the main competitors. In this regard, it is necessary to act more actively in the direction of improving marketing communications with the consumer, establish two-way communication, regularly analyze the portfolio of products and services, and create prerequisites for increasing the added value of goods and services, increase liquidity and profitability by optimizing economic activity. Introduce and adapt new models of management and marketing, adopting the experience of leading foreign enterprises in this industry.

3.13 Table

**“Ramkons” Ltd: Competitive Advantages (CA)<sup>92</sup>**

Factors	Weight	Rating	Weighted Score
Product and Service Quality	0.15	8	1.2
Range of Products and Services	0.14	7	0.98
Competitive Pricing	0.15	7	1.05
Customer Service Level	0.14	8	1.12
Management	0.14	7	0.98
Staff Competence	0.14	7	0.98
Education and Training of Staff	0.14	7	0.98
<b>Total</b>	<b>E = 1</b>	<b>-</b>	<b>7.3</b>

The analysis has showed that the business of “Ramkons” Ltd has relative competitiveness, but due to the unstable financial condition, the opportunities for further development of the enterprise are severely limited.

According to the results of SPACE Matrix, the position of the “Ramkons” Ltd is in the “Defensive” zone. In accordance with the identified position, company can choose one or several alternative development strategies (see Fig. 3.13):

1. Joint Venture;
2. Divestiture;
3. Liquidation;
4. Concentric Diversification.

<sup>92</sup> Prepared by the author

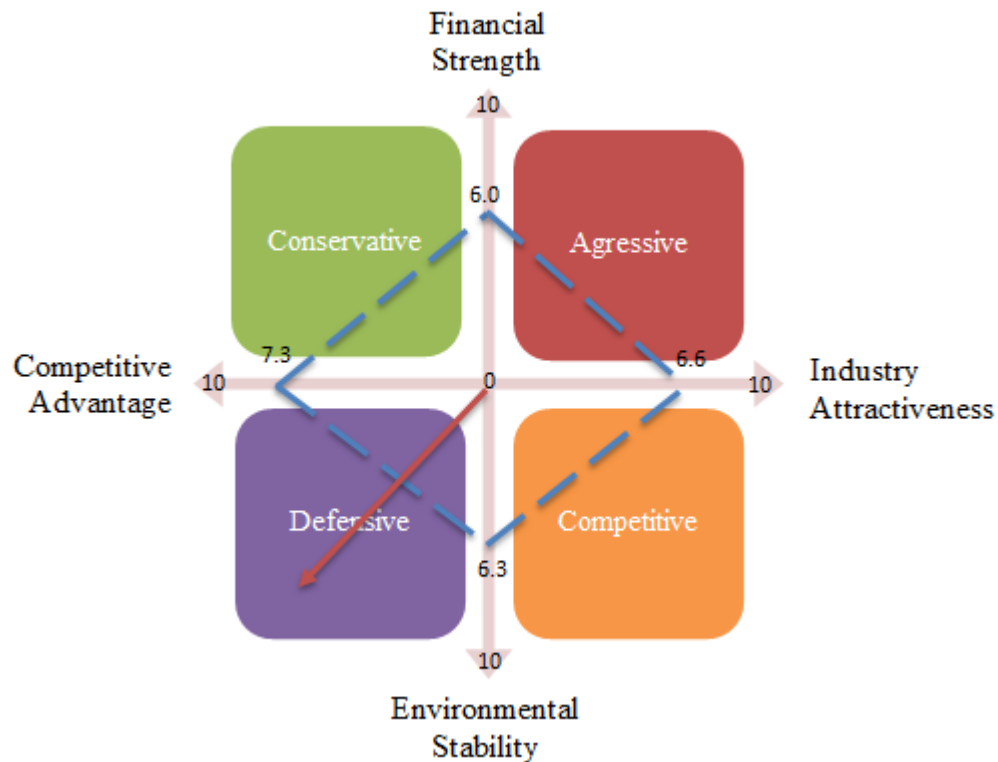


Fig. 3.13 “Ramkons” Ltd: SPACE Matrix<sup>93</sup>

Unlike the IE matrix, the “Ramkons” Ltd takes a defensive position, which excludes the possibility of implementing investment projects. In extreme cases, investments may be selective in accordance with the objectives of the enterprise.

**GSM Matrix:** The matrix allows analysing the indicators of market growth and assessing the competitiveness of the enterprise. The analysis of the competitiveness of the “Ramkons” Ltd shows that there are certain advantages in comparison with competitors, but they are relatively unstable. This shows that the company can lose its main advantages and hence the market share, if some competitors decide to simulate them and integrate in their business. In this regard, it is necessary to improve the current portfolio of products and services, introduce innovations, increase customer loyalty and engage in more active promotion in the Internet environment. Only in this way “Ramkons” Ltd will be able to retain the current market share, thus creating new prerequisites for further development.

<sup>93</sup> Prepared by the author

**“Ramkons” Ltd: Business Competitiveness<sup>94</sup>**

Factors	Weight	Rating	Weighted Score
Product and Service Quality	0.09	8	0.72
Range of Products and Services	0.09	7	0.63
Volume of Sales (Market Share)	0.09	7	0.63
Promotion	0.09	6	0.54
Distributing Channels	0.09	8	0.72
Level of Service (Staff Competence)	0.09	8	0.72
Effective Management	0.09	7	0.63
Financial Condition	0.1	6	0.6
Price Policy and Strategy	0.09	7	0.63
Order Execution Speed	0.09	7	0.63
Customer Loyalty	0.09	6	0.54
<b>Total</b>	<b>E = 1</b>	<b>-</b>	<b>7.0</b>

The analysis of the life cycle of the industry gives a clear description of the market attractiveness at each stage of its development and helps to choose the right marketing strategy. At the moment, the market is in the stage of maturity. The maturity of the market is characterized by a slowdown in growth. Competition is growing due to the increase in the number of players, production capacity in the industry is increasing and supply begins to exceed demand.

The stage of market saturation is a turning point in the industry, when all the battles for total market power end and the search for a stable position in the stagnant segment begins. The stage of market saturation is characterized by the following indicators: very low growth of market capacity, lack of the product novelty, high competition and variability of the product, technological maturity of the market, reduction of the industry overall profitability, good level of consumer knowledge about the characteristics of the product. Such structural changes in the industry compel enterprises to choose one of three alternatives:

1. To focus on reducing costs and choosing a leadership in expenses;
2. To focus on product quality and choose a differentiation;
3. To focus on the individual needs of the consumer and choose a leadership in the niche.

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<sup>94</sup> Prepared by the author

**“Ramkons” Ltd: Market Growth<sup>95</sup>**

Factors	Weight	Rating	Weighted Score
The Impact of Geopolitical Events	0.05	7	0.35
Inflation	0.05	7	0.35
Taxes	0.05	4	0.2
Barriers to Market Entry	0.05	3	0.15
Regulatory Competition	0.05	7	0.35
Legislation	0.05	7	0.35
Investor Protection Mechanisms	0.05	8	0.4
Taxation	0.05	6	0.3
A Favourable Business Environment	0.05	6	0.3
Bankruptcy Proceeding	0.05	7	0.35
State Support to Entrepreneurship	0.05	7	0.35
Distribution channels	0.05	8	0.4
Credit Availability	0.05	8	0.4
Market Growth	0.05	6	0.3
Market Capacity	0.05	6	0.3
Economic Situation	0.05	7	0.35
Free Market Niches	0.05	3	0.15
Changes in Demand	0.05	6	0.3
Change in the Purchasing Power	0.05	6	0.3
Product and Service Differentiation	0.05	8	0.4
<b>Total</b>	<b>E = 1</b>	<b>-</b>	<b>6.4</b>

In accordance with the position on the strategic map of GSM Matrix, “Ramkons” Ltd can choose one or several alternative development strategies:

- Market Development;
- Market Penetration;
- Product Development;
- Vertical Integration;
- Horizontal Integration;
- Concentric Diversification.

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<sup>95</sup> Prepared by the author

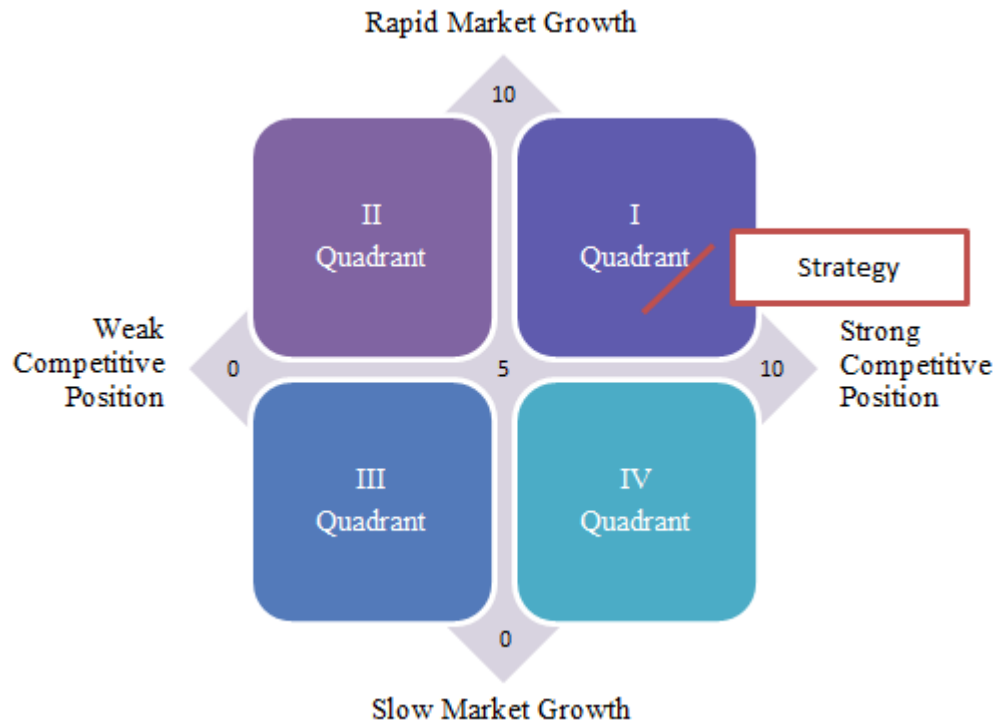


Fig. 3.14 “Ramkons” Ltd: GSM Matrix<sup>96</sup>

In the previous stages, the internal and external environment of the “Ramkons” Ltd was analysed using three methods of strategic planning – IE Matrix, SPACE Matrix and GSM Matrix. Further, it is necessary to compare the alternative strategies of the company and from them to choose the most effective and appropriate current market situation and the market’s conjecture. Such a comparative analysis can be done with QSPM Matrix.

**QSPM Matrix:** A basic tenet of the QSPM is that companies need to systematically assess their external and internal environments, conduct research, carefully evaluate the pros and cons of various alternatives, perform analyses, and then decide upon a particular course of action.

A comparative analysis of alternative strategies with the help of QSPM Matrix showed that the “Ramkons” Ltd needs to use the strategy “Concentric Diversification” for entering a new export markets. All calculations are available in the next table (see Tab. 3.16).

<sup>96</sup> Prepared by the author

**“Ramkons” Ltd: QSPM Matrix – Strategic Alternatives<sup>97</sup>**

Strategies	IE	SPACE	GSM	Total
Market Development	x	-	x	2
Market Penetration	x	-	x	2
Product Development	-	-	x	1
Vertical Integration	-	-	x	1
Horizontal Integration	-	-	x	1
<b>Concentric Diversification</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>3</b>
Conglomerate Diversification	-	x	-	1
Joint Ventures	x	x	-	2
Divestiture	x	x	-	2
Retrenchment	-	x	-	2
Liquidation	-	x	-	2

Concentric Diversification – adding new, but related, products or services is widely called concentric diversification. The corporation’s lines of business still possess some “common thread” that serves to relate them in some manner. The point of commonality may be similar technology, customer usage, distribution, managerial skills, or product similarity. Concentric Diversification occurs when the diversification is in some way related to, but clearly differentiated from, the organization’s current business<sup>98</sup>.

Therefore, **“Concentric Diversification”** is the **General Strategy** for the development of “Ramkons” Ltd in the next 5 years. The strategy should be checked annually with changes in the external environment and, if necessary, adjusted. The reconciliation period is the end of the current year.

<sup>97</sup> Prepared by the author

<sup>98</sup> **Strategy-Formulation.** *Concentric Diversification.* 2014. Available: <http://www.strategy-formulation.24xls.com/en425>

### 3.5. “Ramkons” Ltd export potential assessment

The final stage of the research is the choice of the target market for the export of “Ramkons” Ltd products. The results of the research are based on international statistical database “Trade Map” data for 2016.

To select the target market for “Ramkons” Ltd, analysis is carried out on 4 elements of the sample:

- Simplified customs regime;
- Calculation of Latvia’s export potential in other countries, by group of Concrete and Cement goods;
- Concrete and Cement products one ton cost;
- Concrete and Cement market total capacity;
- Geographic factor, the distance between cities (kilometres).

#### 3.5.1. Simplified Customs Regime.

The first condition for sampling is a simplified customs regime. It is more economically expedient for Latvian enterprises to export goods to the markets of those countries with which Latvia has a simplified customs regime. The simplified customs regime operates in a uniform manner for all member countries of the European Union. Consequently, only 27 countries pass this sampling stage (EU-27).

3.17 Table

**The 27 Member Countries of the European Union (EU-27)<sup>99</sup>**

1. Austria	8. Estonia	15. Italy	22. Romania
2. Belgium	9. Finland	16. Lithuania	23. Slovakia
3. Bulgaria	10. France	17. Luxembourg	24. Slovenia
4. Croatia	11. Germany	18. Malta	25. Spain
5. Cyprus	12. Greece	19. Netherlands	26. Sweden
6. Czech Republic	13. Hungary	20. Poland	27. United Kingdom
7. Denmark	14. Ireland	21. Portugal	

#### 3.5.2. Latvia Export Potential Calculation to the EU Countries.

<sup>99</sup> **European Union.** *Countries.* 2017. Available: [https://europa.eu/european-union/about-eu/countries\\_en](https://europa.eu/european-union/about-eu/countries_en)

The calculation of the export potential for the Concrete and Cement product group is made using the formula 1.1 described in Section 1.4:

3.18 Table

**Latvia's Export Potential Calculations, EU-27: 2016 (thou. EUR)<sup>100</sup>**

Country	Latvia's Export to	Country's import from World	Latvia's Export to World	Export Potential
1. Austria	0	93 188	26 721	26 721
2. Belgium	0	112 133		26 721
3. Bulgaria	0	20 571		20 571
4. Croatia	0	20 499		20 499
5. Cyprus	0	1 003		1 003
6. Czech Republic	0	45 066		26 721
7. Denmark	0	36 705		26 721
8. Estonia	6 646	7 942		1 296
9. Finland	14 973	40 034		11 748
10. France	0	303 904		26 721
11. Germany	0	163 398		26 721
12. Greece	0	7 483		7 483
13. Hungary	0	60 769		26 721
14. Ireland	0	11 468		11 468
15. Italy	0	93 192		26 721
16. Lithuania	67	10 159		10 092
17. Luxembourg	0	10 899		10 899
18. Malta	0	16 323		16 323
19. Netherlands	0	134 188		26 721
20. Poland	2	52 223		26 719
21. Portugal	0	34 542		26 721
22. Romania	0	20 131		20 131
23. Slovakia	0	37 185		26 721
24. Slovenia	0	26 506		26 506
25. Spain	0	35 749		26 721
26. Sweden	3 592	50 173		23 129
27. United Kingdom	0	90 591		26 721

<sup>100</sup> **Trade Map.** List of importing markets for a product exported by Latvia. 2016. Available: [http://www.trademap.org/Country\\_SelProductCountry\\_TS.aspx?nvpm=1|428|||2523|||4|1|1|2|2|1|2|1|1](http://www.trademap.org/Country_SelProductCountry_TS.aspx?nvpm=1|428|||2523|||4|1|1|2|2|1|2|1|1)

The analysis of Latvian export potential to the EU countries for the Concrete and Cement, or not coloured goods group revealed the following regularity: all 27 countries by the volume of Latvian exports can be conditionally divided into three groups – countries with high, medium and low potential. Countries with high export potential in Table 3.18 are marked in green, medium – orange and low – in red.

According to the study, countries with low export potential are Cyprus, Estonia, Greece and Ireland. It will be more difficult for Latvian companies to enter the markets of these countries, since the share of the free market in these countries is extremely small. For example, exports of Latvian Concrete and Cement products are in the thousands of EUR, while the total imports of Estonia in this group of goods are 7,942 thousand EUR. Thus, Estonia's export potential is estimated at only 1,003 thousand EUR. It follows that Latvian exporters have almost completely mastered the Estonian market and taking into account the fact that the relative share of the free market is extremely low, it will be very difficult for new exporters to compete on it. Consequently, only those countries that possess high and medium export potential pass this sampling stage.

### **3.5.3. Concrete and Cement Products One Ton Cost.**

At this stage, Concrete and Cement products one ton cost for EU countries is estimated, which has passed the previous two sampling stages. The decision to pass countries to the next sampling stage will also be based on the results of the calculated export potential.

Noteworthy is the fact that Finnish companies import Concrete and Cement at the highest prices in the EU. In 2016, the average purchase price of Finland for this group of goods was 187 EUR/Tons. At the same time, Finland has an average export potential (Latvian exporters are actively working in this direction) and the dynamics of a decline in prices, indicates that the market has already approached the threshold of oversaturation (supply began to exceed demand). It should be noted that a similar trend of the decline in prices for Concrete and Cement in 2016 is observed in many EU countries, which is assessed negatively.

Second place in Europe for the highest average purchase prices Concrete and Cement is Germany. In 2016, the average purchase price of Concrete and Cement was 122 EUR/Tons. Unlike Finland, the demand for this product in Germany is increasing, as evidenced by the

dynamics of price growth. Thus, the German market is one of the most attractive for Latvian exporters, especially given the fact that this direction has not yet been mastered by Latvian enterprises.

The third place in procurement prices Concrete and Cement is in the United Kingdom (103 EUR/Tons), which, among other things, in 2016 has the most rapid price increase for this product among all EU countries (+19%).

3.19 Table

**Unit Value (Import), EU-23 (EUR, %)<sup>101</sup>**

Country	Unit Value (Import), EUR/Tons	Growth on Unit Value (Import), 2016/2015, %	Export Potential (High, Middle)
1. Austria	68	-7	H
2. Belgium	62	9	H
3. Bulgaria	57	-3	H
4. Croatia	62	0	H
5. Czech Republic	66	5	H
6. Denmark	83	6	H
7. Finland	187	-7	M
8. France	85	-2	H
9. Germany	122	3	H
10. Hungary	52	3	H
11. Italy	76	6	H
12. Lithuania	49	0	M
13. Luxembourg	90	-4	M
14. Malta	54	0	M
15. Netherlands	87	6	H
16. Poland	58	-11	H
17. Portugal	73	-3	H
18. Romania	55	-8	M
19. Slovakia	72	8	H
20. Slovenia	58	0	H
21. Spain	99	16	H
22. Sweden	99	-3	H
23. United Kingdom	103	19	H

<sup>101</sup> **Trade Map.** List of importing markets for a product exported by Latvia. 2016. Available: [http://www.trademap.org/Country\\_SelProductCountry\\_TS.aspx?nvpm=1|428|||2523|||4|1|2|2|1|2|1|1](http://www.trademap.org/Country_SelProductCountry_TS.aspx?nvpm=1|428|||2523|||4|1|2|2|1|2|1|1)

The results of the analysis at this stage of the sample were mixed, since in many EU countries with high export potential, the average price per ton of Concrete and Cement products in 2016 decreased compared to 2015. Among other things, countries have different market capacities (total imports of this product) and therefore, it is necessary to introduce an additional element of the sample – an estimate of the total market capacity.

### 3.5.4. The Capacity of the EU Markets .

At this stage of the analysis, only those EU countries will be considered, in which in 2016 there was a decrease in average prices per ton of Concrete and Cement products. The capacity of the EU markets will be assessed in comparison with the total export of Latvia for the group of goods Concrete and Cement for 2016 (26,721 thousand EUR).

3.20 Table

**Market Capacity, EU-11 (EUR, %)<sup>102</sup>**

Country	Unit Value (Import), EUR/Tons	Growth on Unit Value (Import), 2016/2015, %	Export Potential (High, Middle)	Country's import from World, thou. EUR
1. Austria	68	-7	H	93 188
2. Bulgaria	57	-3	H	20 571
3. Finland	187	-7	M	40 034
4. France	85	-2	H	303 904
5. Lithuania	49	0	M	10 159
6. Luxembourg	90	-4	M	10 899
7. Malta	54	0	M	16 323
8. Poland	58	-11	H	52 223
11. Portugal	73	-3	H	34 542
12. Romania	55	-8	M	20 131
13. Sweden	99	-3	H	50 173

<sup>102</sup> **Trade Map.** List of importing markets for a product exported by Latvia. 2016. Available: [http://www.trademap.org/Country\\_SelProductCountry\\_TS.aspx?nvpm=1|428|||2523||4|1|1|2|2|1|2|1|1](http://www.trademap.org/Country_SelProductCountry_TS.aspx?nvpm=1|428|||2523||4|1|1|2|2|1|2|1|1)

At the stage of analysis of the EU countries, according to the criterion of market capacity, five countries – Bulgaria, Lithuania, Luxembourg, Malta and Romania – were eliminated at once.

Despite the fact that Lithuania is a neighbouring country and the supply of Concrete and Cement to this country does not require large transport costs, nevertheless, in the long term, Lithuania cannot be regarded by Latvian exporters as the most attractive market in the EU. This is due to the fact that the Concrete and Cement industry in Lithuania has a very weak import orientation. In 2016, Lithuania imported Concrete and Cement for 10,159 thousand EUR, which is more than two times lower than the total exports of Latvia in this group of goods (26,721 thousand EUR). Thus, the Lithuanian market is too small to be considered as the basis for the market. Nevertheless, Lithuania can be considered as a secondary, “transit” market.

A similar situation is with other EU countries that have not passed this stage of the sample. But unlike Lithuania – Bulgaria, Luxembourg, Malta and Romania are at a relatively large distance from Latvia, which casts doubt on the prospect of considering these countries even as secondary, “transit markets”.

### 3.5.5. Geographical Factor.

At the final stage of the analysis, the EU countries will be assessed immediately according to all previously considered sampling criteria, and also taking into account the remoteness of the countries from Latvia, in order to choose the main market. To calculate the distance between the capitals of the European Union states, the international statistical database “GeoDataSource” was used<sup>103</sup>.

3.21 Table

**Geographical Distance, EU-11 (EUR, %)<sup>104</sup>**

Countries	Unit Value (Import), EUR/Tons	Growth on Unit Value (Import), 2016/2015, %	Export Potential (High, Middle)	Country's import from World, thou. EUR	Distance from Riga (km)
1. Austria	68	-7	H	93 188	Vienna: 1147.83
2. Finland	187	-7	M	40 034	Helsinki: 345.26
3. Poland	58	-11	H	52 223	Warsaw: 600.31
4. Portugal	73	-3	H	34 542	Lisbon: 3214.45
5. Sweden	99	-3	H	50 173	Stockholm: 486.07
6. Belgium	62	9	H	112 133	Brussels: 1540.95
7. Croatia	62	0	H	20 499	Zagreb: 1401.49
8. Denmark	83	6	H	36 705	Copenhagen: 790
9. Czech Republic	66	5	H	45 066	Copenhagen: 1048.99
10. Germany	122	3	H	163 398	Berlin: 1507.52
11. France	85	-2	H	303 904	Paris: 1767.55
12. Hungary	52	3	H	60 769	Budapest: 1141.54
13. Italy	76	6	H	93 192	Rome: 1695.96
14. Netherlands	87	6	H	134 188	Amsterdam: 1260.07
15. Slovakia	72	8	H	37 185	Bratislava: 1121.49
16. Slovenia	58	0	H	26 506	Ljubljana: 1425.75
17. Spain	99	16	H	35 749	Madrid: 2563.23
18. United Kingdom	103	19	H	90 591	London: 1752.46

<sup>103</sup> **GeoDataSource.** *Distance Calculator.* 2017. Available: <https://www.geodatasource.com/distance-calculator>

<sup>104</sup> **Trade Map.** *List of importing markets for a product exported by Latvia.* 2016. Available: [http://www.trademap.org/Country\\_SelProductCountry\\_TS.aspx?nvpm=1|428|||2523||4|1|1|2|2|1|2|1|1](http://www.trademap.org/Country_SelProductCountry_TS.aspx?nvpm=1|428|||2523||4|1|1|2|2|1|2|1|1)

The analysis showed that for “Ramkons” Ltd there are two most promising export markets – Germany and Finland. At the same time, the Finnish market should be viewed in a relatively short term and the German market in the long term. According to the data of 2016, approximately 56% of the total Latvian export of Concrete and Cement falls to the Finnish market, while the market retains an additional export potential of 11,748 thousand EUR, which is about 44% of Latvia’s total exports for this group of goods. With the current supply rate remaining, Latvian exporters will increase the share of exports to Finland in the next 5 years, which will lead to a reduction in market prices, as a result of the glut of the market. The tendencies of the price decrease in the Finnish market can be traced now and in the long term, prices will continue to decline, as the supply will grow. Thus, the output of “Ramkons” Ltd in the Finnish market has a rather short-term perspective. However, if the company succeeds in gaining a foothold in the Finnish market, this could be the basis for expanding exports to Sweden.

The German market and in the future the Netherlands and France – is the long-term strategic direction of the export deliveries of “Ramkons” Ltd. These countries have an extremely high market capacity (especially France), but it is Germany that is currently the most promising direction of development in view of high procurement prices.

**Despite the fact that the purchase prices of Concrete and Cement in Finland (187 EUR/Tons) are approximately 35% higher than in Germany (122 EUR/Tons), nevertheless, it is the German market that can ensure the long-term development of “Ramkons” Ltd at Preservation of large volumes of products export deliveries and high purchase prices.**

## CONCLUSION

Research has confirmed the hypothesis: The company “Ramkons” Ltd will be able to fully realize its economic and production potential by exporting products to “Finland and Germany”, taking into account high purchasing prices and the market export capacity.

Based on the results of the study, the following **conclusions** were made:

1. In 2016, Latvia exported Concrete and Cement in the amount of 504,398 tons, which is 26.7 million EUR in value terms. The main importer of the Latvian Concrete and Cement products is Finland (56%). The second largest importer is Estonia (25%) and in third place – Sweden (13%). The share of other importers does not exceed 6%.
2. Latvia is a member country of the European Union – between the EU member states the customs formalities have been cancelled, i.e. when delivering goods from one EU country to another, customs procedures are not applied.
3. “Ramkons” Ltd is a leader in manufacturing and sale of reinforced concrete and cement items among the Baltic States. Company provides a full range of products: concrete and cement, base blocks, lintels, canalization, pontoons, pillars base, and slabs.
4. The financial condition of the “Ramkons” Ltd is relative stable. The general dynamics of profitability indicators indicate an improvement in the activities in 2016, which is explained by the increase in profit.
5. A comparative analysis showed that “Concentric Diversification” is the General Strategy for the development of “Ramkons” Ltd in the next 5 years. Strategy implementation – access to new export markets by transporting of goods.
6. The selection of the target market for the export of “Ramkons” Ltd products was carried out by five sampling stages: simplified customs regime, calculation of export potential, cost per ton of products, total market capacity, distance between countries.
7. The analysis of target markets revealed two equivalent, promising directions for increasing the volume of “Ramkons” Ltd exports – Finland and Germany. In these countries, the largest purchase prices in the EU and the German market, among other things, has a large capacity and is not mastered by Latvian exporters.

## SUGGESTIONS

Based on the findings of the study, the following **recommendations** were made:

1. As the development of “Ramkons” Ltd Concrete and Cement markets in Finland and Germany, we should consider the prospects for the development of two export directions:
  - Northern Europe – Finland, Sweden;
  - Centre of Europe – Germany, France, Netherlands, Italy;
  - The recommended implementation period is December 2018. Responsible person is the head of the enterprise
2. To increase financial condition of the “Ramkons” Ltd it is recommended to conduct optimization of economic activities, balance the budget and put the company on a new direction. Recommended term of implementation – September 2017. Responsible person – Chief Accountant.
3. To increase competitiveness of the “Ramkons” Ltd it is recommended to design an international export development plan for the period until 2025. For designing this plan it is recommended to take advantage of marketing agencies and external consultants. Recommended term of implementation – September 2017. Responsible person – Marketing Director.
4. Results of strategic analysis revealed that the “Ramkons” Ltd is performing in inconsistent external conditions, with a high allowance of risks and threats. Preventive risk management will enable to secure an enterprise from external threats, which will positively impact the permanent development and export volumes. In this respect, the author recommends to develop a Crisis Management Plan by attracting external consultants. Recommended term of realization – September 2017. Responsible person – Marketing Director.

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## "Ramkons" Ltd: Balance Active

Aktīvs	Gadi		
	2014	2015	2016
<b>Ilgtermiņa ieguldījumi</b>	0	0	0
<b>Pamatlīdzekļi</b>			
Ēkas un būves un ilggadīgie stādījumi	0	442798	429951
Iekārtas un mašīnas	1357	292	152
Pārējie pamatlīdzekļi un inventārs	62922	78998	96771
Pamatlīdzekļu izveidošana un nepabeigtā celtniecības objektu izmaksas	181886	0	0
<b>Pamatlīdzekļi kopā</b>	<b>246165</b>	<b>522088</b>	<b>526874</b>
<b>Ilgtermiņa ieguldījumi kopā</b>	<b>246165</b>	<b>522088</b>	<b>526874</b>
<b>Apgrozāmie līdzekļi</b>			
<b>Krājumi</b>			
Izejvielas, pamatmateriāli un palīgmateriāli	1054	756	1772
Avansa maksājumi par precēm	0	10567	3284
<b>Krājumi kopā</b>	<b>1054</b>	<b>11323</b>	<b>5056</b>
<b>Debitori</b>			
Pircēju un pasūtītāju parādi	143598	110775	79389
Citi debitori	50929	46919	38659
Nākamo periodu izmaksas	4113	2869	2948
<b>Debitori kopā</b>	<b>198640</b>	<b>160563</b>	<b>120996</b>
<b>Nauda</b>	13719	23228	29933
<b>Apgrozāmie līdzekļi kopā</b>	<b>213413</b>	<b>195114</b>	<b>155985</b>
<b>Aktīvu kopsumma</b>	<b>459578</b>	<b>717202</b>	<b>682859</b>

## "Ramkons" Ltd: Balance Passive

Pasīvs	Gadi		
	2014	2015	2016
<b>Pašu kapitāls</b>			
Akciju vai daļu kapitāls (pamatkapitāls)	26100	26100	26100
Akciju (daļu) emisijas uzcenojums	0	0	40000
Ilgtermiņa ieguldījumu pārvērtēšanas rezerve	41300	40033	40033
Rezerves	6383	6383	6383
Nesadalīta peļņa:			
a) Iepriekšējo gadu nesadalīta peļņa	18315	10220	10867
b) Pārskata gada nesadalīta peļņa	-8095	647	22371
<b>Pašu kapitāls kopā</b>	<b>84003</b>	<b>83383</b>	<b>145754</b>
<b>Uzkrājumi</b>	<b>5820</b>	<b>8035</b>	<b>9273</b>
<b>Kreditori</b>			
<b>Ilgtermiņa kreditori</b>			
Citi aizņēmumi	137750	137750	136198
Citi aizņēmumi (finanšu līzings)	0	11830	23332
Parādi radniecīgajām sabiedrībām	67963	131184	131184
No pircējiem saņemtie avansi	0	0	68594
Atliktā nodokļa saistības	0	4222	8436
<b>Ilgtermiņa kreditori kopā</b>	<b>205713</b>	<b>284986</b>	<b>367744</b>
<b>Īstermiņa kreditori</b>			
Citi aizņēmumi (finanšu līzings)	0	3012	6824
No pircējiem saņemtie avansi	0	66280	300
Parādi piegādātājiem un darbuzņēmējiem	60551	125894	74201
Parādi radniecīgajām sabiedrībām	69905	103741	24370
Nodokļi un VSAOI	1223	2283	2669
Pārējie kreditori	30516	38835	50666
Uzkrātās saistības	1847	753	1058
<b>Īstermiņa kreditori kopā</b>	<b>164042</b>	<b>340798</b>	<b>160088</b>
<b>Kreditori kopā</b>	<b>369755</b>	<b>625784</b>	<b>527832</b>
<b>Pasīvu kopsumma</b>	<b>459578</b>	<b>717202</b>	<b>682859</b>

## “Ramkons” Ltd: Profit or Loss Statement

	<b>Gadi</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
Neto apgrozījums	486176	513422	672398
Pārdotās produkcijas ražošanas izmaksas	190583	218338	311894
<b>Bruto peļņa vai zaudējumi (no apgrozījuma)</b>	<b>295593</b>	<b>295084</b>	<b>360504</b>
Pārdošanas izmaksas	-268232	-236187	-283845
Administrācijas izmaksas	-27894	-28962	-32074
Pārējie uzņēmuma saimnieciskās darbības ieņēmumi	82	4028	0
Pārējās uzņēmuma saimnieciskās darbības izmaksas	-2786	-18097	-9406
Procentu maksājumi un tamlīdzīgas izmaksas	-1280	-8776	-8572
<b>Peļņa vai zaudējumi pirms nodokļiem</b>	<b>-4517</b>	<b>7090</b>	<b>26607</b>
Atliktais uzņēmuma ienākuma nodoklis	0	-4222	-4214
Pārējie nodokļi	-3578	-2221	-22
<b>Pārskata perioda peļņa vai zaudējumi pēc nodokļiem (tīrie ieņēmumi)</b>	<b>-8095</b>	<b>647</b>	<b>22371</b>