Strategic approach to sustainable business of Galenika Fitofarmacija A.D. in a context of accession of Republic of Serbia

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Strategic management is ultimately concerned with the quest for sustainable advantage. To be practical, advantage for commercial firms concerns earnings and sustainable means a concern with earnings into the future. Pearce and Robinson define strategic management as a set of decisions and actions that results in the formulation and implementation of plans designed to achieve a company’s objectives. David says that strategic management can be defined as the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives. Strategy is also hierarchical concept – it takes place at three different levels: corporate, business, and functional. These levels correspond with the activities of managers in different parts of the organization.

Galenika Fitofarmacija Joint-Stock Company is the largest Serbian manufacturer of products for crop and plant protection and the products for communal hygiene. This company has successfully been operating on the domestic industrial area since 1955, the time when the first herbicide of the Galenika of that time was manufactured.

Since 1991 it has become one of the seven shareholding companies of Galenika and achieves the status of the autonomous legal person. In 1997 this company continued to operate as the joint-stock company. In the changed social ambience the Galenika Fitofarmacija has overcome the transitional problems and implemented the successful ownership transformation.

In 2001 the company became one of the first four companies the shares of which were traded on the Belgrade Stock Exchange, and since 2005 the company operation has been transferred to the continuous trading method.

Galenika Fitofarmacija manufacturing programme is based on its own trademark, but also this company cooperates with the world companies, through representatives’ offices, cooperation and the distribution. Alongside its own production Company is in a position to offer and perform the manufacturing services, as well as storing for the business partners from our country and from abroad.

Mission of the company is to provide farmers with the effective tool in performing high yield and quality production as well as securing safe food for consumers and maintaining and improving environmental protection. Galenika Fitofarmacija, by improving business performances, is striving to achieve the level of quality required and business performances of SME agrochemical companies in the European Union. This achievement would enable company to expend its business on regional market.

Company’s business is facing many challenges – increasing competition from domestic and foreign companies, changing pesticide regulations, unfavorable public opinion towards pesticides, location of production facilities in the vicinity of densely populated area etc. But, of all challenges the most threatening is changing pesticide regulation in the context of EU accession of Republic of Serbia. New pesticide legislation in Serbia will be harmonized to those in EU, which would impose insurmountable obstacles for executing business activities in usual fashion.

There are several way in which Company could adopt its business in new environment. Company can stay in the industry with altered fashion of performing business operations, or exit industry and start a fully new business. After evaluation of major strengths and weaknesses – IFE matrix, and evaluation of economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive information – EFE matrix, strategic analyzing tool has been constructed – IE matrix, which indicates that Company should maintain its position in industry. Staying in industry could be achieved in a different ways. In order to evaluate which way suits most to results of internal and external analysis, the Quantitative Strategic Planning Matrix – QSPM has been constructed. QSPM will gives the Company a systematic approach for evaluating alternate strategies, and helps to decide which strategy is best suited to Galenika Fitofarmacija. In this matrix to alternative strategy has been evaluated: original strategy – investment in product development (Compilation of Registration documentation in accordance with Annex 3) and second recommendation/strategy – entering in a wholesaling and
representation of some other producer of pesticides. First strategy – investment in product development (Compilation of Registration documentation in accordance with Annex 3) has overall score of 6.83, while opposing strategy – entering in a wholesaling business with plant protection products and representation of foreign companies has overall score of 5.99, which indicates that first strategy suits better to internal and external features of the companies. Financial analysis of first strategy indicates positive Net Present Value, and Internal rate of return of 14.18%.

In order to implement selected strategy, Action program has been formulated with clear definition of responsibilities and timetable in the framework of which suggested strategy is about to be executed.