A Competitive Business Strategy for the Eritrean Marine Products Company (EMPC)

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CONFIDENTIALITY CLAUSE

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TO WHOM IT MAY CONCERN

RE: CONFIDENTIALITY CLAUSE

Due to the strategic importance of this research it would be appreciated if the contents remain confidential and not be circulated for a period of five years.

Sincerely,

A.M Besheir

SIGNED: ..... DATE: 096256 .....

DECLERATION

This research has not been previously accepted for any degree and is not being submitted in candidature for any degree. I declare that this is my sole job.

Signature: ----------

Date: ----------

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I am greatly indebted to God, without him was impossible to finish my study.

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DEDICATION

This work is dedicated to:

My mother Gebriela Ghebrezgiabiher and my sister Nada.

ABSTRACT

This research deals with assessing and analysing the reasons behind the low productivity and profitability growth of the Eritrean Marine Products Company (EMPC) and the main goal of this research is to assist the company to improve its competitive position in the export and domestic markets.

In order to address the low productivity and profitability of EMPC (the research problem), the following four main objectives are outlined. Evaluating how and to what extent the company capitalises on its strengths and opportunities, and avoids weaknesses and the threats in the environment; testing how the company's strategy is suitable by determining how the company's capabilities are effective in adding value and improving its competitive position; testing the strategy acceptability by assessing the financial performance and outcomes of the company, and finally testing its feasibility by assessing whether the company has the resources and competencies that match to the strategy. To discuss the research objectives literature review is developed based on the strategy evaluation process using the evaluation criteria of suitability, acceptability and feasibility frame-work.

Since this research is a case study and qualitative in nature, annual reports and other studies about EMPC are used to collect the secondary data. Interviews have been also conducted with the company's managers and other staff members to collect the primary data.

According to the study findings, EMPC has a lot of opportunities such as growing demand of fish in international markets especially the EU market, and financial as well as technical support from the Eritrean Government. However, EMPC has some structural weaknesses such as lack of fishing skills and insufficient infrastructure which resulted in shortage of supply. The gap analysis showed that there is a big gap between the projected and actual quantities of fish production.

The financial performance of Asmara Processing Plant (branch of EMPC) is quite satisfactory, while ERIFISH (branch of EMPC) was facing financial loss. The gross and net profit margins were negative through out the period of 1999-2002.

Finally, it is recommended that EMPC has to revise its production plan, improve its internal operations, and upgrade the skills of the staff. To be competitive in the export market, EMPC should either invest in niche market by providing high-perceived value, through better quality, design, and branding or horizontally integrate with capable firms is a valuable option for the company to benefit from the fishing know-how and economies of scale.

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1.1 Introduction

Fish exports are a valuable source of foreign exchange for many developing countries, including some small island countries. Their trade consists largely of high-value products. Globally, developing countries are net exporters of fishery products. Their surplus in foreign exchange earnings from fish trade was constantly increasing (it reached US$17.5 billion in 1995). Nearly half of the fishery export trade originates in developing countries and is destined largely (85 percent of the total) for developed ones. This reflects the South's need for foreign exchange and the fact that fish production in northern countries is falling, while consumption is on the rise (internet 1).

The Red sea waters of Eritrea cover about 52,000 square kilometres of continental shore and roughly 1200 kilometres length, comprising of 356 Red sea islands. The water of the Red sea is highly productive, supporting substantial population of diverse Marine species, with around 1000 known species of fish and 220 species of coral. The maximum sustainable yields (MSY) of Eritrea are estimated about 70,000 metric tones per year.

The coastal and islands region has the major elements for fast and sustained growth. Fisheries and tourism are already identified among the potentially fastest growing sectors of the national economy, and port related development can be expected to increase steadily with the over all recovery of the economy. There is scope for substantial growth in other existing industries based on the natural resources of export-oriented manufacturing will create opportunities for appropriate manufacturing development.

Thirty years of mismanagement and deliberate neglect by the occupation regime, compounded by their ignorance of the sea, have deeply devastated the economy. Coastal industries were substantially destroyed, trade was curbed, and business close and infrastructure was run down.

Immediately after independence the need to rehabilitate and reconstruct the coastal economy and coastal live hood was both a challenge and opportunity to the people and Government of Eritrea. On the other hand there were the tremendous effort and cost in labour and capital required to mount rehabilitation and reconstruction programs and continuing sacrifices to be

made. There was the advantage in starting from scratch- of having the chance to do it well; learn from others; value and preserve the natural assets of the seas and the coast; and to plan to meet the threats of mismanagement, while at the same time exploiting the fisheries resource to contribute its share in the national economy.

In the last ten years, the Government's program has been fashioned by a concern to respond to immediately need. Now as development of different projects and companies take off and coastal economy is reviving, it is time to take a more strategic approach. To set priorities, especially in what can be accomplished with the limited resource of the Government agencies involved to strengthen coordination and improve planning *(Ministry of fisheries report, 1999).*

The Eritrean Marine Producing Company is a fish producing, processing and exporting company. The company experienced low productivity and profitability growth since its establishment in 1995. The main objectives of the study are to assess what type of strategies is necessary for the E.M.P.C, and to assist the company to improve its competitive capabilities.

1.2 Background of the study:

In background of the study, the company background, and literature survey will presented below.

1.2.1 Company Background

Eritrean Marine Producing Company (EMPC) was established in 1995, as a parastatal of the Ministry of Fisheries of Eritrea to produce process and export fish. The main importer of the company products are the EU market, the company used to export most of their fish products to Netherlands UK, France, German and Italy. The products of EMPC are classified in three grades. The first grade such as Red snapper, and Grouper, are of best quality, they are targeted in the EU Market, while the second and third grades such as Jack fish, Spanish mackerel are targeted in the regional and domestic markets.

The mission of EMPC is to create good relationship with its fish suppliers, distributors and customers at both the domestic and international market. By doing this it focuses on competitive prices and better quality of fish in its export market so as to gain financially strong position in the long run.

The company since its establishment in 1995 is experiencing low productivity and profitability growth, and could not achieve its mission. The government's new restructuring

policy in 2001 decided that all the fishing operations such as the production sector (Bielul Fishing Company, Massawa ice plant, maintenance workshop, and boat building yard, refrigeration services) to be managed under the EMPC. The restructuring also includes the acquisition of the fish processing plants ERIFISH and Asmara Processing Plant after the withdrawal of their private shareholders. The Ministry of Fisheries is considered to be as regulatory body and is focusing on policy making and resources management activities.

Following the restructuring, EMPC planned to produce 3096 tons of raw fish every year, starting from 2001till 2006. The raw fish will be processes as whole gutted and filleted, and 90% of them will be exported to the EU market. EMPC's main objectives are to differentiate the products from its competitors in the export market and to improve the quality of the fish products and standardise with the EU fish safety and health regulations *(EMPC reports, 2001).*

1.2.2 Literature Review

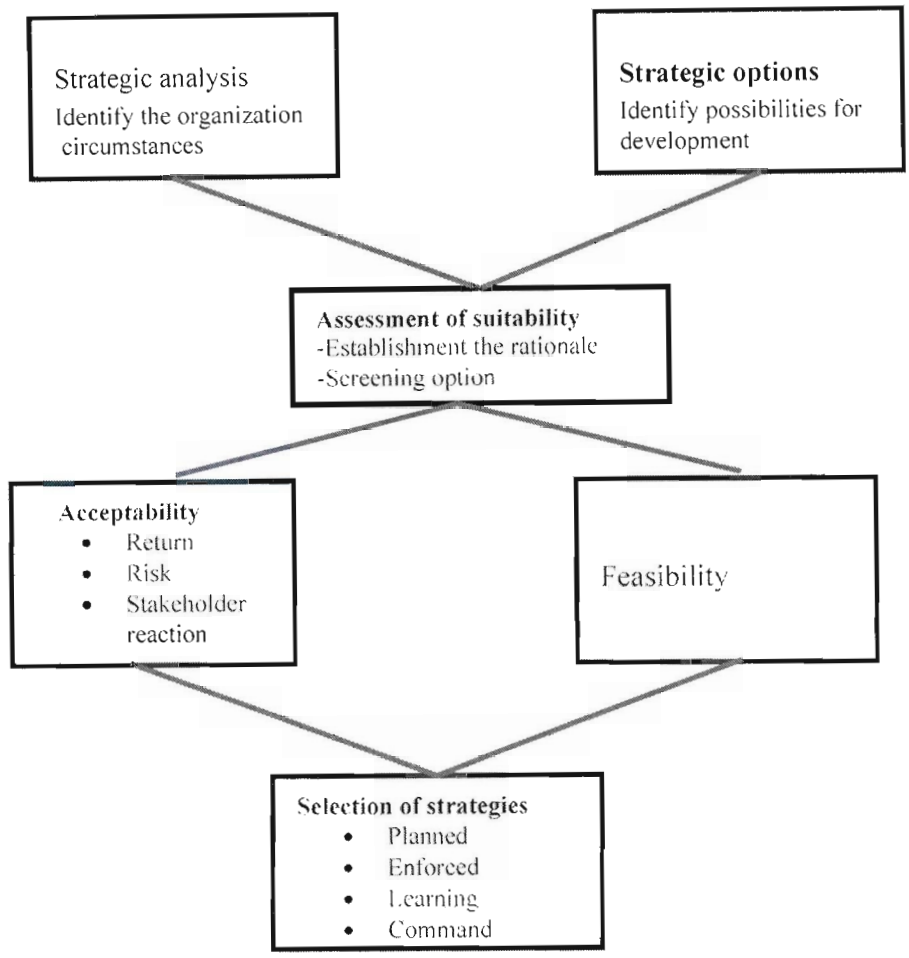
Strategy evaluation is regarded as important aspect in the strategy formulation process. The study will focus on the evaluation performance of the EMPC and intimating corrective adjustment in the company plan. The criteria suitability, feasibility and acceptability will be used for evaluation.

Strategy Evaluation

Strategy evaluation has long been regarded as way of analysing in a systematic framework the key aspects, which differentiate strategies from the perspective of how well they contribute to the organization's purposes. It is an attempt to look beyond the obvious facts regarding the short term health of a business and appraise instead these more fundamental factors and trends that govern success in the chosen field of endeavour, therefore the whole idea of strategy evaluation implies management by much more time than results and that the real components of strategy are those activities which most strongly affect the selection and modification of objectives and which influence the irreversible commitment of important resources (Rumelt, 1985).

In evaluation and selection of strategies, whether by formal or informal process, there are three types of evaluation criterion, which can be used; ***suitability, acceptability, and feasibility*** as illustrated in the following frame.

Figure 1.1: Framework of a strategy evaluation



Source: (Johnson & Scholes, 1997).

Testing Suitability

According to Johnson & Scholes, *suitability* concerns whether a strategy addresses the circumstances in which the organization is operating. This process consists of two stages: establishing the rationale/strategic logic for each strategic option in its own tight and; establishing the relative merits of an option when a number of choices are available through processes of screening options for further evaluation.

In testing suitability the most important factor is the macro environment factors. PEST analysis will help to identify the Political, Economical, Socio-culture, and Technological factors of the company's environment. In assessing the industry, different model will be applied. The Porter diamond model will identify the extent to which companies can build on home based advantages to create competitive advantage in relation to others on a global front. Michael Porter argued that the profitability of corporations was determined not only by a firm's relative competitive position, but also by the characteristics of the firm's industry (Koch, 1995, p: 5). Therefore the Porter Five Model is a powerful tool for systematically diagnosing the principal of competitive pressures in a market and determine the intense of competition in the industry.

It is essential to analyse whether the company capabilities, resources, and its strategy fit the environment and the industry. ***SWOT*** analysis has become a popular analytical tool used by managers for analysing the firm's strengths, and weaknesses and its external opportunities and threats. Moreover understanding of both consumers and competitors is vital for effective positioning with regard to competition, the firm must research competitors' strengths, weakness, strategies positioning, future product and developmental plans (Arbee & Naidu, 2001).

Positioning is key test of suitability, it is the image that product or service has in the mind of the consumer, for example how it is positioned is probably more important to its ultimate success than are its actual characteristic. Consumers should feel that there is no completely satisfactory substitute for the product (Arbee & Naidu, 2001). Therefore positioning can be defined also as how your target market defines you in relation to your competitors; and your relative competence in facing these competitive rivals, for example the extent to which the organization's unit costs are better than those of competitive rivals will determine long-term viability of a low-price positioning. The uniqueness service of competences, which underpin the value-added features of a product, or service will determine the suitability of a positioning of differentiation (Johnson & Scholes, 1999).

The suitability of strategic development may also be tested by the extent to which the strategy will reconfigure the value chain in a way, which improves value for money and the competitive position of the organization. Therefore value chain analysis describes the

activities within and around an organisation and related them to an analysis of the competitive strength of the organization (Johnson & Scholes, 1997).

It is a primary analytical tool of strategic cost analysis, identifying the separate activities, functions and business processed that are performed in designing, producing, marketing, delivering, and supporting a product or service. The concept of synergy is concerned with assessing how much extra benefit (value for money) can be created for reconfiguring the linkages in the value chain. Synergy can be sought in several circumstances, for example vertical and backward integration, the sharing of distribution channels and common use of e-commerce by diversified companies (internet 2).

The Life Cycle portfolio matrix will assesses whether a strategy is likely to be appropriate in the stage of the product life cycle. It consists of two dimensions. The market situation is described in four stages ranging from embryonic to ageing; the competitive position in five categories ranging from weak to dominant. The purpose of the matrix is to establish the appropriateness of particular strategies in relation to these two dimensions. The crucial issue is establishing where and organization is currently positioned on the matrix (Johnson & Scholes, 1997).

It is essential for the company manager to assess where the company is currently and where it would like to be in the future. A gap analysis is useful technique to identify the gap, thus the results are used to create a plan of action in order to fill the gap (internet 3).

Evaluation of Feasibility

Feasibility test meant to eliminate all options, which infringe constraints imposed by financial conditions (both related to borrowing conditions and cash flow,) staffing availability managerial capabilities and physical limitation, such as land, plants, etc (internet 4).

The option may be lack of feasibility in the areas:

- Culture skills and resources internal to the organization
- Competitive reaction and other matter external to the organization
- Lack of commitment from management and employees (Lynch, 2000, p: 619)

Therefore techniques that can be used to test feasibility are the breakeven analysis which is a simple and widely used and helpful in exploiting some key aspects of feasibility. Fund flow

forecast analysis could be used to identify the funds, which would be required for any strategy.

Acceptability Test

Acceptability of strategy consists of all success criteria, which matter to different stakeholders of the organizations, and the expected performance outcome of a strategy. However, strategies also have to be acceptable to a variety of different stakeholders, customer acceptance, competitive reaction, supplier acceptance and any approval from government or another regulatory body. Different approach can be used to assess the acceptability of the strategy, ratio analysis, cost benefit analysis, shareholder value analysis, sensitivity analyses, etc. (internet 4).

1.3 Motivation of the study

The Eritrean Government has realised the importance of properly utilizing the fish stock both for foreign exchange earning and domestic food security schemes. Therefore it puts a great emphasis to enhance and promote the sector. According to the Ministry of Fisheries studies, the estimated maximum sustainability yield of fisheries stock is 70, 000 tones/year. But only 20% of the above-mentioned figure was harvested in the period of 1993-2000. This is very small amount of potential fish stock that the Company should have exploited. These under utilisation of the resources and improper planning ultimately result in low productivity and low profitability growth. Therefore the company has to put in place strategies and programs that are perceived instrument in an effort to translate ambitions into realities.

There is a wide gap in the demand and supply sides of the world fish market. The availability of big market internationally is a motivating factor to conduct a research on fisheries. In addition, there seems to be an increasing trend of fish consumption in the country due to increased local fish supply and the effort made by the Ministry of Fisheries to promote fish consumption habits.

Fish and other seafood are also highly considered by consumers and believed by food scientists and nutritionists because of a number of nutritional benefits some of which being unique for seafood only. Seafood is a protein rich well digestible food with low amount of

connective tissue and with a high proportion of polyunsaturated fatty acids and low cholesterol (internet 1).

1.4 Value of the Study

The study will assist the company to improve its competitive capabilities in the export and domestic markets. Thus its profit margin and cash flow will be increased as well. The increase of fish production and productivity will play a significant role in the contribution to the state and the economy; social and economic benefits can be gained by the export of the processed fish products. Foreign exchange will be generated which contributes to the increase of the national income.

The European market will benefit by gaining quality products with competitive price. On the other hand job opportunity will be available for the fishing communities and the inhabitants in the coastal areas.

1.5 Problem Statement

How competitive is the existing business strategy of the Eritrean Marine Products Company?

1.6 Objectives of the Study

The purpose of this study is to evaluate the company existing strategy, and its impact on the low productivity and profitability growth, and assist the company to improve its competitive capabilities in the export and domestic market. Therefore the study will specifically intend to:

- Assess whether the strategy addresses the circumstance in which the organization is operating. Does it exploit the opportunities in the environment, capitalise on the company strengths, and avoid weaknesses and threats
- Evaluate the strategy suitability, by determining how the company's capabilities are effective in adding value and improving its competitive position
- Assess the strategy acceptability by evaluating the financial outcomes of the company
- Analyse the strategy feasibility, by assessing whether the company has the resources and competences that match the strategy. Finally recommend further improvements or alternative strategies.

1.7 Research Design and Methodology

Research procedure: The research will be qualitative in approach.

Nature of the study: the study will be exploratory and analytical in nature, since it will attempt to evaluate the feasibility, acceptability, and suitability of the company strategy and assist the company to improve its competitiveness.

Study setting: Since the research is a case study type and qualitative in nature, in-depth interviewees and secondary data analyses are the major research design techniques to be used
Time horizon: The data collection will take one month.

Research Methodology: includes the entire process of study conceptualising and observing the problem under study, sampling, data collection, data analysis and interpretation.

Data Gathering Method

In answering the research question, it is imperative to consider the available data gathering methods and to choose the one, which best suits the research. The exploration phase will begin with a literature search- a review of books as well as articles in journal. The main sources for the secondary data will be the data archives from the relevant organizations, published documents by outside authors, library books and the Internet.

To generate the primary data, the interview will be an Elite or Expert interviewing type, which will be conducted with management staff from the EMPC, and the Ministry of Fisheries. This interview will be conducted through email, and telephone.

Sample design

The selection of the management staff for interviewing will be based on non-probability procedure because the objective of the sampling is not to meet a representative-ness of the population. Its main objective is to meet certain persons with the required information for the purpose of the study. Therefore, through convenience sampling, members that are likely to give useful information for the study will be chosen as the sample elements of the study.

Data analysis

Data analysis consists of examining, categorizing, tabulating, or otherwise recombining the evidence to address the initial propositions of a study" (Yin, 1994). Yin, presented some possible analytic techniques: pattern-matching, explanation-building, and time-series analysis. The strategy to be used to analyse the data is to rely on the theoretical propositions, techniques and the strategic models that have developed in the study, and then to analyse the evidence based on those propositions.

1.8 Scope and Limitations of the Study

- Some of the interviewees especially executives may not have time for discussion.
- Financial data of some divisions may be confidential.
- Improper documentation may impair availability of pertinent information.
- Respondents may not reflect the real situation of the company due to the tendency of confidentiality.
- The study will be limited in Massawa and Asmara areas, and will exclude Assab branch.

1.9 Structure of the Study

This study is divided into five chapters:

Chapter 2:

In chapter two review of the literature on the evaluation of the strategy using suitability, feasibility and acceptability techniques will be discussed thoroughly. Different models will be exhibited for the case analyses, for instance the Porter Five Models, and Porter diamond will be discussed to determine and assess the intense of competition in the industry and competitive pressure in the market place.

Chapter 3: Approaches to the research, theoretical background of the company, its mission, objectives, existing strategies, customers, suppliers, competitors, the operations, and the structure of the domestic and foreign market will be discussed in detail in chapter three.

Chapter 4: Deep analysis of the case, using the strategic models, which have been developed in the literature review, will be provided.

Chapter 5: Recommendation and conclusion will be put forward for the managers of the company.

1.10 Summary

The availability of big market of fish in the world and the importance of the nutritional benefits of fish are motivator factors to conduct a research on fisheries. The Eritrean Marine Products Company is a fish producing, processing and exporting company, it is experiencing low productivity and profitability growth. The study will use a case method to explore the reasons behind the low performance, and will assist EMPC to be competitive in the export market and domestic markets. The exploration phase will begin with a literature search- a review of books as well as articles in journal. The main sources for the secondary data will be the data archives from the relevant organizations, published documents by outside authors, library books and the Internet. Primary data will be generated by interviewing the management staff from the EMPC.

CHAPTER TWO: Strategy Evaluation Process

2.1 Introduction

Business failure rose significantly in nearly every industry in the world. This is due to the lack of the proper anticipation to competition; technology; unplanned expansion; and weak strategic thinking of many firms. The literature will attempt to discuss reasons behind the failure and success of a business; and the importance of strategic thinking and strategic management. How strategies are made in organizations and how the process of strategy formation takes place need an assessment. Accordingly, this chapter will discuss two different views: the emergent and intended perspectives, and outside in and inside outlooks to strategy evaluation.

Simultaneously, the literature will discuss the steps of strategic planning that start by the setting of mission, vision and objectives, the formulation of strategy, implementation and execution, and evaluation of strategy. Since the main focus of the research is the evaluation of performance and positive adjustments of a Marine company in Eritrea, the Evaluation of this outcome is very crucial to take corrective actions; and to ensure long-term success for the company. The criteria *suitability, acceptability* and *feasibility* will be given emphasis.

Establishing the rationale is the first stage of assessing suitability. Accordingly, PEST analysis technique will be used to assess the macro environment of the organization. In order to evaluate an organization, the Five Forces Models; Porter Diamond, Competitors Analysis; Key success factor of the industry; and the industry life cycle techniques will be used and will be discussed in detail. To evaluate a company's resource capabilities, relative cost position, and competitive strength techniques; SWOT analysis, core competences, value chain, strategic cost analysis and competitive strength assessment will also be discussed.

In assessing the suitability a useful technique, which incorporates this approach, is gap analysis. This will also be a point of discussion. (in that section)

Acceptability of strategy consists of all success criteria that matter to different stakeholders of organizations, and the expected performance outcome of a strategy. Acceptability test can be evaluated using three broad types: return, risk, and stakeholder reactions. These will be discussed in part four of this chapter. In the assessment of return, profitability ratio will be used; in the risk assessment, financial, efficiency and liquidity will be used.

In the final section, feasibility test will be discussed. In order to understand feasibility, fund flow analysis and breakeven approaches will be applied.

2.2 Strategic Thinking and Importance of Business Planning Process

Business failure rose significantly in nearly every industry in the world. An increasing number of studies about business failure seem to identify several variables, which are related to poor planning, marketing and financial problems (Clark 1997: n.p; and Ward 1997: n.p). Longnecker, Justin, Carlos & William (2000) attributed that a key to a success in a business is the ability to constantly plan and come up with new ways to market products. On the other hand, many entrepreneurs ignore the reality of competition for their new ventures, believing that the marketplace contains no close substitutes or that their success will not attract other entrepreneurs.

The lack of sufficient time in various managerial functions accounts for the vast majority of failure of business. In addition to this, the shortage of working capital is a serious problem facing businesses nowadays. Other problems are the lack of coordination; proper anticipation to competition, technology, and other changes in the market place; unplanned expansion; and the increasing complexity of internal management as the organization grows in size (Tate, 1997, p: 14).

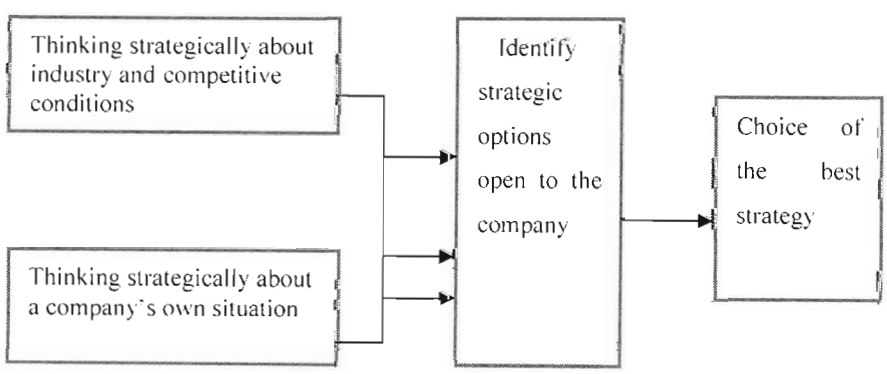
According to the Secretariat of the UN General Assembly, for the least developed countries, the major elements of the structural weaknesses that underlie their poor productive capacities and competitiveness are supply–side constraints including:

- The lack of linkages within and between productive, service and infrastructure sectors, which limits the potential for specialization and gains in productivity
- Insufficient developed human resources, which lead to a paucity of managerial, entrepreneurial and technical skills
- Shortcomings in production units related to weak technological capability and adaptive research
- Deficiencies in the physical infrastructure (e.g. transport, power and shortage facilities and such other support services as telecommunication, financial services and other (UN Conference Secretariat, May 2001: p: 12).

In spite of the generally low competitiveness of Least developed countries there are a large number of cases of highly competitive industries, built up by successful entrepreneurs. These successful firms aggressively cultivate export markets, pursue aggressive export strategies and develop superior marketing mix strategies and market segmentation skills. The key factors for the success of these firms are their ability to take strategic approach that helps them identify target markets and ways to build strong and sustainable market positions. Other critical factors that contribute to their success are: the shifting from primary to value added products; moving up the value chain through processing and design, responding to the ever-rising demand from consumers for higher quality standards, introducing the use of new technologies, and shortening the distribution chain to capture a greater share of the value (ibid: 2-5).

From the above discussion, it has been realized that the main causes of business failure are poor planning, and weak strategic thinking of most firms. In order to be successful in the business and to gain competitive advantage, it is imperative for any company, which invests in global or local market needs to think strategically and, identify strategic options that enable the company to choose the best strategy. The following figure (2) shows the vivid diagram of the process.

Figure 2.1 Strategic Thinking Process



Source: internet 5

Strategic planning process provides a format for developing specific strategies, converting those strategies into a business planning process, and establishing measurable and attainable organizational goals. It also allows the organization to become proactive than reactive in shaping its own future (Katsioloudes, 2002, p: 28).

Organizations using strategic management concept are more profitable and successful than those do not. Businesses using strategic management concepts show significant improvement in Sales, profitability, and productivity compared to firm without systematic planning activities. High performing firms seem to make more informed decisions with good anticipation of both short and long-term consequences. On other hand, firms that perform poorly often engage in activities that are short sighted and do not reflect good forecasting of future condition. Besides helping firms avoid financial demise, strategic management offers other tangible benefits, such as an enhancing awareness of external threats, an improving understanding of competitor's strategies, increasing employee productivity, reducing resistance to change, and a clear understanding of performing reward relationship (David, 2001, p 76).

Strategic management as a discipline focus upon strategy as a process, it is largely dealing with issues of strategic change. An action is strategic when it allows a firm to become better than its competitors, and when this competitive advantage sustains. Michael Porter (1985) contended that not all business decisions are strategic; decision can only be defined as strategic if they involve consciously doing something "differently" from competitors. This difference in turn results in sustainable advantage; and to be sustainable, it must be difficult to imitate (Porter, 1985, 14).

Nonetheless, how strategies are made in organizations and how the process of strategy formation takes place are questions that need an assessment. It will be debated how organizations form their strategies in practice, as well as how the process of strategy formulation can be most effective. Mintzberg and Water (1985) have proposed two extremely different views: the perspective and emergency approaches (Mintzberg & Water, 1985). Advocates of planning perspective argue that strategies should be deliberately planned and executed. In their view anything that emerges unplanned is not really strategy (Andrew, 1987, p: 152). Andrew also argued, "A successful pattern of action that was not intended cannot be called strategy, but should be seen for what it is brilliant improvisation or just plain luck" (ibid, p: 154).

On the other hand, supporters of emergent perspective doubt the value of plan and focus on the emergence of strategy in the absence of explicit intentions. They do not question the value of planning and control as means for managing some organizational processes, but pointed

out that strategy formation is not one of them. They continue to argue that, in general, planning and control are valuable for routine activities that need to be efficiently organized (e.g. production or finance). But planning is less suitable for non- routine activities – that is, for doing new things such as R&D and the invention of new products. Form the above discussion, it could be realized that a planning approach to strategy formation has many advantages over ad hoc management. A plan gives an organization direction, instead of letting it drift. A planning approach to strategy formation also allows for the formalization and differentiation of strategy tasks. Because of its highly structured and sequential nature, planning lends itself well to formalization (Wit & Meyer, 2000).

The importance of planning approach to strategy formation has been discussed above. What is the basis of a good strategy? Are there characteristics that effective strategies have in common that could be used as criteria for developing new strategies? The study will attempt to assess these questions in the following section.

2.3 Outside-in and Inside-out Perspectives

Two different perspectives on strategy can be identified, that underlie the broad spectrum of views observed within the field of strategic management. These two opposing outlooks are the ***outside-in perspective*** and ***the inside-out perspective*** (Wit & Meyer, 2000).

To understand the differences between the outside-in and inside-out perspectives, it is useful to start with their similarities. The variety of views on the topic is dauntingly large. Both views accept the four broad criteria that need to be met by a good strategy (Wit & Meyer, 2000). Rumelt (1982) argued that strategies must be *feasible* (implement able) and consistent (no mutually exclusive goals or policies. He also stated that strategies must provide a *competitive advantage*. Finally, he noted that necessity of consonance- a fit between the organization and its environment (Rumelt, 1982: 359-69).

Strategists adopting an outside-in perspective believe that firms should not be self-centred; but should continuously take their environment as starting point when determining their strategy. According to Day (1990) and Webster (1994), successful firms are *externally oriented* and *market-driven*. Such companies take their cues from customers and competitors,

and use these signals to determine their game plan. Strategists adopting an inside-out perspective argued that strategies should not be built around external opportunities, but around a company's strengths. They believe that organizations should focus on the development of difficult-to imitate competences and/or on the exclusive assets. Many strategists taking an inside-out perspective tend to emphasise the importance of the firm's competences over its tangible resources and physical assets. Their views are more specifically referred to as competence-based strategy (Day 1990 & Webster 1994 cited by Wit & Meyer, 2000).

2.4 The Process of Strategic Planning

The strategic planning process helps organizations identify what they intend to achieve and how they will go about achieving it. This process involves strategic making and strategic implementing process. Over all, it consists of five interrelated managerial tasks. They are:

1. Setting a strategic vision of where the organization is headed,

2. Setting objective – converting the strategy vision into specific performance outcomes for company to achieve,

3. Crafting a strategy to achieve the desired outcomes,

4. Implementing and executing the chosen strategy efficiently and effectively, and

5. Evaluation performance and initiating corrective adjustment in vision, long term direction long term, objectives, strategy, or execution in light of actual experience changing conditions, new ideas, and new opportunities (Thompson & Strickland, 2003).

Evaluation performance and initiating corrective adjustment in the company plan is a crucial step in a planning process. The main focus of my research is the evaluation performance and positive adjustments of a Marine company in Eritrea. Since its establishment in 1995, the Eritrean Marine Products Company has implemented different strategies to achieve its desired outcome. The Evaluation of this outcome is very crucial to take corrective actions and to ensure long-term success for the company. The next section will focus on the strategy evaluation. The criterion of strategy evaluation involves: ***feasibility, acceptability*** and ***suitability,*** as it is shown in figure (1) in the last chapter. Moreover, this criterion will be the framework of my analysis.

2.5 Strategy Evaluation

Once the strategic choices decisions have been made; the strategic plan has been formulated and implemented; there is still a crucial decision needed to ensure long-term success. A strategic evaluation and control process needed to be decided on and installed so that the organization can monitor performance and take corrective actions (Katsioloudes, 2002, p: 134).

Strategy evaluation is less a choice mechanism because strategic choice is influenced by various political, social, and organizational variables; rather than a testing mechanism in which the different implications of a variety of strategic option can be explored. Rumelt (1982) argued that strategy evaluation should integrate part of an organization's processes of planning; review and control, although this can be done in a number of different ways. It can be informal; brief and cursory, or formal elaborate; and lengthy. Rumelt also argued that strategy evaluation should not be frequent, for instance, due to change in leadership or change of political settlement; but it should be part of the planning process (Rumelt, 1982, p: 101).

The strategic options of evaluation: When we talk about strategy evaluation, what we really mean is the evaluation of strategic option; any element of a strategy that deviates from central strategy. Strategic option is a connected series of decisions on all elements of the strategic context mix. The strategic basis of the organization involves: ownership, mission, values scopes, and the generic strategies (cost leadership, differentiation, and focus). The evaluation should include the firm competitive scope with the industry; the number of stages of the industry's production; distribution chain it operated; the geographic coverage, and the size and makeup of its customer base (Thompson & Strickland, 2003).

Choosing the criteria to evaluate strategic options: Rumelt (1982) purposes four tests of strategy: consistency, consonance, advantage and feasibility. ***Consistency***: the strategy must not present mutually inconsistent goals and policies. ***Consonance***: the strategy must represent an adaptive response to the external environment and the critical changes occurring within it. ***Advantage***: The strategy must provide for the creation and/or maintenance of a competitive advantage in the selected area activity.

Feasibility: The strategy must neither overtax available resources nor create unsolvable sub problems (Rumelt, 1982:141).

Johnson & Scholes (2002) have reduced this fourfold classification into three tests: ***Feasibility, Suitability and Acceptability***. There is quite a close match between their 'acceptability' test and Rumelt's test of '*advantage*'. On the other hand, the main differences between these schema is that Johnson & Scholes have combined Rumelt's '*consistency*' and '*consonance*' tests into the single test of '*suitability*'. In the Johnson & Scholes' schema, the *feasibility* test meant to eliminate all options that infringe constraints imposed by financial conditions (related to both borrowing and cash flow); staffing availability; managerial capacity; and physical limitations, such as land availability, environmental protection and pollution control.

According to Johnson & Scholes, the *suitability* test consists of screening the strategic options to see how well they fit into the organizational culture and address the key problems facing the organization – 'whether a strategy addresses the circumstances in which an organization is operating. The acceptability test proposed by Johnson & Scholes (2002) consists of all the success criteria, which matter to different stakeholders of the organization- 'the expected performance outcomes of a strategy'. They suggest that it could include financial criteria (such as the maximization of return on investment or maximizing shareholder value) or organization other than the one sponsoring the project or strategy (Johnson & Scholes, 2002,).

When the *suitability* and *acceptability* tests are viewed from a multi-stakeholder approach, there is little difference between them, since different stakeholders depend on how they read the relationship between the 'circumstances' of the organization and their desired success outcomes; that will judge 'suitability' of the strategy differently. In other word, each stakeholder is likely to have a different view on the enabling factors, which are critical in bringing about the success outcomes they seek. The next section will discuss the *suitability*, *feasibility* and *acceptability* criteria in detail.

2.5.1 Testing Suitability

According to Johnson & Scholes, *suitability* concerns whether a strategy addresses the circumstances in which the organization is operating. This process consists of two stages: establishing the rationale/strategic logic for each strategic option in its own tight and; establishing the relative merits of an option when a number of choices are available through processes of screening options for further evaluation (Johnson & Scholes, 2002). The next sub-section section looks at each of these aspects of evaluation.

2.5.1.1 Establishing the Rationale

The assessment of suitability of a particular strategy is concerned with whether it addresses the circumstances in which the environment is operating or wishes to operate. For example, the extent to which new strategies would fit with the future trends and changes in the environment, and how the strategy might exploit the core competences of the organization (Johnson & Scholes, 2002).

Different types of analytical tools can be used to identify a company's circumstances and judgment about what strategy to pursue. This judgment needs to flow directly from solid analysis of the company's external environment and internal situation. The most important situational considerations are: the macro environment; the industry competitive conditions; and the company's own competitive capabilities (Thompson & Strickland, 2003). This will be discussed below in detail.

2.5.1.1.1 Macro Environment Analysis

"Macro environmental factors are all relevant forces outside a company's boundary, and are beyond a company's sphere influence and control. Management is nonetheless obliged to monitor them and adopt the company strategy accordingly" (Grundy & Brown, 2002). The purpose of an external audit is to develop a finite list of opportunities that could benefit a firm, and realise threats that should be avoided (David, 2000, p: 82). Therefore, discussing PEST analysis and competitors' analysis will be imperative.

Relate this to your industry & give a glimpse of what is to come.

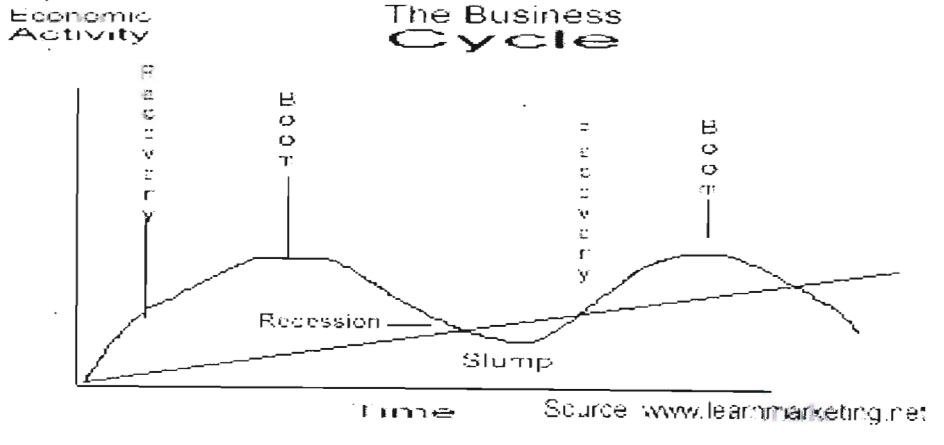
PEST

The external environment of any organization can be analyzed by conducting a PEST analysis. The acronym PEST (sometimes rearranged as STEP) is used to describe a framework of analysis to a range of macro environmental factors, such as political, economical, social and technological (Managan, J., 2001, p: 4).

***Political Factors*:** The direction and stability of political environment is a major consideration for mangers in formulating company strategy. Political factors define the legal and regulatory parameters within which firms must operate (Pearce & Robinson, 1997). Therefore, Political constraints are placed on firms through fair-trade decisions; antitrust laws; tax programs; and minimum wage legislation. Since such laws and regulations are most commonly restrictive, they tend to reduce the potential profits of firms. However, some political actions are designed to benefit and protect firms. For example, patent laws, government subsides, and product research grants (Chapman, A., 2001, p: 8).

Economical Factors: "Economic factors concern the nature and direction of the economy in which a firm operates. Because consumption patterns are affected by the relative affluence of various market segments. In its strategic planning, each firm must consider economic trends in the segments that affect its industry" (Pears & Robinson, 1997, p: 24).

Figure 2.2: Business Cycle



Adopted from: internet 6

As it indicated in the above figure, an economy that booms is characterised by certain variables. These involve low unemployment, high job confidence, and high spending confidence by consumers. On the other hand, an economy in a recession is characterised by high unemployment, low spending and low job confidence, and low security (Schiller, 2000, p: 158). In cases of booming, organizations have to be able to keep up with the increased demand in order to increase turnover. During recession, businesses face a tough time; consumers do not spend because of low disposable income. Therefore, many businesses cut on costs i.e. Labour; and introduce shorter weeks and cut back on advertising to save money (Managan, J., 2001, p: 7). Moreover, macro economical factors involve: government intervention in the free market; labour cost and skill level of workforce; comparative advantage of host country; exchange rate and stability of host country.

Social Factors: "The social factors that affect a firm involve beliefs, values, attitudes, opinions, and lifestyles of persons in the firm's external environment; that develop from cultural, ecological, demographic, religious, educational, and ethnic conditioning" (Pears & Robinson, 1997). For example within the Western societies people's attitudes are changing towards their diet and health. Population changes also have a direct impact on all organizations. Changes in the structure of a population will affect also the supply and demand of goods and services within an economy. As society changes, as behaviour change organizations must be able to offer products and services that aim to complement and benefit people's lifestyle and behaviour (Managan, J., 2001, p: 7).

Technological Change: Changes in technology are changing the way business operates. Creative technological adaptations can suggest possibilities for new products, for improvements in existing products, or manufacturing and marketing techniques(Managan, J., 2001, p: 7). All firms and most particularly those in turbulent growth industries must strive for an understanding both of the existing technological advances and the probable future advances that can affect their products and services. This will help protect and improve the profitability of firms in growing industries (Pears & Robinson, 1997).

Give early indication in each of these areas of links & relevance to the for your case

2.5.1.1.2 Industry Analysis

The industry analysis consists of Porter Diamond Model, Five Forces Model; Competitors Analysis; and Key success factors of the industry.

Porter Diamond

The home base provides basic factors, which support or hinder organizations from building advantages in global competition. Organizations may use the Porter diamond model to identify the extent to which they can build on home based advantages to create competitive advantage in relation to others on a global front. Porter distinguishes four determinants which will be discussed as follows:

Factor Conditions

The situation in a country regarding production factors, like skilled labor, infrastructure, etc., which are relevant for competition in particular industries. These factors can be grouped into human resources (qualification level, cost of labor, commitment etc.), material resources (natural resources, vegetation, space etc.), knowledge resources, capital resources, and infrastructure. These national factors often provide initial advantages, which are subsequently built upon. Each country has its own particular set of factor conditions; hence, in each country will develop those industries for which the particular set of factor conditions is optimal. Porter points out that these factors are not necessarily nature-made or inherited. They may develop and change such as political initiatives, technological progress or socio-cultural changes (Porter, 1985, cited by Recklies, D., 2001).

Home Demand Conditions

Home demand conditions influence the shaping of particular factor conditions. They have impact on the pace and direction of innovation and product development. According to Porter, home demand is determined by three major characteristics: their mixture (the mix of customers needs and wants), their scope and growth rate, and the mechanisms that transmit domestic preferences to foreign markets. Porter states that a country can achieve national advantages in an industry or market segment, if home demand provides clearer and earlier signals of demand trends to domestic suppliers than to foreign competitors. Normally, home markets have a much higher influence on an organization's ability to recognize customers' needs than foreign markets do (Hill; 2003.p:160).

Related and Supporting Industries

The third attribute of national advantage in an industry is the presence of suppliers or related industries that are internationally competitive. The benefits of investments in advanced factors of production by related and supporting industries can spill over into an industry, thereby helping it achieve as strong competitive position internationally. Porter's study findings stated that successful industries within a country tend to be grouped into clusters or related industries. Such clusters are important, because valuable knowledge can flow between the firms within a geographic cluster, benefiting all within that cluster.

Firm Strategy, Structure, and Rivalry

Porter makes two important points. First, different nations are characterized by different management ideologies, which either help them or do not help them to build national competitive advantage. Porter's second point is that there is a strong association between vigorous domestic rivalry and the creation and persistence of competitive advantage in an industry. Vigorous domestic rivalry induces firms to look for ways to improve efficiency, which makes them better international competitors. Domestic rivalry creates pressures to innovate, to improve quality, to reduce costs, and to invest in upgrading advanced factors. All this helps to create world-class competitors (Hill; 2003.p:160)

Five Forces Model

Porter has identified five competitive forces that shape every industry and every market. These forces determine the intensity of competition and, the profitability and attractiveness of an industry (Thompson & Strickland, 2003). The objective of the business strategy should be to modify these competitive forces in a way that improves the position of the organization. Based on the information derived from the Five Forces Analysis, management can decide on how to influence or exploit particular characteristics of their industry (Recklies, D., 2001).

Therefore, it is imperative to discuss the five forces model as follows:

Competitive Rivalry between Existing Players: rivalry among competing firms is usually the most powerful of the five competitive forces. The strategies pursued by one firm can be successful only to the extent that they provide competitive advantage over the strategies pursed by rival firms. Changes in strategy by one firm may be met with retaliatory countermoves, such as lowering prices, enhancing quality, adding features, providing services, extending warranties, and increasing advertising (David, 2000, p: 99). Porter (1980)

argued that the intensity of rivalry among competing firms tends to increase as the number of competitors increases; as competitors become more equal in size and capability; as demand for the industry's products declines; and as price cutting becomes common (Porter 1980 cited by David, 2000, p:100).

Potential Entry of New Entrants: the competition in an industry will be higher; while it is easier for other companies to enter this industry. In such a situation, new entrants could change major determinants of the market environment (e.g. market shares, prices, customer loyalty) at any time (Recklies, D., 2001).

Therefore, Barrier to entry can include the need to gain economies of scale quickly; the need to gain technology and specialised know-how; strong customer loyalty; strong brand preference; and large capital requirement (David, 2000, p: 101).

Bargaining Power of Suppliers: The bargaining power of suppliers affects the intensity of competition in an industry. This impediment occurs especially when there are large numbers of suppliers; when there are only a few good substitute raw materials; or when the cost of switching raw materials is especially costly. This, however, sometimes turn to the benefit of both supplier and producers. It helps them to assist each other with reasonable prices; improved quality; and development of new services, just-in time deliveries (Recklies, D., 2001).

Bargaining Power of Customers: when customers are concentrated or large, or buy in volume, their bargaining power represents a major force affecting of competition in an industry. Rival firms may offer extended warranties or special services to gain customer loyalty whenever the bargaining power of consumers is substantial. Bargaining power of consumers is also higher when the products being purchased are standard or undifferentiated. When this is the case, consumers often can negotiate price; warranty coverage and accessory packages to a greater extent (David, 2001, p: 101)

Threat of Substitutes: a threat from substitutes exists if there are alternative products with lower prices of better performance parameters for the same purpose. They could potentially attract a significant proportion of market volume and hence reduce the potential sales volume for existing players. This category also relates to complementary products. Similarly to the threat of new entrants, the treat of substitutes is determined by factors like brand loyalty of customers, and close customer relationships (Recklies, D., 2001).

Use of the Information form Five Forces Analysis to develop Strategic Option

Five Forces Analysis can provide valuable information for three aspects of corporate planning: statistical analysis, dynamical analysis and the analysis of options. With the knowledge about intensity and power of competitive forces, organizations can develop options to influence them in a way that improves their own competitive position.

The result could be a new strategic direction e.g., a new positioning and differentiation for competitive products of strategic partnerships.

Table 2.1: Influencing the Power of Five Forces

Reducing competitive rivalry among existing players	**Reduce potential of new entrants**
• Avoid price competition • Differentiate your product • Buy out competition • Reduce industry over-capacity • Focus on different segments • Communicate with competitors	• Increase minimum efficient scales of operation. • Create a marketing/brand image loyalty as a barrier. • Patents, protection of intellectual property • Alliances with linked products/services • Tie up with suppliers and distributors • Relation tactics.
Reducing the bargaining power of suppliers	**Reducing the bargaining power of customers**
• Partnering • Supply chain management • Supply chain training • Increase dependency • Build knowledge of supplier cost	• Partnering • Supply chain management • Increase loyalty • Increase incentives & value added • Move purchase decision away from price • Cut up powerful intermediaries.
Reducing threats of substitutes	
• Threats of substitutes • Avoid price competition • Differentiate your product • Buy out competition • Reduce industry over-capacity • Focus on different segments • Communicate with competitors	

Source: (Recklies, D., 2001).

Competitors Analysis

In order to be competitive in the market place, companies need to pay attention to what competitors are doing. A company cannot expect to outmanoeuvre its rivals without monitoring their action, understanding their strategies, and anticipating what moves they are likely to make next (Lander, E., 2002, p:16). The analysis should focus on the identification of threats, opportunities, or strategic uncertainties created by emerging or potential competitors' moves, weaknesses, or strengths. The first examines the perspective of the customer who must make choices among competitors in strategic groups on the basis of their competitive strategy (David, 2000, p: 115). Additional insights into what competitors is up to and its future strategy can be gotten by considering the competitors' geographic market arena, strategic intent, market share objective, position on the industry. It is important to know whether the competitors' recent moves are mostly offensive or defensive (Thompson & Strickland, 2003). Different approaches can be used to analyze competitors: the customer based approach, and competitors-strategic groups. They will be discussed below in detail.

Identifying competitors –customer based approach: Customer based approach consist of two approaches the customer choice and product-use association. The customer approach is identifying competitors' sets by looking at competitors from the perspective of customers. While the product approach provides insights are the association of products with specific use contexts or applications. Both the customer-choice and product-use approaches suggest a conceptual basis for identifying competitors that can be employed by mangers even when marketing research is not available.

Identifying Competitors-Strategic Groups: A concept of a strategic group provides a very different approach toward understanding the competitive structure of an industry. A strategic group is a group of firm that over time pursues similar competitive strategies (e.g., the use of the same distribution channels and heavy advertising; have similar characteristic (e.g. size, aggressiveness) and have similar assets and competencies (e.g. quality image). In any case, firms in different groups will have different bases on which they compete and different competitive advantages. They could also differ with respect to characteristics having possible strategic importance, such as firm size, diversification, and multinational presence. Each strategic group has mobility barriers that inhibit or prevent businesses from moving from one group to another, example of entry barriers are brand reputation, manufacturing capabilities,

technical know how. The mobility barrier concept is crucial because one way to develop a sustainable competitive advantage is to pursue a strategy that is protected from competition by assets and competencies that represent barriers to competitors.

The conceptualization of strategic groups can make the process of competitor analysis more manageable. Numerous industries contain many more competitors than can be analysed individually. Often it is simply not feasible to consider all the competitors. Reducing this set to a small number of strategic groups makes the analysis compact, feasible, and more usable (Aaker, 1998: 59-66).

Key success factors of the industry

Key success factors are so important that all firms in the industry must pay close attention to them. Key success factors are the rules that shape whether a company will be financially and competitively successful. A company with perceptive understanding of industry Key Success Factors can gain sustainable competitive advantage by training its strategy on industry key success factors and devoting its energies to being distinctively better than rivals on one or more of these factors. Key success factors vary from industry to industry and even from time to time within the same industry as driving forces and competitive conditions change, for example in the soft drink industry, the key success factors are full utilization of soft drink capacity in order to keep the manufacturing cost low, and a strong network of wholesale distributors in order to gain access to as many retail outlets as possible. While in the fish industry the key success factors are the skills related to quality assurance and control. In order to identify the key success factors in the industry, the answer to the following questions is very important:

NB Good

1. On what basis do customers choose between the competing brands of seller? What product attributes is crucial?
2. What resources and competitive capabilities does a seller need to have to be competitively successful?
3. What does it take for sellers to achieve a sustainable competitive advantage?

Therefore managers should identify the factors that are most important to the company and exclude those that have minor importance on their list of the key success factors (Thompson & Strickland, 2003).

2.5.1.1.3 Company Analysis

In the above analysis the tools of macro environment, industry and competitive analysis have been used to assess a company's external environment. In order to evaluate a company's resource capabilities, relative cost position, and competitive strength the techniques; SWOT analysis, core competences, value chain, strategic cost analysis and competitive strength assessment will be used and discussed in detail in the coming section.

Evaluating the company's mission and objectives

Evaluation and initiating corrective adjustment in of the company's mission statement and objectives are important process that a company must pay close attention to it. A mission statement of an organization outlines the broad directions that it should and will follow the reasoning and values that lie behind it (Thompson & Strickland, 2003). All stakeholders' claims on an organization cannot be pursued with equal emphasis; therefore a good mission statement should indicate the relative attention that an organization would devote to meeting the claims of various stakeholders. More firms are becoming environmentally proactive in response to the concerns of stakeholders. A good mission statement must also describe an organization's purpose, business, values, products or services, markets and technology (Recklies, D., 2001). It should also reflect the anticipations of customers, rather than developing a product and then trying to find a market, the operating philosophy of organization should be to identify customers' needs and then provide a product or service to fulfill those needs (David, 2001, p:76).

After evaluating an organization's mission, the evaluation of company's objectives is very important. The purpose of setting objectives is to convert managerial statement of strategic vision and mission into specific performance target-results and outcomes the organization wants to achieve. Strategic objectives should be specific, measurable, achievable and time scheduled (William, 2000, p.120). There are two kinds of objectives to be evaluated: the *strategic* and *financial* objectives. Strategic objectives aim at increasing competitiveness and stronger business position-outcomes, such as winning additional market share, and overtaking key competitors. On the other hand, financial objectives concerned in the financial results and outcomes, such as the increase sales by 15% (Thompson & Strickland, 2003).

SWOT Analysis

SWOT analysis is a framework for analyzing the strengths, weaknesses, opportunities, and threats the company face. This will help the company to focus on its strengths; minimize weaknesses, and take the greatest possible advantage of opportunities available (Hanson & Katharine, 2002).

Identification Strengths and weaknesses: "Strength is a resource, skill, or other advantage to competitors, and the needs of the markets a firm serves or expects to serve. This involves: skill or important expertise; valuable physical assets; valuable intangible assets and competitive capabilities" (Peare & Robinson, 1997). According to Barney (1991), a weakness is a limitation or deficiency increase; skills or capabilities that seriously impede a firm's effective performance (Barney, 1991, p: 99). Identifying the strengths and weaknesses will enable the company to focus and augment its future resource base.

Identification Opportunities and Threats: "An opportunity is a major favorable situation in a firm's environment. Opportunities most relevant to a company are those that offer important avenues for profitable growth; those where a company has the most potential for competitive advantage; and those that match up. Changes in competitive or regulatory circumstance; technological changes; and improved buyer or supplier relationships could represent opportunities for the firm. On the other hand, threats are key impediments to the firm's current or desired position. The entrance of new competitors, slow market growth, and increased bargaining power of key buyers or suppliers could represent threats to a firm's success" (Peare & Robinson, 1997).

Evaluating the strengths, weaknesses, opportunities and threats will lead the company to draw conclusion about the following:

(a) How the company's strategy can match to both its resource capabilities and its market opportunities, and
(b) How urgent it is for the company to correct particular resource weaknesses and guard against particular threats.

There are different techniques that can be used to help the company match between its resource capabilities and its market opportunities. Impact analysis is one helpful technique for assessing the impact of environment changes on the current strengths and weaknesses of an

organization; which can help managers to understand the changing environment in such a way that will allow them to identify opportunities, or to recognize threats, which are especially important (Thompson & Strickland, 2003).

The following table shows the impact analysis of a Car Manufacturer Company. It will be used as an example to discuss the impact analysis technique.

Table 2.2: Impact Analysis for Renault Car Manufacturer

Strength and Weakness	**Kev Environmental Development**				
	Saturation of Developed market	Growing environmental and fiscal pressure in EU	Potential for growth in developing market	Growing demand for vehicles	+ -
Main Strengths					
Product range	+1	0	+2	+3	6
Capacity for innovation	+2	0	+1	+1	4
Formula one image	+1	0	+1	+1	3
Main weaknesses					
Sales concentrated in EU	-3	-2	-2	0	7
Small size compared with main competitors	-2	0	-1	0	3
Poor performance in the Top of the range sector	-1	0	0	-1	2
+	4	0	4	5	
-	6	2	3	1	

Source: Scholes & Johnson (2002)

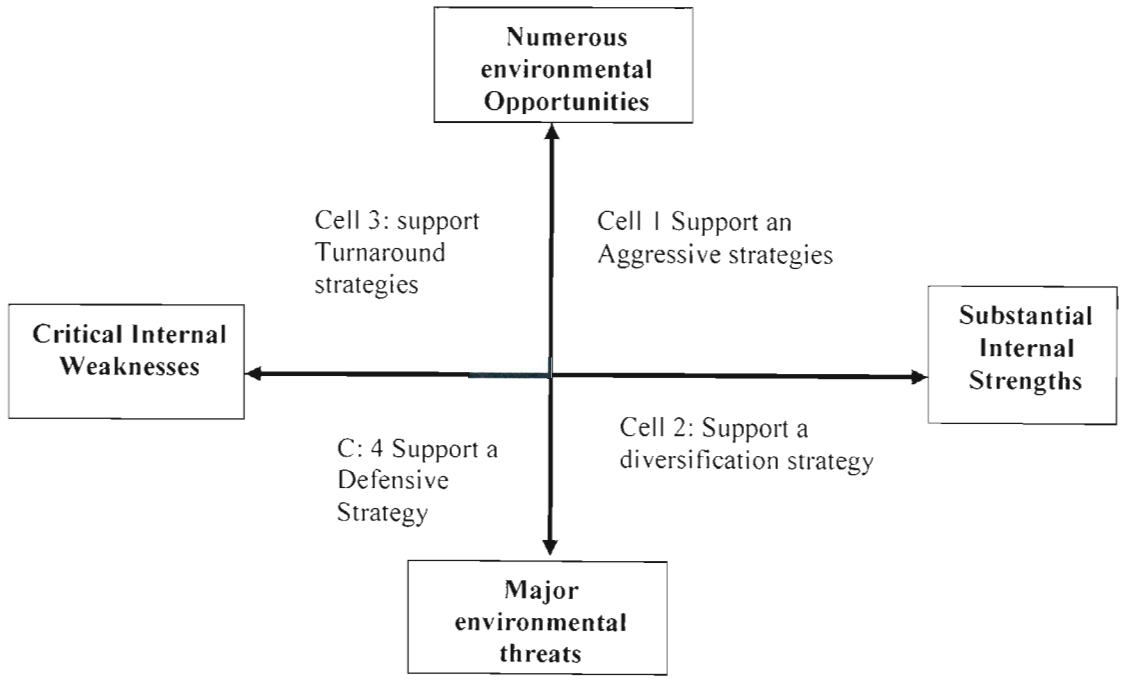
The environmental change opportunities and threats are listed horizontally, while the strengths and weakness listed in the vertical side in the matrix. A scoring mechanism is used as an aid to provide clarity to the analysis, which will be described below:

- The positive (+) score denotes that a strength that a company possesses would help it take advantage of, or counteract, a problem arising from an environmental change or a weaknesses that would be offset by the environmental change.
- A negative (-) score denotes that strength would be reduced by the environmental change or a weakness would prevent the organization for overcoming the problems associated with an environmental change.
- A zero (0) score indicates that current strength and weakness would not be affected by an environmental change (Ambrosoni, 1998, p: 126).

Based on the above table, analysis of the company's existing strengths shows that the company has capacity for innovation, product-range, formula, and image that helps the company to react to the environmental changes (such as growing demand for vehicles and the saturation of the developed market). Simultaneously, the analysis also shows several weaknesses. These involve, for example, the small sales size comparing with competitors and the concentration of sales in Europe that hindered the company from taking advantage of the growing demand in developing market (Johnson & Scholes, 2002). An overall indication of the company's position, given the changes it faces, is shown by the environmental impact score at the foot of the table, in these terms the future does not look very good, with an aggregated negative score against each of the likely environmental changes. It is suggested that existing weaknesses should be overcame (ibid).

The result of the environment impact scores gives a company a direction, and a strategy to pursue. The following diagram of SWOT analysis can be used to help strategic analysis.

Figure 2.3: SWOT Analysis



Source: Pearce & Robinson, 1997, p: 172

Key external opportunities and threats are systematically compared with internal strengths and weaknesses in a structured approach. The objective is an identification of four distinct patterns in the match between a firm's internal and external situation. Four cells as are shown in a figure 2.3 represent the mentioned patterns. *Cell 1* is the most favorable situation. The firm faces several environmental opportunities and has numerous strengths that encourage pursuit of those opportunities. This situation suggests growth-oriented strategies to exploit the favorable match. *Cell 4* is the least favorable situation with the firm facing major environmental threats from a position of relative weaknesses. This situation clearly calls for defensive strategies that reduce or redirect involvement in the products or markets. In *cell 2*, a firm with key strengths faces an unfavorable environment. In this situation, strategists would use current strengths to build long-term opportunities in more opportunistic product markets. A firm in *cell 3* faces impressive market opportunity but is constrained by internal weaknesses. The focus of strategy for such a firm is eliminating the internal weaknesses so as to more effectively pursue the new markets with new products (Pears & Robinson, 1997).

Selection of Grand strategies

One valuable guide to the selection of a promising grand strategy is the matrix shown in figure 2.4. The basic idea underlying the matrix is that two variables are of central concern in the selection process: (1) the principal purpose of the grand strategy, and (2) the choice of an internal or external emphasis for growth or profitability. In quadrant 1, with: all its eggs in one basket, often vies itself as over committed to a particular business with limited growth opportunities or high risk. One reasonable solution is *vertical integration*, which enables the firm to reduce risk by reducing uncertainty about inputs or access to customers. Another is *conglomerate diversification*, which provides a profitable investment alternative with diverting management attention from the original business. However, the external approaches to overcoming weaknesses usually result in the most costly grand strategies. Acquiring a second business demands large investments of time and sizable financial resources. Thus, strategic managers considering these approaches must guard against exchanging one set of weaknesses for another (Pears & Robinson, 1997).

The more-conservative approaches to overcoming weakness are found in quadrant 11. Firms often choose to redirect resources from one internal business activity to another. The least disruptive of the quadrant 11 strategies is retrenchment, pruning the current activities of a business. If the weakness of the business arose from inefficiencies, *retrenchment* can actually

serve as a turnaround strategy – that is, the business gain new strength from the streamlining of its operation and the eliminating of waste. However, if those weaknesses are a major obstruction to success in the industry and the costs of overcoming them are unaffordable or are not justified by a cost benefit analysis, then eliminating the business must be considered. *Divestiture* offers the best possibility for recouping the firm's investment, but even liquidation can be an attractive option if the alternatives are bankruptcy or an unwarranted drain on the firm's resources (ibid).

A common business proverb states that a firm should build from strength. The premise of this proverb is that growth and survival depend on an ability to capture a market share that is large enough for essential economics of scale. If a firm believes that the approach will be profitable and prefers an internal emphasis for maximizing strengths, four grand strategies can hold considerable promise. As shown in quadrant 111, the most common approach is *concentrated growth*, that is, market penetration. The firm that selects its strategy strongly committed to its current products and markets. It strives to solidify its position by reinvesting resources to fortify its strengths (ibid).

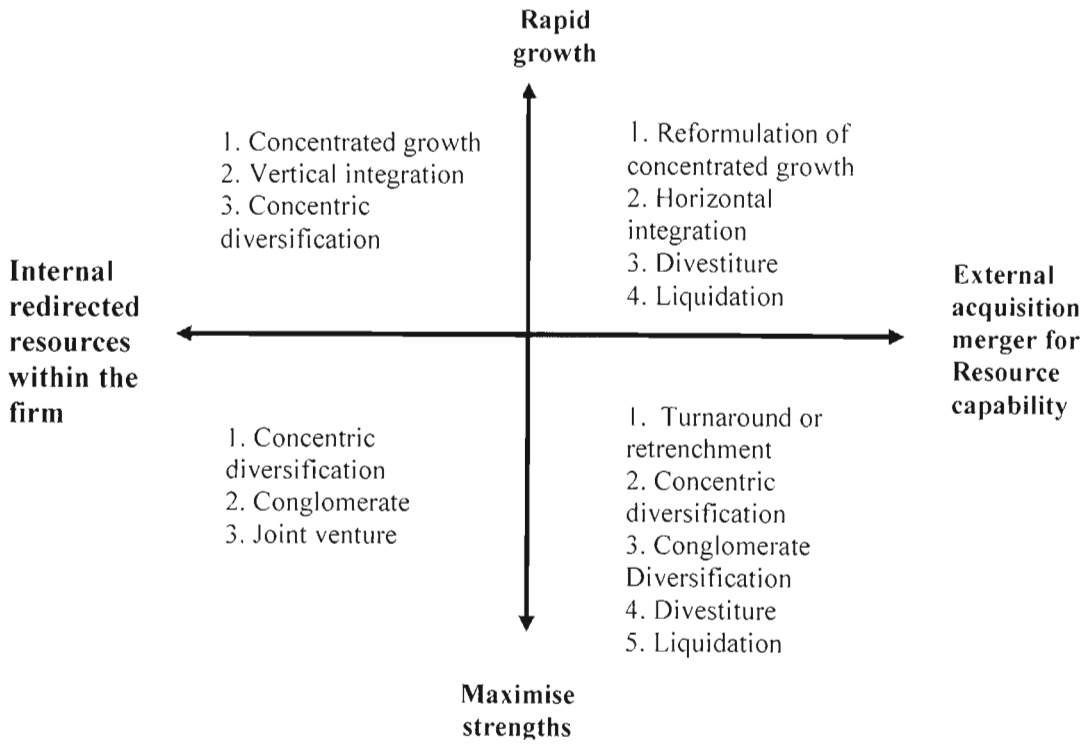
Two alternative approaches are *market development* and *product development.* With these strategies, the firm attempts to broaden its operations. Market development is chosen if the firm's strategic managers feel that its existing products would be well received by new customers groups. Product development is chosen if they that the firm's existing customers would be interested in products related to its current lines. Product development also may be based on technological or other competitive advantages. The final alternative for quadrant 111 firms is innovation. When the firm's strengths are in creative product design or unique production technologies, accelerating perceived obsolescence could stimulate sales. This is the principle underlying the innovative grand strategies (ibid).

Maximizing a firm's strengths by aggressively expanding its base operations usually requires an external emphasis. The preferred options in such cases are shown in quadrant IV. *Horizontal integration* is attractive because it makes possible a quick increase in output capability. Moreover, in horizontal integration, the skills of the managers of the original business often are critical in converting newly acquired facilities into profitable contributors to the parent firm; this expands a fundamental competitive advantage (ibid).

Concentric diversification is a good second choice for similar reasons. Because the originally and newly acquired businesses are related, the distinctive competencies of the diversifying firm are likely to facilitate a smooth, synergistic, and profitable expansion.

The final alternative for increasing resource capability through external emphasis is a joint venture or *strategic alliance*. This alternative allows a firm to extend its strengths into competitive arenas that it would be hesitant to enter alone. A partner's production, technological financial or marketing capabilities can reduce the firm's financial investment significantly and increase its probability of success (ibid).

Figure 2.4: Grand Strategy Clusters Matrix



Source: Pearce & Robinson, 1997, p: 267

Identifying Competencies and Capabilities

A company competence is nearly always the product of experience, representing an accumulation of learning over time, and the build up over time of real proficiency. Competencies have to be consciously built and developed; they don't just happen. Example of competencies involves skills in merchandising, product display, expertise in certain technology and expertise in just on time inventory management practices (Thompson & Strickland, 2003).

According to John K., (1990) core competence of the organization lies in the collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams of technologies. He attributes corporate success to four distinctive capabilities: innovation, architecture, reputation and strategic assets, and suggest that the effective blending of these four can contribute to the unique capability of an organization (John K., 1990 cited by Ambrosnisi, 1998: 3-7).

Finding the Core Competence of an Organization

In most cases the core competences of an organization are hidden from competitors and from the organization itself. Few within established organizations have bothered to find out the real source of their true strengths. There are two methods to find and discover the core competencies of the firm: the bottom-up approach, and the top down approach. The bottom-up aggregates various materials; processes into complete products and services. It starts from the organization and may not move outwards to the customer because the researcher could get smothered in detail too early and lose his or her frame of reference. It is argued that this approach might work for product-based business, but there is a high risk of missing the core competence when it applied to service based organizations, practically those selling know-how as consultancies. The top-down approach begins the analysis form the customer and moves inward to the organization, by the following steps:

1. Analyzing the revenue stream and identify the product and services offered by the organization its served markets. To make sense, it is better to start with those products, which make a significant contribution to the organization revenue.

2. Using the selected products and services as guides:

(a) Disassemble them to identify the core products and services, and then disassemble them into their constituent parts to discover the basic technologies people skills, processes and strategic assets, which combine to produce these core products.

(b) Dissect the services to identify the core processes or unique talents that confer unique value to the delivered service.

(c) Relate the products or services to their subsystems: the technical subsystem, the administrative subsystem or the institutional sub system.

(d) Analyze the subsystem, which contributes to the company's market strength to find the basic technologies, people skills, processes and strategic assets, which combine to produce these core products that is your core competence (Ambrosnisi, 1998 p: 11)

Value Chain analysis

Value chain describes the activities within and around an organization; and relates them to an analysis of the competitive strength of the organization (or its ability to provide value for money products or services). The value chain as it is shown in figure 2.5 provides a systematic basis for analyzing the activities that an organization performs. Through these activities the organization creates value, and gains competitive advantage through reducing costs or increasing revenue more efficiently or more effectively than its rivals (internet 7).

The Value Chain of an organization can be broken down into various value activities that can be divided into two broad types: *primary activities* and *support activities*.

Primary Activities: those that are directly concerned with creating and delivering a product. This involves the following:

Inbound logistic: all those activities concerned with receiving and storing externally sourced materials.

Operations: The manufacture of products and service in the way in which resource inputs (e.g. material) are converted to outputs (e.g. products)

Outbound logistics: All those activities associated with getting finished goods and services to buyers.

Marketing and Sales: essentially an information activity-informing buyers and consumers about products and services (benefits, use, price etc.)

Service: All those activities associated with maintaining product performance after the product has been sold.

2. Support Activities: they are not directly involved in production; they may, however, increase effectiveness or efficiency (e.g., human resource management). It is rare for a business to undertake all primary and support activities. This involves:

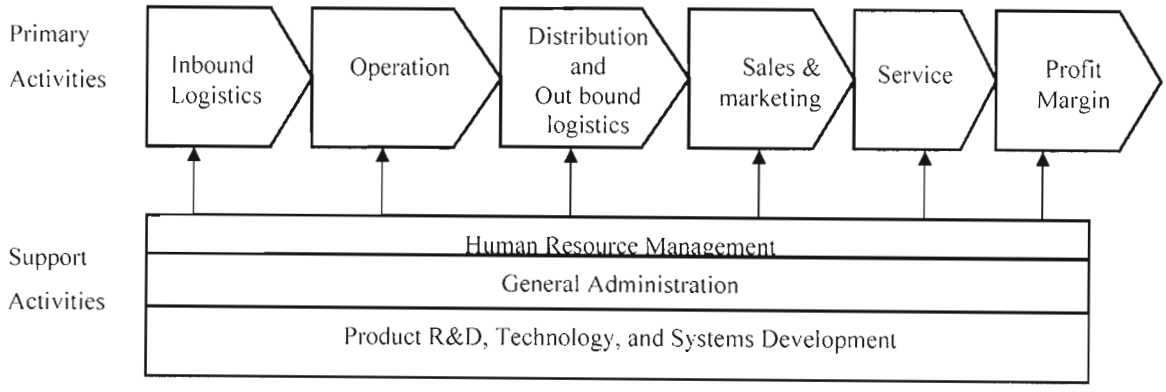
Procurements: This concerns how resources are acquired for a business (e.g. sourcing, negotiating with material suppliers.

Human resource: Those activities concerned with recruiting, developing, motivating and rewarding the workforce of a business.

Technology Development: Activities concerned with management information processing and the development and protection of "knowledge" in a business

Development Infrastructure: Concerned with a wide range of support systems and function such as finance, planning, quality control and general senior management (internet 7).

Figure 2.5: Value Chain



Source: Pears & Robinson, (1997), p: 196

Strategic Cost Analysis and Value Chain

Each of the activities discussed above gives rise to costs. The combined costs of all these various activities define the company's internal cost structure. Further, the cost of all these activities contributes to whether the company's overall cost analysis is favorable or unfavorable (Thompson & Strickland, 2003).

Michael Porter (1985) urged that the value chain and cost differ between a company that is pursuing a low-cost/low –price strategy and a rival that is positioned on the high end of the market with a product that has prestige quality and a wealth of features. In the case of the low-cost firm, the costs of certain activities along the company's value chain should indeed be

relatively low, whereas the high-end firm may understandably be spending relatively more to perform those activities that create the added quality and extra features. Moreover cost and price differences among rival companies can have their origins in activities performed by suppliers or by forward channel allies involved in getting the product to end users. Suppliers or forward channel allies may have excessively high cost structure or profit margins that jeopardize a company's cost competitiveness even though its costs for internally performed activities are competitive (Porter, 1985, p: 43).

Strategic Options for Achieving Cost competitiveness

Value chain analysis and benchmarking can reveal a great deal about a firm's cost competitiveness. One of the fundamental insights of strategic cost analysis is that a company's competitiveness depends on how well it manages its value chain relative to how well competitor's mange theirs. Porter argued that a company in order to assess its competitiveness' in end-use markets requires that company's managers understand the entire value chain system for delivering a products or service to end users; not just the company's own value chain (Porter, 1985, p:47)

There are three main areas in a company's overall value chain where important differences in the costs of competing firms can occur: the suppliers' part of the industry value chain; a company's own activity segments; or in the forward channel portion of the industry chain. If a firm's lack of cost competitiveness lies either in the backward (upstream) or forward (downstream) sections of the value chain, then re-establishing cost competitiveness may have to extend beyond the firm's own in-house operations (Thompson & Strickland, 2003).

The strategic options that can be pursued by the company for improving the cost competitiveness will be discussed below.

Option 1: Correction supplier related cost disadvantages

- Negotiate more favorable, work with suppliers to help them achieve lower cost,
- Integrate backward; use lower priced substitute inputs,
- Do a better job of managing linkage between suppliers' value chain and firm's own chain, and
- Try to make differences by initiating cost saving in areas of value chain.

Option 2: Correcting forward channel cost disadvantages

- Push for more favorable terms with distributors and other forward channel allies;
- Work closely with forward channel allies and customer to identify win-win opportunities to reduce costs;
- Change to a more economical distribution strategy and to make up difference by initiating cost savings earlier in value chain.

Option 3: Correcting internal cost disadvantages

- Initiate internal budget reduction;
- Re-engineer business processes to do better job of managing cost drivers;
- Try to eliminate some cost-producing activities by revamping value chain system;
- Relocate high-cost activities to lower-cost geographic areas;
- See if certain activities can be outsourced or performed cheaper by contractors;
- Invest in cost-saving technological improvement; innovate around troublesome cost components;
- Simplify product design to achieve cost reduction and try to make up difference by achieving saving in other areas of value chain system (Thompson & Strickland, 1995).

How Strong is The Company's Competitive Position

Using the tools of value chains, and strategic cost analysis to determine a company's cost competitiveness is necessary, but not sufficient. A more broad ranging assessment needs to be made of a company's competitive position and competitive strength. Particular issues that merit examination include: (1) whether the firm's market position can be expected to improve or deteriorate if the present strategy is continued; (2) how the firm ranks relative to rivals on each key success factor and each relevant measure of competitive strength and resource capability; (3) Whether the firm enjoys a competitive ability to protect and improve its market position in light of industry driving forces, competitive pressures, and the anticipated moves of rivals (Thompson & Strickland, 2003).

2.5.1.1.4 Industry Life-cycle Analysis

The requirements for success in industry segments change over time. Strategists can use these changing requirements, which are associated with different stages of industry evolution, as a framework for identifying and evaluating the firm's strengths and weaknesses. Four stages of industry evolution and the typical changes in functional capabilities, which are often associated with business success at each of these stages at the early development of product and market, for example, entails minimal growth in sales; major R&D emphasis; rapid technological change in the product; operating losses; and need for sufficient resources or slack to support a temporarily unprofitable operation. Success at this introduction stage may be associated with technical skills, with being first in markets or with having a marketing advantage that creates widespread awareness (Peare & Robinson, 1997).

The strengths are necessary for success change in the growth stage. Rapid growth brings new competitors into the product market. At this stage, such factors as brand recognition, product differentiation, and the financial resources to support both heavy marketing expenses and effect of price competition on cash flow can be key strengths (ibid).

As the industry moves through a shakeout phase into the maturity stage, industry growth continues, but at a decreasing rate. The number of industry segments expands, but technological change in product design slows considerably. As a result, competition usually becomes more intense, and promotional or pricing advantage and differentiation become key internal strengths. Technological change in process design becomes intense as the many competitors seek to provide the product in the most efficient manner. Where the R&D was critical in the introduction stage, efficient production is now crucial to continued success in the broader industry segment (ibid).

When the industry moves into the decline stage, strengths and weaknesses centre on cost advantages, superior suppliers or customer relationships, and financial control. Competitive advantages can exist at this stage, at least temporarily; if a firm serves gradually shrinking markets that competitors are choosing to leave (ibid).

Table 2.3: Industry Lifecycle Matrix

Industry Maturity Stage

Competitive position	Embryo	Growth	Mature	Decline
Dominant	Fast grow start-up	Fast grow attain Cost leadership Renew defend position	Defend position attain Cost leadership Fast grow	Defend position Focus Renew Grow with industry
Strong	Start up Differentiate Fast grow	Fast grow Catch up Attain cost leadership Differentiate	Attain cost Leader ship Renew Focus Differentiate Grow with industry	Harvest, Hang-in Find niche, H old niche. Grow with industry
Favourable	Start-up Differentiate focus Fast grow	Differentiate Focus Catch up Grow with industry	Harvest, Find niche, Hold niche Renew, turnaround Focus Grow with industry	Turnaround Retrench
Tenable	Start-up grow with industry focus	Harvest Catch up Hold niche Turnaround Focus Grow with industry	Harvest Find niche Turnaround Retrench	Withdraw Disinvest
Weak	Find niche Catch up Grow with industry	Turnaround Retrench	Withdraw Disinvest	Withdraw

Source: adopted from Johnson & Scholes (1999)

2.5.1.1.5 Positioning

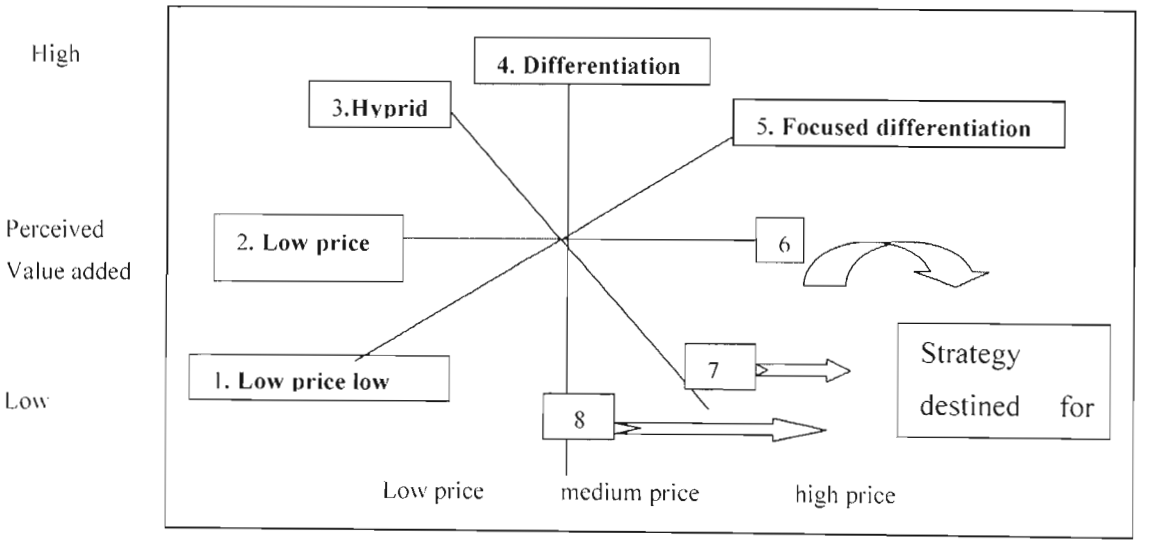
Positioning is key test of suitability. It is the image that product or service has in the mind of the consumer. For example, how it is positioned is probably more important to its ultimate success than are its actual characteristic. Consumers should feel that there is no completely satisfactory substitute for the product and service (Arbee & Naidu, 2001). "Therefore, positioning can be defined also as how your target market defines you in relation to your competitors; and your relative competence in facing these competitive rivals" (Johnson G. & Scholes K., 1997). For example, the extent to which the organization's unit costs are better than those of competitive rivals will determine long-term viability of a low-price positioning. The uniqueness service of competences, which underpin the value-added features of a product, or service will determine the suitability of a positioning of differentiation (Ibid).

Porter argued that positioning determined whether a firm's profitability was above or below the industry average. A firm that positions well may earn high rates of return, even though industry structure is unfavorable and the average profitability of the industry is modest. Porter went on to argue that, in essence, competitive advantage is only two type: *low cost or differentiation.* Usually, Porter argued, a company cannot do both; it needs to make a choice. The company also needs to make a choice over the scope of activities over which it seeks advantage; many segments of the industry or just one or two. When the type of advantage and scope are combined, three generic strategies can be identified: cost leadership, differentiation or focus - low cost or differentiation – (Porter, 1985, p: 16).

Porter stated that a firm that engages in each generic strategy but fails to achieve any of them will "stuck in the middle", possessing no advantage. This is "a recipe for strategic mediocrity"; as it will be out competed by companies following clearer strategies, be it cost leadership, differentiation or focus (Porter, 1985, p: 17).

This combination of approaches concerning the firm positioning is also apparent in Bowman's Strategy, which is outlined in (Johnson and Scholes, 1999). The key variables are those seen by the customer - price and perceived quality. Together, a range of options can be identified for an organization within an industry, with five potentially successful routes and three routes ultimately likely to fail, which will be discussed below in figure 2.6.

Figure 2.6: The strategy clock



Source: Bowman's Strategy Clock adapted from Johnson and Scholes, 2000

Price-based strategies (route 1 and 2): The first route is the *no frill strategy*, which combines a low price, low perceived added value and a focus on a price market sensitive. Route 2, the *low price strategy*, seeks to achieve a lower price than competitors whilst trying to maintain similar value of product or service to that offered by competitors.

Added value or differentiation strategies (route 4): The next option is a broad differentiation strategy, which seeks to provide products or services unique or different from those of competitors in terms of dimensions widely valued by buyers. The aim is to achieve higher market share than competitors (which in turn could yield cost benefits) by offering better products or services at the same price; or enhanced margins by pricing slightly higher. This strategy might be achieved through the improvements in products and services for example by investment in R&D, design expertise; marketing-base approached by demonstrating better than the competitors.

The hybrid strategy (route 3): seeks simultaneously to achieve differentiation and price lower than that of competitors. Hence the success of the strategy depends on the ability both to understand and to deliver enhanced value in terms of customer needs, whilst also having a cost base that permits low prices and is sufficient for reinvestment to maintain and develop bases of differentiation. It might argued that, if differentiation can be achieved, there should be no need to have a lower price, since it should be possible to obtain prices at least equal to competition, if not higher.

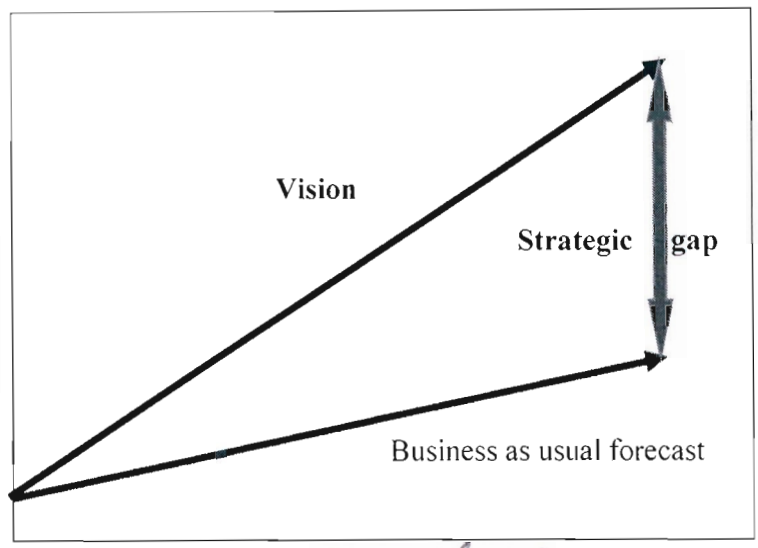
Focused differentiation (route 5): A focused differentiation strategy seeks to provide high-perceived value justifying a substantial price premium, usually to a selected market segment. In the focus segment the company has further choices in the strategy clock, either to follow a low-price or perhaps hybrid strategy.

Failure Strategies (routes 6, 7, 8): The strategies suggested by routes 6, 7, and 8 are probably destined for failure. Route 6 suggests increasing price without increasing value to the customers. Route 7 is an even more disastrous extension of route 6, involving the reduction in value of product or service, whilst increasing relative price. Route 8, reduction in value whilst maintaining price, is also dangerous, though firms have tried to follow it. There is a high risk that competitors will increase their share substantially.

2.5.1.2 Screening the Options

An organization will be trying to make choices between a numbers of different strategies. So evaluation also needs to be concerned with how the relative merits of strategies can be assessed. This can be important in screening option before a more detailed assessment of acceptability and feasibility is undertaken. A useful technique, which incorporates this approach, is gap analysis (Johnson & Scholes, 2002)

Figure 2.7: Gap Analysis



Sources: internet 8

2.5.1.2.1 Gap Analysis Technique

A gap analysis is a technique used to assess where you currently are with where you would like to be in the future. A gap analysis is sometimes referred to as a needs assessment or needs analysis. Setting strategic direction requires that leaders identify where business as usual is going versus where they'd rather be. There is a gap between the two. Analysing this gap, and developing measurable, time-bounded plans to fill it, forms the basis of the strategic plan (Internet 3).

2.5.2 Acceptability Test

Establishing the suitability of options is a useful starting point to an evaluation as it establishes the rationale or strategic logic behind a particular strategy. Acceptability of strategy consists of all success criteria that matter to different stakeholders of the organizations, and the expected performance outcome of a strategy. However, strategies also have to be acceptable to a variety of different stakeholders, customer acceptance, competitive reaction, supplier acceptance and any approval from government or another regulatory body.

Acceptability test can be evaluated using three broad types: return, risk, and stakeholder reactions, which will be discussed below (Johnson & Scholes, 1997).

2.5.2.1 Return

An assessment of the returns likely to accrue from specific strategies could be a key criterion of acceptability of a strategy; at least to some stakeholders. There are a number of different approaches to understanding return. It is important to understand, however, that there are no absolute standards as to what constitutes a good or poor return. It differs between industries, countries and also between different stakeholders. Profitability analysis will be used for assessing the return (ibid).

Profitability analysis: Profitability ratios tell us whether a business is making profit; and if so whether at an acceptable rate. The key ratios are:

Table 2.4: Profitability Analysis

Ratio	Calculation	Comments
Gross Profit Margin	[Gross Profit / Revenue] x 100 (expressed as a percentage	This ratio tells us something about the business's ability consistently to control its production costs or to manage the margins its makes on products its buys and sells. Whilst sales value and volumes may move up and down significantly, the gross profit margin is usually quite stable (in percentage terms). However, a small increase (or decrease) in profit margin, however caused can produce a substantial change in overall profits.

Operating Profit Margin	[Operating Profit / Revenue] x 100 (expressed as a % age)	Assuming a constant gross profit margin, the operating profit margin tells us something about a company's ability to control its other operating costs or overheads.
Return on capital employed ("ROCE")	Net profit before tax, interest and dividends ("EBIT")/total assets or total assets less current liabilities	ROCE is sometimes referred to as the "primary ratio"; it tells us what returns management has made on the resources made available to them before making any distribution of those returns.

2.5.2.2 Risk

The likely return from a particular strategy is an important aspect of the acceptability of that strategy. However, another aspect of acceptability is the *risk* that an organization faces in pursuing a particular strategy. This risk can be particularly high for organizations with major long-term programs of innovation where high levels of uncertainty exist about key issues in the environment (ibid). Financial ratios and stakeholder reaction will be used to assess the risk.

Financial ratios: The projection of how key financial ratios might change if a specific option were adopted can provide useful insights into risk. The efficiency ratio, stability ratio and liquidity ratio will be used.

Efficiency ratios: These ratios give us an insight into how efficiently the business is employing those resources invested in fixed assets and working capital.

Table 2.5: Efficiency ratios

Ratio	Calculation	Comments
Sales/ Capital Employed	Sales / Capital employed	A measure of total asset utilization. Helps to answer the question - what sales are being generated by each pound's worth of assets invested in the business. Note, when combined with the return on sales (see above) it generates the primary ratio - ROCE.
Sales or Profit / Fixed Assets	Sales or profit / Fixed Assets	This ratio is about fixed asset capacity. A reducing sales or profit being generated from each pound invested in fixed assets may indicate over capacity or poorer-performing equipment.
Stock Turnover	Cost of Sales / Average Stock Value	Stock turnover helps answer questions such as "have we got too much money tied up in inventory"? An increasing stock turnover figure or one, which is much larger than the "average" for an industry, may indicate poor stock management.
Credit Given/ "Debtor Days"	(Trade debtors average, if possible)/ (Sales)) x 365	The "debtor days" ratio indicates whether debtors are being allowed excessive credit. A high figure (more than the industry average) may suggest general problems with debt collection or the financial position of major customers.
Credit taken / "Creditor Days"	(Trade creditors + accruals) / (cost of sales + other purchases)) x 365	A similar calculation to that for debtors, giving an insight into whether a business is taking full advantage of trade credit available to it.

Liquidity Ratios: Liquidity ratios indicate how capable a business is of meeting its short-term obligations as they fall due:

Table 2.6: Liquidity ratios

Ratio	Calculation	Comments
Current Ratio	Current Assets / Current Liabilities	A simple measure that estimates whether the business can pay debts due within one year from assets that it expects to turn into cash within that year. A ratio of less than one is often a cause for concern, particularly if it persists for any length of time.
Quick Ratio (or "Acid Test"	Cash and near cash (short-term investments + trade debtors)	Not all assets can be turned into cash quickly or easily. Some - notably raw materials and other stocks - must first be turned into final product, then sold and the cash collected from debtors. The Quick Ratio therefore adjusts the Current Ratio to eliminate all assets that are not already in cash (or "near-cash") form. Once again, a ratio of less than one would start to send out danger signals.

Stability Ratios: These ratios concentrate on the long-term health of a business - particularly the effect of the capital/finance structure on the business:

Table 2.7: Stability ratios

Ratio	Calculation	Comments
Gearing	Borrowing (all long-term debts + normal overdraft) / Net Assets (or Shareholders' Funds)	Gearing (otherwise known as "leverage") measures the proportion of assets invested in a business that are financed by borrowing. In theory, the higher the level of borrowing (gearing) the higher are the risks to a business, since the payment of interest and repayment of debts are not "optional" in the same way as dividends. However, gearing can be a financially sound part of a business's capital structure particularly if the business has strong, predictable cash flows.
Interest cover	Operating profit before interest / Interest	This measures the ability of the business to "service" its debt. Are profits sufficient to be able to pay interest and other finance costs?

Source: internet (internet 7)

2.5.2.3 Stakeholder Reaction

"Stakeholder is other technique for assessing strategy acceptability. Stakeholders are those individuals or groups who depend on the organization to fulfill their own goals and whom, in return, the organization depends. They are directly and indirectly influence, or are influenced by, the organization's operation. Examples of stakeholders in the context of the definition are such groups as suppliers, customers, the local community, the government, competitors, and employees" (Katsioloudes, 2002, p: 21). Influence is likely to occur only because individuals share expectations with others by being a part of a stakeholder group. Individuals tend to identify themselves with the aims and ideals of stakeholder groups, which may occur within departments, geographical locations, different levels in the hierarchy, etc., (Johnson & Scholes, 1999). Also important are external stakeholders of the organization, typically financial institutions, customer, suppliers, shareholders and unions. They may seek to influence company strategy through their links with internal stakeholders. For example, customer may pressurise sales managers to represent their interests within the company. Even if external stakeholders are passive, they may represent real constraints on the development of new strategies (Ibid).

It is important to understand the expectation of different stakeholder in more detail and the extent to which they are likely to seek influence over an organization's purposes and strategies. The following section will be dealing with a feasibility test.

2.5.3 Feasibility Test

Feasibility test meant to eliminate all options, which infringe constraints imposed by financial conditions (both related to borrowing conditions and cash flow); staffing availability; managerial capabilities; and physical limitation, such as land, plants, etc., an option may, in practice, lack feasibility in three areas:

- Culture, skills and resources internal to the organization;
- Competitive reaction and other matters external to the organization, and
- Lack of commitment from managers and employees (Lynch , 2002 p:619)

As is discussed above an organization might not have the culture, skills or resources to carry out the option. For example, there might be a culture in the organization that is able to cope with gradual change but not radical and sudden changes required by a proposed strategy

option. Equally, an organization may lack the necessary technical skills for a strategic option. It may not be possible for a variety or reasons to acquire them by recruiting staff. In addition, some organization has insufficient finance for an option to succeed. Out the organization, there are four constraints that may strategic option lack feasibility; customer acceptance, competitive reaction, supplier acceptance and any approvals from government or another regulatory body (Lynch, 2002, p: 622).

Number of financial analytical approaches can be used to understand feasibility, which will be discussed as follows:

2.5.3.1 Fund Flow Analysis

A fund flow analysis can be used to assess whether a proposed strategy is likely to be feasible in financial terms. It does this by forecasting the funds, which would be required for the strategy and the likely sources of those funds. The first stage to be undertaken is to identify the sources of the resources. The second stage is to identify the uses of the resources, and thirdly to identify the funding shortfall. The company then should finalize the forecast by looking at alternative ways of funding the shortfall. It should be remembered that funds flow forecasting is subject to the difficulties and errors of any method of forecasting. However, it should highlight whether a proposed strategy is likely to be feasible in financial terms and the timing of new funding requirements. It can normally be undertaken using a spreadsheet (Johnson & Scholes, 1999).

2.5.3.2 Breakeven Analysis

Financial feasibility can also be assessed through break-even analysis, which is a simple and widely used approach to assessing the feasibility of meeting targets of return (e.g. profit) and, as such, combines a parallel assessment of acceptability. Therefore breakeven point is that level of revenues where contribution equals the total fixed costs. At this level of revenue, there is neither a profit nor loss. Any additional revenue would bring in contributions greater than the fixed costs. It is this excess that we call profits, it can be calculated by:

$$\text{Breakeven point} = \frac{\text{Total sales}}{\text{Contribution}}$$

2.6 Conclusion

Strategic management allows organizations to become proactive than reactive in shaping their own future. Business using strategic management concepts shows significant improvement in sales and productivity. Since strategic management has five steps, evaluation of performance is the last one and it is so important in the process of planning. The evaluation process includes evaluation of performance and initiating corrective adjustment in vision, long term direction, long term objectives, strategy, or execution in light of actual experience changing conditions, new ideas, and new opportunities. The criteria suitability, acceptability and feasibility that proposed by Johnson & Scholes (1999) has been discussed in detail in the literature.

The *suitability* test consists of screening the strategic options to see how well they fit into the organizational culture and address the key problems facing the organization – 'whether a strategy addresses the circumstances in which an organization is operating. The acceptability consists of all the success criteria, which matter to different stakeholders of the organization- 'the expected performance outcomes of a strategy'. They suggest that it could include financial criteria (such as the maximization of return on investment or maximizing shareholder value).

Feasibility test meant to eliminate all options, which infringe constraints imposed by financial conditions (both related to borrowing conditions and cash flow); staffing availability; managerial capabilities; and physical limitation, such as land and plants.

Hence, it is obvious that evaluation in its comprehensive way scrutinizes the fitness of a business to success. To that extent, this chapter attempted to assess all the tests to be used in analyzing a company's overall situation. The next chapter, therefore, will attempt to discuss the company background, operations, market structure, competitors, the financial plans and performance of the EMPC.

Chapter Three: Eritrean Marine Products Company

3.1 Introduction

The case study presents introducing the country profile, which includes the political and socio-economic situation of Eritrea. The Fisheries policies, potential of fisheries resources and the fishing industry in Eritrea are discussed. Since the focus of this research is on Eritrean Marine Products Company (EMPC), the case study will discuss the company's background and its operations in a detail manner. This includes EMPC's mission, objectives, operation (production and processing), supplies of inputs and the market structure both at the domestic and EU markets.

3.2 Country Profile

Eritrea is a newly independent and sparsely populated country on the Horn of Africa. It borders the Red Sea to the east; Sudan to the west and north; Ethiopia to the south; and Djibouti to the south-east. The overall size of the country is approximately 125,000 sq km, with a coast line of approximately 1,000 Km. Eritrea's varied topography includes a hot and arid climate, coastal plains, rugged mountains and plateaus, which represent a harsh, yet fragile environment. Rainfall is not only low (less than 200 mm over two-thirds of the country) but also irregular – the risk of drought is, therefore, ever-present.

Current estimates of the resident population vary from 3.5 to 4 million people, with an equal religions distribution between Christianity and Islam 50% Moslem and 50% Christian. Population growth is estimated at about 3% per annum. About 65% of the population live in the highland provinces, and depend largely on agriculture. Approximately 35% of the population is nomads and semi-nomads who depend on livestock for their livelihood. These people are concentrated in the centre and the coastal Red Sea provinces. The urban population is concentrated in the three cities of Asmara, Massawa, and Assab, and a few towns in the highlands *(Ministry of Fisheries, 2000).*

3.2.1 Economic Condition

The current situation of Eritrean economy is poor. The rehabilitation and reconstruction of the economy is seriously hampered by war and recurrent drought. Eritrea endured 30 years war for independence (1961-1991) and recent border conflict with its neighbour Ethiopia from 1998 to 2000. This resulted in enormous loss of life, and destruction of property and

infrastructure essential to the economic growth of the country. Foreign aid to Eritrea became inevitable, especially as war and drought rage on (ibid, p: 12).

Eritrea is one of the poorest countries in the world. The GNP per capita is approximately US$ 200. It is less than half the GNP per capita for the Sub-Saharan African region. In 2000, Eritrea had total exports of US$ 129 million and total imports of US $583 million. This leaves Eritrea with a trade deficit of US$ 454 million. Manufacturing activities concentrated in the capital city of Asmara, accounts for 20% of the GDP. Services, mainly in the form of port activities accounts for 55% of the GNP. In 2000, marine products such as fish and salt contribute about 1% of GDP and less than 2% of total official exports, approximately 50,000 residents depend on fisheries activities for their livelihood. It is estimated that 5,000 fishermen and traders are engaged in the sector, especially in inshore or near offshore fisheries *(Ministry of Fisheries, 2000).*

The Recovery and Reconstruction Program (RRP)

Following liberation in May 1991, the Eritrean Government launched a major programme to rehabilitate both the society and the economy with support from several donors, organised by the World Bank. The aim of the programme was to provide foreign exchange for import essential inputs to jump-start the economy. During 1993-1994, Eritrea made substantial progress in agricultural production.

Key elements of the Government's current economic policy are:

- The elimination of restrictive policies of the previous regimes and a move towards a market-based economy
- The opening up to external trade and creation a competitive international financial centre
- The creation of stronger role for the private sector
- The development of capital and knowledge intense and export oriented industries and services *(African Development Bank, 1995).*

To achieve these key elements, priorities are given to achieving food security, addressing the needs of the social sectors, and rehabilitating infrastructures. Promoting export goods and services is considered to be critical for the rehabilitation and growth of the Eritrean economy. The fisheries sector is expected to play an important role in this regard if existing possibilities

for developing exports can be exploited. Marine resources have been important export products in the past, but prolonged conflicts have led to a substantial loss of productive capabilities in terms of the fishing fleet, equipment, infrastructure and operators. The Government has already initiated programme to overcome constraints on fish exports. This involves increasing fish production, aid infrastructures, and enhancing institutional support. Fish export development is a high priority in the RRP and incentive measures have been implemented to encourage investment in this sector *(African Development Bank study, 1995).*

3.2.2 Fisheries Policies and Legislations

Immediately after independence, the need to rehabilitate and reconstruct the coastal economy and coastal live hoods was both a challenge and an opportunity to the people and the government of Eritrea. The Ministry of Fisheries (MOF) was established in 1992 with a vision to create a highly developed, sustainable and competitive fisheries sector, which would have a meaningful place in the social and economic life of the Eritrean people.

In order to maximise its outcome, the Ministry of Fisheries (MOF) entertains five basic goals. They are:

- To increase production
- To optimize the value of the products
- To secure the sustainability of fisheries resources
- To carry out research for the development and management of fisheries resources
- To build the institutional capacity *(Ministry of Fisheries, 1995).*

The above goals are designed to be implemented through policies, which are explained as follows:

- To ensure the development of fishing villages and service facilities
- To increase fish production, with special emphasis on artisanal methods so as to raise the artisanal income and living standard
- To earn foreign currency from the export of fish, crustaceans and other marine products
- To promote and consolidate fisheries training, research, and statistical data collection
- To improve national management systems such as parastatal, co-operative and small-scale fisheries venture

- To conserve fish and other marine products through careful exploitation *(Ministry of Fisheries, 1995).*

3.2.3 Fisheries Resources

Eritrea has an extensive coastal and archipelago province in the most biologically diverse sector of the Red Sea. It has approximately 356 Red Sea islands, and has a substantial population of approximate 1000 diverse marine species. The biologically sustainable yields of Eritrea's marine fisheries resources are estimated to be 79,000 metric tons as shown in table 3.1.

Table 3.1: Maximum Sustainability Yield of Fish Stock

Species	**Tons**
Demersals (finfish)	18,000
Small pelagic	25,000 – 50,000
Large pelagic	5,000
Sharks and rays	2,000 – 5,000
Spring Lobster	500 – 1,000
Shrimp	500
Total	51,000 – 79,500

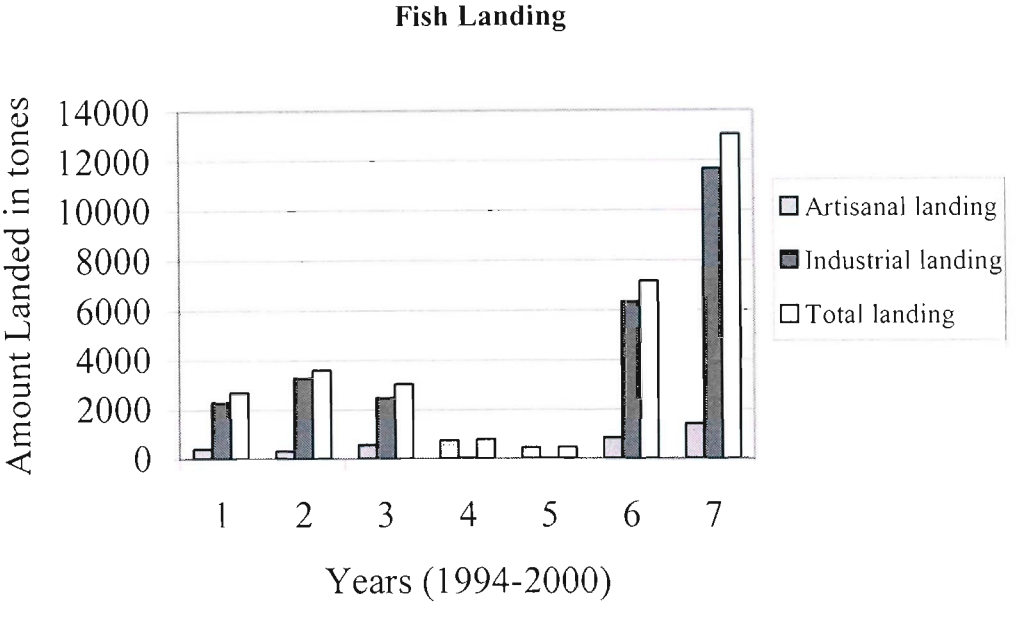
Source: (African Development Bank, 1995).

3.3 Fishing Industry

The fish supply chain that characterises Eritrea, is large number of small-scale fisheries. Separated by long distances with poor communication, and infrastructure, handling and distribution of fishery products is frequently underdeveloped. Such environment is not conducive for effective productivity.

Eritrean fishery resources are exploited by two fishing segments: the artisanal and the industrial. In the period 1994-2000 both segments had harvested a total of 62,650 metric tons of fish, as shown in the graph below.

Graph 3.1: Fish landing in tons from aritsanal and industrial sectors (1994-2000)



Source: (Negash, 2001).

The artisanal segment is the main, supplier of fish to the fishing companies in Eritrea. The industrial fishery has been under reconstruction since 1994 with a numbers of licensed vessels operating. The Government is elaborating the development policy outline for this sector, which has the highest landing potential with an estimate of several thousand tons per year.

There are few fishing firms that operate in the industry. Most of these firms are exporting their products to the regional markets in Saudi Arabia, Yemen, and the EU markets (Negash, 2001). The most active firms in the industry will be discussed below:

ERIFISH Processing Plant

ERIFISH was originally privately owned by Dutch and Italian partners. It was established in 1996 with capital of US$ 300,000 from a Dutch development grant. The factory is based in the port city of Massawa. ERIFISH processes approximately seven metric tons of fish products. The plant supplies both domestic and international markets. ERIFISH produces

two products forms: whole gutted frozen and fillet frozen. The first grade or best quality of fish are processed at ERIFISH and shipped frozen to their buyer in Holland. The level of processing depends on the buyers, and also the product supplied by the fishers. For example, fish above 2kg are filleted, while fish below 2kg are sold gutted and whole. All second quality fish are sold fresh to local restaurants and hotels for immediate consumption. The fish products are Grouper, Red snapper, Bream, Emperor fish, king fish (Spanish mackerel), Barracuda, Queen fish, Shrimp and Squid. Presently, ERIFISH can produce up to 10 metric tons per day with current freezing capacity, produced in (blast freezer), being the limiting factor. The plant works in two eight-hour shifts of 13 people per shift. In terms of market destination, the ratio of export to domestic is currently 3:1. The main goal is to maximise the export market and supply the domestic market from overflow only (Kuile, 1998).

Early in 1998 the company had serious financial problems. The company shareholders failed to pay the debt borrowed from the Government. In 2000, the Government had taken 90% of the factory ownership; the remainder 5% of the shares is still owned by the shareholder *(Ministry of Fisheries, 2000).* The financial statements of the company showed that the company had incurred a loss of Nakfa 196,547, 1,145,099, and 1,973,011, in the years 2000, 2001 and 2002 respectively (Nakfa is the Eritrean currency, it is abbreviated as Nfa) *(ERIFISH financial reports, 2000, 2001 &2002*).

LEDA Fish Processing Company

LEDA Fish Processing Company is a parastatal company formed in 1999. The head office is located in Asmara; the Eritrean capital. The company's operation is 20% owned by an investor in Holland and the remaining shares are Eritrean. At the beginning of its operation, LEDA difficulty in meeting the requirements of the European legislation in terms of health controls of fishery products and the quality of fish required by the EU. In order to adhere to the EU regulations, the company management made a series of changes in the company operation. It had expanded its production operation facility from 4mt/week to approximately 12 metric tons week. The processing plant was also renovated in order to comply with the EU regulations.

LEDA Fish Processing Company deals only with only high quality fresh fish, which is exported by air to France, England, German, Netherlands and Italy. The product form

produced by LEDA consists of approximately 40% whole gutted and 20% filleted fish (both skin on an off). The type of fish that are processed varies according to the seasons: in the summer Grouper make up approximately 50% of product, followed by Snapper and Emperor Fish, while in the winter approximately 60% of product is Snapper *(Ministry of Fisheries, 2000).*

3.3.1 Eritrean Marine Products Company

The Eritrean Marine Products Company (EMPC) is the focus of the current study. It is considered to be a leader in the fishing industry in Eritrea. The company's background, operations (production and processing of fish), suppliers, competitors and market structure are discussed below.

3.3.1.1 Background and Operation

The Eritrean Marine Products Company (EMPC) is the first joint Stock Marine Products Company in Eritrea. It was established on April 10, 1995. Originally, the firm was established by the Ministry of Fisheries (MOF), operating as two separate departments: domestic and foreign. The company exports most of its products to the EU markets in England, Italy, France, and to Saudi Arabia, Dubai and Israel (Kuile, 1998).

The government's restructuring policy of 2001 determined that the Ministry of Fisheries was to be a regulatory body, focusing on policy making and resources management activities, while all operational activities (fish production, processing) should be managed by EMPC. The restructuring also includes the acquisition of ERIFISH and LEDA processing companies following the withdrawal of their private shareholders. The companies have been integrated into EMPC *(EMPC, reports, 2001).*

Mission

The mission of EMPC is to create good relationship with its fish suppliers, distributors and customers in both the domestic and international market. By doing this, it focuses on competitive prices and better quality of fish in its export market to gain a financially strong position in the long run (Ghebrsillassie, 1998).

Objectives of EMPC

- To improve the quality of fish products and focus on first grade products to be exported to the EU
- To comply with the directive of the Council of the European Community of 22 July 1991 (91/493/EEC), that stipulates the health conditions required for the production and placing on the market of fishery products. See appendix 1 for more information about directive 91/493/EEC)
- To utilise the maximum capacity of the fishing fleet, to produce a quantity of 3096 tons every from 2001-2006, and to export most of them to the EU market
- To differentiate the products from its competitors in order to get maximum price
- To encourage the development of domestic fish consumption through the introduction of suitable low cost fish species *(EMPC, repot 2001).*

Suppliers

The main suppliers of fish to the company are the Fishermen Cooperative Societies. The artisanal fishing sector is organised in cooperative societies. At present there are about 1174 organised fishermen members. The fishing method is very traditional using fishing nets, hand lines and traditional wooden and fiber boats. Over time it has been observed that productivity of artisanal sector has improved and that quality handling has also improved. In 1994, the annual catch was 393 tons, and rose to 1390 tons in 2000. This is attributed to the assistance provided by the Ministry of Fisheries, which includes credit facilities, and training programmes in fishing and processing.

However, the sector has difficulty enhancing its efficiency: the quantity of fish supplied to EMPC is not regular. Quality problem still exists: the fish box is too large and impractical, and has resulted in major quality losses through (contamination and crushing of fish). Similarly, the use of block ice, which is crudely crushed on board, sometimes under unhygienic conditions, aggravates the situation of contamination and damages the fish. In addition to this, the lack of suitable infrastructure, fishing inputs, poor communication and high production costs of fresh fish have caused many fishermen to change to dry fish products. Dry fish products now consist of 60% of the total catch while the fresh fish constitutes 40 %.

The commercial species, such as Red snappers, Groupers, and Emperor are found at fishing grounds deeper than 20 meters, while Job fish (Pristipomoides multidens) are found below 50 meters. The harvesting of these commercial species is associated with high production cost in the form of fuel, food, ice, etc. The average selling prices offered by the company is 12 to 14 Nakfa which is 30% less than price offered by Yemeni and Saudi Arabia companies. Companies in Yemen and Saudi Arabia purchase all the kind of fish supplied by the artisanal *(Fishermen Cooperatives Societies, 2000).* EMPC has its own production division, which is discussed below:

3.3.1.2 Fish Production Division

Beilul Company was originally formed under the Ministry of Fisheries. After the restructuring of 2001, the company was assimilated into EMPC as a fish production division. The overall objective was to develop and strengthen the production capacity. This, can be done through efficient exploitation and effective utilisation of the marine resources, and by realising the best financial returns for related products harvested *(Beilul, business plan, 2001).*

EPMC's fish production division is operating 18 vessels of 11 meters and 18 meters in numbers. These fishing vessels are powered by inboard engines and they are use long line and trawling fishing methods.

Annual Production of EMPC

After utilising the below mentioned enumerated inputs and manpower, EMPC expected to produce a total of 3,096 tons of fish and 756 tons of shrimp every year from 2001 till 2006. The annual sales were estimated at 58,860,000 Nfa, as shown in the table below.

Table 3.2: Annual Production and Sales

Item	Quantity in Tons	Average price per ton	Total revenue in Nfa
Fresh fish	2340	9,000	21,060,000
Shrimp	756	50,000	37,800,000
TOTAL	3,096		58,860,000

Source: *(EMPC, business plan, 2001).)*

Input required

The capital investment under utilization which estimated in September 2001 was approximately 54 millions Nfa in the form of vehicles, office furniture and equipment and working capital for three months. The planed annual operating expenses were expected to be 22.2 millions Nfa every year from 2002-2006. Appendix 2 shows the detailed information on investment capital and operating expenses. The following table shows the company's projected profit and loss statements and financial cash flow for each boat type.

Table 3.3: Projected profit and loss statements and financial cash flow for each boat type

1.	Description	11 meters		18 meters	
		Long line	Shrimp trawler	Long line	Shrimp trawler
	Profit and loss statement (year 1)				
	Annual catch in tons				
	Sales revenue in 000 Nakfa				
	Fresh fish @ 9000/tons	11,340			
	Shrimp @ 50,000/tons		21,600	16,200	
	Variable cost in '000 Nakfa				
	Fuel	657.6	585.9	843.4	
	Ice	111.8	85.0	141.8	
	Food and water	80.1	86.5	54.8	
	Bait @ 5 Nakfa per Kg	1,512.0	------	1,296.0	
	Lost hooks, main line	12.6	-----	10.8	
	Crew share	2,268.0	21,160.0	1,944.0	
	Total Variable Cost	**4,642.1**	**2,917.4**	**4,290.8**	**2,634.3**
	Gross profit (contribution margin 75.4%	**6,697.9**	**18,682.6**	**5,429.2**	**13,565.7**
	Fixed cost				
	Repair & maintenance				
	Hull (1%)	84.00	69.37	184.80	
	Engine (2%)	168.13	138.74	369.66	
	Gear (1%)	84.00	69.37	184.80	
	Depreciation				
	Hull	588.46	485.60	1,293.90	
	Engine	504.40	416.20	1,108.98	
	Vehicle, refrigerated container, working tools, office equipment & furniture, fish boxes	7.50	7.50	7.50	
	1.4.3 Management costs	148.00	148.00	148.00	
	Total Fixed Costs	**1,584.49**	**1,334.78**	**3,297.64**	**2,937.04**
	Total Fixed and Variable cost	**6,226.59**	**4,252.18**	**7,588.44**	**5,571.34**
	1.5 Taxable profit	**5,113.41**	**17,347.82**	**2,131.56**	**10,628.66**
	1.6 Profit tax (35%)	**1,789.70**	**6,071.74**	**746.05**	**3,720.00**
	1.7 Profit after tax	**3,323.72**	**11,276.08**	**1,385.51**	**6,908.63**
	1.8 Net profit to sales	**29.3%**	**52%**	**14.3%**	**43%**
2.	Discounted cash flow analysis (year 1)				
	Financial				
	Cash inflow in '000	11,340.00	21,600.00	9,720.00	16,200.00
	Cash outflow in '000	8,016.29	10,323.92	8,334.49	9,291.34
	Net cash flow in '000	3,323.71	11,276.10	1,385.51	6,908.66
	Discounted at 15%	433.53	1,417.80	180.71	901.13
	Financial present value	2,890.20	8,805.30	1,204.80	6,007.53

Source: *(EMPC, business plan, 2001).)*

Actual performance

The actual average production of fresh fish and shrimp produced by EMPC in the last four years were 384 tons and 77 tons respectively. The average sales revenues of fresh fish and shrimps were Nfa4,592,340.50 and Nfa2,935,875.70. The average quantity per trip boat was 0.538 tons, while the operating expenses are 80% out of the sales revenues (*annual reports, 2000-2003).* Appendix 3 shows detailed information of fresh fish and shrimp produced by EMPC 1999-2003 with their sales values. Information on production, revenues and expenses per boat per trip is also available in appendix 3 *(EMPC, annual reports, 1999-2003).*

3.3.1.3 Processing of Raw Fish

The production division supplies the processing plants with raw fish. The functions of the processing plants are changing the form of the raw products to fresh (fillet) and frozen fish (whole gutted skin off and out). EMPC has processing plants: Erifish and Asmara Processing Plant. The fish is produced in Massawa and transported by trucks to Asmara *(Ministry of Fisheries, 2000)*

ASMARA PROCESSING PLANT

Asmara Processing Plant specialises in fresh fish products for export to Europe, and frozen shrimp and fish for the local market. The fresh products are processed as whole gutted (skin on and skin off) and fillets. The plant was built to allow a smooth flow of products to avoid contamination resulting from- back flow of semi-processed products, and is equipped with a gutting room, offal room, packaging room, finished products store, and laboratory. The equipment conforms to the EU regulations and the quality control division in the Ministry of Fisheries.

The performance of the plant so far is encouraging, but there is still room for improvement in exports by value addition, improved packaging, consumer packages (pan-ready), etc. The lack of refrigeration machines led the plant to keep the excess supply of fish in a refrigerated container outside the processing plant. This has great effect on the quality of fish because the container is not maintaining the required temperature and consumes high volumes of electricity *(EMPC, 2002).* Table 3.4 Shows the profit and loss and balance sheet of the processing plant from 1999-2002 *(EMPC, report, 2002).*

Table 3.4: Asmara Processing Plant Profit and Loss Statement (1999-2002)

Profit and Loss Statement	Years			
	1999	**2000**	**2001**	**2002**
Revenue	6,821,083	14,199,625	16,628,549	12,880,923
Cost of sales	3,521,203	7,346,994	6,331,937	5,842,008
Gross profit	3,299,880	6,852,631	10,296,612	7,038,915
Other income	494,326	1,111,095	375,399	184,626
Selling and Adm. Expenses	2,704,621	6,272,650	8,139,708	4,043,862
Income before tax	1,089,585	1,691,076	2,532,303	3,179679
Taxes	258,897	416,508	939,098	1,081,091
Net income after tax	**830,688**	**1,274,568**	**1,593,205**	**2,098,588**

Source: EMPC Financial Statement (1999-2002)

Table 3.5: Asmara Processing Plant Balance Sheet (1999-2002)

	Years			
	1999	**2000**	**2001**	**2002**
Asset				
Fixed Asset	-	-	-	46,261
Deferred Expenditures	155,668	121,075	121,075	121,075
Good Will	-	-	-	-
Current Assets	6,459,245	6,219,982	7,850,328	9,315,527
Total Asset	**6,614,913**	**6,341,057**	**7,971,403**	**9,482,863**
Capital and Liability				
Current Liability	4,011,934	2,643,510	2,687,165	1,081,412
Capital	2,602,979	3,697,547	5,284,238	8,401,452
Total L & C	**6,614,913**	**6,341,057**	**7,971,403**	**9,482,863**

Source: EMPC, financial statement (1999-2002)

ERIFISH Processing Plant

The factory was established to process frozen products, mainly shrimp and fish, for export as well second grade products for the local market. The frozen products are processed in whole gutted (skin on and off) and fillet frozen. The factory has a freezing capacity of 1.5 to 2 tons of shrimp in 3-4 hours and 2-3 tons of fillet fish in 5-6 hours. The plant is equipped with one fresh products store room freezer and one frozen products storeroom.

The processing rooms were built in continuous flow according to the EU regulations, but there is no separation between the gutting room and filleting rooms, that might causes to fish contamination. ERIFISH processing plant's financial status is not encouraging. The company has incurred lost for three consecutive years. See the financial statements below:

Table 3.6: ERIFISH Profit and Loss Statement (1999-2002)

Profit and Loss Statement	Years			
	1999	**2000**	**2001**	**2002**
Revenue	3,394,380	11,839,697	3,644,523	8,191,098
Cost of sales	3,624,317	9,699,121	5,118,135	10,167,501
Gross profit	-229,937	2,140,576	-1,473,612	-1,976,403
Other income	-	35,780	477,874	358,252
Selling and Adm. Expenses	-915,162	-3,445,502	-732,357	-765,447
Income before tax	-1,145,099	-1,269,146	-1,728,095	-2,383,598
Income Tax	50,915	703,865	-	-
Net income after tax	**-1,196,014**	**-1,973,011**	**-1,728,095**	**-2,383,598**

Source: *Erifish Financial Statement (1999-2002)*

Table 3.7: ERIFISH Balance Sheet (1999-2002)

	Years			
	1999	**2000**	**2001**	**2002**
Asset				
Fixed Asset	9,618,318	9,193,921	7,982,015	7,348,340
Establishment cost	312,748	234,561	156,374	78,187
Good Will	80,000	60,000	40,000	20,000
Current Assets	3,453,245	2,336,093	4,151,295	5,330,805
Total Asset	**13,464,311**	**11,824,575**	**12,329,684**	**12,777,332**
Capital and Liability				
Current Liability	12,031,324	9,808,784	11,863,786	14,715,613
Capital	1,432,987	2,015,791	465,898	-1,938,281
Total L & C	**13,464,311**	**11,824,575**	**12,329,684**	**12,777,332**

Source: *Erifish financial statement (1999-2000)*

3.4 Marketing

In the early stage of EMPC's operation, fish was sold from a small shop to individual consumers and small restaurants. This was done in bulk selling to hotels and small restaurants in the domestic market. The company's management was convinced that high profit could not be made unless the company products could be marketed as processed as value-added products. The company focused its production capability on commercial species, and began exporting its products to European market, and the Middle East (Saudi Arabia). The type of product, product quality, and market structure will be discussed below *(Kuile, 1998).*

Product and Product Quality

EMPC produces both fresh and frozen products. The products are classified in grades: first, second and third as has been mentioned in Table 3.8. The kind of species produced by the company are the Red snapper, Grouper, Emperor fish, Bream, Job fish, King fish (Spanish Mackerel), barracuda, queen fish, shrimp and Squid. The Company purchases the fish from the artisanal fish supplier, and it also owns its production fishing fleet *(Ministry of Fisheries, 2000).*

Table 3.8: Commercial Fish in Eritrea

Key commercial fish		
Category	**Family name**	**Common name**
High value	Lutjanidae	Snappers/job fish
	Lethrinidae	Emperors
	Serranidae	Groupers
	Haemulidae	Grunts
	Sphyrnidae	Barracuda
Medium Value	Synodontidae	Lizard fish
	Nemipteridae	Threadfin Bream
	Scombridae	Spanish Mackerel and Tuna
	Carangidae	Jacks
Low value	Carangidae	Jacks

Source: *(Ministry of Fisheries, 2000)*

The product quality has shown improvement since 1996. In early 1996 the company faced quality problems, where 40% of the harvested products were not in compliance with the quality standards required by the EU. The Ministry of Fisheries conducted numerous efforts to improve the quality. A Control and Fish Inspection Division was established, and training programmes were provided to the artisanal fishermen in fish processing and handling in order to improve the quality (Negash, 2001).

Later, EMPC introduced the Hazard Analysis and Critical Control Point (HACCP) system. The ultimate purpose of this instrument was to standardize the quality requirements for fish products. A mission team visited Eritrea in 2002, to evaluate the conditions of production, storage and final export of fishery products and to ascertain that they are at least equivalent to the requirements of EU Community Legislation (Council Directive 91/493/EEC). The mission found that the HACCP plan was not approved by the Control and Inspection Division

of the Ministry of Fisheries. The company quality manager could not demonstrate a clear understanding of the HACCP concepts, such as Critical Control point *(EU mission, 2003)*.

Existing market structure

EMPC is operating in domestic and EU market, the structures of domestic and EU markets are discussed below.

Domestic Market

In Eritrea, there is no traditional fish consumption, to that extent, fish markets are very few. Fishmonger and restaurants that specialised in fish food are very rare, and operate only in Asmara and Massawa. There is a strong preference for meat in Eritrea. As a result, fish consumption has been very low at average of 0.25kgs per capita per year, annual fish local consumption amounts to 500 tons of fresh fish per year. Nearly 80% of this is consumed in Asmara. Only 5% of the general Eritrean population includes fish in their diet. The main reasons for low consumption are:

- The distance of production centres from consumption areas
- Relative ease of acquiring beef
- Lack of knowledge among majority Eritrean people of diet and value of fish, and
- Purchasing power of most population is low (Negash, 2001).

However, there seems to be an increasing trend in fish consumption in the country, due to increased local fish supply and efforts made by the Ministry of Fisheries to promote fish consumption. It has been observed that there is a demand for fish. Data from the of Ministry of Fisheries report (1996) showed that between 1991- 1996 consumption showed annual growth rate of 4%. But there is a great shortfall of fish to meet this growing demand. In addition to the existing market outlets in Asmara and Massawa, there is a demand for similar retail outlets in other cities like Mendefera, Keren etc. (ibid, p: 6).

Export Market (EU)

The rapidly changing global market has forced many businesses to seek a competitive advantage by building their key organisational capabilities. Using domestic plants as a production base for exporting goods to foreign market is an excellent initial strategy for pursuing international sales. It minimises both risk and capital requirement, and it is a

conservative way to test the international water. Export strategies will increase sales opportunities; and improve the company's overall return on investment. The added sales volume may lower the production cost, and improve over all profitability (Thompson and Strickland, 2003).

International trade in fish and fishery products has grown tremendously over the last two decades, with export values up from US$ 15 billion in 1980 to US$ 56 billion in 2001 (internet 9). The high growth of fish demand in Europe encourages many developing countries to concentrate their production capacity on value-added products and to pursue exports strategies. Of the 77 African, Caribbean and Pacific (ACP) countries, which are signatories to the Lome Convention, 60 are exporting their fish supply to the EU. The Lome Convention is an international aid and trade agreement between the ACP group and the European Union, aimed at supporting the ACP states' efforts to achieve comprehensive, self-reliant and self-sustained development. As Eritrea is a signatory in the Lome convention, it is getting assistance from the European Commission (Goundling, 1997).

Food safety and quality have become increasingly important in international fish trade. Stringent conditions imposed by major fish-importing nations in the developed world, which accounts 80 % of global fish exports, give food safety and quality priority over price as the main determinant for market access. Nearly half of fish exports to EU originate from developing countries that have limited capacity to invest in the rigorous fish safety measures demanded by importing countries especially the EU. The main safety concerns are unhygienic handling during and processing, and poor packaging. In fish producing countries, failure to apply adequate quality and safety measures leads to losses at various stages of fish marketing (ibid, p: 12)

The implementation of health controls for fishery products, defined in European directives and regulations, requires a coordinated application of technical, legal, and financial resources within an appropriate organisational structure. Many ACP countries have difficulty in accessing and mobilising the human and financial resources required to implement these control systems. There are several reasons why some ACP countries have difficulty in meeting these requirements. The fish supply chain in many ACP countries is characterised by large numbers of small-scale fishers, separated by long distances, with poor communications. Infrastructure for handling and distribution of fishery products is frequently under-developed (ibid, p: 16).

The main importer of fish products from Eritrea is the EU market. Fish and fish products are exported from Eritrea through the ports of Massawa and Assab, and through the airport of Asmara. In order to encourage export, no levies are charged on export products. Eritrea is one of the countries enlisted in LIST II of qualified exporting countries to the EU markets. List II comprises countries and territories meeting the terms of Article 2(2) of Council 95/408/EC (comprising those countries, which have submitted satisfactory dossiers, pending in inspection by Commission Services). Further information is provided in Appendix 1. At present, Eritrea has few buyers in the international market in the United Kingdom, France, Netherlands, German and Italy (*Ministry of Fisheries, 2000).*

In 1999 EMPC exported all the frozen products to Netherlands, consists of 2.95 tons shrimps and 170 tons fish. Further information about the fish exported by EMPC from 1999 till 2003 is available in appendix 3. The fish is distributed through intermediaries to reach the EU consumers. These consumers are spread over various countries and have a very wide variation in of income levels. The market for fish in Europe is very flexible, insofar as a demand can be found for a variety of species and grades (Ghebresillassie, 1998).

In EU there has been a significant shift towards convenience foods, such as ready- made meals, and canned foods. Life-styles have been changing due to the economic conditions in EU. The rise in female participation rates in the labour force, and the increased numbers of younger consumers with higher disposable income has brought about a change in EU consumption. Food safety, quality, packaging and labeling are become increasingly important than prices. A recent survey conducted in July 2002 in UK showed that appearance was the most frequently cited factor in influencing the buying decisions of British purchasing fish. Thirty percent of the sample cited appearance as important, followed by taste (16%) and price 14% *(UK market update, 2002).*

Pricing

Prices vary within a range and are influenced by factors such as seasonality of supply and demand, fish quality and individual markets' taste. In addition, individual fish buyer's preferences and allegiances are critical. Product prices are further complicated by trends in international exchange rates and the buying power from different countries. In the EU, fish is

sold in auction to the wholesalers and distributed to the supermarkets (*Ministry of Fisheries, 2000)*. Table 3.9 provides selected prices at wholesale auction in Billingsgate in UK.

Table 3.9: Wholesale Auction Prices in UK

Billingsgate, UK: Wholesale Auction Prices 2000		
Fish	Form	Average Prices (in US $/Kg)
Grouper	Fresh	8.80
Tuna Lions	Fresh	10.60
Tuna	Frozen	2.82
Snapper	Frozen	3.50
Snapper	Fresh	8.80
Spanish Mackerel	Fresh	8.80
Parrot Fish	Fresh	8.80

Source: *Ministry of Fisheries, 2000*

Fish species in Eritrea are categorised as high value, medium value and low value shown in the Table 3.8. Prices differ according to their value, and variations in prices on a day-today basis occur between different locations, and are influenced by the source of supply and market demand. Table 3.10 provides an example of variation in price between different markets in EU countries for the similar product.

Table 3.10: Selected Fish Prices in EU

Selected Fish Prices in EU			
Country	Fish	Form	Average Price (US $ Kg)
UK	Snapper	Frozen whole	2.38
Italy	Grouper	Frozen whole	11.15
France	Grouper	Frozen whole	9.25

Source: *Ministry of Fisheries, 2000*

Distribution System

The delivery of fresh fish requires efficient transportation to market to ensure that spoilage does not occur and quality is maintained. Air transportation is critical to the marketing efforts for fresh fish from Eritrea. The fish was transported via air and sea. The fish was transported

to Europe via Lufthansa (German Airlines). Lufthansa prefers cargo requirements for shipping from Eritrea, to be scheduled with the airline well in advance, so that space can be planned and allocated. There is capacity for 20 metric tons, but it must be reserved in advance. Without planning and reservation of airline space there is a chance would be none available. Generally, Lufthansa is reliable for shipments to Germany (Frankfurt) but connections to other countries and turnaround times for cargo have caused some delays *(Ministry of Fisheries, 2000).*

The export of frozen fish requires special insulated shipping containers that have refrigeration units to maintain in its product in the frozen state. Sea transportation is more suitable for frozen fish, as the refrigerating containers provide an opportunity to lower transportation costs considerably.

3.5 Competitors

EMPC and other Eritrean firms are facing fierce competition in EU market from ACP countries. A study conducted by Kuile for the strengthening of management and marketing of EMPC in 1998 showed that the main competitors of Eritrea in EU market from African countries are Senegal and Guinea. The following section will discuss the activities of Senegalese and Guineas companies.

Senegal

Two types of fleet operate in Senegal; the artisanal or traditional fishing vessels, and the industrial fleets split between the sardine, trawling, and tuna fishing fleets. Using data from the Senegalese Economic Observatory for Fishing, the industrial processing sector consists of a total of 80 companies, essentially divided into fish canning (3 companies), filleting-refrigeration-freezing (76) and onward processing of wastes to fish flour (1). Those companies are active in processing by filleting, refrigerating and freezing, and are capable of adding value to their raw material input, through a (higher degree of processing) and also to better diversify their export markets. Senegalese companies are professional in fishing know how, many of them are joint ventures with European fishing companies. Senegalese fisheries companies also have well established brand in the EU market. Various ranges of exported products are composed of whole fish (fresh or frozen), Crustaceans (fresh or frozen), Molluscs (fresh or frozen), fish fillet (fresh or frozen), Tuna canning, curing, fish flour, salted

and dry salted. In 2002, a quantity of 88,019 tons was produced in Senegal and most of which exported to the EU market. The main importer of Senegalese fish processed products is France, where prices for exotic fish in Rungis Market range between 7.93 to 12.2 U$ per kg (*West African Fisheries Development Studies, 2002).*

Guinea

The fishing industry in Guinea consists of industrial and artisanal fishing. In 2001, the artisanal fleet caught 59,579 tones (inland fish not included in the count). Small coastal pelagic (Bonga Shad and short-body sardinella) and scianidaes (bobo, sole, catfish, and sea bass) represent close to 60% of the catch. Demersals are notably exploited by all types of fishing sectors.

According to the Ministry of Fisheries and Aquaculture reports (2001) the potential annual catch is estimated at between 100 and 150,000 tones, of which a little more than half are Pelagic species and the remainder are Demersals. The Guinean population consumes an average of 13 kg per capita of fish per annually.

In December 2000, a team of inspectors from the EU Food and Veterinary Department visited Guinea to assess the compliance with the sanitary rules as set by EU legislation. The team reported that the facilities and the hygiene procedures and conditions were generally deficient, but it nevertheless recommended provisionally, and conditionally maintaining Guinea on list II. In August of the following year, Guinea was moved to list 1, but this approval was, and is still, strictly limited to imports of refrigerated and frozen fish products, excluding prepared or processed products.

Fresh fish (1,502 tones in 2000) is exported to France, whereas Spain is the major destination for frozen fish. Exports to Asia are more difficult to assess, but experts estimate them at 1,500 tones of fish per year. The amount of fish exported to EU was 4,213, 6,812, and 6,190 tons in 1998, 1999 and 2000 respectively. Over exploitation and resource mismanagement are the main problems facing the fishing sector in Guinea (*West African Fisheries Development Studies, 2000).*

3.6 Constraints to Growth for EMPC

The Eritrean Marine Products Company has a lot of constraints which are:

- Incomplete infrastructure includes chill rooms, insufficient laboratories, inadequate maintenance services, and lack of spare parts
- The overall lack of skilled human resources and expertise in all occupations that relate to fishing skills, organising and planning
- Lack of marketing, and marketing personnel, has led to poor performance in product pricing, packaging, and labeling
- Quality problems still exist especially with the fish supplied by artisanal fishermen
- Quantities supplied by the artisanal fishermen are irregular and low due to the lack of skills in fishing and enough fishing inputs such as fishing gears, engines, spare parts and boats (*Ministry of Fisheries, 1995)*

3.7 Conclusion

The Eritrean Marine Products Company (EMPC) is a fish producing, processing and exporting company. EMPC's mission is to create a good relationship with its stakeholders and to be competitive in both domestic and the EU market. The Government restructuring policy of 2001 decided that all the fish operation activities should be managed by EMPC. EMPC is now managing the wide fishing activities which consist of a fish production division (Beilul Company), and processing divisions (ERIFISH and Asmara Processing Plants). The main suppliers of raw fish to the company are the Fishermen Cooperative Societies. EMPC produces both fresh and frozen products. The products are classified in three grades. The first grade products are the best quality and are exports to EU, while the second grades are targeted in the domestic market. The following chapter will present the data analysis of EMPC. The suitability, feasibility and acceptability will be used as the main criteria's for testing how competitive is EMPC's existing business strategy.

Chapter Four: Analysis of the Situation

4.1 Introduction

This chapter will attempt to analyse the existing strategy of EMPC using the criteria of feasibility, suitability and acceptability developed in chapter two. In this context, the first item to be evaluated is elements of the existing strategy of the EMPC. To test the strategy suitability, PEST analysis technique will be used to assess the macro environment of the organization. In assessing the industry in general, different models will be applied. The Porter Diamond model will be used to assess the home-based advantages used to create competitive advantage in relation to others on a global front. Simultaneously, Porter's Five Model is a powerful tool for systematically diagnosing the principle of competitive pressures in a market and determining the intense of competition in the Eritrean Fishing industry. To further determine the competitive position of the company against its rival exporting foreign companies in EU market, an analysis will be conducted focusing on Senegalese and Guinean companies, due to the similarity in the nature of competition of both countries with Eritrea. The analysis will focus on determining the strengths, weaknesses of the EMPC competitors, and anticipate their next strategic move.

To analyse the internal situation of EMPC, a SWOT analysis, value chain analysis, and the competitive strengths assessment will be used. The life-cycle portfolio matrix will be used also to indicate where the company is situated with reference to the industry growth cycle and its competitive position in the industry.

A useful technique that will be used is the Gap Analysis in order to compare the planned and the actual performance of EMPC. The acceptability test will be evaluated using financial return and risk. In assessment of return, profitability ratio will be used, and in the risk assessment, financial, efficiency and liquidity ratio will be used.

In the final section, a feasibility test will be used to asses whether the EMPC has the resources such as financial, managerial capabilities and physical resources to implement the strategic options.

4.2 Key Elements of the EMPC's Business Strategy

EMPC is conducting growth strategy through the following activities:

- Acquisition of two processing plants in the industry, namely Asmara Processing Plant and ERIFISH, and the fish production and operations of the ministry of Fisheries.
- Internal expansion of the operation through rehabilitating the processing plants (ERIFISH and Asmara Fish Processing Plant) in order to comply with the EU regulations
- Focusing on the production of high value fish species such as Demersal and crustaceans to increase revenue
- Exporting most products to the European market and regional markets that are the most profitable segments

4.3 Suitability Test

In the suitability test, the macro- environment will be analysed using the PEST technique. Following this, the Porter Diamond, the Five Forces Model, and competitors benchmarking will be used to analyse the intensity of competition in the Eritrean fishing industry and the global market (EU). In the internal analysis, SWOT analysis, value chain, industry lifecycle techniques will be used. Gap analysis will be used also to screen the strategic option of the company.

4.3.1 PEST Analysis

Political Environment

Due to the border conflict with Ethiopia, the EMPC faced certain losses in its export and domestic markets. The export market to Ethiopia stopped due to the conflict and resulted in a loss of benefits to the EMPC. In addition, the company's ability to produce was severely damaged as a result of the war that influenced its financial and human resources badly. Most of its employees joined the military to serve the nation and the country's currency was being inflated. The lowered purchasing power of the currency had a negative impact on the domestic customers, but had a positive result in the export market. Though currently it is in a relatively stable condition, the consequences of the war are still felt.

The Government is promoting the export market by introducing an encouraging policy such as the abolition of levies on export products. Priority is given by the Government to the rehabilitation of the fishery sectors through the establishment of development projects in infrastructural building and training. The EMPC is also financially supported by the government.

Highly importantly, the foreign market, mainly the EU, is a big and attractive. No import duties and trade restrictions are exercised against those countries which are signatories of Lome convention. At the same time, the EU provides them with technical and management advice. The only threat that the EMPC faces in the EU market is the compliance with the EU regulations, which require high investment and a coordinated application of technical, legal and financial resources, with appropriate financial and organisational structure.

Economic Environment

Eritrea possesses an untouched and very rich, long coastline along the Red sea, with a maximum sustainability yield (MSY) estimated from 51,000 – 79,500 tons per year. Besides this, its nutritional value can be considered as a source of foreign exchange and can attract foreign investment.

The war for independence 1961-1991 and the boarder conflict with Ethiopia (1998-2000) caused huge loss of life, and destruction of property and infrastructure that are essential to the Eritrean economic growth. High inflation rate on the one hand and low purchasing power of most households and consumers on the other, resulted in a low rate of fish consumption in the domestic market. Rising interest rates in early 1999, hindered many firms and entrepreneurs from borrowing funds from government banks, to enable them to expand their business. Moreover, fishery firms, including the EMPC are subjected to fluctuating currency rates that make cost of fish production high, and planning for operational activities difficult. The labour market of Eritrea is comprised of unskilled labour which led the fisheries companies to import expertise and skilled labour from abroad.

Socio-Cultural Environment

In a global context, one of the most profound social changes in recent years has been the accelerating interest of consumers' health consciousness (Internet 1). Consumers have become increasingly conscious of the hazards of saturated fats and cholesterol in meat. It is common

knowledge that seafood is a protein rich, easily digestible food with low amount of connective tissue, and a high proportion of polyunsaturated fatty acids and low cholesterol. This health consciousness does not affect the EMPC, especially in terms export sales the nutritional facts regarding fish result in its high demand throughout the world.

Unlike this global market trend the domestic market has different story. Due to less awareness of the benefits of seafood in the domestic market, there is a strong preference for meat in Eritrea. As a result, fish consumption has been very low; approximately 0.25 Kg per year per capita. Only 5% of the population includes fish in their diet. However, as a result of efforts by the Ministry of Fisheries, there has been annual growth rate of 4% between 1991- 1996. This condition poses both an opportunity and threat for the company. It has an opportunity to expand its market by promoting activities so as to create awareness of the advantage of seafood in the mind of its potential customers. On the other hand, the low status of the domestic market demands a lot of effort and money to educate the potential consumers. At present, the company is not showing any effort to increase the domestic demand, but has concentrated all its production capacity to produce commercial species for export. This results in a shortfall of fish supply to the very low demand of the domestic market.

Technological Environment

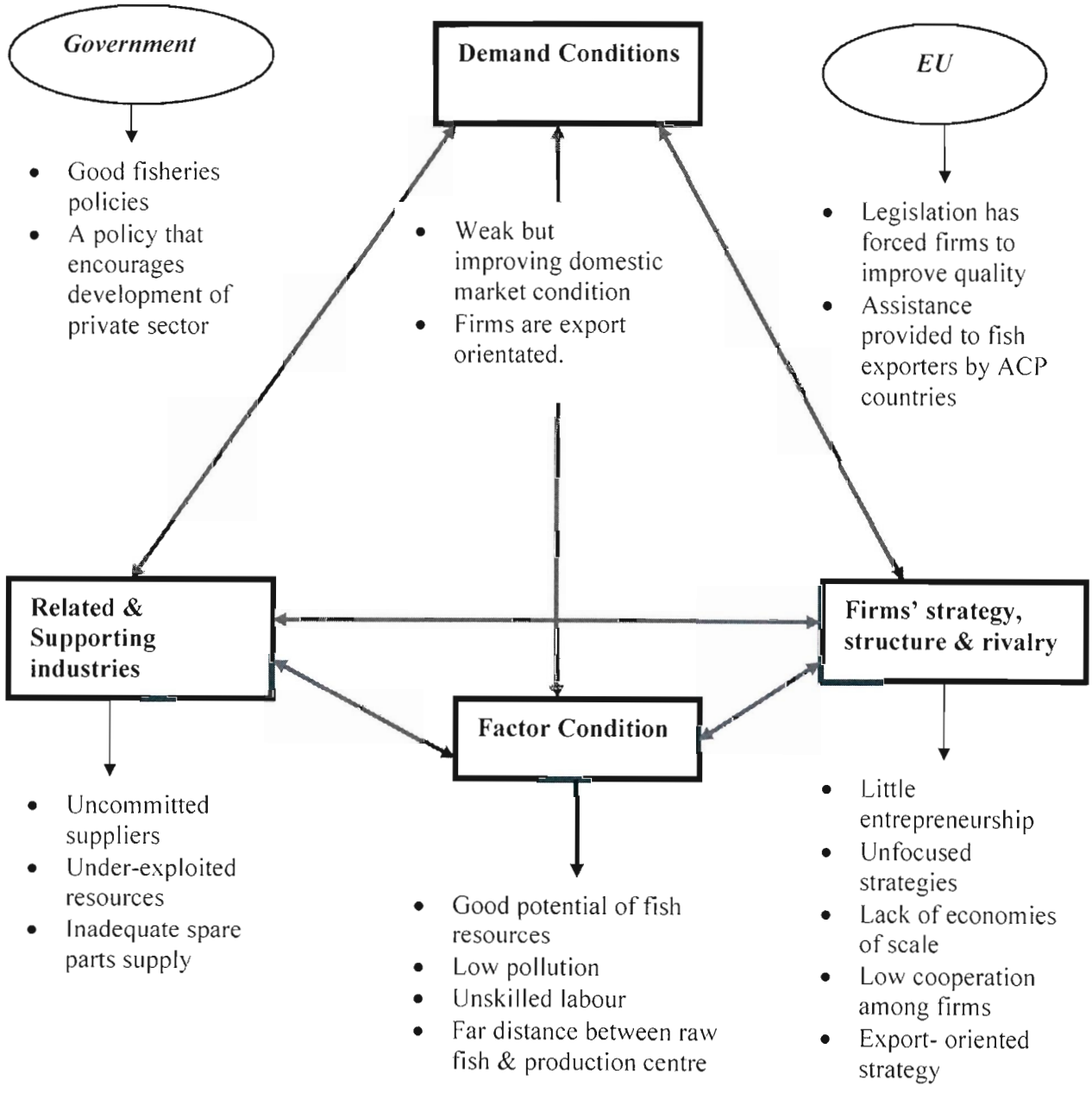
Development in the fishing sector in the last 50 years, has been characterised by rapid growth in technology, large vessels employing sophisticated technology are used for finding and catching fish. The emergence of this technology gave rise to an increase of fish production in many regions of the world. Despite this, the fishing method used by EMPC is still traditional. This involves long-line and fishing net, which results in under the exploitation of the resources. Fishing industry is currently exploiting only 20% from the total Maximum Sustainability Yield. This has a negative impact on the company and its production capability per unit of time and overall efficiency of its fishing operations.

4.3.2 Industry Analysis

The Porter Diamond model will be used to assess the home-based advantages in order to create competitive advantage in relation to other companies on a global front. Simultaneously, Porter Five's Model will be used to asses the intensity of competition in the industry. Competitor analysis will be used to benchmark Senegalese and Guineas companies.

4.3.2.1 Porter's Diamond of National Advantage

Porter's Diamond-model is a well-known model of regional and national economic development programming. This model will be used to analyse the factors leading to the emergence and growth of fishery sector in Eritrea.



Source: Hill C., (2000), p: 162

Figure 4.1: Porter's Diamond as applied to the Eritrean fishing industry

1. Factor Conditions

The unique sources of competitive advantage within the industry are the high potential of fish resources and being the quality of some processed fish. Yet even this advantage is not being taken full advantage, as the fish resources are still underexploited.

The distance of the raw fish is far from the production centre. The lack of skilled human resources was important factor inhibiting new product development. Fishing companies require highly skilled, experienced and trained people. The availability and cost of capital are critical components of competitiveness. The Ministry of fisheries reports identified lack of capital as an impediment that is consider as barrier to new entrance and new product development. Kuile (1998) remarked that, in competitive terms, the Eritrean fishery is particularly vulnerable to foreign competitors from ACP in EU market.

2. Demand conditions

From the above PEST analysis, it obvious that the demand in the domestic is low, but there is a potential to grow in the near future. This led most firms to devote attention to the export market especially the EU market. The EU market is considered large market for all kinds of tropical fish. On the demand side, there has been a significant shift towards convenience foods as life style has been changing due to the economic conditions in EU market. The rise in female participation rates in the labour force, and the increased numbers of younger consumers with higher disposable income has brought about a change in EU consumption. Food safety, quality, packaging and labelling have become increasingly more important than prices. All these sophisticated demands and standard forces Eritrean companies to be competitive in future and improve their productivity in order to comply with these regulations.

3. Strategy, Structure and Rivalry

The fishing sector in Eritrea is characterised by a small number of firms which are small in nature and lacking economies of scale. They operate over a narrow range of few products, and tend to focus on niche products, regional and local markets. Innovation, in terms of product development, is often cited as the most important source of competitiveness in the food

industry. The fishing sector in Eritrea lacks innovation and the proliferation of new products development, as a result of the lack of marketing capabilities, of all firms.

4. Related Supporting Industries

Priority is provided by the Government for the rehabilitation of the fishery sector, by establishing different development projects in infrastructure building and training. The EU also provides technical and financial assistance to the companies that are signatories in Lome Convention. The Government is promoting export market by introducing an encouraging policy, such as no levies are charged on export products.

4.3.2.2 Five Forces Model

The competitive advantage of Eritrean fishery companies, which is related to the economic market, has been discussed above. The next part will discuss the intensity of competition and, the profitability and attractiveness of the industry.

1. Competitive Rivalry between Existing Players

The fishing industry in Eritrea has a monopolistic structure. There are few firms that operate in the industry with the EMPC the major player that captures the highest market share. Competition is weak; there is no a counter attack movement from the existing competitors in the industry. The weapon of competition is price, quality and timeous delivery.

2. Threat of New Entrants

The fishing industry is attractive because there are only few firms operating in it. However, the threat of entry is low to moderate. The reason being that fishing industry requires high capital investment, high cost of market entry to build outlets, high manufacturing capability and fishing expertise. There is a potential threat if firms join together or form alliances with foreign investors which are financially and technically capable.

3. Bargaining Power of the Suppliers

The only supplier of all firms in the industry is the artisanal sector. The industry sector does not land its fish in Eritrea: all the products are exported to foreign market. There is high bargaining power from supplier, as the artisanal is the only supplier of raw fish in the industry. These supplies have the option to sell their products to Yemen and Saudi Arabia,

which are competitive and offer prices better than the EMPC. Market segments in Saudi Arabia and Yemen can absorb all the species that are produced by the company supplier with no requirements on specific species and quality standards. Moreover, the artisanal sector has an option to concentrate its production capability on producing dry fish rather than the fresh fish, which is needed by EMPC.

4. Bargaining Power of Customer

The EMPC has three different consumers in domestic market: households, shop retailers and restaurants. The households have high bargaining power because they can shift easily to other substitutes, such as meat and chicken, and they are largely not aware of the nutritional value of fish. The switching cost is almost zero. Households are also price sensitive due to their low income. There is also strong competitive force from shop retail and restaurants due to lack of brand identity of fish products in the industry; they can easily switch to any fish firm in the industry. What matters are the price, quality and type of fish needed by the customers. Therefore, the company has a great obligation to come with a competitive price quality and the desired fish type. Consumers in EU market have high bargaining power because they can import fish from other ACP countries.

5. Threat of Substitutes

Consumers have ample food selection choices besides fish, making the availability of substitutes a moderately strong competitive force in the retail channel. The strength of substitutes as a competitive force is enhanced by the availability of regular supply of meat and chicken.

4.3.3 Competitors Analysis

In comparison with its competitors in the domestic market, the EMPC is considered a leader in terms of manufacturing capabilities, product quality, and market share. In the export market, the company's business strategy does not as yet yield competitive advantage. A study conducted by Kuile, (1998) revealed that the EMPC fisheries products encountered fierce competition from ACP countries, especially Senegal, Guinea whose products were sold U$ 0.50 per kg cheaper than EMPC. To understand the competitive position of the company with its rival exporting foreign companies, more analysis on the Senegalese and Guinean companies will be conducted. The analysis will focus on the strengths, weaknesses, and the future strategy of those firms.

4.3.3.1 Senegal

The ability of the EMPC to pursue serious inroad both in the global and domestic market is not enough to gain a sustainable competitive advantage. Lower cost relative to rivals, different or better product offerings and superior ability to serve a market niche or specific group buyer are essential facets to build competitive advantage. In comparison with their rivals from Senegal, the EMPC is generating little revenue from export and exporting narrow product line which consists of Demersal, and Crustaceans (frozen and fillet). Senegalese companies have real potential for upgrading the processing of fish, through technological improvement. Their strengths lie on their ability to export a wide range of products lines, which consists of whole fish (fresh or frozen); fish fillets (fresh or frozen); crustaceans (fresh and frozen); molluses (fresh and frozen); canned tuna, pichard and canned sardine and curing; fish flour salted and dry.

In terms of quality, Senegalese companies provided high quality products. Senegal is categorised in List I (countries and territories covered by a specific decision under council directives 91/493/EC in EU). Their ability to utilise high manufacturing capacity allows them to benefit from the economies of scale, and to offer relative lower cost and price. The next strategy those companies are to build strong brand name and to expand their products in EU markets. Their weakness lies on the overexploitation of resources by employing too many fishing trawlers, and poor fishery management policies.

4.3.3.2 Guinea

Guinea is the main competitor of EMPC in the French market. Guinea offers wide product lines such as fillet, frozen, dry products. Guinea fisheries companies have the ability to benefit from economies of scale: in the average weight of fish exported was 7000 tons in 2002, compared with the amounted exported to EU from Eritrea which were 107.9 tons. EMPC is offering fish products of better than Guinea, since it was recommended by the team from EU to move Guinea to List II from list I because of hygiene procedures and conditions and generally deficient conditions.

The EU market is big with high demand of all kinds of fish. The Food safety and quality have become increasingly important in international fish trade; EU gives food safety and quality priority over the price. Delivery on time is very important factor.

To determine how strongly a company holds its competitive position in EU market it is important to assess quantitatively whether the company is stronger or weaker than its close rivals in global market. The assessment will be discussed in the following sections:

Table 4.1: Competitive Strength Assessment

	Weight	EMPC	Senegalese UPAMES,GAIPES, CNPS	Guinea
Quality product performance	0.30	7/0.50	9/0.90	5/0.50
Manufacturing capability	0.10	5/0.50	9/0.90	8/0.80
Delivery on time	0.10	5/0.50	8/0.80	7/0.70
Consistency of fish supply	0.20	4/0.40	9/0.90	8/0.80
Marketing capabilities	0.10	5/0.50	7/0.70	6/0.60
Technological skill	0.05	5/0.50	9/0.90	8/0.80
Resources management & fisheries policies	0.15	9/0.90	5/0.50	5/0.50
Sum of Weights	**1.00**			
Weight overall strength rating		**5.71**	**8.00**	**6.71**

The above analysis shows that Senegal has the highest competitive rating of 8.00 and thus it holds the strongest position in comparing with Guinea and Eritrea. The lowest score for Eritrea is the supply of fish; hence it has to improve its fishing skills and fish productivity in order to compete in EU market.

In the section which follows the analysis will focus on the EMPC's internal situation.

4.3.4 Internal Analysis

In analysing the internal situation of the EMPC, SWOT, impact, and Value Chain Analysis will be used.

4.3.4.1 Company Analysis

EMPC is operating in both domestic and the international market. The strengths of the company lie in its competitive capabilities in the international market in comparison with

other, firms in the industry. The company is successful in identifying several potential in international market, especially the EU market in France, Italy, Netherlands, German and UK.

Product quality as well as packaging presentation, and above all the product image are the factors determining consumers' perception of value added. The EU markets prioritise safety and quality over price. Strict sanitary regulations to meet health and safety standards, new standards for compliance with environmental management and labour standards are all considered barriers to entry into the international market, especially in the EU and USA. To cope with the growing technical barrier, EMPC has invested heavily in quality improvement and quality assurance, the company has introduced the HACCP (Hazard Analysis Critical Control Point). This has resulted in improving quality and reduced customer complaints in EU market.

The strength of the EMPC also lies in its focus on the productivity of the labour force using incentive systems that rewards productivity. It is recommended for the company to focus also on training programmes that assists in improving productivity and quality assurance in the process of production.

The EMPC has several weaknesses that hinder the competitiveness of the in the global market. One of the weaknesses often cited is the small size of output, which makes it difficult to develop the economic of scale required for the success in the international market.

EMPC is engaged in a few product lines when comparing to their rivals. The main focus of the company sales is on Demersal and crustaceans (fresh and frozen). Lack of marketing capabilities further hinder the company in building a strong brand name and accessing information concerning fish prices and buyers characteristics in global market.

4.3.4.2 SWOT Analysis

The SWOT analysis provides information helpful in matching the firm's resources and capabilities to the competitive environment in which it operates. As such, it is instrument in strategy formulation and selection. EMPC's SWOT analysis is depicted in the following table.

Table 4.2: SWOT of the EMPC

Strengths	**Weaknesses**
1. No financial constraints 2. Slowly emerging business skills 3. Full support from the Ministry of Fisheries 4. Good quality products 5. Leader in the industry 6. Talented staff	1. Poor communication with raw fish suppliers 2. Narrow product line relative to rivals 3. No brand name 4. No clear strategic direction 5. No fishing technology & technical know-how 6. Lack of marketing capabilities 7. Underutilized plants capacity 8. Inexperienced, unskilled and unmotivated crew 9. Lack of spare parts 10. High initial capital cost 11. Lack of shore based facilities, fishing infrastructure, spare parts
Opportunities	**Threats**
1. Government support & under-exploited fish resources 2. It is the only local company that is engaged in fishing. Hence, less competition on the under-utilized fisheries resources 3. High demand for fish in domestic and international market 4. Opportunities to use expatriates within the Ministry of Fisheries 5. Alliances or joint venture with foreign fishing companies in the region or internationally. 6. Good policies and trade regulation in domestic and EU market 7. No levies on export	1. Competition on fish resources from other similar companies 2. Competition on EU market from other ACP companies 3. High maintenance cost 4. Normalisation of relations with Yemen in relation to fish production. 5. Foreign exchange constraints 6. High inflation rate that lead to high operation and production cost

4.3.4.3 Impact Analysis

The impact of environmental changes on the EMPC's internal strengths and weaknesses is presented in Table 4.3. The existing strengths such as the financial capability, hard-working staff and the under-exploited fish resources, will attract different fisheries companies in the region and internationally. Simultaneously, the analysis shows several weaknesses. The narrow product lines, lack of manufacturing capabilities and marketing capability and the lack of a strong brand name, hinder the company from taking advantage of the growing demand in the EU market.

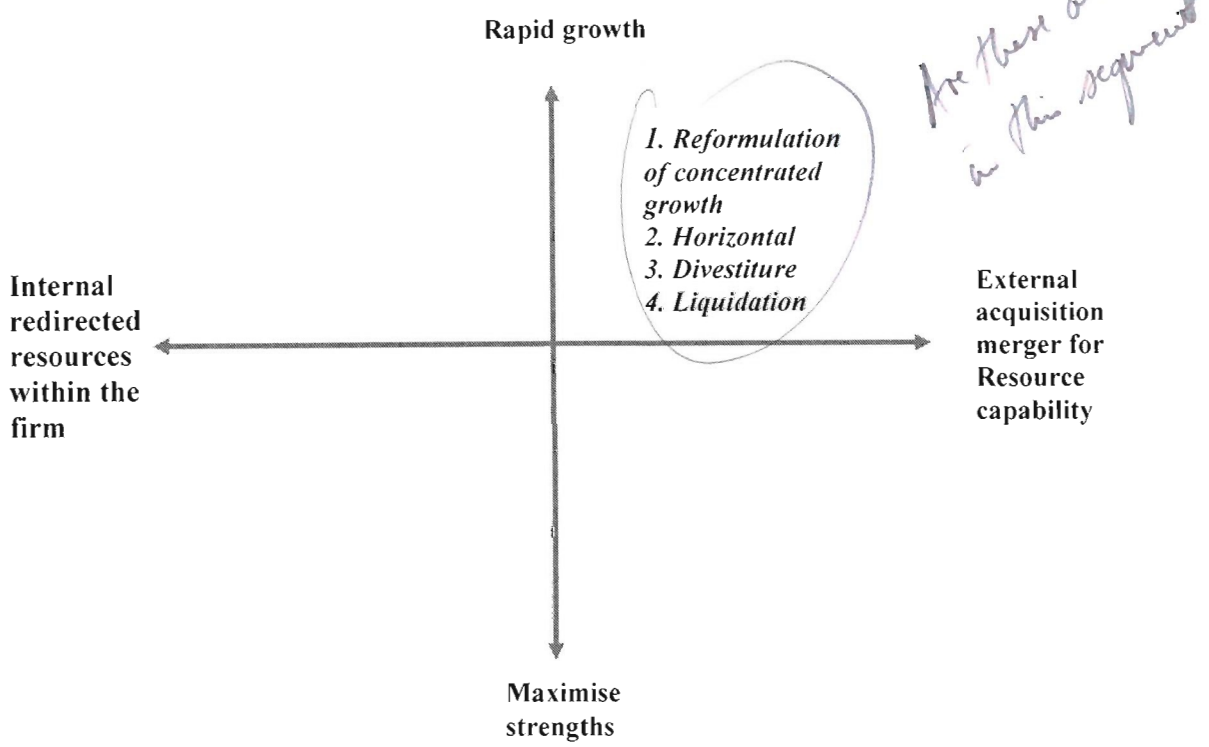
What do the numbers mean.

Table 4.3: Impact Analysis for EMPC

Environmental Change (opportunities and threats	High demand of fish in domestic and global markets	Alliances and joint venture in region and global firms	Under-exploited resources in the Red sea	Good policies and trade regulation in domestic and EU markets.	Foreign exchange fluctuation & high inflation rate	Competition from Senegal & Guinea companies in EU markets.	High standard food safety & quality regulation in EU market	+	-
Strength									
No financial constraints	+2	-2	+1	+1	+1	0	+2	7	2
Support from the Ministry of Fisheries	+1	+2	+2	+2	0	+1	+2	10	0
Good quality products									
Leader in the industry	+3	+1	0	+2	0	-1	+1	7	1
Hard working staff	+1	-2	+1	+2	0	-2	+1	5	4
	+1	+1	+1	+1	0	+1	+1	6	0
Weaknesses									
Poor communication with raw fish suppliers	-2	+1	-1	0	-1	-2	-2	1	8
Narrow product line relative to rivals	-2	+1	-1	-1	0	-1	-2	1	7
No brand name	-1	+1	-1	-2	0	-1	-2	1	7
No clear strategic direction	-2	+1	-2	+2	-1	-1	-2	3	8
No fishing technology & technical know-how	+1	+1	-2	0	0	-2	-1	2	5
Lack of marketing capabilities	-2	+1	-2	-1	0	-2	-2	1	9
Unskilled workforce	-2	+2	-1	+2	0	-2	-1	4	6
Lack of sufficient fisheries infrastructures	-2	+1	-1	0	-1	-2	-1	1	7
Total								49	62

An overall indication of the company's position highlights numerous internal weaknesses and opportunities. As it shown in the Table 4.3, the strengths score 49, while the weaknesses score 64. The final result of the environmental score at the foot of the table is an aggregated of -13. The future does not look good with an aggregated result of -13. To overcome the internal weakness and to capitalise on the different opportunities in the environment, the EMPC should follow one of the following strategic options.

Figure 4.2.: Grand strategy Clusters Matrix



Option One: Reformulation of concentrated growth

In a rapidly growing market, even a small or relatively weak business often is able to find a profitable niche. Thus, formulation or reformulation of a concentrated growth strategy is usually the first option that should be considered. In today's markets, small size need not be a disadvantage and may actually be a source of competitive advantage. Increasingly, world markets are fragmenting into a large number of small segments that have developed as result of demand and services adapted to the purchasing criteria for their particular type of consumers.

The EU is a big market with different segments of high and growing demands for different tropical fish species. The EMPC, as an exporter, is characterised by its small size, and the fragmentation of the market can be an advantage. In most EU countries, supermarkets now play a key role in retail fish sales, and consumer behaviour has shifted more toward convenience products, such as ready meals, cooked, and canned. The EMPC has an advantage in that they can develop strong market positions by specialising in niche segments that larger rivals from ACP countries would find difficult to adapt their products.

Option Two: Horizontal Integration

If the firm lacks either a critical competitive elements or sufficient economies of scale to achieve competitive cost efficiencies, a grand strategy that directs its efforts towards horizontal integration is often a desirable alternative. The EMPC has the option of forming alliances and joint venture with capable fishing firms in the region and with international companies. This will provide the company rapid access to new fishing technology and new products to help supply the profitable market segments in the EU market. The joint venture will allow the company to minimise its cost of production and achieve the economies of scale.

4.3.5 Value Chain Analysis

The value chain provides a systematic basis for analysing the activities of the EMPC. There are two kinds of activities: the primary and support activities. In the primary activities, the supplies of materials, the operations (production and processing), storage, quality assurance, packaging, marketing and distribution activities will be assessed. Simultaneously, the support activities such as ice production and maintenance services will be discussed.

The supply of raw fish

The fishermen cooperative societies are considered to be the only fish suppliers to the fishing companies in the industry. They supply EMPC with commercial species that are valuable for export. The supply of fish from them is not consistent which results in experiencing low productivity and efficiency. The average production for the commercial fish produced by one boat is estimated to be around 500kg per trip, while the boats have an average capacity of 1 ton per trip. Cost of production per boat is estimated to 60% of the total revenue. This has an

effect on the high prices claimed by supplier from the company. The low productivity of suppliers, have an influence on the company's competitiveness and differentiation capabilities.

The lack of initial capital for purchasing fuel, ice, and food has led many fish supplier to sell their products in Yemen, where they receive a higher price. At the same time, the lack of awareness of hygiene and fish handling factors affects the quality of fish, which has often deteriorated before the end of the sale. Fishermen carry their ice to sea, but the lack of production facilities close to the major coastal fishing centre, especially in high catch season, increase the cost of transportation.

The EMPC has a cost disadvantage which is associated with the high cost of raw fish purchased from suppliers. The company negotiates favourable prices with supplier and has improved the prices offered to them. Nevertheless, suppliers are complaining and not satisfied with prices. The management of the company should pursue serious strategic actions to correct the problems in the supplier chain, such recommended actions are:

To allocate a fund as initial capital for ice, food and fuel purchasing.

- Provide necessary training on fishing, fish handling with the collaboration with the Ministry of Fisheries.
- With collaboration of the Ministry of Fisheries the company should seek funds from donors for purchasing modern boats, and to allocate funds to be given on credit to suppliers to purchase modern boats and fishing gears.

Operation

Besides the purchasing of raw material from fishermen cooperatives, the EMPC has its own production division, which is responsible for producing fresh fish and shrimp. The fish is supplied to the processing plants. The fish production division experiences low productivity and efficiency. The lack of adequate fisheries infrastructure, such as chill rooms and spare parts, consistent maintenance service, and unskilled crew contribute to low productivity and inconsistency of fish supply. They also contribute to the small size of fish exports to

international market. All the above mentioned constraints hinder the company from adding value and competing in global market.

To add value and ensure consistency of raw fish supply, the EMPC should recognise the importance of addressing the shortage of skills of staff and labours. Providing training in fishing skills and recruiting experienced master fishermen is necessary decision to enhance and upgrade the fishing crew capabilities. Active programmes for rehabilitating the fishing infrastructure such as the supplying of spare parts, construction of new chill rooms and cold stores should be in place to overcome the shortage.

Fish processing

The study indicates that the company has two processing plants: ERIFISH and Asmara Processing Plant. The ERIFISH Processing plant processes mainly the first grade frozen fish and shrimp products for export. The second grade fish is sold locally. The frozen products are processed as whole-gutted (skin on and off) and fillet frozen. The factory has a freezing capacity of 1.5 to 2 tons of shrimp in 3-4 hours and 2-3 tons of filleted fish in 5-6 hours.

The EMPC has invested heavily in upgrading the ERIFISH plant in order to comply with the EU regulations; this provides advantage to the company to increase its export capacity. Nevertheless, the processing rooms were not built according to the EU regulations as there is no separation between gutting room and filleting rooms. Moreover, there is no a semi-processed products store. Due to this there is a backflow of products during the processing, which sometimes leads to fish contamination that hinders the company's ability to add value.

The Asmara Processing Plant processes fresh fish fillet and whole-gutted fish. The plant is well constructed with all the required rooms of filleting, gutting, offal and packaging built separately from each other. This contributes to a smooth flow in the fish processing chain, and avoids contamination resulting from backflows. This provides an advantage to the company to add value.

Storage of Fish

Insufficient chill rooms, cold storages and refrigerated machines sometimes result in fish contamination, especially in times of excess supply. The company used to keep the excess supply of fish in a refrigerated container outside the processing plant, which takes 72 hours to freeze. This affects the consumption of electricity and the quality of the fish as well. To add value and to ensure high quality products EMPC, should invest in expanding the cold stores and chill rooms.

Quality Assurance

The EMPC has improved the quality of its fish. The introduction of the HACCP (Hazard Analysis and Critical Control Point) helps the company to standardise the quality required by the EU. Improvement in quality reduces customer complaints that occurred in the early years of the company operation; and may led the company's existence. This led the company to a competitive advantage.

Packaging

Packaging varies according to product forms and whether frozen or fresh products are being shipped. International preferences for packaging will ultimately depend on the final market for the processed fish and the species, as there is significant variation between institutional market packaging preferences, such as restaurants, and the retail market. EMPC used to import packaging materials from abroad. This is expensive due to the fluctuation of the foreign currency in Eritrea. In order to decrease the cost of packaging, the company should look for local production of packaging materials, possibly in cooperation with other industries of similar requirements.

Marketing and distribution

The ultimate strength of a business lies in developing a long-term business to business link. Successful companies are those that have close marketing management and financial links with foreign business or trading partners. The EMPC has already established links with some agents in the EU and regional markets. Currently, however, access to markets is fairly

restricted through the established businesses with those agents that have significant influence on the distribution of fish products from the company.

Fish prices received from the agents in EU are restricted and constant and not subject to the fluctuations of the prices in EU auctions that occur frequently. The lack of a marketing department hinders EMPC from accessing information about knowledge of customer needs, consumer behavior, and flexibility of prices in the international fish market, especially the EU. These factors led EMPC to concentrate its sales on few products, such as Demersal and crustaceans. In the EU market, consumer attitude is changing toward convenience food, such as cooked, canned and ready meals of fish products. EMPC should be aware of the consumers' needs in order to build brand loyalty and gain competitive advantage.

Distribution channels

The disadvantages of working through a large number of intermediaries include poor knowledge of market trends, and the inability to gain competitive advantage. The case study indicates that the marketing chain of Demersal fish and Crustaceans has a number of intermediaries in the EU market and regional ones, before reaching the hand of consumers. The products are not well-known by the end user. The EMPC should promote it products through advertising and promotion campaigns in order to be known to the end user.

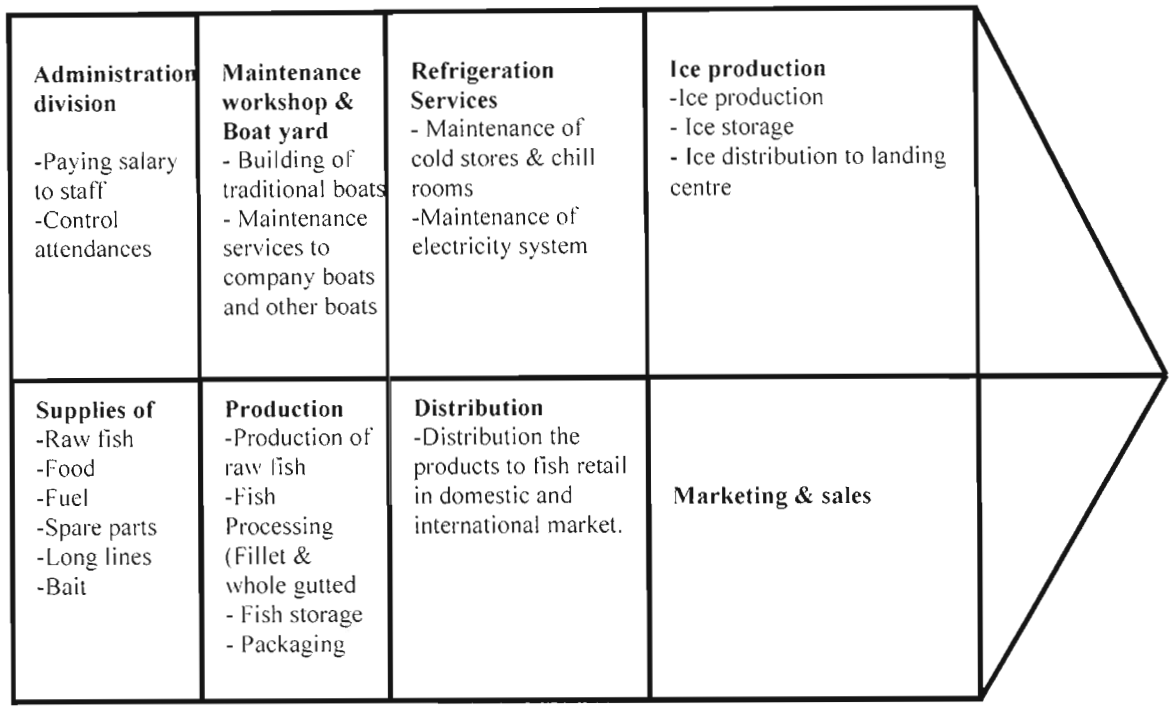
Transportation

The distribution infrastructure prevents the efficient transportation of the product from EMPC to the marketplace. Currently, as the case study indicates, the company is transporting fish through Frankfurt. The lack of onward connection to the UK and other European destinations is causing delay problems, which hinder the company in delivering the products on time. With the finalisation of the airport of Massawa, the marketing channel infrastructure is expected to improve.

Supportive Activities

The company has an ice production factory that works to full capacity. However, during the seasons, shortage of ice results in low productivity. EMPC's boat and engine maintenance workshop is not performing well. There is a delay in the schedule of maintenance, a lack of spare part, and skilled workforce. EMPC has no marketing and human resource department.

Figure 4.3: EMPC's Value Chain



4.3.6 Industry Lifecycle Analysis

The life-cycle portfolio matrix indicates where the company is situated with reference to the industry growth cycle and its competitive position in the industry. The EMPC operates both in domestic and international markets. The domestic industry is in its start up stage where few firms operate. The demand for fish products is growing due to the growth of population and promotional efforts conducted by the Ministry of Fisheries. The EMPC is in its growing stage in the EU market and characterised by strong/high competitive rivalry, as companies from ACP countries fight for a bigger share of the market, so as to increase their sales and profitability.

In the domestic market the EMPC needs to protect its leadership position by concentrating on the growing demand. The grade two and three of the products can be targeted at the domestic

market. The competitive analysis in Table 4.1 showed that the EMPC's competitive position is tenable compared to the Senegalese and Guinea companies in EU market, in terms of consistency of fish supply, delivery time and product lines.

With the reference of the position in which the company is, and from the information provided in the previous internal and external analysis, the EMPC needs to find niche markets and grow with the industry.

4.3.7 Gap Analysis

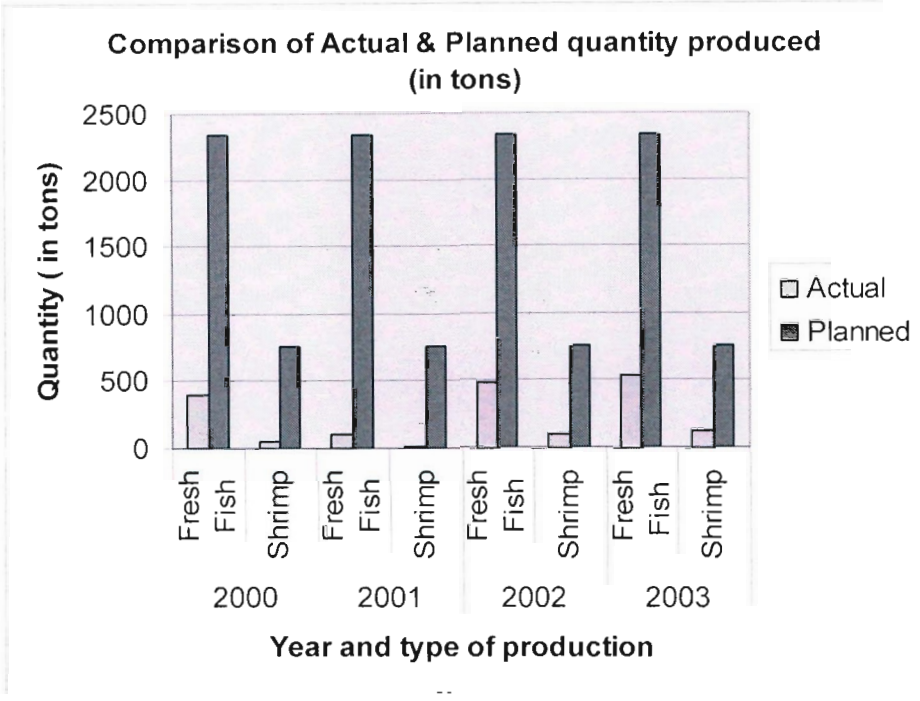
Using domestic plants as a production base for exporting goods to foreign market is an excellent initial strategy for pursuing international sales. It minimises both risk and capital requirements. The EMPC is following this strategy, since the company owns a fishing fleet, long line and shrimp trawlers. In 2001 the company planned to utilise its maximum capacity and produce 3096 tons, (2340 tons fresh fish and 756 tons shrimp) every year for the coming five years. The planned net profit before tax was 7,244,970.00 Nfa per annum.

Table 4.4 and graph 4.1 shows the comparison between the actual and the planned quantities produced from 2000- 2003.

Table 4.4: Comparison of Actual and Planned Quantity Produced (in tons) 2000-2003

	2000		2001		2002		2003	
	Fresh Fish	Shrimp	Fresh Fish	Shrimp	Fresh Fish	Shrimp	Fresh Fish	Shrimp
Actual	403	50	104	18.5	489	109	539	131
Planned	2,340	756	2,340	756	2,340	756	2,340	756

Why so big a gap?



Graph 4.1: Comparison of Actual and Planned Quantity Produced (in tons) 2000-2003

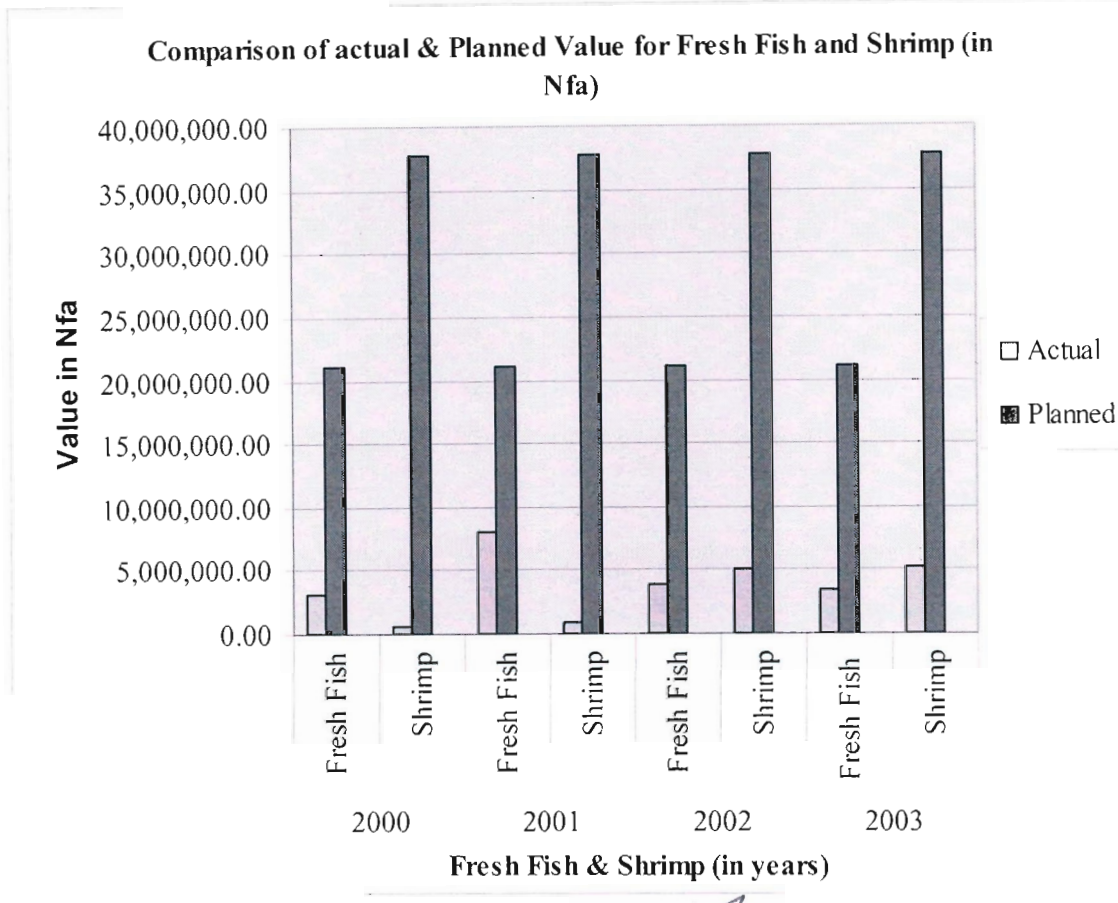
It obvious form the graph that there is a big gap between actual and the planed production. The projected production was 2,340 tons of fresh fish every year, while the actual quantities produced in 2000, 2001, 2002 and 2003 were 403, 104, 489 and 539 tons respectively. Simultaneously the graph shows a big difference between the projected and actual production of shrimps. The planned production is 756 tons every year, while actual productions were 50, 104, 109, and 131 tons in 2000, 2001, 2002 and 2003 respectively. This means the planned figures are too high and not realistic.

The following graph and table compared the planned and projected net revenues for the fresh production for the year 2003.

Table 4.5: Comparison of Actual and Planned Sales Revenue of Fresh Fish and Shrimp (in 000'of Nfa) 2000-2003.

	2000		2001		2002		2003	
	Fresh Fish	Shrimp	Fresh Fish	Shrimp	Fresh Fish	Shrimp	Fresh Fish	Shrimp
Actual	3161.26	621.76	7988.09	848.79	3835.87	5001.02	3384.13	5271.91
Planned	21060.00	37800	21060.00	37800	21060.00	37800	21060.00	37800

Graph 4.2: Comparison of Actual and Planned Sales Revenue of Fresh Fish and Shrimp (2000-2003).



It is obvious from the graph that there is a big gap between actual and the planned revenues from fresh fish and shrimps sales in the years 2000 till 2003. The graph shows the projected sales revenues of fresh fish is Nfa21,060,000 every year, while the actual sales revenues generated were Nfa3,161260.95, Nfa7,988,096.04, Nfa3,835,872.47, and Nfa3,384,134.89 in the years 2000, 2001, 2002 and 2003 respectively. Simultaneously the projected sales revenues of shrimps was Nfa37,800,000 every year, while the actual sales revenues were Nfa621,769.89, Nfa848,796.97, Nfa5,001,020.54 and Nfa5,271,916.61 in 2000, 2001, 2002 and 2003 respectively.

4.4 Acceptability Test

In the acceptability test, the profitability ratio and other financial ratio techniques were used to assess the return and risk of the strategy. The analysis will be conducted on ERIFISH and Asmara Processing Plants.

4.4.1 Liquidity Analysis Ratios

The liquidity ratios indicate how capable a business is of meeting its short-term obligations. To assess liquidity ratio of EMPC, the current ratio, quick ratio, and stability ratio will be used.

Current Ratio

The current ratio is the standard measure of any business' financial health. It shows the degree to which a business is able to meet its current obligations by measuring if it has enough assets to cover its liabilities. The standard current ratio for a healthy business is two (2:1) meaning it has twice as many assets as liabilities.

Formula: Current Ratio = Current assets / Current liabilities

Current ratio of ERIFISH for the year 1999 is Nfa 3, 453,145/12,031,324 = 0.29

Current ratio of Asmara Processing Plant for the year 1999 is

Nfa 6, 495,245/4,011,934 = 1.61

The following table summarises the current ratio of ERIFISH and ASMARA PROCESSING PLANT from 1999 to 2002.

Table 4.6: Current Ratio Analysis of Asmara Processing Plant and ERIFISH (1999-2002)

	1999	2000	2001	2002
ERIFISH	0.29	0.24	0.35	0.36
ASMARA FISH PROCESING PLANT	1.61	2.35	2.92	8.61

From the above table it is clear that ERIFISH had a very far below standard current ratio from 1999 to 2002. This is a very weak financial position and the company might face difficulties to pay its short-term liabilities. At some point in time this weak position can lead to the liquidation of the business.

On the other hand, the current ratio of Asmara Processing Plant showed an increase from 1999 to 2002. In the fiscal year of 2002 the current ratio was extremely high (8.61:1). This reflects the lack of working capital management by Asmara Fish Processing Plant's executives. A lot of assets were tied up and this could result in lost opportunity costs.

2. Quick Ratio

Like the current ratio, the quick ratio (also sometimes called the acid test ratio) measures a business' liquidity. However, it is a tougher measure than the current ratio because it excludes inventories when determining assets. The optimal quick ratio is 1 or higher.

Formula: Current Ratio = Quick assets / Current liabilities

Quick assets = Current assets – inventories

ERIFISH's quick ratio in 1999 was (Nfa 3,453,245 – 1,134,680) / 12,031,324 = 0.19; and Asmara Fish Processing Plant quick ratio in the same year was (Nfa 6,459, 245 – 98,044)/ 4,011,934 = 1.59.

The quick ratio of ERIFISH and Asmara Fish Processing Plant from 1999-2002 is summarised in the following table.

Table 4.7: Quick Ratio Analysis of Asmara Processing Plant and ERIFISH (1999-2002)

	1999	2000	2001	2002
ERIFISH	0.19	0.10	0.07	0.24
ASMARA FISH PROCESING PLANT	1.59	1.41	2.28	7.17

The quick ratio of ERIFISH was below standard. It could obviously create a problem in meeting creditors' obligations. The quick ratio of Asmara Fish Processing Plant was exceptionally high in the years 2001 and 2002. The management of Asmara Fish Processing Plant should have considered the lost opportunity costs of the unused current assets.

4.4.2 Profitability Analysis Ratios

The profitability ratios tell us whether a business is making profit, and if so, whether at an acceptable rate. These ratios will be examined in detail.

Gross Profit Margin

The gross profit margin ratio indicates how efficiently a business is using its materials and labour in the production process. It shows the percentage of net sales remaining after subtracting the cost of goods sold. A high gross profit margin indicates that a business can make a reasonable profit on sales, as long as it keeps overhead costs under control.

Formula: Gross Profit Margin = Gross Profit/Sales

Gross profit margin of ERIFISH in 1999 was Nfa -29,397/3,394,380 = -0.9%.

Gross profit margin of Asmara Processing Plant in 1999 was Nfa 3, 299,880/6,821,083 = 48.4%.

The following table depicts the gross profit margin of ERIFISH and Asmara Processing Plant from 1999 to 2002.

Table 4.8: Gross Profit Margin Ratio of Asmara Processing Plant and ERIFISH (1999-2002)

	1999	2000	2001	2002
ERIFISH	-0.9%	-18%	-40%	-24%
ASMARA FISH PROCESING PLANT	44.4%	48.3%	62%	54.6%

The above table illustrates that the performance of ERIFISH was poor from 1999 to 2002. The gross profit margin was decreasing remarkably in the specified period. This can be due to high cost of production and use of outdated technology. There was no profit to cover the operating and administrative costs of the business.

Asmara Processing Plant's performance in terms of gross profit was very good during the period. The company was in the position to control its costs of production. Its gross profit margin increased significantly from 1999 to 2002. The percentage increase in the gross profit margin will be discussed below.

Table 4.9: Percentage Change in the Gross Profit Margin of Asmara Fish Processing Plant (1999-2002)

	1999	2000	2001	2002
Gross profit	3,299,880	6,852,631	10,296,612	7,038,915
% age change	Base year	99%	50%	-31%

Gross profit increased at decreasing rate until 2001. In 2002, gross profit has decreased by 31% from the year of 2001.

2. Net Profit Margin

The net profit margin ratio indicates the amount of net profit per $1 of turnover a business has earned, after taking into account of the cost of sales, the administration costs, the selling and distributions costs and all other costs, the net profit is the profit that remains, out of which interest, tax, dividends and so on will be paid.

Formula: Net Profit Margin = Net profit (before tax) /Sales

The net profit margin of ERIFISH in 1999 was Nfa -1,145,099/3,394,380 = -33.9%; and the net profit margin of Asmara Processing Plant in 1999 was Nfa 1,089,585/6,821,083 = 16%. The net profit margin of ERIFISH and Asmara Processing Plant from 1999 to 2002 is calculated in the following table.

Table 4.10: Net Profit Margin Ratio of Asmara Fish Processing Plant and ERIFISH (1999-2002)

	1999	2000	2001	2002
ERIFISH	-33.7%	-10.7%	-47.4%	-29%
Asamara Processing Plant	16%	12%	15%	24.6%

Since there was no gross profit for ERIFISH, obviously there was no net profit either. Whereas the net profit margin of Asmara Processing Plant was favourable, and it was relatively high during the year 2002. If we compare the percentage change in gross profit and net profit of Asmara Processing Plant, the net profit growth was higher than the gross profit. In the year 2002, while the gross profit was decreased by 31% the net profit has increased by 26%. This shows us the effective control of non-production costs such as administrative and other operating costs by the management of Asmara Processing Plant. The percentage change of both gross and net profit is presented below.

Table 4.11: Percentage Change in the Gross and Net profit margin of Asmara Fish Processing Plant (1999-2002)

	1999	2000	2001	2002
Gross profit	Nfa3,299,880	Nfa6,852,631	Nfa10,296,612	Nfa7,038,915
% age change	Base year	107%	50%	-31%
Net profit	1,089,585	1,691,076	2,532,303	3,179,679
% age change	Base year	55.2%	50%	26%

5. Return on Assets (ROA) Ratio

Return on assets depicts how effective a business has been at putting its assets to work. The ROA is a test of capital utilisation: how much profit (before interest and income tax) a business earned on the total capital used to make that profit.

Formula: Return on Assets = Profit before interest and tax / Total assets

ROA of ERIFISH in 1999 was Nfa -1,450,099/13,464,311 = -10.8%.

ROA of Asmara Processing Plant in 1999 was Nfa 1,089,585/6,614,913 = 16.5%.

ROA for both companies from 1999 to 2002 is calculated below.

Table 4.12: Return on Assets Ratio of Asmara Processing Plant and ERIFISH (1999-2002)

	1999	2000	2001	2002
ERIFISH	-10.8%	-10.7%	-14%	-18.7%
ASMARA PROCESING PLANT	16.5	26.67	31.8	33.5

ERIFISH's ROA was negative through out the period of 1999-2002. In other words, there was no profit during this period. If there is no profit, there will be no return. Asmara Processing Plant's ROA was very attractive during that period and it was increasing from 1999 up to 2002. In the years of 2001 & 2002, ROA was exceptionally high, which is more than twice of the borrowing rates in Eritrea.

ROA is useful when compared with the interest rate paid on the company's debt. For example, the banks loan rate in Eritrea ranges from 9-12% per annum, though the rate differs from one sector to another. If we take the ROA of Asmara Processing Plant in 2002 (33.5%), and the interest rate paid on its debt was 12 %, Asmara Processing Plant's profit is 21.5%

percentage points more than it paid in interest. This means Asmara Processing Plant is making 21.5% profit from investing in its assets more than that can be earned from investing its capital in bank.

4.4.3 Capital Structure Analysis Ratios (Stability Ratios)

These ratios concentrate on the long-term health of a business - particularly the effect of the capital/finance structure on the business.

1. Debt to Equity Ratio

This ratio indicates how much the company is leveraged (in debt) by comparing what is owed to what is owned. A high debt to equity ratio could indicate that the company may be over-leveraged, and should look for ways to reduce its debt.

Formula: Debt to Equity ratio = Debt/Equity

ERIFISH's debt to Equity ratio in 1999 was Nfa 12, 031,324/13,464,311 = 0.89
Asmara Processing Plant's Debt to Equity ratio in 1999 was Nfa 4,011,934/6,614,913 = 0.61
The following table shows the Debt to Equity ratio of ERIFISH and Asmara Fish Processing Plant from 1999 to 2002.

Table 4.13: Debt to Equity Ratio of Asmara Fish Processing Plant and ERIFISH (1999-2003)

	1999	2000	2001	2002
ERIFISH	0.89	0.83	0.95	1.15
ASMARA PROCESSING PLANT	0.61	0.42	0.34	0.11

ERIFISH is deploying more debt than equity. This may cause liquidation when there is poor performance and the company may not able to pay its debt. As discussed in the profitability analysis ratio, ERIFISH was incurring losses. Most of the company's debt was short-term debt which is supposed to be paid in on short-term basis. Under these conditions, ERIFISH would have been liquidated since it is unable pay its debt. But the government is subsidizing its loss to encourage and enhance its fish exports. However, how long is the government going to subsidize it? This issue should be addressed by the management of ERIFISH. On the other hand the debt to equity ratio of Asmara Fish Processing Plant is decreasing from 1999 to 2002, although its net profit was increasing during the same period.

Equity and debt are two key figures on a financial statement, and lenders or investors often use the relationship of these two figures to evaluate risk. ERIFISH's capital structure is very risky when compared to its performance from 1999 to 2002. Asmara Processing Plant's capital structure is less risky since its performance was good during that time period.

Generally speaking, using more debt is cheaper than equity but it is also riskier when there is poor performance. However, using more equity than debt is less risky than debt, but it is very expensive to raise fund from equity. Therefore, the finance department of EMPC critical task should be to make a trade-off decision in deploying debt and equity to finance the business.

4.5 Feasibility Test

From the above internal and external analysis, it has been determined that the EMPC has the following constraints:

- Insufficient infrastructure includes chill rooms, laboratories, inadequate maintenance services, and lack of spare parts.
- Lack of skilled human resources and expertise in all occupations that relate to fishing know-how, organizing and planning.
- Lack of marketing department and marketing personnel which results in poor performance in product pricing, packaging, and labeling.
- Quality problem still exists, especially in the fish supplied by the artisanal fishing sector. The quantities supplied by them are not regular.

4.6 Conclusion

The fishing sector in Eritrea is characterised by few firms, which are small in nature and lacking the benefit of economies of scale. The competition between those firms is weak. There is lack also of innovation, and marketing capabilities in the sector. The analysis showed that EMPC is a leader in the fishing industry in Eritrea, while in EU market the company is facing fierce competition from ACP countries, especially Senegal and Guinea.

The Gap Analysis showed that there is a big gap between the planned production of raw fish and the actual quantities produced. Simultaneously, the financial analysis showed that ERIFISH processing plant has a weak financial position, the current ratio for the year 2002 was 0.36, whereas the net profit margin was -29% which is unacceptable. The debt to equity ratio was 115% in 2002, which is too high. This means that ERIFISH is deploying more debt than equity. Consequently, ERIFISH is facing difficulties in paying its short- term liabilities. From the information of the Gap Analysis in Chapter four, it is realised that there is a big gap between the planned and actual fish production. Based on the above findings the following chapter will discuss several strategic options for the EMPC in order to be competitive.

Chapter Five: Conclusion and Recommendations

Though there are various small fishing businesses in Eritrea, the Eritrean Marine Products Company (EMPC) is the major one. The EMPC is a persuasive company to study due to its growing nature. Despite this fact, however, the global market is changing swiftly, and it renders competitive advantage imperative for businesses to flourish. Building effective organizational structure is imperative for companies such as the EMPC to survive.

Disregarding the technological contribution to the global market, the political history of Eritrea had a negative impact on the overall growth of the EMPC. Eritrea was immersed badly into a war for independence for thirty years which left Eritrea with a very poor infrastructure. This included outmoded and insufficient communication systems and, few and inadequate transportation facilities and roads. Moreover, human resources remained meager. The border conflict between Eritrea and Ethiopia, which was erupted in 1998, inflicted heavy losses on the Eritrean economy. The mobilisation of manpower to the military left every economic sphere vacant. The same held true for the EMPC. At the same time, a high inflation rate and lack of hard currency damaged the economy severely.

Nonetheless, this study reveals that the EMPC entertains strengths and weaknesses on the one hand; and opportunities and threats on the other.

Among the strengths the EMPC entertains, flow of financial help, full support from the government, and slowly emerging business skills are discussed. At the same time a number of weaknesses have been identified. This involve: lack of clear strategic direction, poor communication system, traditional way of fishing, lack of skilled manpower, lack of marketing capabilities, and high initial capital cost among others.

The EMPC has various opportunities to grow successfully. The government supports the company to its full capacity. This enables the company to implement its plans accordingly, and helps the company to be the leader in the industry. Secondly, there is an increasing demand for fish both in local markets and the global one, which encourages the company to enhance its effectiveness. Finally, the effective policies and regulation that occurred locally and globally, mainly the EU market, are encouraging and forcing the EMPC to upgrade and improve.

Equally importantly, the company faces threats, such as high competition from similar companies of other countries. This involves competition in fish resources and supply to the EU market. High maintenance costs and foreign exchange constraints on the one hand, and high inflation rate on the other, are significant threats to the company.

From the information of the gap analysis in Chapter four, it is realized that there is a big gap between the planned and actual. The planned production was 3096 tons per year, while the average quantities produced was 461 tons from 2001 till 2003. To fill the gap company's managers have the following options available to them.

5.1 Revise the Business Plan of the Fish Production Division

The first step in strategy evaluation is to check out whether the objectives are achievable or not. The business plan of the existing fishing boats set in 2001 is not achievable. A fishing boat cannot produce consistently an average of 3.75 tons of fresh fish, and 2.25 tons of shrimp per trip. Besides, fishing is not possible for a full 250 days per year. This is because during summer (April- September) most of the fish species are not present in the shallow water as they used to migrate to the Indian Ocean. Accordingly the production division needs to revise its existing plan.

5.2 Improve Internal Operations

In order to be competitive in export market, EMPC needs to improve the efficiency and effectiveness of the internal operation by the following strategies:

- Hiring highly experienced fleet masters to improve the fishing productivity to each boat and crew. The existing crew must be provided with intensive training to improve the skills, knowledge and experience
- Purchasing new fishing trawlers that can fish in deep water
- Constructing the necessary infrastructure, such as chill rooms, flake ice, and spare parts for the engines
- Determining if the boat and engine maintenance services can be outsourced, or performed cheaper by contractors

5.3 Improve the Performance of the Processing Plants

The financial analysis showed that the ERIFISH processing plant has a weak financial position with a current ratio for the year 2002 at 0.36, and the net profit margin of -29% is far too low. The debt to equity ratio was 115% in 2002 which is too high. This means that the company is deploying more debt than equity and is consequently facing difficulties in paying its short-term liabilities. The main causes of this, is the low productivity, shortage of fish supply and poor management.

To access an adequate supply of raw fish, ERIFISH management should negotiate favorable fish prices with its internal supplier (Fish production division) and the external suppliers (Fishermen Cooperatives Societies). Besides this, ERIFISH management, with the collaboration of the Ministry of Fisheries, can negotiate with the industrial sector to be supplied with a certain percentage of raw fish from the total landing.

Asmara Processing Plant is performing well. If we compare the percentage change of gross profit and net profit of Asmara Processing Plant, the net profit growth was higher than the gross profit. In the year 2002, while the gross profit was decreased by 31% the net profit has increased by 26%. This shows us the effective control of non-production costs (such as administration and other operating cost) by the management of Asmara Processing Plant. On the other hand, the current ratio of Asmara Processing Plant was 8.61% in 2002. This reflects the lack of managing working capital by Asmara Processing Plant's executives. Many assets are tied up and there is huge opportunity cost for capital tied up. It is recommended for Asmara Processing Plant to utilise their current assets by investing them in the business.

In order to overcome the weaknesses, EMPC needs to capitalise its strengths and minimise its weaknesses by considering the existing opportunities, such as the high demand of fish both locally and globally. The company should protect its leadership position in domestic market and explore possibilities for increased domestic utilisation of lower-priced and/or currently underexploited species that may not be in heavy demand in external regional and overseas markets.

The competitive analysis also showed that the demand of fish is its growth stage in the export market especially the EU market, while EMPC' s competitive position is tenable comparing to Senegal's and Guinea's companies in EU market, in terms of consistency of fish supply,

delivery on time, and product lines. To be competitive in EU market, it is recommended that the EMPC should adopt the following strategic options.

5.4 Invest on Niche market

In a rapidly growing market, even a small or relatively weak business often is able to find a profitable niche. For instance, the demand of fish in EU market is in its growth stage and it is characterised by strong/high competitive rivalry, as companies from ACP countries fight for a bigger share of the market.

Investing in a small market is not a disadvantage and may actually be a source of competitive advantage. The EU market is a big and attractive market with different segments with high and growing demands for tropical fish species and types of consumers. In EU, supermarkets now play a key role in retail fish sales. However, consumer behaviour shifted more toward convenience products, such as ready meals, cooked, canned fish. The EMPC has an advantage that, it can develop strong market positions by specializing in those segments that larger rivals from ACP countries would not pay attention to adapt their products to.

To be absorbed in the niche markets, the EMPC should have to provide high-perceived value justifying a substantial price premium. It should be noted that the return from improving market positioning through better quality, design, presentation and branding can be very high. A consumer behaviour study which conducted in the UK demonstrated that consumers' willingness to pay premium for seafood safety assurances, quality, and good appearance *(UK market update 2002).*

5.5 Horizontal Integration

The EMPC can improve its competitiveness by forming alliances and joint ventures with local and foreign companies. In this realm, there is an advantage of financial, technical and human resource exchanges. The venture provides the company with rapid access to new fishing technology and new products to re-supply the profitable market segments in the EU market, and achieve economies of scale.

5.6 Development of New Products

The EMPC needs to produce more product items to satisfy the existing and latent needs of potential customers in EU market. It is recommended that the EMPC leverage its strengths by developing a new product targeted to its existing customers. EMPC should focus on the firm's present and potential products and markets. Besides, exploiting fresh and fillet Demersal and crustaceans would be another useful idea, the company can offer pelagic fish as canned tuna, dry salted fish, shark fines, and cooked shrimps.

5.7 Establishing a Marketing Department

In order to get detailed and accurate information about the market and customers in international and domestic markets, establishing a marketing department is crucial. This department would conduct marketing research, develop marketing mix strategies, product development, pricing, distribution and build advertising and promotion activities.

5.8 Utilising the Internet

The company has been following a one-price strategy, where fish prices received from the agents are restricted and constant, and not subject to the fluctuations of the prices in EU auction that occurs frequently. The Internet and e-commerce are the latest technologies that facilitate the sales and marketing opportunities. It is recommended that the EMPC employ the Internet to access international information on prices, products and customers' needs.

5.9 Shortening Distribution Channels

The EMPC should be able to reinforce its market position and increase its added-value by improving its integration into the distribution chain of seafood products. Distribution chains can be shortened by promoting the use of supply chain management to gain competitive advantage. This can be achieved through specialisation, total quality management or just-in-time supply. It is recommended that the EMPC integrate and supply fish directly to the fish retailers and supermarkets.

5.10 Overcoming Technical Barriers to Trade

The challenges posed by increasing technical barriers to trade are more demanding sanitary regulations, increasing insistence on certification to meet health and safety standards. The approach is known as "end product inspection", and this approach is now widely recognised

by the EU and US as being, ineffective, and misleading. Quality assurance should not focus on the end of the product; the control should be done during each stage of handling and processing, from catching to final sale (*West African Studies, 2002).*

To cope with the growing technical barriers, the EMPC must:

- Request technical assistance from the EU to improve the quality in the fishing process, by providing training in fish handling and processing to the company suppliers
- Disseminate information to exporters on product standards
- Disseminate know-how on cost effective ways of meeting standards and certification requirements
- The HACCP plan should be approved by the Control and Inspection Division of the Ministry of Fishers, and training should be provided for its implementation.

5.11 Collaboration with Suppliers

To be successful in today's economic climate, an organisation and its suppliers must be dedicated to continuous improvements in quality and productivity. More efficient ways to produce goods and services that consistently meet the needs of the customer must be sought. To deal with this, the EMPC needs to collaborate with the Ministry of Fisheries to upgrade the fishing skills of its suppliers (fishermen cooperatives) by providing training in fishing and fish handling. Since transportation costs are considered to be the highest cost to the company suppliers' chain, EMPC should device a scheme to collect the suppliers' catch from the fishing grounds. This scheme will save the company's suppliers the transportation cost from the fishing grounds to the landing sites.

The fisheries cooperatives should be strengthened by establishing effective credit schemes and extension programmes. The cooperatives fishermen's by-laws should be approved by the government in order to play a pivotal role in building the confidence among the members as well as enhancing the development of the institutions with very clear and concrete visions.

Many useful ideas expressed at this late stage. Pity they weren't expressed & explored earlier in the study when there was time & space.

5.12 Summary

Fish exports are fundamental to the economies of many developing countries. Many firms fail in export markets due to the lack of necessary managerial skill and marketing competencies to be successful. Becoming internationally competitive is essential for increased sales opportunities and risk reduction by selling to diverse markets and taking advantage of economies of the scale.

The EMPC is a fish production, processing and exporting company. The study reveals that the EMPC has a number of weaknesses such as poor competitive capabilities, low productivity, lack of skilled manpower and marketing capabilities. On the other hand, the company has various opportunities to grow successfully. These include government support and the growing fish demand locally and internationally. In order to close the gap between the planned and actual performance, and to be competitive in domestic and EU market, EMPC should revise its production business plan and improve the internal operation by investing in training, purchasing of new fishing trawlers and constructing the necessary infrastructure such chill rooms, cold stores.

To be competitive in the EU market, the company should overcome the existing weaknesses and capitalise in its strengths. EMPC has different options to gain a competitive advantage: either to invest in a niche market or integrate horizontally by entering joint ventures and alliances with capable fishing firms in the region or internationally. Niche market can be a source of competitive advantage by specialising in small segments that larger rivals from ACP countries would not pay attention to. On the hand, the joint ventures and alliances as a second option can allow the firm to take advantage of economies of the scale.

Sustainable competitive advantages cannot be gained without correcting supplier and customer related costs disadvantages. The EMPC needs to collaborate with its raw fish suppliers by upgrading their fishing skills and collecting their fish products from the fishing grounds to save transportation cost.

The disadvantages of working through a large number of intermediaries include poor knowledge of market trends, and inability to gain competitive advantage. To be able to

reinforce its market position and increase its added value, the company should shorten the distribution chain by supply the fish directly to the fish retail and supermarkets chains.

Since EMPC is encountering fierce competition from the ACP countries such as Senegal and Guinea, it should leverage its strengths by targeting Grades two and three in the domestic market because Grades two and three are not highly demanded in overseas markets.
Besides exporting fresh and fillet Demersal and crustaceans, the company can offer different products lines and items such as canned tuna, dry salted, shark fines, cooked shrimps. Equally important, the company should establish a marketing department in order to get detailed and accurate information about the market and customers in domestic and international markets. Further research need to be conducted on consumer behaviour and attitudes in the domestic and EU market.

The Internet and e-commerce are the latest technologies that facilitate the sales and marketing opportunities. Hence, it is recommended that the EMPC must employ them to access international information on prices, products and customers needs.

Finally, the researcher would like to suggest for EMPC management that it is crucial to consider the above recommendations in order to be competitive and successful in its future strategies.

Appendix 1

EU standards for marketing of fishery products

Health conditions on the production and marketing of fishery products

EC Directive 91/492/EEC is the main legislation concerning live bivalve mollusks, tunicates, marine gastropods and echinoderms (named bivalve hereafter). It defines conditions for placing those live animals on the market for immediate consumption. It also set criteria concerning production areas, harvesting and transportation, relaying and purification.

According to consolidated directive 91/493, provisions applied to imports from third countries must be at least equivalent to those governing production and marketing of EU products. The EU takes into account, inter alia, the country's legislation, the organisation of the competent authority, health conditions during processing, despatching and marketing and the reliability of the country's health and safety standards.

The conditions of the applied to third countries importer of fish to EU under the directives of 91/493/EEC are:

- Conditions applicable to factory vessels
- Requirement during and after landing of fish
- Special conditions for handling fishery production on shore
- Health control and monitoring of production conditions
- Packaging and storage and transport.

If the condition of equivalence is fulfilled, the country can be listed under part (I) of the annex to consolidated decision 97/296 and a list of the country's approved establishments is drawn, whereas part (II) of the same annex lists countries which are authorised to import fish and fishery products from establishments listed on a provisional basis according to consolidated decision 95/408 (www.globefish.org). The following part will mention countries in list one and two.

List of countries and territories from which importation of fishery products in any form intended for human consumption is authorized

Commission Decision 2002/473/EC

(O.J. L 163 - 06/21/02)

I. Countries and territories covered by a specific decision under Council Directive 91/493/EC

Top

AL - Albania
AR - Argentina
AU - Australia
BD - Bangladesh
BR - Brazil
BU - Bulgaria
CA - Canada
CI - Côte d'Ivoire
CL - Chile
CN - China
CZ - Czech Republic
CO - Colombia
CU - Cuba
EC - Ecuador
EE - Estonia
FK - Falkand Islands
FO - Faroes Islands
GA - Gabon
GH - Ghana
GM - Gambia
GN- Guinea Conakry
GT - Guatemala
HR - Croatia
ID - Indonesia
IN - India
IR- Iran
JM - Jamaïca
JP - Japan
KR - South Korea
LT - Lithuania
LV - Latvia
MA - Morocco
MG - Madagascar
MR - Mauritania
MU - Mauritius
MV - Maldives
MX - Mexico
MY - Malaysia
NA - Namibia
NG - Nigeria
NI - Nicaragua
NZ - New Zealand
OM - Oman
PA - Panama
PE - Peru
PH - Philippines
PK - Pakistan
PO - Poland
RU - Russia
SC - Seychelles
SG - Singapore
SI - Slovenia
SN - Senegal
TH - Thailand
TN - Tunisia
TR - Turkey
TW - Taiwan
TZ - Tanzania
UG - Uganda
UY - Uruguay
VE - Venezuela
VN - Vietnam
YE - Yemen
ZA - South Africa

Source: www.globefish.org

II. Countries and territories meeting the terms of Article 2(2) of Council Decision 95/408/EC

Top

AE - United Arab Emirates	FJ - Fiji	SB - Solomon Islands
AM - Armenia (1)	GD - Grenada	SH - St. Helena
AO - Angola	GL - Greenland	
AG - Antigua and Barbuda (2)	HK - Hong Kong	
AN - Netherlands Antilles	HN - Honduras	SR - Suriname
AZ - Azerbaijan (3)	HU - Hungary (5)	SV - El Salvador
BJ - Benin	IL - Israel	TG - Togo
BS - Bahamas	KE - Kenya	US - United States of America
BY - Belarus	LK - Sri Lanka	YT- Mayotte (6)
BZ - Belize	MM - Myanmar	ZW - Zimbabwe
CR - Republic of Congo (4)	MT - Malta	
CH - Switzerland	MZ - Mozambique	
CM - Cameroon	NC - New Caledonia	
CR - Costa Rica	PF - French Polynesia	
CY - Cyprus	PG - Papua New Guinea	
DZ - Algeria	PM - St. Pierre and Miquelon	
ER - Eritrea	RO - Romania	

(1) Authorized only for imports of live crayfish (Astacus leptodactylus) intended for direct human consumption
(2) Authorized only for import of fresh fish
(3) Authorized only for imports of caviar
(4) Authorized only for import of fishery products caught frozen and packed in their final packaging at sea
(5) Authorized only for import of live animals for direct human consumption
(6) Authorized only for imports of non-processed and non-prepared fresh aquaculture products.

Source: www.globefish.org

Appendix 2

Capital Investment and Operating Expenses of the Production sector

Capital Investment

	Description	**Unit**	**Unit price in Nakfa**	**Total price in Nakfa**
1	Boats			
	11 meter long line	6	1,401,102.30	8,406,613.80
	11 meter shrimp trawler	6	1,156,136.90	6,936,821.40
	18 meter log line	3	6,161,000.00	18,483,000.00
	18 meter shrimp trawler	3	5,545,000.00	16,362,000.00
2	Vehicle	1	300,000.00	300,000.00
3	Office furniture and Equipment		800,00	126,000.00
4	Refrigerated container	1	80,000.00	80,000.00
5	Fish boxes	500	300.00	150,000.00
6	Working tools	Set	800.00	19,200.00
7	Working capital (5%)			2,543,211.76
8	Total Investment Cost			**53,407,446.96**

Operating expenses

No.	Item	Amount in Nakfa	% from total
1	Salary	1,268,520.00	
2	Employees benefit (accommodation)	52,200.00	
3	Annual leave compensation for expatriates	50,500.00	
4	Medical expenses (5% of salary)	63,414.00	
5	Life and property insurance	1,064,999.00	
6	Office rent	24,000.00	
7	Electricity	120,000.00	
8	Postage, Telephone and fax	8,000.00	
9	Stationery and office supplier	4,000.00	
10	Vehicle maintenance	9,000.00	
	Total administrative expenses	2,664,633.32	12%
11	Fuel	2,961,501.60	
12	Ice	418,299.90	
13	Food and water	281,421.00	
14	Bait (561.6 tons x 5,000 Nakfa/tons)	2,808,000.00	
15	Lost hooks, main line and stainless	23,400.00	
16	Crew share	7,992,000.00	
17	Repair and maintenance	2,007,537.41	
18	Depreciation	6,652,756.57	
19	Total fishing Related Expense	23,144,915.58	88%

Appendix 3

EMPC

BOATS INCOME & EXPENSES WORKSHEET

Long Liners 18 & 11 mtr Annual Report 2003

Production					EXPENSES								Total Expense	
Boat No	Date	Trip No	T .C (Kg)	G.SALES	FUEL	FOOD	ICE&Wat	BAIT	MAINTEN.	INCENTIVE	ROYALITY	OPER.CO	SALES EXPENSE	BALANCE
1801	Jan-03	4	8278.55	59727.05	29095.15	5887.94	2633.4	8842.5	560.9	7226.41	1241.78	5885.35	61373.43	-1646.38
	Feb-03	5	11399.36	82276.45	38051.82	3615.92	1326.8	9450	216	9954.98	1709.9	920	65245.42	17031.03
	Mar-03	7	14083.76	98956.69	35935.55	3285.29	4009	14175	79.2	11948.93	2112.56	39130.55	110676.08	-11719.39
	Apr-03	7	23138.97	155819	25781.3	3451.47	2876	14175	1698.66	21637.43	3470.85	4747.18	77837.88	77981.11
	May-03	5	29765.88	202176.6	42274.68	2859.34	5911	9990	1338	24229.94	9942.57	13226.98	109772.51	92404.07
	Jun-03	6	31724.92	207137.8	36550.44	3543.49	8656.5	12150	0	29647.67	10356.89	4164.99	105069.98	102067.77
1st s.Annual		34	118391.44	806093.5	207688.9	22643.45	25412.7	68782.5	3892.76	104645.35	28834.55	68075.05	529975.3	276118.2
	July	1	1788.89	12426.96	24776.08	675.87	1544.4	2025	384	1499.23	621.35	0	31525.92	-19098.96
	Aug	0	0	0	0	0	0	0	0	0	0	250.88	250.88	-250.88
	Sep	0	0	0	0	1715.34	140.4	0	0	0	0	0	1855.74	-1855.74
	Oct	1	4610.88	32924.22	27739.44	2717.39	4914	1755	682.5	3980.44	1646.21	13766.56	57201.54	-24277.32
	Nov	3	6722.85	50682.54	33682.6	3480.59	3052.4	3780	0	6151.74	2534.13	23637.01	76318.47	-25635.93
	Dec	4	7373.67	52276.42	17309.9	3837.83	4195.8	9720	0	6316.65	2613.82	7475.4	51469.4	807.02
2nd s.Annual		9	20496.29	148310.1	103508	12427.02	13847	17280	1066.5	17948.06	7415.51	45129.85	218621.96	-70311.82
		43	138887.73	954403.7	311197	35070.47	39259.7	86062.5	4959.26	122593.41	36250.06	113204.9	748597.26	205806.39
1802	Jan-03	2	4391.51	33469.23	17227.2	1454.92	2779	5062.5	1152	4065.55	658.73	0	32399.9	1069.33
	Feb-03	5	9594.93	75635.57	30195.65	3892.94	2640.8	10260	0	9208.95	1439.24	1220.08	58857.66	16777.91
	Mar-03	4	5168.81	38501.31	24111.6	2717.75	1775.4	8100	72	4669.2	775.32	37799.19	80020.46	-41519.15
	Apr-03	6	14239.19	108082.9	24156.88	4396.61	2638.6	12150	81	13125.23	2135.88	11355.84	70040.04	38042.84
	May-03	1	1051.09	9016.85	12376.56	1331.72	831.6	2025	2769.36	1103.87	450.84	35	20923.95	-11907.1
	Jun-03	5	26024.69	168744.5	19787.42	2568.93	8100	8100	600	23359.82	8437.23	471.43	71424.83	97319.68
1st s.Annual		23	60470.22	433450.4	127855.3	16362.87	18765.4	45697.5	4674.36	55532.62	13897.23	50881.54	333666.84	99783.51
	July	1	3168.56	20672.72	0	772.92	1360.8	2025	0	2481.5	1033.64	35836.99	43510.84	-22838.12
	Aug	0	0	0	9553.32	2876.12	0	0	0	0	0	5366.15	17795.59	-17795.59
	Sep	2	5406.67	35185.53	23464.1	1533.91	0	4050	0	4222.69	1759.28	668	35697.97	-512.44

Production					EXPENSES								Total Expense	
Boat No	DATE	Trip No	T .C (Kg)	G.SALES	FUEL	FOOD	ICE&Wat	BAIT	MAINTEN.	INCENTIVE	ROYALITY	OPER.CO	SALES EXPEN	BALANCE
	Oct	3	12196.62	79143.13	19596.4	3499.17	5865.6	1890	0	9495.83	3957.16	9121.07	53425.22	25717.91
	Nov	3	8583.46	60086.71	20003.76	1883.21	2142.4	5940	0	7253.35	3004.34	3920.41	44147.46	15939.25
	Dec	4	4555.7	39076.99	40510.42	5223.91	4363.2	5670	2858.44	4783.89	1953.85	12724.53	78088.24	-39011.25
2nd s.Annual		13	33911.01	234165.1	113128	15789.24	13732	19575	2858.44	28237.24	11708.25	67637.15	272665.33	-38500.25
		36	94381.23	667615.4	240983.3	32152.11	32497.4	65272.5	7532.8	83769.869	25605.488	118518.69	606332.17	61283.26275
1803	Jan-03	4	10940.95	74054.75	20554.3	1692.43	2883.2	10800	2016	8915.96	1641.14	521.53	49024.56	25030.19
	Feb-03	7	15004.45	107652.9	24027.16	3719.99	4496.8	12150	576	13019.59	2250.67	970.99	61211.2	46441.73
	Mar-03	6	10292.3	71957.42	22034.38	3930.81	4372.4	12150	1084.24	8685.47	1543.85	22072.47	75873.61	-3916.19
	Apr-03	7	13799.08	94721.48	29571.64	4680.3	2602	14175	576	11416.85	2069.86	4356.8	69448.45	25273.03
	May-03	8	34995.1	236416.7	35842.92	4692.26	6682.2	13770	144	32681.87	11674.58	8643.69	114131.52	122285.16
	Jun-03	5	33891.05	221743.9	32545	2906.04	7869.6	10125	1056	31743.75	11087.2	8656.92	105989.51	115754.42
1st s.Annual		37	118922.93	806547.2	164575.4	21621.83	28906.2	73170	5452.24	106463.49	30267.3	45222.4	475678.85	330868.34
	July	1	2969.02	19273.09	5992.08	637.24	1652.4	2025	0	2312.52	963.65	19049.05	32631.94	-13358.85
	Aug	0	0	0	0	0	0	0	192	0	0	250.88	442.88	-442.88
	Sep	0	0	0	7829.72	1763.48	12.5	0	96	0	0	59.7	9761.4	-9761.4
	Oct	1	5456.83	35533.53	14173.46	2228.93	4056	1890	0	4264.66	1776.68	9683.89	38073.62	-2540.09
	Nov	3	8325.45	57963.95	17616.48	1670.33	2080	1890	216	6994.16	2898.2	1691.07	35056.24	22907.71
	Dec	3	6172.12	42921.49	10578.12	3485.82	3780	4995	63	5178.61	2146.07	10195.63	40422.25	2499.24
2nd s.Annual		8	22923.42	155692.1	56189.86	9785.8	11580.9	10800	567	18749.95	7784.6	40930.22	156388.33	-696.27
		45	141846.35	962239.3	220765.3	31407.63	40487.1	83970	6019.24	125213.43	38051.9	86152.62	632067.18	330172.07
1806	Jun-03	2	8009.02	51868.54	7018.4	2212.71	3078	4050	240	6193.52	2552.93	19734.63	45080.19	6788.35
1st s.Annual		2	8009.02	51868.54	7018.4	2212.71	3078	4050	240	6193.52	2552.93	19734.63	45080.19	6788.35
S.Total 18 Mtr			383124.33	2636127	779963.9	100842.9	115322.2	239355	18751.3	337770.24	102460.37	337610.84	2032076.8	604050.07
1101	Mar-03	1	236.69	2155.52	0	615.35	0	1215	0	325.95	35.5	0	2191.8	-36.28
	Apr-03	3	3710.85	26688.15	10548.38	2642.57	1944.4	3375	1512.03	3973.24	556.63	2305.48	26857.72	-169.57
	May-03	0	0	0	0	1478.81	475.2	0	751.9	0	0	90	2795.91	-2795.91
	Jun-03	1	823.47	5547.02	4737.49	2025.34	831.6	1125	144	821.65	277.35	7373.55	17335.98	-11788.96

Production					EXPENSES								Total Expense	
Boat No	DATE	Trip No	T .C (Kg)	G.SALES	FUEL	FOOD	ICE&Wat	BAIT	MAINTEN.	INCENTIVE	ROYALITY	OPER.CO	SALES EXPEN	BALANCE
1st s.Annual		5	4771.01	34390.69	15285.87	6762.07	3251.2	5715	2407.93	5120.83	869.48	9769.03	49181.41	-14790.72
	Oct	4	3971.4	26775.1	8542.82	2325.93	2693.6	1215	542.4	3966.3	1338.76	1251.16	21875.97	4899.13
	Nov	2	2350.65	15857.7	3917.06	2027.22	1040	2430	240	2349.18	792.89	419.5	13215.85	2641.86
	Dec	4	3668.07	36106.91	5447.9	2256.11	1803.6	1080	1004.86	5483.66	1805.35	1923.93	20805.41	15301.5
2nd s.Annual		10	9990.12	78739.71	17907.78	6609.26	5537.2	4725	1787.26	11799.14	3936.99	3594.59	55897.22	22842.49
		15	14761.13	113130.4	33193.65	13371.33	8788.4	10440	4195.19	16919.97	4806.47	13363.62	105078.63	8051.77
1102	Jan-03	6	3866.66	31719.23	6344.6	3252.35	2365.4	8100	504	4765.74	580	3095.35	29007.44	2711.79
	Feb-03	4	2289.14	21316.29	1867.25	2068.24	1211.8	4860	3096	3227.48	343.37	2183.83	18857.97	2458.32
	Mar-03	6	4292.3	33068.19	7403.28	3862.29	1185.4	6838.34	288	4947.53	643.85	1784.05	26952.73	6115.46
	Apr-03	5	4500.88	31830.61	1562.16	2882.24	1466.4	5625	2016	4732.83	675.13	1589.68	20549.44	11281.17
	May-03	7	8451.31	58547.22	5373.24	2955.06	960.4	7965	147	9234.67	2927.36	1775.74	31338.47	27208.75
	Jun-03	3	5449.78	35237.52	4887.8	1807.5	2035.8	3375	2868	5173.38	1738.86	198.88	22085.22	13152.3
1st s.Annual		31	28850.07	211719.1	27438.33	16827.68	9225.2	36763.3	8919	32081.62	6908.57	10627.53	148791.26	62927.8
	July	1	881.54	5739.21	1756.5	583.85	544.32	1125	1499.9	847.75	286.96	401.2	7045.48	-1306.27
	Aug	0	0	0	0	0	0	0	0	0	0	250.88	250.88	-250.88
	Sep	0	0	0	0	859.63	0	0	720	0	0	0	1579.63	-1579.63
	Oct	3	4911.7	31919	4384.6	2262.3	1211.6	1215	480	4714.1	1595.95	251.59	16115.14	15803.86
	Dec	0	0	0	0	0	0	0	0	0	0	0	0	0
2nd s.Annual		4	5793.24	37658.21	6141.1	3705.78	1755.92	2340	2699.9	5561.85	1882.91	903.67	24991.13	12667.08
		35	34643.31	249377.3	33579.43	20533.46	10981.12	39103.3	11618.9	37643.47	8791.48	11531.2	173782.39	75594.88
1103	Jan-03	7	5098.34	39294.76	6941.2	3881.64	2411.8	6750	504	5879.29	764.75	491.43	27624.12	11670.64
	Feb-03	1	733.05	7078.56	2284.35	1208.88	1501	3780	4140	1073.93	109.96	1209	15307.11	-8228.55
	Mar-03	4	3243.58	27826.56	3735.6	2161.63	1445.6	4233.15	216	4192.76	486.54	970.45	17441.73	10384.83
	Apr-03	1	1065.29	8456.43	0	0	0	1125	8928	1267.81	159.79	419.09	11899.69	-3443.26
1st s.Annual		13	10140.26	82656.31	12961.15	7252.15	5358.4	15888.2	13788	12413.79	1521.04	3089.97	72272.65	10383.66
	July	0	0	0	0	0	0	0	0	0	0	2500	2500	-2500
	Aug	0	0	0	0	0	0	0	918.52	0	0	0	918.52	-918.52
2nd s.Annual			0	0	0	0	0	0	918.52	0	0	2500	3418.52	-3418.52
		13	10140.26	82656.31	12961.15	7252.15	5358.4	15888.2	14706.52	12413.79	1521.04	5589.97	75691.17	6965.14

Production					EXPENSES								Total Expense	
Boat No	DATE	Trip No	T .C (Kg)	G.SALES	FUEL	FOOD	ICE&Wat	BAIT	MAINTEN.	INCENTIVE	ROYALITY	OPER.CO	SALES EXPEN	BALANCE
1105	May-03	2	2041.94	15719.96	6480.7	2248.77	2168.2	2250	12557.98	2351.84	786	1030	29873.49	-14153.53
	Jun-03	5	6183.22	43544.93	7148.58	1774.19	1729.8	5625	723.9	6472.53	2177.25	336.2	25987.45	17557.48
1st s.Annual		7	8225.16	59264.89	13629.28	4022.96	3898	7875	13281.88	8824.37	2963.24	1366.2	55860.93	3403.96
	July	1	111.84	1336.67	5309.08	580.4	550.8	1125	768	204.92	66.83	0	8605.03	-7268.36
	Aug	0	0	0	0	0	27.88	0	2182.32	0	0	1668.98	3879.18	-3879.18
	Sep	0	0	0	5314.32	701.03	0	0	0	0	0	105	6120.35	-6120.35
	Oct	0	0	0	6220.56	634.11	561.6	0	2800.09	0	0	794.46	11010.82	-11010.82
	Nov	0	0	0	0	0	0	0	333.41	0	0	0	333.41	-333.41
2nd s.Annual		1	111.84	1336.67	16843.96	1915.54	1140.28	1125	6083.82	204.92	66.83	2568.44	29948.79	-28612.12
		8	8337	60601.56	30473.24	5938.5	5038.28	9000	19365.7	9029.29	3030.08	3934.64	85809.73	-25208.17
1106	Jan-03	4	2265.01	18132.89	2725.7	1544.63	1025.8	5400	3877	2720.06	339.75	12053.1	29686.04	-11553.15
	Feb-03	1	1550.94	10251.32	0	76.25	415.8	0	506	1516.14	232.64	0	2746.83	7504.49
1st s.Annual		5	3815.95	28384.21	2725.7	1620.88	1441.6	5400	4383	4236.2	572.39	12053.1	32432.87	-4048.66
	Aug	0	0	0	0	0	0	0	918.52	0	0	0	918.52	-918.52
2nd s.Annual		0	0	0	0	0	0	0	918.52	0	0	0	918.52	-918.52
		5	3815.95	28384.21	2725.7	1620.88	1441.6	5400	5301.52	4236.2	572.39	12053.1	33351.39	-4967.18
1107	Jan-03	2	1689.89	12457.65	1794.5	838.58	970.2	2700	360	1858.03	253.48	142.5	8917.3	3540.35
	Mar-03	3	1220.82	10938.3	4924.2	2309.74	1188	4329	9746.6	1652.46	183.12	6171.35	30504.48	-19566.18
	Apr-03	5	5944.95	43419.4	4062	3079.34	1522.8	5625	721.32	6471.51	891.74	1843.7	24217.41	19201.99
	May-03	6	8754.13	59325.55	5037.4	3109.63	1969.2	5625	864	8791.76	2966.28	1772.58	30135.85	29189.7
	Jun-03	5	6749.97	45802.16	3980.12	2062.21	2369.6	5625	96	7212.62	2290.11	1305	24940.66	20861.5
1st s.Annual		21	24359.76	171943.1	19798.22	11399.5	8019.8	23904	11787.92	25986.38	6584.73	11235.13	118715.69	53227.37
	July	1	849.97	5758.15	1109.36	1783.75	650	1125	479.04	853.31	287.91	96.2	6384.56	-626.41
	Aug	0	0	0	0	0	0	0	720	0	0	250.88	970.88	-970.88
	Sep	1	1072.43	6970.8	1444.68	686.56	0	1125	624	1029.53	348.54	174.65	5432.96	1537.84
	Oct	0	0	0	0	713.75	0	0	0	0	0	0	713.75	-713.75
	Nov	0	0	0	0	0	0	0	1268.4	0	0	0	1268.4	-1268.4
2nd s.Annual		2	1922.4	12728.95	2554.04	3184.06	650	2250	3091.44	1882.84	636.45	521.73	14770.56	-2041.61
		23	26282.16	184672	22352.26	14583.56	8669.8	26154	14879.36	27869.22	7221.18	11756.86	133486.24	51185.77
1112	Jan-03	2	469.94	4499.8	2602.45	1116.32	970.2	2700	1008	682.37	70.49	913.68	10063.51	-5563.71

Production					EXPENSES								Total Expense	
Boat No	DATE	Trip No	T .C (Kg)	G.SALES	FUEL	FOOD	ICE&Wat	BAIT	MAINTEN.	INCENTIVE	ROYALITY	OPER.CO	SALES EXPEN	BALANCE
	Feb-03	5	2203.66	17563.17	4480.56	3382.83	1554.4	6210	576	2633.81	330.55	501.9	19670.05	-2106.88
	Mar-03	3	3067.77	30888.6	6497.68	2451.89	980.4	3190.5	1184	4696.75	460.17	2785.14	22246.53	8642.07
	Apr-03	3	2535.25	28103.23	5360.02	1633.88	1009	3375	1152	4293.7	380.29	0	17203.88	10899.35
1st s.Annual		13	8276.62	81054.8	18940.71	8584.92	4514	15475.5	3920	12306.64	1241.49	4200.72	69183.98	11870.82
	Aug	0	0	0	0	0	0	0	918.52	0	0	0	918.52	-918.52
2nd s.Annual		0	0	0	0	0	0	0	918.52	0	0	0	918.52	-918.52
		13	8276.62	81054.8	18940.71	8584.92	4514	15475.5	4838.52	12306.64	1241.49	4200.72	70102.5	10952.3
S.Total 11 Mtr			106256.43	799876.6	154226.1	71884.8	44791.6	121461	74905.71	120418.58	27184.13	62430.11	677302.05	122574.51
G.Total 11&18			489380.76	3436003	934190.1	172727.7	160113.8	360816	93657.01	458188.82	129644.5	400040.95	2709378.85	726624.57

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