



Strategic Management in International Environment

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Strategické řízení v mezinárodním prostředí

Anotace

Strategické řízení je klíčovou součástí každé úspěšné firmy. Cílem této diplomové práce je pomoci začínající firmě, se sídlem na Slovensku, vytvořit strategický plán, který bude zaměřen na vstup na nový trh a změnu oblasti jejich zaměření. Sledovaná firma plánuje transformaci z marketingové agentury na společnost zabývající se digitálním řešením. První část práce je věnována teoretickým podkladům strategického řízení. Druhá kapitola poskytuje krátký úvod do průzkumu trhu a jeho nástrojů, dále je zde proveden průzkum trhu České republiky. Třetí kapitola představuje společnost a formuluje její strategické cíle a plán. Poslední část diplomové práce je zaměřena na vyhodnocení úspěšnosti strategie s následným doporučením pro další rozvoj a zlepšení.

Klíčová slova

cíle, Česká republika, digitální řešení, marketing, růst, strategie, trh, vývoj, webové stránky

Strategic Management in International Environment

Annotation

Strategic management is a crucial part of every successful company. This master thesis aims to help a start-up company based in Slovakia to create a strategic plan which will be focused on entering a new market and transferring the focus of its operations. The monitored company is planning a transformation from a marketing agency to a digital solutions company. The first part of the thesis is dedicated to the theoretical background of strategic management. The second chapter provides a short introduction to market research and its tools, plus the market research of the Czech Republic is conducted in this part. The third chapter introduces the start-up company and formulates its strategic objectives and plan. The last part of the master thesis focuses on the evaluation of the success of the strategy with further recommendations.

Key Words

Czech Republic, development, digital solutions, growth, market, marketing, objectives, strategy, web

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Contents

List of Figures	13
List of Tables.....	14
List of Abbreviations and Symbols	15
Introduction	16
1. Strategic Management	17
1.1 The Evolution of Corporate Strategic Thinking	17
1.2 Strategic Thinking.....	19
1.2.1 Strategic Thinking Model.....	19
1.3 Strategy	20
1.4 Stages of Strategic Management.....	21
1.5 Strategic Analysis	22
1.5.1 Internal Analysis.....	23
1.5.2 External Analysis.....	24
1.6 Vision and Mission	24
1.7 Strategic Planning	25
1.7.1 Strategic Goals.....	25
1.7.2 Strategic Planning Process	26
1.8 Types of Strategies	27
1.8.1 Business Strategy.....	28
1.8.2 Operational Strategy	28
1.8.3 Transformational Strategy	29
1.8.4 Alternative Strategies	29
1.9 Strategy Implementation	30
1.10 Strategy Evaluation.....	31
2. Market Research in the Czech Republic	32
2.1 PESTEL Analysis	32
2.2 PESTEL Analysis – Czech Republic	35
2.3 Porter’s Five Forces Analysis.....	42
2.3.1 Competitive Rivalry	43
2.3.2 Threat of New Entrance.....	44
2.3.3 Bargaining power of Customers.....	45
2.3.4 Bargaining power of Suppliers	45
2.3.5 Threat of Substitutes.....	46
2.4 Porter’s Five Forces Analysis – Company X	46

2.4.1	Competitive Rivalry	46
2.4.2	Threat of New Entrance.....	52
2.4.3	Bargaining power of Customers	52
2.4.4	Bargaining power of Suppliers	54
2.4.5	Threat of Substitutes	54
2.5	SWOT Analysis – theoretical background.....	54
2.5.1	Creation of SWOT Analysis.....	55
3.	Strategy Formulation.....	58
3.1	Introduction of the Company.....	58
3.2	Project Schedule	59
3.3	Team Formation.....	59
3.4	Strategy Formulation.....	60
3.4.1	Foundation.....	60
3.4.2	SWOT Analysis of Company X.....	61
3.4.3	Critical Success Factors.....	64
3.4.4	Customer Value Proposition.....	65
3.4.5	Strategic Priorities	65
3.4.6	Strategic Objectives	66
3.4.7	Customer Objectives.....	66
3.4.8	Financial Objectives	68
3.4.9	Internal Objectives.....	68
3.4.10	Strategic Performance Measures	70
3.5	Summary	71
3.6	Action Plan.....	72
4.	Evaluation of the Results	74
4.1	Project Schedule	74
4.2	Key Objectives	74
4.2.1	Market Development	75
4.2.2	Product Development	76
4.2.3	Related Diversification	77
4.3	Short-Term Objectives.....	78
4.4	Limitations	80
4.5	Further Recommendations.....	81
	Conclusion.....	82
	References	83

List of Figures

Figure 1: Strategic Management Process	21
Figure 2: Strategic Analysis Process	27
Figure 3: Alternative Strategies	30
Figure 4: PESTEL Analysis	33
Figure 5: Evolution of Political Stability in the Czech Republic	36
Figure 6: Evolution of the Exchange Rate CZK/EUR	38
Figure 7: Gross % of Tertiary School Enrollment.....	39
Figure 8: Age Structure in the Czech Republic.....	40
Figure 9: Five Forces Model	43
Figure 10: The Nominal Unit Labour Cost Breakdown	47
Figure 11: Distribution of Marketing Companies in the Czech Republic.....	49
Figure 12: Top Czech Industries	53
Figure 13: Scheme of SWOT Analysis	56
Figure 14: Project Schedule.....	59
Figure 15: Real Project Schedule	74

List of Tables

Table 1: Elements of Strategic Thinking.....	20
Table 2: Economic Data - Czech Republic	37
Table 3: Economic Data - Slovakia.....	37
Table 4: Proportion of Population with Completed Education	38
Table 5: Evolution of the Population Growth Rate.....	40
Table 6: Development of the Average Wage – Czech Republic.....	41
Table 7: Distribution of LTD and Joint-Stock Companies Among Regions	48
Table 8: Distribution of Sole Proprietorship Among Regions	49
Table 9: Competitor Summary	51
Table 10: Division of Responsibilities	60
Table 11: SWOT analysis of Company X.....	64
Table 12: Short-term Objectives	71
Table 13: Long-term Objectives	71
Table 14: Strategic Plan 2021-2022	72
Table 15: Action Plan.....	73
Table 16: Market Development Costs.....	75
Table 17: Price List of Services	77
Table 18: Related Diversification Costs.....	78
Table 19: Achievement of Short-Term Objectives	79
Table 20: Employee Database.....	79
Table 21: Comparison of Expenses & Revenues	80

List of Abbreviations and Symbols

B2C	Business to Consumer
CZK	Czech crown
e.g.	For example
EU	European Union
EUR	Euro
Ltd	Limited liability
USP	Unique Selling Proposition
VAT	Value Added Tax

Introduction

The competitiveness of the company is very important to succeed in the global market. It is necessary to be able to use strengths to seize opportunities, but at the same time companies must be aware of their weaknesses and threats. Most businesses face the problem of the lack of a comprehensive concept of self-development. Therefore, the thesis aims to set the basic strategic objectives and design a suitable strategy and tools for the further development of the selected company. This company asked the author of the master thesis to keep the company secret and remain anonymous, thus it will be introduced under the pseudonym Company X. The master thesis aims to form a strategic plan for Company X when entering a new market and changing the focus of its operations.

The master thesis is divided into four sections to achieve the set goal. Firstly, the theoretical background of strategic management is introduced. It talks about the evolution of strategic thinking, strategy, and the whole process of strategic management.

Continuously, a short introduction to market research and its tools is included. Following with the execution of the market research itself. The market of the Czech Republic was examined as a chosen new market to be entered by Company X. Tools like PESTEL analysis, Porter's Five Forces and SWOT analysis are implemented.

The third part of the master thesis summarizes the formulated objectives and strategies under the strategic plan. For this part, a lot of brainstorming sessions were made with Company X. As a result, their mission and vision statements were formed along with their objectives and strategy on how to achieve them.

The last part of the master thesis collects data from the chosen monitored period. Then, the analysis is executed, and the success of the strategy is evaluated. Moreover, it provides an overview of the mistakes that were made and gives some recommendations for further improvements.

1. Strategic Management

The success of the business largely depends on the timely anticipation of market opportunities and solutions to possible problems that may occur in the company. For these reasons, decision-making in strategic management is important for the company. Strategic management provides the company with clear goals and directions for future development, and it also gives employees a sense of security. Most people perform better at work if they are aware of the company's direction and what is expected from them (Keřkovský and Vykypěl, 2002).

Strategic management performed by the top management, or the company management includes activities aimed at maintaining long-term harmony between the mission of the company, its long-term goals, available resources, and maintaining coherence between the company and the environment in which the business exists. An ideal model in the professional literature on strategic business management does not exist, but most experts agree that strategic management should be carried out in concrete, logical, and follow-up steps. Strategic management must be understood as a never-ending process with a set of repeatable and sequential processes. Starting with identifying the company's mission and goals, following with the implementation of strategic analysis. Based on its evaluation, potential solution alternatives are formulated. Followingly, it selects and implements the most appropriate strategies, and in the end, it examines the strategies that have been suggested. With the current turbulent and flexible business environment, which must adapt to all changes, inherently, a well-functioning strategic management system is far more important than the documents themselves (e.g., business plan, strategies) (Keřkovský and Vykypěl, 2002).

1.1 The Evolution of Corporate Strategic Thinking

A strategic approach to business can be dated up to the beginning of times of craft production and trade. The ancient producers have always needed to be better than the competition (e.g., sell more for a better price). The approach toward strategic planning was different in every period based on the environment and the requirements of the customers.

For instance, after 1945, the businesses aimed to provide the market with as many products as possible with criteria to satisfy the customer's basic needs after the war. This phase was recognized as a stage of planning. The economic situation, after World War II., was different in each region. Areas like Europe and Japan which were under the war were economically destroyed, and the industry needed to be restored. While the USA, where there were no fights, benefited from the weapon production. The European countries aimed to recover the economy. On the other hand, the USA was planning strategically their financial flows which ended in using budgeting as a tool for controlling (Zuzák, 2011).

In the 1960s, also known as a stage of long-term planning, the effectiveness of production became crucial. The economic growth has led to the emergence of new sectors, saturated demand, and growth of companies. The development was dynamically linear, and the growth was predicted with the extrapolation by using models of growth and planning methods. During this period, an interest from academics and companies in the business strategy grew, mostly the term business policy was used. A management professor Alfred Chandler, 1962, defined strategy as a determination of long-term objectives, adoption of direction and activities, and allocation of resources to achieve the goal. Since then, the strategic decision-making was based on the long-term development of the businesses (Zuzák, 2011).

Subsequently, the oil (energy) crisis in 1973 interrupted the continual development. Companies mostly focused on the quality of products in the 70s. It was known as a stage of strategic planning. The business environment was economically and geopolitically unstable. The business management was focused on recognizing the strengths, weaknesses, and future opportunities and threats (SWOT analysis) for the company as well as the quantitative analysis. The BCG matrix was upgraded and used to create diverse company structures and strategies. Furthermore, the analytical methods were improved to solve the problems of the organizations (Zuzák, 2011).

From 1980, the stage of strategic management brought a speed to globalization. The aim was to achieve flexibility in the production and innovation of products. Terms like Kanban (system for material flow control and production process based on the "pull principle") (Manufactus, 2022) or Just-in-time (strategy for aligning raw-material orders from suppliers with production schedules) originated in this period (Banton, 2021). Moreover, time management became a crucial tool in the company's leadership. With Porter's method of

“Market Based View of Strategy”, to be successful, corporations were aiming to find ways to achieve competitive advantage resulting in above-average profit with long-term maintenance (Zuzák, 2011).

Last but not least, the stage of “new” strategic management was the era of increasing the level of competition. This period questions all the methods used in the past. Strategic management was focused on sustainability. Businesses in this stage aimed to achieve a strong position in the market, flexibility, speed, creativity, and originality (Zuzák, 2011).

1.2 Strategic Thinking

“The term strategic thinking is often used so widely and generically today within the field of strategy that it risks becoming almost meaningless.” (Liedtka, 1998, p. 121). Very often, without any consideration of specific characteristics, strategic thinking is associated with all the thinking about strategy (Friedel, 2019).

Strategic thinking is an important feature that a company or person formulating a strategy should have. Luckily, this is not a characteristic that can be gained by birth only. Most of the time people learn to use these kinds of skills. Strategic thinking is a tool used to help the company. The strategy must be flexible and adaptable, yesterday’s strategy does not fit the strategy of tomorrow. There can be defined different kinds of strategies in small and big companies (Mallya, 2007).

1.2.1 Strategic Thinking Model

Strategic thinking is defined under Liedtka's model of the elements as a form of thinking that has well-defined characteristics. This model provides five elements of strategic thinking as you can see in Table 1.

Table 1: Elements of Strategic Thinking

Element	Description
Systems perspective	From the beginning to the end, a mental model of the overall value creation system that comprehends the chain's context, clarifies the roles of individuals, the impact of their system behaviour on the overall result, and emphasizes the link between corporate, business, and financial strategy on the human level.
Intent focused	The strategic aim gives a focus that allows employees to manage their energy to focus attention, fight distractions, and concentrate until the organization achieves its objectives.
Intelligent opportunism	Individuals that are open to new experiences will be able to take advantage of alternate tactics that may be more effective and relevant in a quickly changing world. Organizations must sometimes consider the perspectives of lower-level or innovative personnel.
Thinking in time	Strategic thinking uses the organization's memory to connect the present, the past, and the future.
Hypothesis-driven	An environment in which there is a lot of information and no time to process that. It is a crucial skill to be able to develop and test the ideal hypothesis. A significant component of an organization's management competency is the capacity to work successfully with hypotheses.

Source: Own processing based on Liedka, 1998

1.3 Strategy

To identify the strategy of the company, a few basic questions need to be answered: What are the main activities? What is the long-term goal? What products or services do they offer? Which market? What is the relationship between variable costs, fixed costs, sales, etc.? But the main question is: “What is strategy?” (Mallya, 2007).

The strategy can be defined as a strategic intention or a path heading straight to the stated goals which are formed by business, competitive and functional areas of approaches. It chooses long-term objectives and business sectors. It defines the economic and non-

economic benefits which the company wants to achieve. It identifies the management roles on the corporate, commercial, and functional levels. Strategy is a way to find the solution to investment division, a formula for competitiveness, and the politics to achieve the goals. It is a decision-making rule (Mallya, 2007).

The strategy could be explained in many other different ways. There is simply no exact definition. But the definition from Cambridge Dictionary sums it up quite well: “...*the way in which a business, government, or other organization carefully plans its actions over a period of time to improve its position and achieve what it wants.*” (Cambridge Dictionary, 2022).

1.4 Stages of Strategic Management

The strategic management process consists of 3 main steps; Formulation – Implementation – Evaluation which can be extended by one more step at the beginning; strategic objectives and analysis as you can see in Figure 1.

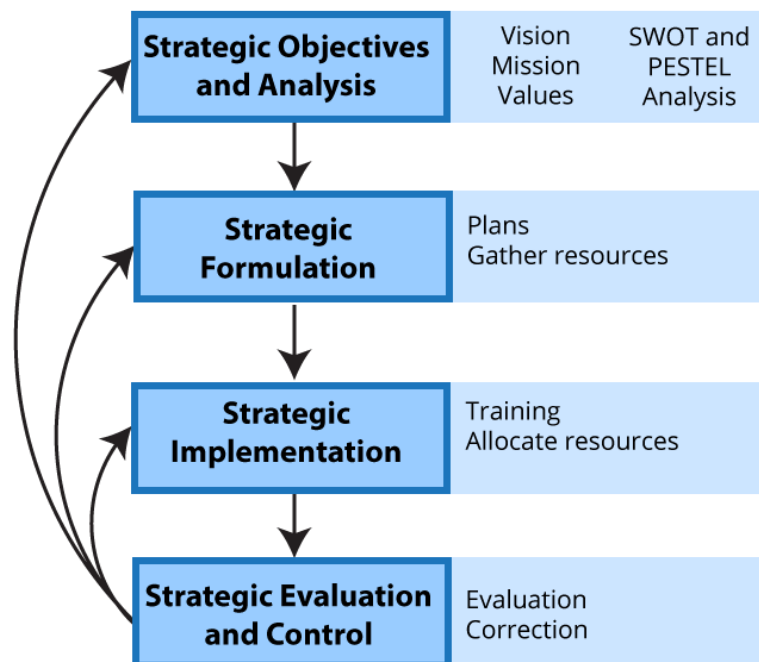


Figure 1: Strategic Management Process
Source: Lumen, 2022

Firstly, the company's vision, mission, and values need to be defined based on a combination of internal and external analysis. With the gained information, the company can evaluate its

position in the market and estimate the effects on its operations and then formulate the final statements (Lumen, 2022).

Secondly, based on the company's strengths and weaknesses, the information from external and internal analysis should be used to define clear and achievable goals and objectives. Determine whether the organization requires extra resources and how to acquire them. Make specific plans to attain the objectives. Prioritise the approaches that will help the company achieve its goals. Continue to monitor the external environment for developments that could jeopardize accomplishing the strategic objectives (Lumen, 2022).

Thirdly, after the planning phase, the implementation of the strategy comes forward. Even the greatest planning will not compensate for poor execution. Every employee in the company needs to be aware of their specific tasks, duties, and authority. During this stage, employee training should be provided by the management to accomplish objectives. Moreover, companies should also assign resources and funding. Employees should have access to the tools that they need for accomplishing the plan and also, they need to stay motivated to achieve success (Lumen, 2022).

Lastly, with the changeable environment, the evaluation of the strategy is necessary. Whether the key milestones were met can be determined by the performance evaluation of the company. If there are any differences between the results and the strategic plan, there will be a need for corrective steps. Also, to reevaluate the targets or measurement criteria if necessary. In case the strategy is not operating as planned, a new plan must be developed, or the structure of the organization needs to be modified. Retraining or reassignment of employees may be required or even start over with the strategic management process, including the knowledge and information obtained from the first effort (Lumen, 2022).

1.5 Strategic Analysis

Strategic analysis is a process of performing research on a corporation and its environment to establish a strategy. This work environment determines how the company conducts its operations. Strategic analysis is important for planning and improving marketing plans. With strategic planning, the company may integrate and meet marketing objectives with an overarching vision. Many professionals in the management of enterprises recommend that

strategic analysis should be undertaken regularly to establish how an organization operates and to identify areas where modifications and improvements are needed. The key aspect of strategic analysis is that it forces the business to study competitors, and it helps analyse business strategy in a way that keeps the company ahead of the competition (Voxco, 2022; Expert commentator, 2021; CFI, 2022).

Although academic and business definitions of strategic analysis differ, the process involves some common elements like finding and analysing the data that is relevant to the organization's strategy, identification of the external and internal environment, and employment of analytical tools (e.g., SWOT analysis, Porter's five forces). Designing the business plan for the company combines an internal and external analysis to get a complete view of how the company operates as a single entity and as part of a wider competitive industry (CFI, 2022; Indeed Editorial Team, 2021).

1.5.1 Internal Analysis

The internal analysis provides information about positive and negative aspects that can be enhanced with the right set of investment resources and improve the company's market image. The internal strategic analysis focuses mostly on the company's performance by assessing the organization's ability to achieve its objectives. It provides an overview of the company's operations and analyses the company's strengths and weaknesses. Plus, it assists in strategy development (Expert commentator, 2021; Voxco, 2022).

The internal analysis begins with a review of the company's performance and prospects, as well as its ability to expand. The market environment and client response should be the main basis for determining the company's strengths and weaknesses. When the customers are satisfied with the company's products or services, strengths are significant (Expert commentator, 2021).

SWOT analysis is the most well-known and widely utilized internal strategic analysis technique. Strengths, weaknesses, opportunities, and threats are referred to as SWOT. However, it can be defined also as an external analysis tool because of the external influences that can affect the company's performance (e.g., competitors, government, etc.). This method examines all the components within an organization or its projects to see how they

may be harmed (Voxco, 2022). More about SWOT analysis will be explained in the second chapter.

1.5.2 External Analysis

The firm's business environment includes all external forces that influence its performance and decision-making. Many times, external factors can be seen as a threat to the company's development (Grant, 2016). To have an accurate external strategic analysis, it is necessary to know how the market operates and how the specific marketing methods, products, and services offered by competitors influence customers (Voxco, 2022). Customer satisfaction with the company's and the competitor's products must be measured to understand how the market works (Expert commentator, 2021).

The most common tool used for external strategic analysis is PESTEL analysis. It includes political, economic, social, technological, environmental, and legal analysis which identifies environmental factors using external strategic analysis, more is explained in Chapter 2.

1.6 Vision and Mission

Starting a business is challenging at the beginning and it brings even more obstacles in the future development of the organization. Even though the company founder does all the positions at first, to secure growing business he or she needs to hire more employees and make sure the sales continue to grow. Thus, it requires an understandable vision and mission statement to clearly define the direction of the firm towards the goal that the company is heading to. As Ms Tanković (2013) said in her paper, the whole planning process starts with the analysis of resources together with the environment and it continues with characterizing the organization's vision and mission.

Vision and mission are connected. While the mission statement presents the purpose of the company, the vision statement embodies the expectations for the future. The vision statement guides the improvement and development of the company. It represents the future that they want to achieve. Setting a vision allows us to see far into the future and imagine the ideal business-like operating internationally or offering the best quality, but it also leads to many obstacles (Jančíková, 2013; Tanković, 2016).

On the contrary, the mission statement does not involve emotions. It represents the role of the organization, the reason why the company is on the market, and its existence. It introduces the product portfolio, and the market, it also stresses the methodology and technology as well as the identity of the company in general (Jančíková, 2013; Tanković, 2016).

In conclusion, rationality may be included while formulating the vision as well as the mission statement. For instance, the implementation of the very well-known and effective methodology SMART (S – specific, M - measurable, A – achievable, R – relevant, T – time-oriented) for setting the goals is the first step toward success (Mind Tools, 2020).

1.7 Strategic Planning

Strategic planning is a continuing organizational activity that documents a company's planned direction by utilizing existing information. It is a procedure that helps the company's management set its vision and determine its goals and objectives. This method is intended to prioritise activities, align employees and shareholders, distribute resources efficiently and guarantee that corporate goals are supported by sound reasoning and evidence. A well-developed strategic plan progresses when the threats and opportunities appear (Bigelow, 2022; Cote, 2020).

Strategic planning usually refers to long-term objectives with a time frame of 3 to 5 years, however, it can be longer. This differs from business planning, which usually focuses on short-term, tactical goals, such as how the budget is allocated. A business plan's duration might span from a few months to several years. Strategic planning is done regularly by businesses to examine the impact of changing industrial, legal, regulatory, and business, factors. At that point, a strategic plan could be updated and amended to reflect any organizational changes (Bigelow, 2022).

1.7.1 Strategic Goals

Risk management, diversification, expansion, increased profitability, debt reduction, increased staff retentivity, or tax reduction are all examples of goals that can be achieved by the business strategy. To create a strategic plan, the goals that the company wants to achieve

need to be determined. It all begins with the final goal, even though it does not specify tactics or methods for achieving the objectives at first (Cote, 2020; Milano, 2022.).

Strategic goals are measurable objectives that represent an organization's vision and should be purpose-given, long-term, forward-focused, actionable, and measurable. What is the company's motivation, and what are the values should be the first questions asked when developing strategic goals. What does the company desire to attain? If the purpose is adopted well, it will not damage the company's performance. Moreover, it is necessary to define how the progress will be measured towards achieving goals (Cote, 2020).

Apart from long-term strategic goals, operational goals are everyday milestones that must be met too, to attain the organization's long-term strategic objectives. Without operational goals, it is better for the company to spend its resources and time elsewhere, since there are no achievable objectives that the employees can achieve. Moreover, it is necessary to define how the progress will be measured towards achieving goals (Cote, 2020).

1.7.2 Strategic Planning Process

There are many approaches to strategic planning. The cycle usually starts by discovering the company's current position and with a set of rules or estimates about the internal and external environment. For instance, the pricing level, political trends, or the demand and supply situation are part of external analysis. Financial concerns, the morale of employees, and operational inefficiency could be examples of the internal environment. Based on these analyses, the current success of the strategy can be determined (Bigelow, 2022; Johnson, 2005; CFI, 2022).

Followingly, on a corporate level, each division sets the initiatives and objectives in harmony with the organization's vision and mission. Based on these objectives they prepare the proposed strategic plan which is then sent to the headquarters to be discussed by the central management. The business plan must be then approved by the corporate board. Several major strategic and financial targets are gained plus, they deliver a base for monitoring the performance (Bigelow, 2022; Johnson, 2005; CFI, 2022). In smaller companies (e.g., SMEs, Start-up) it is a bit different. They do not have as many subsidiaries,

thus, mostly the head management or owner of the business is responsible for the whole process.

After the strategic plan is formed, it is put into action. To assign roles, adapt processes and policies, make investments, and develop measurement and reporting, good communication across the business is required. Strategic management and regular strategic reviews are usually part of the implementation process to make sure that everything stays on track (Bigelow, 2022).

As the business environment develops and new opportunities arise, a strategic plan is revised regularly to adjust priorities and reevaluate goals. Quarterly evaluations of indicators are possible, as are annual revisions to the strategic plan. Stakeholders can review performance with goals using balanced scorecards or other tools (Bigelow, 2022). Figure 2 summarizes the whole strategic planning process.

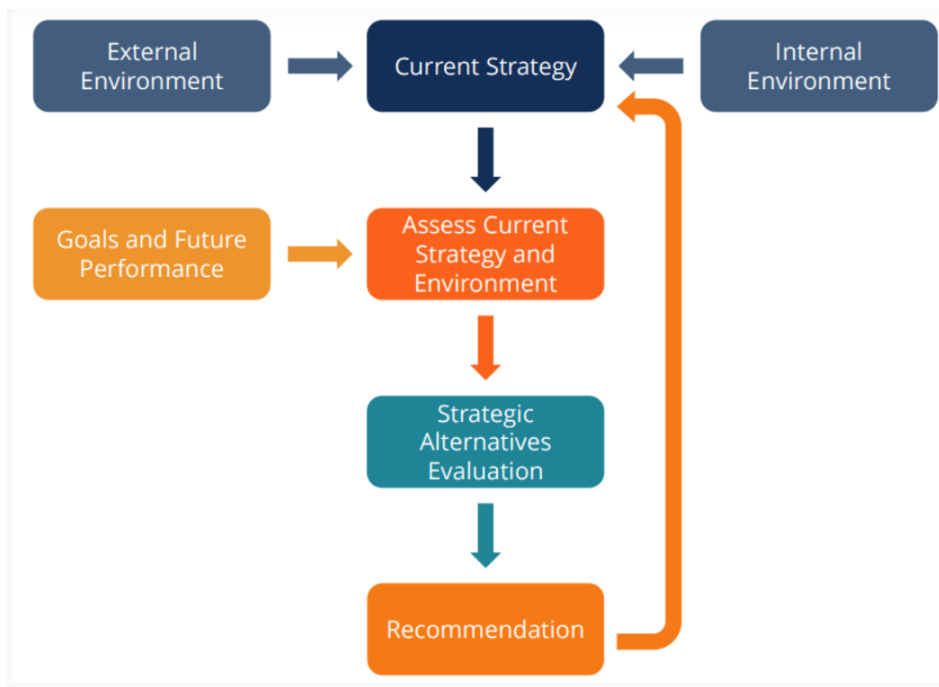


Figure 2: Strategic Analysis Process
Source: CFI, 2022

1.8 Types of Strategies

In general, there can be recognized three types of strategies: business, operational, and transformational. Technologies, processes, and people are all important to be considered in

any strategy. Without these, strategy is nothing more than a collection of lofty thoughts that are not found in real life, plus they are not supported by a plan of action (Scott, 2021).

1.8.1 Business Strategy

Business (corporate) strategy is important for any organization that wants to be successful. This strategy concentrates on customer experience. It is a defined set of actions, plans, and goals that explains how the company will compete in the market. The organization focuses on the strategy for the marketplace like what is the concentrated area and segment of customers and which products and services should they offer. How can they become the best? (IMD, 2021; Scott, 2021).

An organization's structure, strengths, and weaknesses, market, business climate, and competitors, should all be considered while developing a business strategy. It should also be adaptable to changing environments. To design and prepare a business strategy, it is necessary to have excellent business analysis and strategic planning skills, as well as a thorough understanding of distribution, sales, and marketing (IMD, 2021).

The corporate strategy is usually created by senior managers. Followingly, after the strategy is formulated, business architects are essential in explaining the business strategy, ensuring tighter alignment across multiple strategies, and communicating the strategy across the corporation (Scott, 2021).

1.8.2 Operational Strategy

Operational strategy is people and process concentrated. The main goal is to accurately translate the customer-centric corporate strategy into a coherent and actionable execution strategy. It answers the questions like: Which competencies must be developed, or improved? Which procedures need to be improved or completely redesigned? And, whether they have employees with the necessary skills (Scott, 2021). The operating units of the company are shaped by this approach. It encompasses the entire range of decisions that shape long-term operations and their share of the overall strategy (Talentedge, 2021).

1.8.3 Transformational Strategy

Transformational strategy deals with platform technology. It focuses on how the organization can be transformed by technology. This approach differs from traditional corporate strategy in that it implies radical changes in technology, processes, and people. The organizational development, project management office, and consultants are typically involved in transformational strategy. Few firms willingly go on this route with realistic expectations of the resources required. These initiatives are extremely complicated and demand highly skilled and knowledgeable technical resources (Scott, 2021).

1.8.4 Alternative Strategies

Alternative strategies can be grouped into 4 groups: integration strategies, intensive strategies, diversification strategies, and defensive strategies.

Integration strategies are forward, backward, and horizontal integration. These strategies enable the company to get control over its suppliers and distributors or even competitors.

Intensive strategies are used when the company's competitive position using existing goods and services needs to be improved. Here belong the strategies of product development, market development, and market penetration.

Diversification techniques are divided into two categories: related and unrelated. Businesses are related if their value chains have competitively valuable cross-business strategic matches. Businesses are unrelated if their value chains are sufficiently diverse and there are no competitively valuable cross-business strategic fits. To take advantage of synergies, most organizations prefer linked diversification strategies.

Besides diversification, intensive, and integration strategies, the company can implement defensive strategies like liquidation, divestiture, or retrenchment. All alternative strategies are explained in Figure 3.

Strategy	Definition	2009 Examples
Forward Integration	Gaining ownership or increased control over distributors or retailers	PepsiCo launched a hostile takeover of Pepsi Bottling Group after its \$4.2 billion offer was rejected
Backward Integration	Seeking ownership or increased control of a firm's suppliers	Chinese carmaker Geely Automobile Holdings Ltd. purchased Australian car-parts maker Drivetrain Systems International Pty. Ltd.
Horizontal Integration	Seeking ownership or increased control over competitors	Pfizer acquires Wyeth; both are huge drug companies
Market Penetration	Seeking increased market share for present products or services in present markets through greater marketing efforts	Coke spending millions on its new slogan "Open Happiness"
Market Development	Introducing present products or services into new geographic area	Time Warner purchased 31 percent of Central European Media Enterprises Ltd. in order to expand into Romania, Czech Republic, Ukraine, and Bulgaria
Product Development	Seeking increased sales by improving present products or services or developing new ones	News Corp.'s book publisher HarperCollins began producing audio books for download, such as Jeff Jarvis's "What Would Google Do?"
Related Diversification	Adding new but related products or services	Sprint Nextel Corp. diversified from the cell phone business by partnering with Garmin Ltd. to deliver wireless Internet services into GPS machines
Unrelated Diversification	Adding new, unrelated products or services	Cisco Systems Inc. entered the camcorder business by acquiring Pure Digital Technology
Retrenchment	Regrouping through cost and asset reduction to reverse declining sales and profit	The world's largest steelmaker, ArcelorMittal, shut down half of its plants and laid off thousands of employees even amid worker protests worldwide
Divestiture	Selling a division or part of an organization	The British airport firm BAA Ltd. divested three UK airports
Liquidation	Selling all of a company's assets, in parts, for their tangible worth	Michigan newspapers such as the <i>Ann Arbor News</i> , <i>Detroit Free Press</i> , and <i>Detroit News</i> liquidated hard-copy operations

Figure 3: Alternative Strategies

Source: David, 2011, p. 137

1.9 Strategy Implementation

Strategy implementation is a process where the company allocates its resources to put its plans into action to achieve desired results. Some key steps should be included. Firstly, the key objectives need to be defined. Then, the selection of representatives and division of responsibilities need to be implemented. Then the plan should be executed and monitored by the selected responsible people. If necessary, the plan can be adjusted based on the collected data. It is important to define what should be the outcome. And finally, an evaluation of the strategy should be conducted (Miller, 2020).

1.10 Strategy Evaluation

The final stage of strategic management is strategic evaluation, which is regarded as one of the most important tasks in the process. It is a process by which the organizations examine the success of the chosen strategy that has been implemented. Strategy evaluation comprises reviewing and evaluating the strategy project implementation as well as assessing organizational performance. Strategists can ensure that through the strategy evaluation process the assumptions established during the strategy development are correct, the organization's strategy directs them toward achieving its goals, managers are carrying out their responsibilities to properly implement the strategy, and the company is doing well, everything goes according to plan (Creately, 2021).

2. Market Research in the Czech Republic

Market research can be characterized as a process that helps determine the ability of the products or services to be successful on the market. It identifies the organization's targets and gathers necessary data based on which decisions are made. Market research can be executed either by internal employees or by an external specialist that can be hired by the company (Twin, 2021).

Company X due to a lack of resources decided to conduct market research by itself. This chapter provides the theoretical background of PESTEL analysis, Porter's five forces and SWOT analysis also with implementation in practice of Company X. The goal of Company X is to expand its services to the Czech Republic thus, the internal and external analyses are necessary.

2.1 PESTEL Analysis

PESTEL analysis is one of the top-management tools used for future and strategy planning, specifically for investigating the macroeconomic environment. The PESTEL framework divides environmental influences into six categories: P - political, E - economic, S - social, T - technological, E - environmental, and L - legal. These elements are not independent, many of them are interconnected. For instance, with technological innovations, people tend to change their lifestyle, how they work or their living standards. Any change in these variables has an impact on the competitive environment in which businesses operate. Managers need to be aware of the major change drivers as well as the impact of these external factors on specific markets, industries, and organizations (Grant, 2016; Stadius Management Services, 2022).

PESTEL is especially essential for examining the future impact of environmental factors, which may differ from their prior impact. It serves as a framework for considering things beyond the company's control. These external influences often affect what the company does and how it acts. Its findings reveal external opportunities and threats which are then the basis for the "OT" of a SWOT analysis (Grant, 2016; Stadius Management Services, 2022). Figure 4 represents the summary of all the areas of PESTEL analysis.



Figure 4: PESTEL Analysis
 Source: Statius Management Services, 2022

Political (P)

Tax policy, tariffs, trade limitations, political stability/instability, corruption, labour law, etc. are included in possible political influences. Also, governments may have a significant impact on education, health, and infrastructure. Political factors can have a significant influence on businesses (Professional Academy, 2022; Statius Management Services, 2022).

Economic (E)

The inflation rate, exchange rate, economic growth, interest rate, consumer, unemployment rate and business disposable income are all economic factors. These elements have a significant impact on decision-making, how companies operate, and how profitable the business is. Interest rates, for example, can have an impact on a company's growth rate along with its ability to pay the debt. Another factor, the exchange rate, may affect both the supply and cost of imported products and commodities, as well as the price of exporting goods.

These factors can be divided into micro-economic and macro-economic. The management of demand in a given economy is the subject of macroeconomic issues. Interest rate control, government spending, and taxation policy are the key techniques used by authorities to achieve this. Microeconomic issues are all about how people spend their money. This has a significant influence on B2C (Business to Consumer) businesses (Professional Academy, 2022; Staius Management Services, 2022).

Social (S)

Population growth rate, age distribution, career views, cultural characteristics, health awareness, cultural barriers, lifestyle, and a focus on safety are all social factors (also known as socio-cultural). These elements can have a direct impact on the demand for the company's products as well as how the firm operates, how marketers perceive customers and what motivates them.

For instance, an ageing population can indicate a smaller and less motivated workforce which influences the labour supply and expenses. Thus, businesses may respond by using various measures, such as actively engaging older workers and making employment more appealing to them (Professional Academy, 2022; Staius Management Services, 2022).

Technological (T)

Digitalization, R&D, internet connectivity, IT security, level of innovations, technological awareness and other technological factors influence management and marketing in businesses. Fast technological improvements such as electric and self-driving automobiles will undoubtedly have a significant impact on society. Furthermore, the increased internet connectivity gives many businesses access to the worldwide market. On the other hand, it can also pose challenges in terms of online security. Many technology factors may alter the entry barriers for new start-up businesses. Technology shifts are likely to influence the quality, costs, and innovation. It brings new methods in production, distribution, and communication (Professional Academy, 2022; Staius Management Services, 2022).

Environmental (E)

Environmental factors can be, for example, environmental policies, climate change, weather, and climate. These issues have grown in importance because of rising raw material

shortages, ethical and sustainable business practices, government-set pollution targets, and government-set carbon footprint targets. Moreover, those issues may have an immediate impact on industries such as agriculture, insurance, and tourism, while also influencing demand for certain products and services. Furthermore, as people become more conscious of climate change and its consequences, businesses are changing how they operate and the goods they sell. This results in the creation of new markets while simultaneously decreasing or eliminating existing ones (Professional Academy, 2022; Statius Management Services, 2022).

Legal (L)

Legal factors include, for example, health and safety, environmental law, labour law, consumer rights and antitrust law, or product labelling. All can have an impact on how the company runs its costs and in certain cases its demand. Thus, the organization's legal issues must be successful in the trade, especially when going globally since each country has different laws and regulations (Professional Academy, 2022; Statius Management Services, 2022).

2.2 PESTEL Analysis – Czech Republic

Political

Similarly, as in Slovakia, the political system in the Czech Republic is a democratic parliamentary republic. The Head and the commander-in-chief of the army is the president. Parliament, which consists of the Chamber of Deputies, the lower house, and the Senate is the supreme legislative body of the Czech Republic (MZV, 2021).

Since both Slovakia and the Czech Republic are in the European Union (EU) which is a free trade area, there are not many obstacles when moving the business to another country. As a small starting marketing agency, they focus on small and medium businesses (SMEs). SMEs, which constitute 99 % of all businesses in the EU, are the most important part of the European economy (European Union, 2021). In 2018, small and medium-sized businesses made up 99.83 % of the total number of active business entities in the Czech Republic (31600, 2019).

Figure 5 provides an overview of the evolution of the political stability index from 1996 to 2020 in the Czech Republic. This index measures the stability of the countries where the minimum is -2.5 which means weak stability and the maximum of 2.5 represents strong political stability. During this period, the Czech Republic's average score was 0.96 points, with a low of 0.33 in 2000 and a high of 1.15 in 1996. The most recent value is 0.92 from 2020. In comparison with the world average of -0.07 , the Czech Republic can be presented as a politically stable country (Eurostat, 2021).

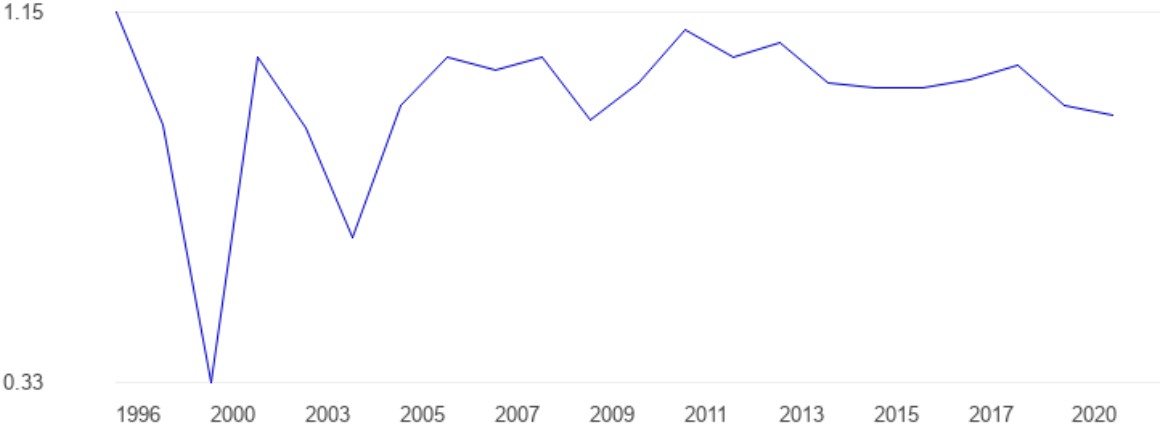


Figure 5: Evolution of Political Stability in the Czech Republic
 Source: The Global Economy, 2021

The Czech Republic’s tax system was introduced in 1993 when the 3 groups of taxes were formed: indirect taxes (VAT, customs duties, ecological tax), direct taxes (income tax, property tax, transfer tax), and other taxes. In general, the corporate income tax rate is 19% , but if there are for example, pension or investments funds, a special tax rate of 5% is used. A personal income tax rate is 15% . Employees' tax base is determined by multiplying their gross salary by the employer's health insurance and social security contributions. A 7% solidarity tax is imposed on business or employment revenue that exceeds the average wage 48 times (CzechInvest, 2021).

Economic

Table 2 summarizes selected economic data from recent years; 2016 – 2020 in the Czech Republic. Until 2019, GDP and GDP per capita rose annually, but in 2020 there was a slight decrease. In terms of unemployment, it fell by more than 1% in the reporting years, from 3.95% in 2016 to 2.55% in 2020. Inflation increased from 2016 to 2017 in the reference period. Then, in 2018, there was a minor decline of 0.4% , but in the following years,

inflation rose to 3.2 %. To add the most recent information, the latest problems with the Covid situation and the war in Ukraine, caused the fastest growth in history. The inflation in the Czech Republic in 2021 was 3.8 % which has already been the highest since 2008 and in February 2022 the rate grew up to 11.1 % and is still growing (ČNB, 2022).

Table 2: Economic Data - Czech Republic

Year	GDP (billions USD)	GDP/Per Capita (USD)*	Unemployment rate	Inflation rate
2016	196.27	18 575.23	3.95 %	0.68 %
2017	218.63	20 636.2	2.89 %	2.45 %
2018	248.95	23 419.74	2.24 %	2.15 %
2019	252.50	23 660.15	2.01 %	2.85 %
2020	245.34	22 931.26	2.55 %	3.16 %

Source: Own processing based on World Bank, 2021a

Table 3 illustrates the economic evolution of the Slovak Republic from 2016 to 2020. Development of GDP and GDP per capita has a similar growing trend as in the Czech Republic as well as a slight decrease in 2020. GDP in Czechia is 2 times higher which shows that it is a more developed country economically and has a bigger market. The difference in GDP per capita is a bit lower, but Czechia is still better. The decreasing trend is recognized in the unemployment rate, which declined by 3 % from 2016 to 2020. An interesting factor is the inflation rate. In general, there is the same growing development in both countries. On the other hand, the growth in the Czech Republic is higher. This is caused by the currency used in the country, the Czech crown is weaker than the euro and it is harder to coordinate interest rates. In Slovakia, the inflation rate in February 2020 grew rapidly as well, up to 9 % (Tasr, 2022).

Table 3: Economic Data - Slovakia

Year	GDP (billions USD)	GDP/Per Capita (USD)	Unemployment rate	Inflation rate
2016	89.61	16 501.08	9.67 %	0.52 %
2017	95.16	17 494.73	8.13 %	1.31 %
2018	105.6	19.380.51	6.54 %	2.51 %
2019	105.28	19 303.55	5.75 %	2.67 %
2020	105.17	19 266.514	6.69 %	1.94 %

Source: Own processing based on World Bank, 2021a

Exchange rate development against the Czech crown (CZK) has an impact on the company's international business activity. Figure 6 illustrates the evolution of the average CZK to EUR (euro) exchange rate from 2016 to 2022. The CZK exchange rate was slightly unstable

against the EUR in recent years, as shown in the graph, but not in a bad way for the Czech Republic. The currency fluctuated from 25 CZK to 27 CZK from 2020 to 2022. Differing from countries paying by euro, doing business in the Czechia with the stronger Czech crown, the operations in this area can get more expansive, reducing the income when transferring earned money to the euro account. However, given the current global problems, it is impossible to foresee how the exchange rate will alter in the future, so businesses should plan accordingly (Kurzy.cz, 2022).

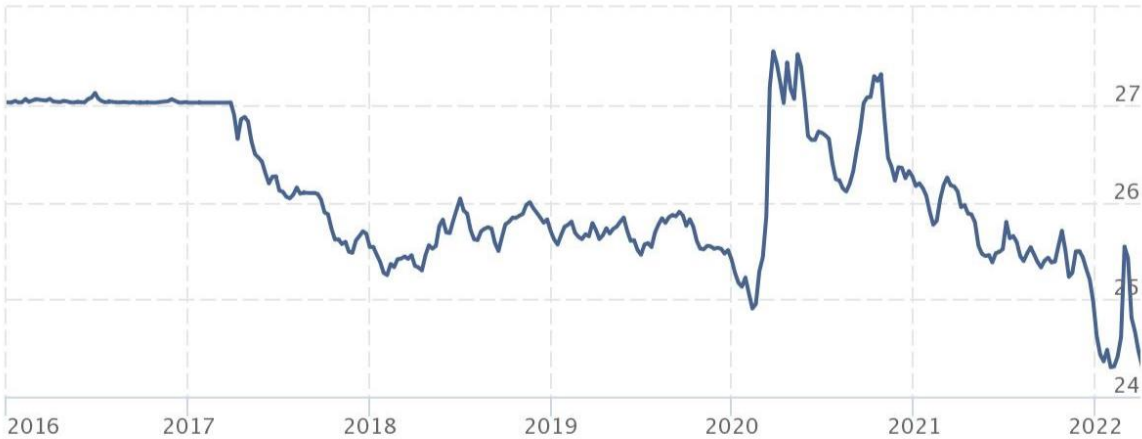


Figure 6: Evolution of the Exchange Rate CZK/EUR
Source: Kurzy.cz, 2022

Table 4 compares the proportion of educated people before the financial crisis and now. In comparison with the average of the EU, variable tertiary education (university students) is a bit low. But in comparison with Slovakia, it is higher, as you can see in Figure 7 which shows how many students enrol the university studies in the country. For the company, it means they have a higher chance of finding better-educated employees in the foreign market.

Table 4: Proportion of Population with Completed Education

Level of Education	At Least Upper Secondary Education		Upper Secondary Education		Tertiary Education	
	2007	2020	2007	2020	2007	2020
Age/Year	2007	2020	2007	2020	2007	2020
25-64	91 %	94 %	77 %	69 %	14 %	25 %

Source: Own Processing based on Eurostat, 2021

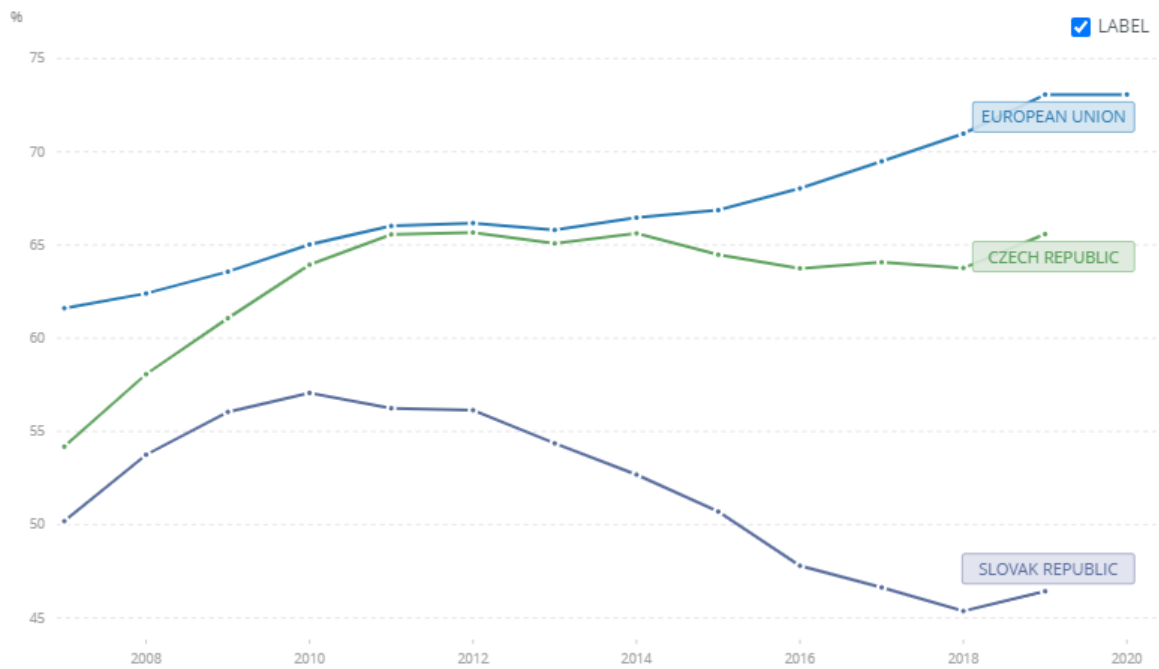


Figure 7: Gross % of Tertiary School Enrollment
 Source: World Bank, 2021c

Social

Social and demographic factors have a significant impact on the industry. The main influences appear to be the demographic trend of population growth, population composition in terms of the age groups, and the linked problem of population ageing. Figure 8 illustrates the evolution of the population by age group visually.

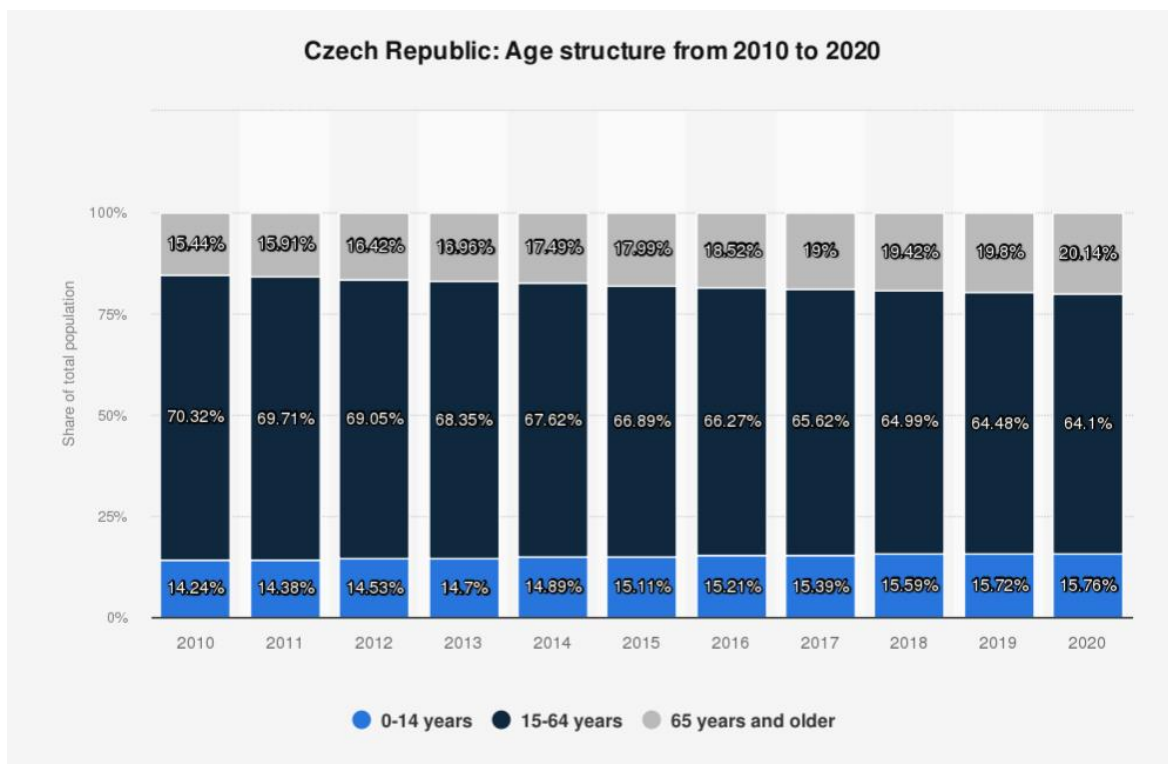


Figure 8: Age Structure in the Czech Republic
Source: Statista, 2021

As the chart shows, between 2010 and 2020, the population of the Czech Republic gradually ages every year. As a result, the working group, aged 15 – 64 years, decreased. A positive aspect for the future development is the children category, aged 0 – 14 years, there is a slight increase every year which will help the economy in the future, the working population should grow too.

On the contrary, Table 5 shows that there was a slight decrease in population growth which contradicts the previous assumption. On the other hand, in the previous years is a visible rising trend from 0.19 % in 2016 to 0.39 % in 2019.

Table 5: Evolution of the Population Growth Rate

	2016	2017	2018	2019	2020
Population growth rate	0.19 %	0.27 %	0.33 %	0.39 %	0.25 %

Source: Own processing based on World Bank, 2021b

Another important economic factor is the potential customers' average monthly wage. As shown in Table 6, the average monthly wage increased by over 8 000 CZK between 2016 and 2020.

Table 6: Development of the Average Wage – Czech Republic

	2016	2017	2018	2019	2020
Average month wage (CZK)	27 589	29 504	31 885	34 125	35 611

Source: Own processing based on kurzy.cz, 2021

Technological

To keep up with the ever-changing market and competition, businesses must be focused on technology advancements and new trends. In this company's case, they should make sure their programs and knowledge are up to date, so they can offer high-quality results.

Environmental

The Czech Republic is in the temperate zone which means four seasons are changing throughout the year. Being in the middle of Europe with stable weather, there are no catastrophic threats that could affect the business.

Legal

The Czech's government priority is to maintain the competitiveness of the country and strengthen its position in the world. As a result, they do everything towards creating better business conditions. For example, the new strategy for support of small and medium businesses for the period 2021 - 2027 was accepted lately (61020, 2021)

Another example is Act N. 33/2020 Coll. which came into force in January 2021. It made major amendments to the Business Corporations Act primarily in the areas of limited liability firms and joint-stock corporations (e.g., regulations influencing the development of limited liability corporations and the monistic structure of joint-stock enterprises). The amendment also addresses various ambiguities in commercial law that developed because of the Business Corporations Act's effectiveness (PRK Partners, 2021).

The Civil Code regulates commercial agency agreements, which must be written, under relevant EU legislation, particularly the Self-employed Agents Directive (86/653/EEC). An agent looks for potential clients who are interested in doing business with the principal and may be authorized to enter contracts with those customers on the principal's behalf.

A commission must be paid to the agent by the principal. Unless otherwise agreed, the agency applies to the Czech Republic's territory or the nation where the agent's registered office is located. In some situations, the agent is entitled to further compensation if the agency is terminated (PRK Partners, 2021).

The Advertising Act regulates advertising in general, limiting some types of advertising (such as insulting or subliminal advertising) and advertising in specific industries (e.g., alcohol, and tobacco). False advertising is also a form of unfair competition or commercial behaviour that is illegal. The Council for Advertising has a code of ethics that all major advertising agencies must follow. If the advertising violates the code of ethics, the Arbitration Committee can propose that it can be removed. Apart from the general advertising restrictions stated, there are no regulations particular to public relations agencies (PRK Partners, 2021).

2.3 Porter's Five Forces Analysis

Porter's five force analysis is a useful technique for investigating the company's industry and determining its strengths and weaknesses. This model analyses the attraction and structure of the industry in which the organization competes and helps formulate the company's strategy. As the company's attractiveness grows, so does the likelihood that it will be able to profit from its chosen methods. After determining the strength of the five forces, it should be decided how appealing the industry in which the company competes is. Porter's model can be used to understand the amount of competition within an industry and improve the company's long-term profitability in any sector of the economy. It is a business model which explains why industries can maintain variable levels of profitability. The five forces are widely used to assess the threat of new entrance and substitutes, the bargaining power of suppliers and customers, and competitive rivalry (Investopedia Team, 2020; Hitt, 2016). Figure 9 provides a basic overview of all five forces, more is explained below.

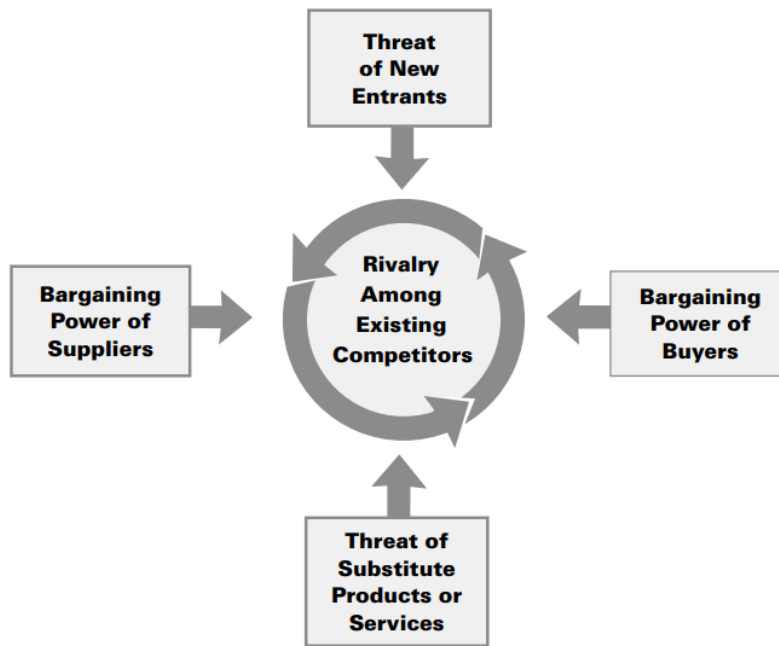


Figure 9: Five Forces Model
 Source: Porter, 2008, p.27

2.3.1 Competitive Rivalry

Rivalry among enterprises within an industry is a major driver of the overall condition of competition and the general degree of profitability in most industries. The number of competitors and their willingness to underbid the company is the first of the five forces. The more competitors, similar products, and services they offer, the less powerful the company becomes. Companies may win the customers and suppliers by offering better deals with lower prices than the competitors, sometimes lower than input costs. On the other hand, with a low number of competitors, the corporation can set higher prices and dictate the terms of deals to increase sales and profits. Some industries do not focus on price, but the rivalry is concentrated on advertising, innovation, and other non-price factors. When there is an interaction between six factors: concentration, diversity, differentiation of products, extra capacity, and cost conditions, the level of rivalry between established businesses can be identified (Investopedia Team, 2020; Grant, 2016).

The number of enterprises and their size that are competing in a market is referred to as seller concentration. The concentration ratio, which is the aggregate market share of the top manufacturers, is the most frequent way to measure it. When there is only one dominant

company on the market, it has much leeway when it comes to setting prices. The price of products and services is usually similar when there are two or more dominant companies, so the non-financial factor is used more (e.g., advertising). As the number of enterprises on the market grows, price coordination becomes more complex, and the possibility of a single firm initiating price cuts grows too. Similarities like costs, objectives, or strategies help companies to avoid price rivalry. The distinguishment of the products gives the business a privilege to set the price, with similar products it is easier for customers to switch to the competition. The capacity of the market has an impact on pricing too. Firms with extra capacity are more likely to offer price reductions to attract new businesses. The balance between capacity and demand is crucial (Grant, 2016)

2.3.2 Threat of New Entrance

The power of new entrants into a market has an impact on a company's position. The less time and money it takes a rival to enter the company's market and become a viable competitor, the more vulnerable an established company's position becomes. When the industry earns a higher rate of return on capital than its cost of capital, it will attract new entrants and companies diversifying from other sectors. Profitability will decrease to its competitive level if entry is unlimited. Strong barriers to entry into the industry are an advantage for the existing enterprises in this area because the corporation could charge greater fees and find a better deal. In a market with no entry barriers, despite the number of businesses in the market, pricing and profits tend to be competitive. The main entry obstacles are capital requirements, economies of scale, absolute cost advantage, product differentiation, access to channels of distribution, governmental and legal barriers, retaliation, and the effectiveness of barriers to entry (Investopedia Team, 2020; Grant, 2016).

For instance, the input capital costs in the industry may be very high for all the businesses except the big ones or vice versa. Economies of scale apply to industries with large capital requirements for the new entrants. As a result, the massive and indivisible investments in technology, manufacturing facilities, marketing, or research as well as cost-effectiveness, demand amortization of these inseparable costs across a vast volume of outputs. The challenge for the newcomers is that they usually start with a little market share and are thus forced to tolerate high unit prices. Moreover, regardless of scale, established enterprises may have a unit cost advantage over newcomers. Ownership of low-cost raw material sources

frequently results in absolute cost advantages. The industry with differentiated products provides companies with the advantage of brand awareness and loyalty of customers. For the newcomers, it represents higher input costs for promotion and advertising of the brand. In general, markets with strong entry barriers have higher profit margins than the rest of the economy (Grant, 2016).

2.3.3 Bargaining power of Customers

Companies compete in two types of markets: input markets where they buy services, raw materials, components, and output markets where they sell their products to consumers. The ability of customers to drive down prices or their level of power is the next element of Porter's five forces. It is influenced by the number of clients the organization has, the importance of each client, and the expense of finding new consumers or markets for the company's output. With a smaller and stronger client base, each customer has high negotiating leverage to get better rates and packages. A business with a large number of smaller and independent consumers will find it easier to raise prices and increase profits (Investopedia Team, 2020; Grant, 2016).

Customers' capacity to negotiate lower prices is determined by two factors: price sensitivity and negotiating strength relative to other enterprises in the industry. The more important the item as a percentage of the total cost is, the more price-competitive the purchaser will be. Furthermore, the higher rivalry among competitors there is, the more eager are businesses to decrease their prices (Grant, 2016).

2.3.4 Bargaining power of Suppliers

The next force model's aspect considers how quickly suppliers may raise input costs. The key factors in this part are the difficulty of the business to switch between suppliers and the bargaining power of every participant. It is influenced by the number of suppliers of a service's or product's essential inputs, how special the inputs are, and how much switching to another source would cost the corporation. The fewer suppliers in the market, the more reliant a company is on them. Therefore, the distributor has a higher influence and can raise input costs and demand or other trade advantages. On the contrary, a firm can higher its profits and keep the input price when there is a high number of distributors, or the price is

low when moving to a competitor. A significant source of the power of suppliers is labour unions. For example, in the United States, there are about 60 % of employees who are part of these unions which helped them earn 5 % points lower on returns on investments than in less unionized industries - with less than 35 % of employees (Investopedia Team, 2020; Grant, 2016). The participation in labour unions is much lower in the Czech Republic and Slovakia, however, the overall statistics have not been made yet.

2.3.5 Threat of Substitutes

Competition from substitutes is the final element of Porter's five forces. Alternative products that can be used instead of the company's services and goods are a threat. Firms that manufacture goods or services with no near substitutes will have more freedom to raise prices and secure pleasing terms, customers are insensitive to the price of these products. On the other hand, with substitutes, customers can change their preferences. Customers' willingness to pay a certain price for a product is influenced by the availability of substitute goods and services (Investopedia Team, 2020; Grant, 2016).

2.4 Porter's Five Forces Analysis – Company X

This chapter provides Porter's five forces analysis for Company X.

2.4.1 Competitive Rivalry

The low unemployment rate in the Czech Republic pushed the market to increase salaries and as a result, possibly decrease the cost competitiveness. Having a 6.3 % increase in 2017, nominal salaries per employee climbed by 8 % in 2018, which is remarkably higher than the EU average of 2.7 %. In 2020, with the increase of 1 250 CZK, the minimum wage in Czechia was 14 600 CZK. Unit labour expenses climbed by 6.3 % in 2018, up from 3.6 % in 2017 which is much higher than the EU average of 2.5 %, as you can see in Figure 10. Constant wage growth over labour productivity growth could, in the medium term, lower a firm's profitability, reflected in higher export and consumer prices, and have an impact on their investment behaviour (Brussels, 2020).

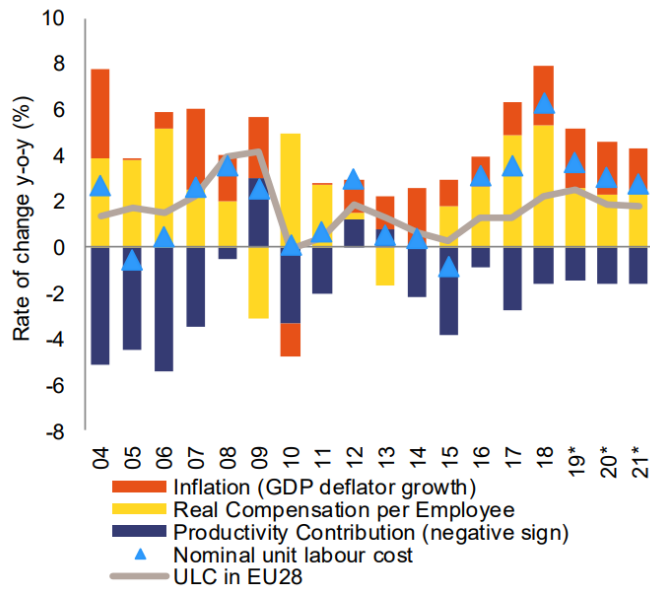


Figure 10: The Nominal Unit Labour Cost Breakdown
 Source: Brussels, 2020

For every 1 000 inhabitants in the Czech Republic, there were about 47 companies by the end of 2019. In the following months, the number grew even with the pandemic to almost 49 businesses. Out of the national average is the capital city Prague where almost 44 % of companies are registered there as you can see in Table 7. The second-largest cumulation of companies is in South Moravia. Table 7 analyse the data of ltd. and joint-stock companies (Bisnode, 2021).

Table 7: Distribution of LTD and Joint-Stock Companies Among Regions

Region	Population	Total n. of companies	Share of the total (%)	N. of companies per 1 000 inhabitants
Central Bohemia	1 385 141	39 547	7.57	28.55
Hradec Králové	551 647	15 159	2.9	27.48
Karlovy Vary	294 664	9 915	1.9	33.65
Liberec	443 690	13 180	2.52	29.71
Moravia-Silesia	1 200 539	37 324	7.14	31.09
Olomouc	632 015	17 454	3.34	27.62
Pardubice	522 662	13 613	2.61	26.5
Plzeň	589 899	17 439	3.34	29.56
Prague	1 324 277	228 185	43.67	172.31
South Bohemia	644 083	17 845	3.41	27.71
South Moravia	1 191 989	61 357	11.74	51.47
Ústí nad Labem	820 965	20 425	3.91	24.88
Vysočina	509 813	10 630	2.3	20.85
Zlín	582 555	17 397	3.33	29.86
Unclassified	N/A	3 080	0.59	N/A
Total	10 693 939	522 550		48.86

Source: Translated from Bisnode, 2021

Table 8 provides an overview of the number of sole proprietorships among regions in the Czech Republic. As in Table 7 for companies, the situation is similar and the highest cumulation of sole proprietorships is in Prague and the second is South Moravia. Part of both regions are the two biggest cities in the Czech Republic (Prague, Brno) which could explain the higher cumulation of businesses.

Table 8: Distribution of Sole Proprietorship Among Regions

Region	Population	Sole proprietorship	Share of the total (%)	N. of sole proprietorship per 1 000 inhabitants
Central Bohemia	1 385 141	282 384	13.13	203.87
Hradec Králové	551 647	112 383	5.23	203.72
Karlovy Vary	294 664	55 595	2.58	188.67
Liberec	443 690	94 172	4.38	212.25
Moravia-Silesia	1 200 539	197 674	9.19	164.65
Olomouc	632 015	113 721	5.29	179.93
Pardubice	522 662	96 721	4.5	185.05
Plzeň	589 899	115 201	5.36	195.29
Prague	1 324 277	365 056	16.97	275.66
South Bohemia	644 083	131 234	6.1	203.75
South Moravia	1 191 989	234 443	10.9	196.68
Ústí nad Labem	820 965	138 218	6.43	168.36
Vysočina	509 813	93 339	4.34	183.08
Zlín	582 555	114 301	5.31	196.21
Unclassified	N/A	6 253	0.29	N/A
Total	10 693 939	2 150 695		201.11

Source: Translated from Bisnode, 2021

Based on the Vydavatelství Čas database, there are 868 marketing companies in the Czech Republic. The highest cumulation of the companies is in the capital city. The second place goes to Brno and the third is the area of Hradec Králové and Pardubice as you can see in Figure 11.

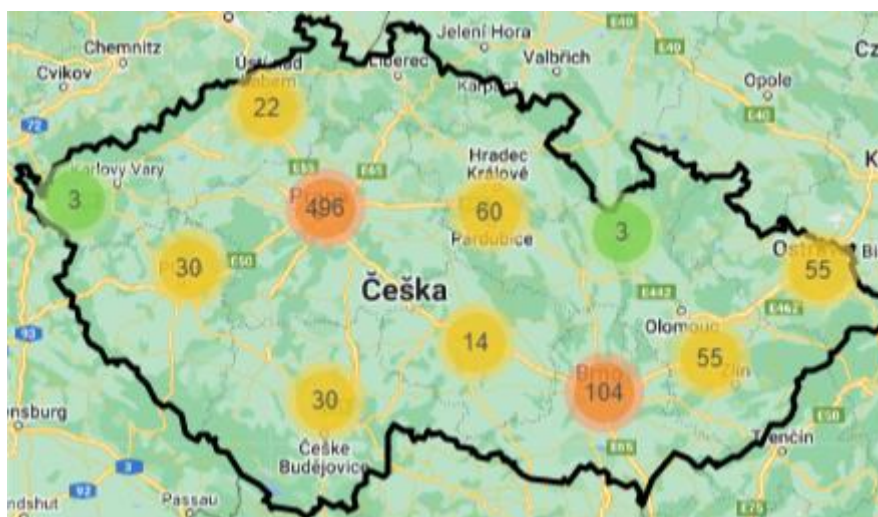


Figure 11: Distribution of Marketing Companies in the Czech Republic

Source: Vydavatelství Čas s.r.o, 2020-2021

Table 9 provides information about some of the top marketing agencies in the Czech market. This table summarizes information about the number of employees, and the revenues from 2018 to 2020, plus it compares the amount of cooperation with small or big businesses (big are considered those with more than 250 employees and a turnover of over 50 million euros, small are with lower turnover or non-profit organizations) in marketing. Analysing the size of the companies they provide services to, their revenues, and the number of the employees helps in determining whether they work with one big company at a time or more small companies at the same time. There is a higher probability that doing marketing with larger companies involves more investment money and requires sometimes half a year to plan the campaign. Small companies have limited budgets, then the services are limited too, and the focus may be only on one area of promotion. In this case, it does not consume as much time and the marketing agencies can provide their services also to other companies.

Table 9: Competitor Summary

Company	Location	Number of Employees	Sales (millions)	Cooperation with companies	
				Big	Small
McCANN-ERICKSON	Prague	50 - 99	466.9 - 604.1	Mastercard, Lego, Coca-Cola	FAČR, People in need
TRIAD Advertising	Prague	20 - 24	75.1 - 91.7	Kozel, Miša, Pilsner Urquell, Ikea, Gambrinus	N/A
Etnetera Motion	Prague	10 - 19	56.8 - 83.1	Škoda, Nivea, Pepsi, Volkswagen, Rossmann	Avenier, Hisense
Passion Communications	Prague	1 - 5	1.3	Staropramen, Corny	Czech Point 101, Ceeli Institut, AAA Auto
Elite Bloggers	Prague	6 - 9	13 - 22.1	Yves Rocher, HP, HIPPI, DM, La Roche-Posay	Stabilo
Effectix.com	Prague	1 - 5	44.1 - 53.2	Decathlon SK, EP Energy Trading, Albixon	Filson
Mc Marketing	Prague	1 - 5	1.9 - 3.3	N/A	Jech CZ, Revilo Auto, Donap
Isobar Czech Republic	Prague	6 - 9	94.7 - 111.9	Bosch, Škoda Auto, Zlatopramen	Loono
LESENSKY.CZ	Brno	10 - 19	14.3 - 17.9	Ikea, DM, E.ON, Kofola	Repromeda, Mendelova univerzita v Brne, Masarykova univerzita
Agentura Foxy.cz	Brno	1 - 5	2.9 - 6.4	Microsoft, Notino, Emco	Motora, Gentleport, Amix

Source: Own processing based on Criff, 2018-2020; Triad, 2021; McCann, 2021; Etnetera Motion, 2021; Lesensky.cz, 2021; Passion Communications, 2021; Elite Bloggers, 2021; Effectix, 2021; McMarketing, 2021; Foxy, 2020

2.4.2 Threat of New Entrance

The Czech Republic was rated in 2020 as one of the top investment countries in Eastern Europe and has attracted many American businesses. Based on the data of the Ministry of Industry and Trade there were 897 566 registered companies by the end of December 2020 (MPO, 2021; Czech Foreign Ministry, 2021).

Starting a business in the Czech Republic for small and medium-sized businesses is easy and low-priced or some would better say easier than before but still not great. Firstly, when establishing, for instance, a Limited Liability Company (Ltd), it is necessary to expect some starting costs like a fee for the services of a notary which is approximately 4 800 CZK. To obtain a trade license, they must pay a fee of 1 000 CZK for setting up a sole proprietorship. Then, a fee of 6 000 CZK is paid to the court of registry or a notary fee of 2 700 CZK. In total, the first start-up costs grow up to 8 500 CZK (ČSOB, 2021). Appealing is the minimum share capital which is 1 CZK and there is no need to have more than one shareholder (Herz, 2021).

Company X is based in Slovakia which means that it is subject to laws primarily by their regulations. According to Value Added Tax Law, paragraph 7: *“...taxable persons who receive or supply services from/to another Member State for which the place of supply is determined under Section 15(1) of the VAT Act and the person liable to pay the tax is the recipient of the service shall be registered. By registering under this provision, taxable persons shall not become taxable persons. They are liable to pay tax on receipt of the service from the foreign taxable person but are not entitled to deduct the tax.”* (Translated from Finančné riaditeľstvo SR, 2014) Other terms would be applied in case the company was planning to establish a subsidiary in the market which for Company X is not applicable at the moment.

2.4.3 Bargaining power of Customers

A customer's power is linked to how many customers the company has, how significant each customer is, and how much it would cost the company to find new customers or markets for its products. A smaller and more powerful client base means that each customer has more power to negotiate for lower prices and better deals.

The customers in this case are the SMEs. There are a lot of companies in general, but the market is also saturated with marketing agencies. Company X should consider the prices and quality of its offered services since it can lose customers easily.

Figure 12 shows the most common industries where the companies operate in the Czech Republic. The top industry is services, where our company fits too. Online marketing became one of the most used tools during the pandemic. In general, there is a threat that a lot of marketing companies have already switched to online (social media) marketing. Also, there is a potential for new companies to emerge.

TOP Industries in Czech Republic

806,037 registered companies

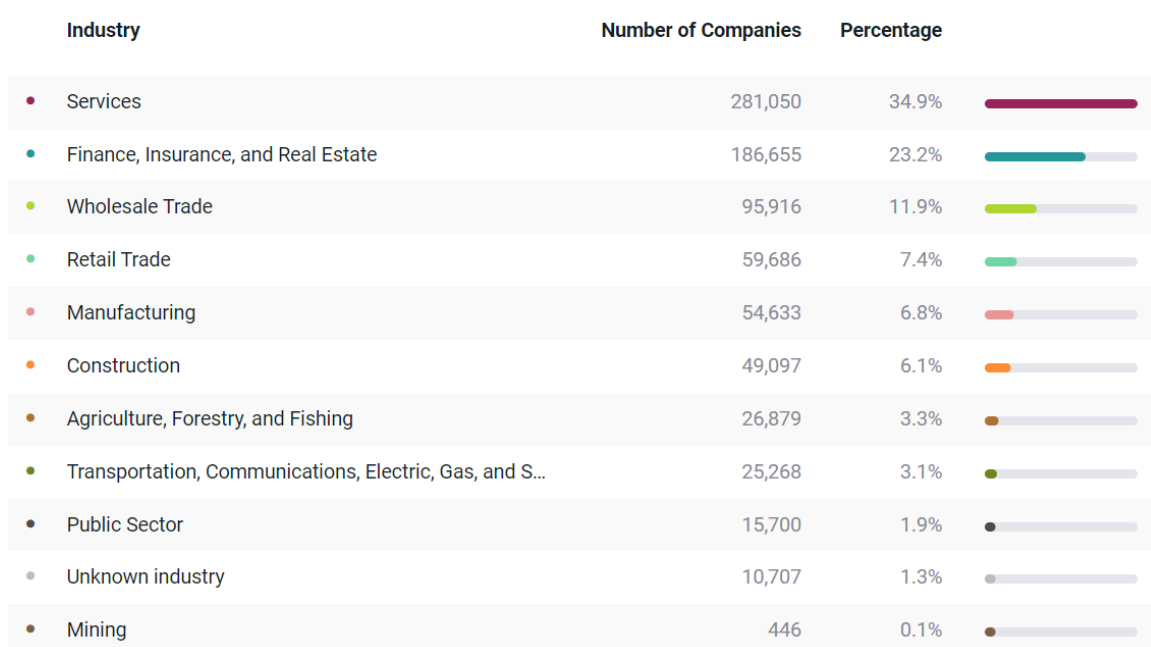


Figure 12: Top Czech Industries

Source: HitHorizons, 2021

Business schools are full of students who are eager to start their businesses. These students could be the future customers for Company X with their businesses. The Czech Republic offers a lot of options to choose from when studying business. Most of them offer the capital city, there are 28 faculties with the business program. Brno has 7 faculties, Ostrava 3 and České Budějovice, Český Krumlov, Hradec Králové, Jindřichův Hradec Karlovy Vary, Karviná, Liberec, Mladá Boleslav, Most, Olomouc, Pardubice, and Zlín have 1 each (Vysokeskoly.cz, 2021). However, the most interesting ones are the universities where

students can set up their businesses as a part of their studies. One of these is in Brno (Brno University of Technology) and one in Prague (Czech University of Life Sciences Prague).

2.4.4 Bargaining power of Suppliers

Providing online marketing services does not require stable suppliers of products. On the other hand, Company X provides all kinds of services from social media marketing through SEO to web development. When the employees are not qualified in the areas that are included in the customer's requirements, they outsource the skilled person or send them directly to the specialist. In this case, a competitor becomes its supplier.

The new potential suppliers or employees can be formed from students of marketing at the university. The Czech Republic has many options to choose from when we talk about marketing studies. Based on the portal vysokeskoly.cz (2021), most marketing schools are in Prague where there is an option to choose from 24 faculties, then in Brno from 5, Olomouc, Ostrava and Zlín offers 2 each, České Budějovice, Cheb, Hradec Králové, Karlovy Vary, Karviná, Liberec, Mladá Boleslav, Most, Pardubice, Plzeň and Znojmo have 1 university each, offering marketing programs.

2.4.5 Threat of Substitutes

Generally, all marketing companies represent a threat of substitutes to Company X. However, higher competitiveness comes from the companies which are specialised in specific areas. For instance, a company called Elite Bloggers focuses on influencer marketing which covers all social media, or the company Seolight provides expert consultation and advice in the field of SEO optimisation. Another example is the company called TRIAD Advertising; they offer more services but most of their work is focused on traditional marketing like creating TV advertisements and public relations in general.

2.5 SWOT Analysis – theoretical background

SWOT analysis is one of the main tools that are necessary for planning. This method analyses the internal and external areas of business. From the abbreviation, S stands for

strengths, W for weaknesses, these are internal instruments, then O for opportunities, and T for threats which are external instruments. The framework of SWOT analysis helps the company to evaluate its position among competitors, and estimate its risks, performance, and potential (Kenton, 2021; Kudriavtceva, 2019; Mind Tools, 2021).

This strategic planning technique assists the company in determining what they do well and helps in the development of a successful future strategy by revealing its current and future potential. SWOT analysis can unveil the aspects of the business that are holding them back or that their competitors could take advantage of if they don't protect the company. By analysing the internal and external environment, the company can control some of the factors. To achieve a clearer overview, the corporation must analyse as many variables as possible (Kenton, 2021; Mind Tools, 2021).

It is a data-driven and realistic method which may appear straightforward at first, but when applied thoughtfully and cooperatively, it discloses a lot. For instance, a company is well-aware of some of its strengths, but they may not realise how inconstant these strengths are unless they note them down together with threats and weaknesses. On the other hand, it can also help the company to reveal some opportunities. But the company needs to maintain the analysis precise (factual) by avoiding prejudgments or grey zones. They need to focus on real-life scenarios (Kenton, 2021; Mind Tools, 2021).

2.5.1 Creation of SWOT Analysis

As you can see in Figure 13, the most common scheme for SWOT analysis is a square (matrix) structure divided into 4 quadrants, one for each aspect. This matrix is divided into 2 main groups. The first group, as mentioned before, analyses the internal and external environment of the organization. The second group analyses the aspect which has positive (strengths, opportunities) or negative (weaknesses, threats) impact on the company (Kenton, 2021; Mind Tools, 2021).

To avoid personal feelings in the analysis, it is recommended to form a team of people (employees) from all the areas and positions in the business. As a result, SWOT analysis with its layout provides the company with an overview of its competitive position (Kenton, 2021; Mind Tools, 2021).

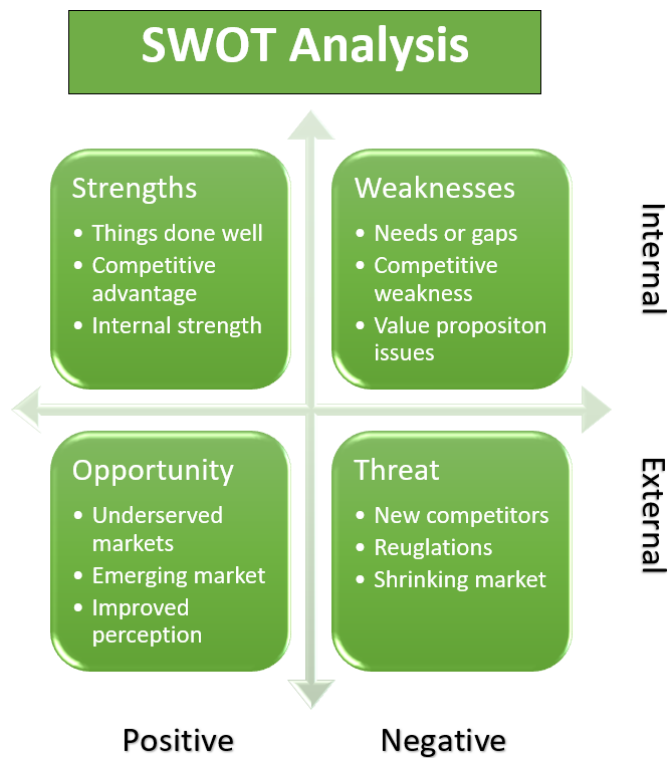


Figure 13: Scheme of SWOT Analysis
Source: Francis, 2022

Strengths

This quadrant should involve aspects that the organization performs exceptionally. It should involve the features that the competitors do not have, what differentiates them, and what makes them special. For example, the motivation of employees, the access to resources, the manufacturing methods, the dedicated customers, the special technology, or the good brand name could be included. The company should analyse its “Unique Selling Proposition” (USP) (Kenton, 2021; Mind Tools, 2021). USP is something that the brand has, and others do not. It is a unique feature of the product or brand that differentiates the product from the competition and is also relevant to the target group.

Weaknesses

Weaknesses involve features that are inherent. The organization in this part should think of the aspects that can be improved. How the external environment on the market sees them. They need to examine what they are worse at than the competitors. Put the focus on their resources, employees, procedures, or even financial flow (Kenton, 2021; Mind Tools, 2021)

Opportunities

This aspect can be recognized and formed from the market research. Opportunities are referring to the external factors that could provide the company with a competitive advantage. Organizations should consider good prospects that they can take advantage of right away. Even minor advantages can help the company's competitiveness. Companies need to track the changes in the government policies, changes in population or social patterns etc. (Kenton, 2021; Mind Tools, 2021).

Threats

Threats represent the obstacles and factors that could harm the business. The company should consider what stops the business from launching the products. For example, factors like rising prices of resources, environmental disasters, and increased competition can have a negative impact on the company. The consideration of the competitors doing should be included when forming the SWOT analysis (Kenton, 2021; Mind Tools, 2021).

SWOT Analysis of Company X will be conducted in the next chapter under strategy formulation.

3. Strategy Formulation

This chapter is talking about the strategic plan of Company X. Firstly, the company is introduced. Then a work schedule and division of responsibilities are summarized. And finally, the strategy formulation is written in this chapter with the set objectives for further development of the company.

3.1 Introduction of the Company

Company X Ltd is a marketing agency based in Slovakia that covers a wider range of platforms, ensuring that organizations have access to all the networks they require for their success. The first idea for the establishment of this start-up company arose in 2019 from two friends who were eager to make a change in the world, the same year the company started its operations. It cannot be said it was the best time to start a business nor the worst. As we all know, this year a pandemic situation shut down many small businesses. It also affected Company X which had its first contracts cancelled. Luckily, online marketing does not require high input costs, so they survived. In the following years, when people adapted to the pandemic situation, the attitude of the companies changed, and online marketing became more popular. This brought some successful contracts to the company and it is now operating internationally. Currently, they work with companies in Slovakia where they have 5 active contracts, Saudi Arabia with 2 active contracts, and the United States of America with 2 active contracts.

Company X offers various scales of services: marketing, graphic design, web design, copy, photo, and consulting in analytics. They proudly provide advertising innovations that have no limits. As they like to say: *“Welcome to the digital era of marketing - a place where everything is possible.”*

Until now Company X was operating more like a “freelancer”, they had a vision of where they wanted to evolve, but there was no written document with specific objectives and plan on how to achieve them. The aim of this master thesis is to analyse a company’s internal and external environment based on which the strategic plan would be created. The main goal is to expand to the Czech Republic’s market and develop digital solutions. The following chapters will talk more about the company and its strategic plan.

3.2 Project Schedule

Figure 14 provides an overview of the planned schedule for the project: “Strategic Plan of Company X”. In June 2021, the team responsible for this project with their responsibilities was supposed to be formed. Following month, market research of the targeted market, the Czech Republic, with an analysis of the company was planned to be conducted by using tools like PESTEL analysis, Porter’s Five Forces, and SWOT analysis. The SWOT analysis also requires information from the market research thus, it overlaps with the next month, August 2021. After gaining all the necessary information, from August to September 2021, the main objectives were to be set, and the strategic plan was to be formulated. The implementation of the strategy was planned to be in progress from October to December 2021. The strategic plan requires constant adaptation thus, from January until March 2022, the responsible team was to collect all the data to evaluate them and suggest further improvements to achieve success. Whether it all went according to plan will be summarized in the evaluation.

Activity/ Month	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22
Team Formation											
Market Research											
Analysis of Company											
Strategy Formulation											
Implementation											
Data Collection											
Evaluation											

Figure 14: Project Schedule

Source: Own processing

3.3 Team Formation

For the project: “Strategic Plan of Company X” three people were selected: two people who are the founders of the company and the author of this master thesis. Table 10 provides an overview of given tasks with responsible persons. The following letters were used for better clarity of tasks: B – author of master thesis, E – founder, S – co-founder.

Table 10: Division of Responsibilities

Task	Responsible Person
Market Research	B, S
SWOT Analysis	B, E, S
Mission, Vision	B, E, S
Implementation	B, E, S
Strategy Formulation	B, E, S
Data Collection	B, E, S
Evaluation	B

Source: Own processing

3.4 Strategy Formulation

This chapter summarizes the strategic plan of Company X based on the market research conducted in Chapter 2 and the company analysis.

3.4.1 Foundation

Vision

“Our goal is to cover all marketing areas and reach the whole online sphere.”

Mission:

“We aim to dominate the digital marketing market by exploiting the software solutions space and gaining the trust of new clients early on.”

Core Values

The Core Values of Company X have been the same from the very beginning. Each employee is taught these values and is expected to act in harmony with these values in every aspect.

Core Values:

- *“Quality – We provide a maximum of our capacity.*
- *Results focus – We care about positive results.*
- *Trust – Mutual trust and long-lasting relationships are our number one.”*

About Company

Company X is a marketing agency that covers a wider range of platforms, ensuring that organizations have access to all the networks they require for their success. They provide individual approaches with the highest quality of services. As mentioned in the mission statement, the company’s goal is to achieve the trust of clients. This trust can consequently be garnered to form long-term relationships with companies and allow them to offer additional digital growth-related services.

How are they different?

Company X is one of the few marketing agencies that offer software solutions that are marketing oriented.

Target Audience

Company X targets everyone in the world who wants to be seen. Nevertheless, when talking more concretely, the targeted audiences are the SMEs or proprietors who have either a need to promote their business (have a higher impact) or a need for a new website. In both areas, clients are provided with unique solutions of the highest quality.

3.4.2 SWOT Analysis of Company X

After working on web development, several strategic analysis activities and focus groups have been conducted over the last months to assess the company and market. In all the activities, there have been certain topics that have resurfaced. The strengths, weaknesses, opportunities, and threats for Company X are summarized in Table 11.

Strengths

Company X provides diverse services with an emphasis on quality. They specialise in online marketing, and they also provide technical/software services like web apps which is their biggest strength in comparison with other marketing agencies. Another strength is the young team which is agile and flexible. Young people do not have “bad” habits yet, so the management can form them the way they wish. Furthermore, young employees are less financially demanding than senior employees with families. Until July 2021, based on the reviews of clients, Company X had 98 % of customers satisfied and that is the goal to keep up with or even better.

Weaknesses

Company X does not have any full-time employees which can be considered a weakness but also a strength. On one hand, there is a chance they may leave the company or there will be no available employee for the specific job. On the other hand, these employees as a sole proprietorship get part of the profit which can be sometimes higher than would be their salary. Thus, they have the motivation to do their job well. Furthermore, the working hours are not specified, so they have time flexibility when organizing meetings so everyone can attend. Other weaknesses are interconnected with the office space that the company does not have, they work from home. It is hard to build a friendly environment through the internet. Moreover, meetings with clients are organized online as well which can be inconvenient for some people especially the older ones, and even the emotions can be blurry sometimes.

Opportunities

Being a start-up company offers many opportunities for improvement and development. By providing software services, Company X can be highly competitive by providing the best quality for lower prices than the big and well-known companies. The digital world still has room for improvement. There are many marketing agencies in the market at this moment, but not everyone provides high-quality services. With the continuous development of the digital world, weaker companies with lower quality services may end their market presence.

Threats

Generally, Company X is locally focused on expansion into larger markets. But the biggest threat is to persuade the market that they provide high-quality services and differ from other marketing agencies. There are three main problem areas. The first is that they can not collaborate with more companies at the same time due to a lack of employees, plus their portfolio is not as wide as they wish for. Secondly, one of the threats and disadvantages of Company X is brand loyalty. Companies that are already on the market have some loyal customers who gained their trust throughout the years. Company X will be new in the area, and it may take a lot of effort to persuade buyers that they are better. Furthermore, gaining trust needs some time. Thirdly, as was already said, markets are saturated with marketing agencies. Unfortunately, many poor-quality agencies spread a bad reputation also on other marketing agencies. In addition, a lack of knowledge may push the client to choose a bigger traditional company. Customers do not realise that these agencies create one campaign with no further adjustments while other companies can adapt the campaign throughout the period to have a greater reach.

With the evolution of “Do it yourself” platforms which are cheaper than hiring a specialist, technology development can be considered a threat too. On one hand, these platforms include some basic tools that may often help (e.g., when they write an article in one language it will translate it to any other desired language). On the other hand, the tools are generalised and without the custom approach that Company X offers, companies are losing their unique value then. For smaller businesses, it can be useful, but the bigger enterprises need to differentiate. Moreover, businesses that focus only on this area can develop their skills faster.

Last but not least, having no office in a foreign market is a threat for the agency as well as a weakness mentioned before.

Table 11: SWOT analysis of Company X

Strengths	Weaknesses
<ul style="list-style-type: none"> • Technical Software Skills + Marketing • No full-time employees • Young team • Agility, flexibility • Customer satisfaction 	<ul style="list-style-type: none"> • No office • No full-time employees • Team Environment • Personal contacts with clients
Opportunities	Threats
<ul style="list-style-type: none"> • Software development • Bigger markets • Development of the digital world 	<ul style="list-style-type: none"> • Brand loyalty • A lot of marketing agencies • Personal contacts with clients • No office • Technology development • Lack of knowledge of clients

Source: Own processing

3.4.3 Critical Success Factors

Being a start-up company brings a lot of challenges as well as opportunities. From the market research, Company X knows that there are too many marketing agencies in the Czech Republic, thus it is a very competitive market. To achieve success some factors can harm the business and the company should not ignore them. In the case of Company X, the critical factors are the following:

- Need for profitable cash flow
- Growth based on the growth of others
- Speed of success

To achieve profitable cash flow the company needs to secure more long-term contracts with clients that are in harmony with its core values and mission statement. To explain the second critical success factor, Company X is providing services that help other companies to grow. With the successful results, a client becomes more visible and other companies may recognize their campaign thanks to which Company X will gain potential future clients. The success of their clients is the success of Company X. The bigger and the more successful the client is, the better. Finally, the speed of success goes hand in hand with the previous factor. Marketing campaigns require time to plan. Moreover, the speed of success of Company X is limited by the speed of success of the company they are working for. Generally, each business seeks fast growth with profits. If Company X creates a successful campaign that

helps the customer to bring its company forward quickly, more other businesses will notice Company X and will demand its services.

3.4.4 Customer Value Proposition

“For companies that aim to reach a vast yet targeted audience our catered solutions offer a customized approach to reach each client’s individual goals.”

Company X started as a marketing agency and was mostly working on social media marketing. Other services were less used by the clients. In 2021 they developed a few web apps and realised this might be a better area to focus on for future growth.

3.4.5 Strategic Priorities

From the analysis and objectives of the Company X, the following strategic priorities were set:

1. Customer services

With the individual approach to each client and professional knowledge and skills, Company X provides high-quality services that are and will be adapted individually based on customers’ preferences. The collaboration with customers will be divided into two approaches. When the client has specific preferences, a unique plan will be formed based on the desired results, there will be no limitations. For clients who do not have a specific vision yet, or do not know what to ask for, the packages with estimated prices and services included will be created.

2. Local focus

Company X believes that when they become successful in one market (their brand will be well-known there), it will be easier to succeed with their specific approach and satisfactory effort also on the international level.

3. Long-term partnership

Having long-term partnerships with clients equals the stability of the company and gaining the trust of their clients. Loyal and satisfied customers are likely to share their experience and spread a good name of Company X which will end up in new contracts.

4. Brand awareness

When providing high-quality services and reaching long-term partnerships, they reach more clients by showing the ability to do good work. A good image of the brand in today's competitive market is a big advantage for the company. A key to success is a good start then a snowball effect will do the rest.

3.4.6 Strategic Objectives

The main goal of Company X is to grow internationally. As was mentioned before, they operate already in three culturally completely different markets. The Czech Republic was chosen as the next market of focus because it is very similar to Slovakia. Both countries are in the European Union which means they follow mostly the same regulations, plus they used to be one country in the past and the cultural differences are omissible. To achieve their main goal, smaller objectives are generated. These objectives can be divided into three groups, customer objectives, financial objectives, and internal objectives.

In 2022, Company X is planning a complex development. The firm will be divided into subunits: media and web, more will be explained later.

3.4.7 Customer Objectives

Customer objectives are concerned with how the clients view the company's services. More importantly, the offer of services needs to be clear. Ideally, by creating some packages that should help improve the clarity of offered services and can be introduced to clients. These packages should be divided into different budget levels with different services included. With the change of strategy and focus, having only an individual approach is not the best

direction to go. SMEs have a limited budget and showing them ahead that the company provides services for reasonable prices gives them higher chances to attract new customers.

Moreover, the slight change of focus of Company X requires the web and the offer of services to be updated. As a result, a group of specialists will be recruited, and a technical team will be created that will work on the web development. The estimated time of project fulfilment is six months. The customer objectives were summarized as follows:

1. Services Portfolio

Creating the packages for customers will help to get more clients and a better understanding of the services that the company offers. The individual approach will not be excluded, and the flexibility of packages can still be included.

2. Customer Satisfaction

Customer satisfaction is a non-changeable objective. Customers always come first and when they are satisfied with the services, they can recommend the company to their business partners or friends.

3. Market Knowledge

Good knowledge of the market helps the company to adapt its services to the demand. Thus, the company should focus more on the demand of customers, and what they require more. Therefore, market research needs to be conducted to get to know the competitors and the market. What do they do better or what mistakes have they made to be avoided? As Julia Quinn said: *“Smart person learns from his mistakes, but a truly smart person learns from other people’s mistakes.”*

4. Growth of Customers

The “success factor” can be considered in the growth of customers. With more clients, the company has more resources to expand and a higher chance to get even more customers and gain their trust. Nonetheless, it also needs to be kept in mind that with more customers comes greater responsibility and every mistake has a large impact on the brand which is sometimes hard to take back.

5. Reach Czech Businesses

Getting to a new market is a big challenge. If the company manage to get at least one long-term contract, it will mean that the client was satisfied with their services and Company X has a good understanding of the market to continue growing there.

3.4.8 Financial Objectives

Financial objectives are formulated based on the financial status of the company and its strategic goals. The main objective is to achieve profitable cash flow. Thus, the company needs to gain more clients who should help to increase revenues as well as profits of the company. However, having ten clients one month and zero clients next month is not a solution. Company X needs to gain the trust of the businesses and gain long-term contracts with them. Throughout the year, the financial flows will be monitored, the revenues and expenses that the company has. Thus, the financial objectives were summarized as followed:

1. Increase Revenues

The adoption of improved content deals (packages) should increase total revenues. Even though they should not be prescriptive at this point, Company X believes that the change of focus of the business will help to achieve desired results.

2. Increase Profit

With the growth of profit Company X will increase its capital assets. As a result, they will have more money to invest in the development of the company, thus increasing the revenues and profits even more.

3.4.9 Internal Objectives

As has already been partially indicated, Company X realised that digital solutions are more prospective for growth than marketing services. When SMEs are starting a business the first step is to provide their customers with communication channels including an overview of their products or services. Their resources are limited, thus they focus on what is necessary, for example, setting up an e-shop. Marketing goes on second place or even further. To

achieve this objective, Company X will need a complete restructuring. Firstly, to grow as a business, more people with skills in digital solutions need to be recruited. With higher capacity, they can work on more projects at one time. Internal objectives are summarized below:

1. Transfer from Marketing Agency to Digital Solution Company

The change of focus of the company will help to not only grow as a business but also differentiate more from other marketing agencies. As a digital solution company, they will have a better overview of their competitors and it will fasten their reactions to possible problems. With the digitalization of marketing tools, it will be easier for the company to compete even with bigger names such as TRIAD.

2. Expand Capacity

Employing more people may expand the capacity of the company and have more ongoing projects, thus increasing revenues. Moreover, the knowledge may differ, and new reinforcements can bring a new perspective to the company. However, with more customers comes more responsibilities. There will be a need to create a workable scheme for the reduction of miscommunications.

3. Increase Software Solutions Market

Providing services in software solutions will help customers with their problems. Especially in the marketing and customer sector, software solutions make communication easier and faster when they are done correctly. Businesses will either gain a competitive advantage or adapt to the market.

4. Increase Digital Sphere

With the current trend of digitalization under Industry 4.0, old-school businesses are having a hard time maintaining their business. With the help of Company X, they may get a chance to continue operating. It will provide businesses vast opportunities to not only keep their position in the market but also to overcome their competitors and provide better services for customers.

5. Achieve Long-term Collaborations

Long-term contracts show the quality of the company and clients' trust in them. Plus, it is always better to work with loyal customers who realise the company's value and quality provided to them. Long-term collaborations also show other potential clients that Company X is reliable and that its customers are satisfied with its services.

3.4.10 Strategic Performance Measures

Once the strategic objectives have been specified, it was necessary to outline how the progress can be measured. The majority of the measures were already in place and have been linked to current goals. Even though only some objectives were new, all needed to be implemented in the strategy. Either directly or to the relevant back-end system and then, they needed to be extracted for usage in the strategy monitoring system. Until now there was not an official strategy to be monitored in Company X.

The objectives were divided into two groups. Short-term objectives are supposed to be achieved within a maximum of one year while long-term objectives should be achieved within five years. Tables 12 and 13 summarize the specific targets of objectives to be measured. Both long and short-term objectives have a target to achieve 100 % of satisfied customers. A 2% increase from the previous rate of 98 % of satisfied customers was measured based on the reviews from customers. Table 12 shows four more targets which were to be achieved in 2022. The success of the achievement of short-term objectives will be evaluated in Chapter 4. The first set target was to have at least three contracts per month by December 2022. The second target was to increase the capacity of the company, thus recruiting more employees. The third target set was the main target of this master thesis, to enter a new market, the Czech Republic. By April 2022 Company X wanted to have at least one long-term contract in the Czech market. This would mean they understood the market well and can continue operating there with the same approach. The focus was planned on the second largest city Brno where the competition is a bit lower than in Prague, but it still provides many opportunities to grow. Moreover, it is closer to Slovakia in case of travelling to customers was required. And the final short-term objective was to increase their revenues by 5 % by April 2022 from the last half a year.

Table 12: Short-term Objectives

Objective	Measure	Target	Due
Customer satisfaction	Reviews from customers	100 %	ongoing
Increase capacity	Number of employees	50 %	Dec-22
Growth of customers	Number of contracts	3-5/month	Dec-22
Enter new market	Number of contracts in a specific market	min. 1 long-term	Apr-22
Increase Revenues	Sales Revenue	5 %	Apr-22

Source: Own processing

Table 13 shows the long-term targets of the objectives. A rate of 100 % satisfied customers is a goal to remain even after five years. By December 2026, Company X would like to have signed 10 long-term contracts per year with bigger corporations. The aim was to have more contracts from the digital solutions sphere than marketing. The target set was to have a maximum of 5 contracts per month from marketing and approximately 8 contracts in digital solutions. The desired turnover of the company by 2026 is from 8 to 10 million euros per year.

Table 13: Long-term Objectives

Objective	Measure	Target	Due
Customer satisfaction	Reviews from customers	100 %	ongoing
Long-term contracts	The length of the contracts	10/year	Dec-26
Reduce marketing contracts	Number of contracts	5/month	Dec-26
Increase digital solution contracts	Number of contracts	8/month	Dec-26
Increase turnover	Sum of all revenues for the period	8-10 mil. € /year	Dec-26

Source: Own processing

3.5 Summary

Table 14 summarizes the whole strategic plan for Company X. It provides the main purpose, key objectives that are based on alternative strategies that are explained in more detail above, then the initiative that should be done to achieve the objectives and the indicators that should help evaluate the success of the strategy. The estimated costs for entering a new market were 1 000 euros, e.g., setting up a mobile phone where the customers can contact the company. Product development had estimated costs of zero euro. The founders of the company planned to work on this objective for free, the investment is their free time. And for the strategy of the related diversification, the expense of 5 000 euros was expected for the development of the subunit.

Table 14: Strategic Plan 2021-2022

Strategic Plan 2021		
Purpose		
Development of digital solutions and entering a new market – the Czech Republic.		
Key Objectives		
Market Development	Product Development	Related Diversification
Initiatives		
Expand capacity Market research	Change business focus Development of offer packages Development of new subunit	Change business focus Digital solution development Software market development
Key Performance Indicators		
Revenues Number of employees	Finished transition Delivered services offer	Revenues Web development
Estimated Costs		
1 000 €	0 €	5 000 €

Source: Own processing inspired by Fraser, 2022

3.6 Action Plan

In the past Company X used to search for potential clients. They analysed the company and then contacted them to offer them its services. This was a long and time-consuming process, and it did not bring the desired result. Thus, the approach to implementing the objectives from the strategic plan was set differently. The most efficient method from the past was to do good quality work based on which they were recommended to other companies by their clients. Furthermore, moving among the community that includes their potential clients helped them a lot.

Therefore, Company X planned to continue with the functional approach. Table 15 summarizes the main objectives, how they wanted them to be implemented, who was responsible for the implementation and the deadline. Firstly, the capacity of the companies needed to be increased. New employees needed to be recruited, and those with a recommendation from current employees were preferred. If there was no one reliable, an advertisement was planned to be posted on the job portals. Secondly, the new web for digital solution services should have been formed by skilled employees. The change of focus to digital solutions was under the lead of the founder (E) as well as the creation of packages for customers. These were about to be created based on the previous experiences with clients (e.g., what was the most common budget and their requirements). For entering the new

market, the chosen responsible person was the co-founder, since he already moved to the Czech Republic for studies. They believed it should be easier to enter the market with a person inside. Company X, after the transfer, was planning to launch its advertising campaign to reach more customers. Plus, they believed that based on their contacts they could manage to get some contracts signed.

Table 15: Action Plan

Objectives	Action	Owner	Due
Web development (subunit)	Collaboration with developers and their contacts	E	Jan-22
Packages	Formed based on previous experience	E	Jan-22
Enter the Czech Republic	Advertisement, recommendations	S	Apr-22
Increase capacity	Recommended people	E, S	Oct-21

Source: Own processing

4. Evaluation of the Results

From the previous chapter, it should be clear that the main goal of the diploma thesis was to formulate the strategic plan for Company X. The main objectives were to enter the new market and change the focus of its operations. Throughout the past months, the strategy was formed, implemented, and the data were collected. This chapter will analyse the gathered data and the success of the strategic plan.

4.1 Project Schedule

Table 15 shows the real-time schedule. In comparison with Table 14 from Chapter 3, there were delays in the plan. The first action, the team formulation, which chose the responsible people for strategic planning was on-time. Unfortunately, the following tasks were delayed due to a two-month delay in the market research. Thus, the strategy formulation started in October 2021 not in August 2021 as was planned. Followingly, the implementation of the strategy was delayed too. Therefore, data collection was prolonged till April and the evaluation of the strategy was postponed from April to May 2022.

Activity/ Month	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
Team Formation												
Market Research												
Analysis of Company												
Strategy Formulation												
Implementation												
Data Collection												
Evaluation												

Figure 15: Real Project Schedule

Source: Own processing

The division of tasks in a three-member team was not problematic at all. Everyone did what he or she was supposed to do. Moreover, they all supported each other if anyone needed help. There were a few miscommunications throughout the process, but luckily in the end they got on the same level.

4.2 Key Objectives

In the previous chapter, from Table 14 which summarizes the strategic plan of Company X, it is known that the key objectives were: market development, product development and

related diversification. For market development, a responsible person was co-founder “S” as it is summarized in the action plan (Table 15). The responsible person for the other two objectives was the founder “E”. Division of responsibilities went according to plan. The success or failure of the key objectives will be analysed below.

4.2.1 Market Development

This strategy aimed to enter a new market, the Czech Republic. The goal was to gain at least one long-term contract in less than a year, until April 2022. If they were about to succeed, market development strategy could be considered successful. To achieve this objective, they believed that firstly, knowing more and more people will get them some recommendations and they will get a chance to show what they know.

The predicted budget was 1 000 EUR for 7 months (October – April), during the implementation and data collection phase. It was estimated that for the mobile tariff they will pay 15 EUR per month, 400 EUR for travelling to clients, 400 EUR for business lunches with clients, plus a reserve of 95 EUR. Table 16 compares the planned budget with the reality. Even though the implementation of the strategy officially started in November, the Czech number was set in October since the co-founder moved to Czechia sooner. The mobile tariff was 5 EUR more expensive than expected, plus another month was added due to delays in implementation.

Table 16: Market Development Costs

Planned	Price (€)	Activity	Price (€)
Travelling	400	Travelling	0
Phone	15/month	Phone	20/month
Business lunch	400	Business lunch	0
Reserve	95	Reserve	0
Planned Total Expenses	1 000	Balance	840

Source: Own processing

In November, Company X managed to get its first contract on the Czech market. From December to February, they were working on a brand book for the Czech university in Brno. The Brand Book is a marketing tool for advertising and summarizes the guidelines/rules that need to be followed for further promotion. It was created for a new program that was opened

at the university. Firstly, they analysed the program and its environment. Then, the key values, vision, USP, tone of voice and other information were written down. As a result, the Brand Book for the program was formed.

Brno university decided to use another company to promote the program to attract new students. Luckily, they were not satisfied with them. As a result, they offered Company X another cooperation for the next winter semester. Thus, they managed to get one long-term contract in the new market which was the goal of the strategic plan (Table 12). In conclusion, they gained their trust, and the market development strategy can be evaluated as successful.

Even though the mobile tariff was more expensive than predicted, the company saved 840 EUR from the planned budget. The co-founder “S” is a student at this university, thus there was no travelling to clients and business lunches needed. The approach “use the contacts we have” appeared not only to be successful but also saved them some money. Moreover, the budget was planned with consideration of the possibility that they can gain more clients.

4.2.2 Product Development

Product development strategy can be also evaluated as successful. The aim was to establish a new subunit and form a price list of services. As a result, there are two units under Company X: media and web. Even though the aim was to change the focus, the old unit is still part of their offered services, it was not excluded. The units are interconnected thus, they are constantly working on marketing campaigns. However, the contracts for web development are more frequent. During the monitored period, they were working on 6 marketing campaigns and 10 digital solutions projects in total.

Under unit media, forming packages is complicated. As a co-founder said: *“We do have some toy packages, but there is no point in having them because everything depends on the client.”* Thus, in this area of business, there was no change. Under the unit web which was a creation of the “change of focus” idea, there were designed three packages that are summarized in Table 17.

Table 17: Price List of Services

Business	e-Shop	Custom Solutions
For a professional web presence of the company.	For digital sales of products or services.	Sophisticated business solutions with an individual approach.
from 650 €	from 1 400€	-
<ul style="list-style-type: none"> ✓ One-page / Multi-Page interface ✓ Modern Design ✓ SEO ✓ Admin Panel - backend access ✓ Digital Catalogue ✓ Integration of Advertising Platforms ✓ Email Marketing Setup (interface) ✓ 90 days of free support 	<ul style="list-style-type: none"> ✓ all in the Business Plan + Payment Gateway + Order Automation + Invoicing Automation + Custom Admin Panel 	<ul style="list-style-type: none"> ✓ Web Apps ✓ Mobile Apps ✓ Web Integration ✓ Security Software ✓ Automatization Software

Source: Own processing

The product development strategy planned budget was 0 EUR which was met. There were no extra costs that needed to be paid. However, this strategy required a lot of invested time. The responsible person for this part was the founder “E” who spent a lot of free time on this project.

4.2.3 Related Diversification

The related diversification strategy can not be evaluated as successful or unsuccessful, the transition is still ongoing due to delays. This strategy aimed to develop a new focus of the company on digital solutions. The reason was to gain customers more easily who in future would be offered their other services. Unofficially, Company X focuses on this area, but there has not been an official launch yet. To measure the “success”, as was already mentioned, Company X managed to get more clients in this area, and the revenues grew too. (a more detailed analysis of revenues will be in the chapter: Short-term objectives) A web for this unit was developed and the client base was expanded, but there are still a few processes (e. g, SEO) that need to be done before the official launch. The related diversification strategy hit the problem of lack of resources which ended up in a lack of time. With a growing number of customers, there was not enough time to spend on this part. Moreover, there were a few technical complications that slowed down the development.

The planned budget was set to 5 000 EUR. Company X has already been providing digital solutions services before the strategic plan was formed. Thus, they had internal resources for web development, the biggest investment was time. The estimated price was 500 EUR for web hosting, domain, and template. Another 4 000 EUR was saved for the promotion of the company, and the remaining 500 EUR was a reserve. The actual price of web development was 200 EUR which was 300 EUR less than planned. The 4 000 EUR planned for promotion mostly on Google Ads was not spent because this part of the strategy was not implemented yet. However, the saved money will still be used in the future. All the data are summarized in Table 18.

Table 18: Related Diversification Costs

Planned	Price (€)	Activity	Price (€)	Phase
Web development	500	Web development	200	ongoing
Promotion	4 000	Promotion	0	not started
Reserve	500	Reserve	0	-
Planned Total Expenses	5 000	Balance	4800	reserve

Source: Own processing

4.3 Short-Term Objectives

In the process of strategic planning, there were five long-term and five short-term objectives set. The evaluation of long-term objectives will not be part of this diploma thesis as the five years have not passed yet. But there will be some recommendations on how to achieve them based on the evaluation of the current state of the company. This chapter will focus on short-term objectives that were set to be met until April 2022.

Table 19 summarizes all short-term objectives, including the target rates and whether they were achieved. The first objective, customer satisfaction, was successful. The team of Company X did the best work they could and since October they received only positive feedbacks with five stars which is the maximum.

Table 19: Achievement of Short-Term Objectives

Objective	Achievement	Met Target
Customer satisfaction	100 % rates with 5 stars	YES
Increase capacity	85 %	YES
Growth of customers	1-8/ month	NO
Enter new market	1 contract	YES
Increase Revenues	40 %	YES

Source: Own processing

The second objective, increasing capacity, was met too. From Table 20 is clear that in the beginning there were 7 employees in the company. Now there are 13 which is more than the set target of 10.5 employees as is calculated in Equation 1.

Table 20: Employee Database

Sep-21		May-22	
Position	Amount	Position	Amount
Team Leader	2	Team Leader	1
Developer	1	Developer	3
Graphics Designer/Editor	2	Graphics Designer/Editor	3
Photographer	1	Photographer	2
Freelancer	1	Freelancer	2
Marketer	0	Marketer	1
Copywriter	0	Copywriter	1
Total	7	Total	13

Source: Own processing

Equation 1 shows the calculations of the given target which was to employ approximately 11 people in total. Company X managed to recruit 13 people (86 %) which is more than was the target, the calculation is shown in equation 2.

Expected target = t_E

Number of employees before = n_1

Real target = t_R

Number of employees after = n_2

$$t_E = n_1 + n \times 50 \% = 7 + 7 \times 0.05 = 10.5 \cong 11$$

Equation (1)

$$t_E = (n_2 - n_1) / n_1 = (13 - 7) / 7 \cong 86 \%$$

Equation (2)

The third objective was to have at least 3 contracts every month. Unfortunately, this was not achieved. Even though the average would fit, it was not on a regular basis as they wished for. There were months when they were working on only 1 project and then months when they had 8 projects. The fourth objective has already been analysed under the market development strategy.

The last short-term objective was to increase revenues by 5 %. From June till December 2021, the total revenues were 25 000 EUR, 5 % of this amount is 1 250 EUR, the total amount should have been then 26 250 EUR. Based on the data collected from January till May, the total revenues were 35 000 EUR which is much more than was the target. Thus, the achievement of the set target was successful.

Table 21: Comparison of Expenses & Revenues

2021		2022	
Revenues (EUR)	25 000	Revenues (EUR)	35 000
Expenses (EUR)	19 700	Expenses (EUR)	24 100

Source: Own processing

4.4 Limitations

The biggest problem was a lack of knowledge. Even though the team has a lot of experience and knowledge in the area they operate and have a lot of good ideas for improvement and growth, they had zero experience in the actual strategic management. The founders of Company X have some amazing visions and plans, but they were difficult to be transformed into measurable units for the evaluation. Moreover, the execution of market research was limited. Getting to customers and learning more about them requires further research. Until now, the market research was only based on external resources that were freely accessible.

Another limitation was the team size and their time. A lot of data for evaluation of the strategy had to be traced backwards because they were not continuously documented. At least one more person was missing for administration.

4.5 Further Recommendations

During the process, Company X encountered several problems even though they managed to achieve most of the targets. There are a few things that the author of this thesis noticed during the process. One of the biggest problems of the company was the administration. Employing a person who would track the processes would help the company.

Growing to a new market was not a bad goal but it went against their values. Shortly, the company should not try to enter more markets but focus more on the market where they already operate. With more local contracts they will be well-known in one market, and it will be easier for them to move to another market. They are trying to have more long-term contracts, but in the beginning, they should try to also get a lot of short-term contracts. The more companies know them and will have a good experience with the company, the higher the chance they will achieve their targets in the future.

The capacity of the company is still limited, even though they managed to meet the target. Start-up companies grow very fast. Therefore, the recommendation is to first, employ full-time employees, using external resources is not always reliable. And second, expand the team even more.

If Company X wants to grow more in the Czech market, the author of the thesis recommends doing further market research. The research should be focused on the companies and their customers this time. They need to learn more about them, their feelings, preferences, how to attract them etc.

Lastly, for future development and growth, Company X should hire an expert for strategic planning. The current team was lacking a lot of knowledge, having one extra brain would help them a lot.

Conclusion

Strategic planning is part of every successful company. Company X is a start-up company that until now was mostly focused on reaching customers than having an actual plan. Start-up companies usually grow very fast in the beginning thanks to their innovative ideas. But one day they reach the peak when strategic planning is necessary to apply. The sooner they start the implementation of strategic planning the higher chances they have in achieving their objectives.

The main objective of the thesis was to form a strategic plan for the still-growing start-up company. The goal was to enter a new market and change the focus area. During the process, the company had some struggles to deal with. The biggest problem was time pressure and lack of people. Despite all the obstacles, based on the analysis of the targets, Company X set mostly achievable goals. Most of the targets were met.

Working on the strategic plan helped Company X to think more about its values and they realised a lot of things. By sharing knowledge both the company and the author of the thesis learned new and valuable information. The founder of Company X said: *“Sometimes, it was hard for me to realise what our target is. I had all the ideas in my head, but this helped me to hear them out loud and I realised many things about our company and our core values. It showed me another direction of doing business. Plus, it is also a good CV for our company, ha-ha.”*

In the future, Company X is planning to continue working on digital solutions as it showed to be a good decision to change the focus. However, they still want to work on marketing campaigns and try to push them to higher-level too.

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