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Financial advising and its development in the company

2014

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**Financial advising and its development in the company**

**Name:**

**Dissertation submitted for MBA Senior Executive**

**Nottingham Trent University**

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**April 2013**

**Acknowledgements**

I would particularly like to thank the companies who participated in this project for the time they gave to me and the generous welcome I received on my visits to them. I also wish to record my thanks and appreciation to my project tutors.

**Declaration**

I hereby declare that I have written this dissertation project by myself and that I have referenced all the sources used therein (including of the Internet sources contained in the list of quoted literature). I am aware that any untruth of the declaration may result in premature termination of my studies.

Brno, April 2013 Name

**Abstract of Content and Method Employed**

The subject of my project is to define business strategy of Financial Advisory Division (SBU) and put it in line with corporate strategy of the company Česká pojišťovna a.s. The SBU went through different business concepts in the last 7 years and the strategy has to be finally fixed and developed. The goal of the dissertation is to set up new business strategy for defined SBU. The strategy is based on the presumption of further development of financial advisory services provided by the company. The main problem of financial advisory division (SBU) is the lack of line management support and quality of tied agents of networks. It has to be improved on both sides, which need to balance KPI´s of sales force and intensive development of financial advisory skills. The dissertation thesis also focuses on positioning in highly competitive market. Financial advisors work exclusively for the company, subsidiaries and strategic bank alliances. This status has to be turned into the advantage of strong financial group with sufficient portfolio of products and high competitive support services. This fact should enable the company to gain new financial advisors from existing financial brokerage companies into its organizational structure and increase performance. The dissertation focuses on strategic analysis which leads to choosing the most suitable strategy for the business unit – Financial advisory.

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**List of Abbreviations**

CRM............................ Customer relationship management

CR……………………. Czech Republic

ČP……………………. Česká pojišťovna

CZK…………………… Czech crowns

MLM………………….. Multilevelmarketing

MS................................ Managers of groups

MIS.............................. Management informational systems

NPS.............................. Net Promoter Score

SBU………………….. Strategic business unit

SP................................ Superior advisors

# 1 INTRODUCTION

## 1.1 Problem Specification

The subject of my project is **to define business strategy of Financial Advisory Division (SBU) and put it in line with corporate strategy of the company Česká pojišťovna a.s**.

The SBU went through different business concepts in the last 7 years and the strategy has to be finally fixed and developed. It is necessary to take an advantage of a very dynamic current market situation and adapt the business strategy to support sales force results as well as to improve company’s achievements in this specific area.

### 1.1.1 Frame of the goals and Problems

**The goal of the dissertation is to set up new business strategy for defined SBU**. The strategy is based on the presumption of further development of financial advisory services provided by the company.

The main problem of financial advisory division (SBU) is the lack of line management support and quality of tied agents of networks. It has to be improved on both sides, which need to balance KPI´s of sales force and intensive development of financial advisory skills.

**The second problem is positioning in highly competitive market**. Financial advisors work exclusively for the company, subsidiaries and strategic bank alliances. This status has to be turned into the advantage of strong financial group with sufficient portfolio of products and high competitive support services. This fact should enable the company to gain new financial advisors from existing financial brokerage companies into its organizational structure and increase performance.

**The last problem is present disconnection of existing SBU within the company.** There are possible synergies which would be utilized from different sides to reinforce each position on the market and finally improve profitability of the company as a whole.

### 1.1.2 Problems Solved in Dissertation

Problems solved in dissertation are directly connected to the goal of dissertation and the project is fully dependant of their solution. Crucial areas which have to be solved to fulfil the goal are especially:

* Consistent building of strong distribution network covering the Czech Republic financial advisory market.
* Creating attractive sub-brand Financial Advisory of Česká pojišťovna which will lead to acceleration of hiring process of new financial advisors.
* Continuing the process of training and development of financial advisors network with the aim of increasing the quality of providing services.

This solution has to be taken into consideration and consequently modified to specific steps and implemented into SBU business strategy.

## 1.2 Aims and Objectives of Dissertation

The dissertation consists of aims and objectives as well. They both will be defined below. The main aim of the dissertation is to create and confirm new business strategy for SBU with strong support in corporate strategy.

1.2.1 Aims of Dissertation

The main aim of the dissertation is to create and confirm new business strategy for SBU with strong support in corporate strategy. This corporate strategy should have positive effects to business results of SBU and influence its market position.

The next aim is my personal contribution to realize necessary steps to implement the business strategy and strategic management within the company. Users of the dissertation will be the top management of the company.

The aim of the dissertation thesis is defined as followed:

1. **Choosing of the right strategic concept**

I have choose the BIBS strategic concept for my dissertation thesis. BIBS concept is the best one concept useful for strategic management.

1. **Business strategy analysis**

This part of the thesis focuses on analysis: SLEPT analysis, micro environment analysis, analysis of internal environment using 7S model, Porters five forces model, internal analysis, SWOT analysis.

1. **Business strategy formulation**

This part of the thesis focuses on the business strategy formulation where will be used the data gained from the analysis as well as from the research.

1. **Recommendation for an implementation**

Setting out of the basic implementation tasks.

### 1.2.2 Objectives of Dissertation

There are two main objectives in my dissertation project, which are connected and together should re-formulate the business strategy of SBU.

**Objective 1:**

Firstly the up-date of current SBU business strategy based on strategic analysis.

**Objective 2:**

Secondly assessment of changes in connection with re-formulated SBU business strategy and description of the possible impact to the corporate strategy.

Business strategies update:

* + Formulation of SBU business strategy
  + Based on identification of corporate strategy
  + Based on strategic analysis
  + Recommendation for an implementation

Impacts to corporate strategy

* + Analysis of business strategy impact to corporate strategy
  + Changes of organization structure and SBU´s management
  + Long-term changes in company culture and communication

Next strategic objectives concentrate on:

1. The whole income of financial advisory SBU - financial advisory should be up to 30 % till the end of 2016.
2. Decreasing of the fluctuation up to 80 %.

Financial advisory wants to decrease the fluctuation during the year 2014 up to 40 % and during the year 2016 up to 80 %.

### 1.2.3 Required status

It is useful to know the parameters which the financial advisory wants to achieve. They are defined in the following table.

**Table 1-1: Strategy timetable chart**

|  |  |
| --- | --- |
|  | **Date** |
| **Strategy analyses, research** | August – September 2012 |
| **Strategy proposal** | September – December 2012 |
| **Strategy implementation** | January – April 2013 |

Source: (realized by my own).

## 

## 1.3 Research Methods Used

Dissertation thesis focuses on the fulfillment of the objectives mentioned above.

The main steps are as follow:

* creation of a medium-term strategy;
* creating financial advisory team;
* a review of the current status of the financial advisory in Česká pojišťovna (certification);
* recommendation for an implementation;
* to integrate financial advisory into Retail Business sector;
* review of the methodology, development and instrument adjustment;

There will be realized some specific analysis. All analyses are focused on comparison of the parameters and conditions for advising services in the Czech Republic. Analyses are focused on output of target Gross - McKinsey/Market reality. Analyses will also work with financial literacy in the Czech Republic.

Other Sub-chapters may follow, if necessary:

Porter’s analyse is based on experts´ estimation or verification of summary SWOT by experts:

* Objectification of the Porter´s analysis or objectification of the analysis of the results (e.g., SWOT analysis that I get as a summary of the underlying analysis and I will present the assessment of experts).
* Market research, determination of the market potential, estimation of the development of demand as well as of the consumers´ preferences.

### 1.3.1 Basic definitions

Strategic management is repeating expression that successful companies meet today and every day. As this expression, it is possible to meet the term "strategic management", which has a direct link with the strategic management. Keřkovský and Drdla (2003) define the strategic management as a never-ending process, a series of repetitive and successive steps, starting from the definition of the basic routing and the objectives of the company and ending with formulation of possible variants of their fulfilling (strategies), selection and strategies implementation, control and corrections of the process of implementation.

Mintzberg defined 10 schools focusing on strategic research in 1990. He stated that change of managing started in the beginning of 1980 thank to economy development. We can recognize some of schools focusing on strategic management:

1. Classic school of strategy in the 60´s.
2. Procedural access in the 70´s.
3. Evolution access in the 80´s.
4. Systematic access in the 90´s.
5. Contemporary exposition of strategic management.

We can also recognize more schools which come out of Mintzberg´s schools. They are defined in the following table. These schools try to make the previous schools be easier. Elfring (1994) defines the schools below.

**Table 1-2: Theoretic schools**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Boundary school | Dynamic capabilities school | Configuration schools |
| Theory | - agency theory/economic  - transaction cost theory  - industrial organizations  - sociology/control theories  - psychology/decision-making | - RBV theory/economic  - entreprenurship/economic  - innovation theories/organization theory  - learning theories/organizational behavior  - psychology/decision-making | - social science  - history  - equilibrium models  - catastrophe theories |
| Schools of strategic thinking | - positioning  - cognitive  - cultural  - political | - design school  - entrepreneurial  - learning  - environmental | - political  - environmental  - learning  - cognitive and entreprenerial |

Source: (Elfring, 1994).

Next definition is focused on strategy.

*“Strategy is a highly complex concept and attempts to define it adequately within the compass of a sentence or two are almost certainly going to miss out some key elements. Among the many definitions in the literature can be found a number of words and phrases that are all linked in some way with the notion of strategy:*

* *Purpose or mission;*
* *Policies;*
* *Defining what business the company is in;*
* *Objectives or goals;*
* *Strengths and weaknesses;*
* *Opportunities and threats;*
* *Key success factors;*
* *Key decisions;*
* *Capabilities or competences;*
* *Planning and scheduling;*
* *Implementation;*
* *Sustainable competitive advantage* (Sadler, 2003, p. 9).

The strategy is a process which leads to achieve the corporate objectives and which best applies the advantages of the company (Sedláčková, Buchta, 2006). We can meet a lot of definitions of strategy in literature. I think the definition above is the best one for this dissertation thesis.

### 1.3.2 Strategic management concept

The strategic management concept is seen as the action of following factors.

1. **Company mission**
2. **Strategic business unit – SBU**
3. **Hierarchy of company strategies**
4. **Corporate strategy**
5. **Business strategy**
6. **Horizontal strategy**
7. **Functional strategy**

Strategic management realized by top management of the company include activities focused on keeping of long-term harmony between mission, long-term objectives and available sources as well as between company and environment in which the company exist. Each company was established to fulfil some mission to its customers. This corresponds with basic visions of company founders about the subject of entrepreneurship, their customers etc. Objectives of the company can be defined as positive statuses which have to be fulfilled. Strategy can be defined as basic visions about the way the company´s objectives should be reached. Strategic business unit (Strategic Business Unit – SBU) is defined by identifying groups of customers and their needs, which the company intends to meet, and the technologies used to manufacture. This strategic management concept works with the existence of corporate strategy, business strategy and functional strategy (Keřkovský, Vykypěl, 2002). The definition of the corporate strategy we can define as the overall [scope](http://www.businessdictionary.com/definition/scope.html) and direction of a [corporation](http://www.investorguide.com/definition/corporation.html) and the way in which its various [business operations](http://www.businessdictionary.com/definition/business-operation.html) [work](http://www.businessdictionary.com/definition/work.html) together to [achieve](http://www.businessdictionary.com/definition/achieve.html) particular [goals](http://www.businessdictionary.com/definition/goal.html). Each business strategy should follow the corporate strategy. Business strategy should be created for each business unit. Business strategies should work for each SBU to complex of functional strategies. These should be worked up for each area of strategic management.

### 1.3.3 Strategic concepts

We can meet some different concepts of strategic management, which are:

1. **BIBS concept by Keřkovský and Vykypěl**
2. **Porter´s concept of competitive strategy**
3. **Johnson and Scholes**
4. **Robert M. Grant**
5. **Glueck and Jauch**
6. **Bob De Wit and Ron Meyer**
7. **Souček and Marek**
8. **Bowman**
9. **Thompson and Strickland**

### 1.3.3.1 BIBS concept by Keřkovský and Vykypěl

BIBS concept is the best one concept useful for strategic management. The definition of the concept is in the chapter 1.3.4 where I present it. This concept I have chosen for my dissertation thesis.

### 1.3.3.2 Porter´s concept of competitive strategy

According to Porter, the development of competitive strategy means the development of wider policy, which specifies how the company will compete on the relevant market, what will be the goals and what measures are necessary to achieve these objectives. The competitive strategy is a combination of objectives, of which the company sought, and it means that it leads to their fulfillment. Although different firms can explain some of the concepts differently, the fundamental importance of strategy consists in the difference between objectives and sources (Porter, 1998).

### 1.3.3.3 Johnson and Scholes

The concept of their strategy is built on the assumption that the strategy heads to the future and ensures the company of a competitive advantage. It is thus not about higher operating efficiency, but completely new concept and approach to the problem. The other points on which their concept builds are as followed:

* Strategy specifies the basic parameters of the business.
* Strategy should achieve conformity between the outside world and its own capabilities, which must build the company to be successful.
* Strategy should define the elementary ways of allocation of resources.
* Strategy specifies the tasks for the tactical and operational level.
* Strategy must also take account of the opinions of the "stakeholders", corporate culture and values (Johnson, Scholes, 1993).

In my dissertation thesis I focus on BIBS concept of strategic management. I think this concept is the most suitable for the company that I focus on. The company has its own corporate strategy for many years. This strategy works well. Company has a lot of business unit. There is also financial advisory as a business unit which needs to reformulate its business strategy.

### 1.3.3.4 Robert M. Grant

Business strategy can be understood in several planes. Grant defines each role as the tasks of strategies as follows:

1. Strategies to support decision making.

2. As a coordinating tool Strategy.

3. Strategy as the target.

First of all, it is the ability in the choice of strategy to integrate and gather the views of several completely different people - in particular members of top management, which usually improves the resulting accepted strategy. In the second case, the strategy is working as a communication or coordination Manager tool with other colleagues through the objectives of the Organization, which are in accordance with the relevant strategies. This means that if the workers are identified and understand the objectives and strategies of the Organization, then a larger work are safe and doing better work. In the latter case Grant understands the strategy as a tool focused in particular on competition with competing bodies with regard to the future (Grant, 2010).

Grant always prefers to focus on the practical value of a particular concept to business applications. R. M. Grant realizes that the store is often a lot of decisions done unintentionally (similarly, it perceives H. Mintzberg). Another difference between these two approaches is the attitude to the implementation strategy. Grant shows that the strategy formulation cannot be separated from its implementation (2010).

### 1.3.3.5 Glueck and Jauch

Jauch and Glueck emphasize the importance of legitimacy what is important. They states that the mission has to be clear enough so that it leads to actions. Some kind of targets has to be established so that the progress will be evaluated. This means a guideline to insure commitment to the mission (Rolstadas, 1984).

### 1.3.3.6 Bob De Wit and Ron Meyer

Bob De Wit and Ron Meyer communicate several basic points saying, that the strategy is an integrated model for decision making, a directive defining the basic forms of competition, means to achieve a competitive advantage by utilizing the strengths and opportunities as well as the Suppression of weaknesses and threats, a logical system of coordination of management tasks at all levels and in accordance with the economic interests of stakeholders (Wit, Meyer, 2010).

### 1.3.3.7 Souček and Marek

According to Souček and Marek the subset of business strategy consists of following parts:

* price strategy,
* strategy material and energy intensity and cost of production,
* management strategies with tangible and intangible property,
* financial strategy,
* profit distribution strategy and use of resources,
* strategy of loans.

This is the numerical values for the intentions of the company what is affecting the resulting company Economics during the strategic period (Souček, Marek, 1998).

### 

### 1.3.3.8 Bowman

Creating strategic mission can be considered the first phase of the strategic management process as Bowman (1996) has stated. Announcement of the mission sets out the main rules of the Organization for its approach to the implementation of the business. It is usually determined by:

* Shared beliefs and values.
* The definition of the scope of which covers the needs to be met, the selected markets, how these markets will reach, what technologies will be used for the supply of goods or services.
* It can have legitimate claims of the participants (e.g., employees, shareholders, customers, society, of the city).
* Bowman considers it goes without saying that companies need to achieve profits and that all other objectives (e.g., sales, market share, growth, social responsibility, employee care) have a lower priority. It does not say that these goals are important for businesses or importance (Bowman, 1996).

### 1.3.3.9 Thompson and Strickland

Thompson and Strickland (1993) defines strategy as a series of organizational and managerial procedures used to achieve the objectives and to track the Mission of the organization.

### 1.3.4 Chosen concept - BIBS

I have decided to choose the **BIBS concept** for my dissertation thesis. In the following text I present the main points of the chosen concept.

Strategic management is the process of establishing the vision and mission of the organization and there are drew the strategic objectives on the basis of strategic analysis and trends of future developments from them. It is looking for the optimal strategy of development of the company, or their organizational folders so that they are effectively utilized the resources of the company, in conjunction with the opportunities on the market. This process starts with the definition of the mission of the organization. This corresponds to the basic mission of the concept (vision), the founders of the company what will be the subject of business about, what will be the customers of the company, which needs and what products and services will meet the needs of their customers. Mission and vision of company continue with the strategic analysis, identification of current strategic position, setting the strategic objectives and the choice of strategy. An implementation of the selected strategy, monitoring and evaluation is the part of the strategic management. Corporate strategy expresses the basic business decisions, for example, the country and the industry in which the entrepreneur wants to realize his or her business, how it intends to allocate the available funds, the way the business will be controlled, etc. In particular it is expressed the fact that the corporate strategy defines the strategic framework for connecting business strategies of individual strategic business units of the company. The corporate strategy can be seen as the elaboration of the Mission of the society on the first side and it can be considered as a sort of entry (starting point) for the formulation of the corresponding business strategies on the other hand. The top management usually realize formulation of corporate strategy in a company. There should engage the formulation of business strategies on the corporate strategies formulation (for each SBU there is defined one business strategy). They should be eventually developed for each SBU into a file of function strategies for each specific area of strategic management, for example for the marketing area, research and development area, finance area, production area etc.

All of these strategies should be formulated on the basis of specific strategic analyses, aimed both at the external and internal environment of the company. They should be also formulated to identify the expectations of the relevant stakeholders. By realising the strategic analysis there should always be identified the most important dynamic phenomena and processes affecting decisions of the strategy, whose tenure may not be significant at the meantime, but which will determine the situation of a company or SBU in the future. The structure or methodology of these analyses cannot be the same for three levels of strategic management. It must be adjusted to the meaning and objectives of each level of the analysis (Keřkovský, Vykypěl, 2002).

In my dissertation thesis I use the BIBS concept which is the most suitable for the objective of dissertation thesis. The attention is focused on financial advisory in Česká pojišťovna and on reformulating of the business strategy. There are these functional strategies: product, price, place, promotion, process, planning and functional strategy for people. BIBS concept completely fulfils the company needs.

When we want to make business we must realize some special activities. We must have company and its mission. This mission cooperates with vision of the company. Mission has a lot of functions. It expresses main strategic purpose. Mission has own external informational meaning.

As Stefan Sabrautzki (2010) in his book called Strategies, mission, vision, goals says, the vision is the source of a company as well as the main idea of a company. It can be presented as a picture of how a company should look like in the future. It can be picture of how a company should formulate a core ideology and a purpose of its existence guiding the basic direction for the company development. Visions are often the result of the imagination of an individual about a possible trend-setting development. Visions fulfil and identity function towards employees as well as an identification function. Vision can mobilize as well. Vision shall describe a picture of the company´s future. Vision makes the company unique and distinctive. A clear vision shall convince staff of the sense and importance of its work. Vision shall enable the staff to identify themselves with the company and encourage them in their commitment towards work and towards the vision.

There are difference between organizational vision and mission. A mission, what we can also called mission statement, seeks to answer the question: “what business are we in?” It is a clear concise statement. A vision seeks to answer the question: “what do we want to become?” Answer is that the mission statement identifies what the firm stands for and its basic operating philosophy. A mission statement should install the cornerstone for the development of the marketing plan. The cornerstone must be strong so that the entire plan will have real chance of long-term success (Ferell, Hartline, 2010).

The objectives of the company represent a clear and concrete idea of what the company wants to achieve in the future. The objectives of the company represent the fact how it wants to achieve. Objectives can be classified into a quantitative - i.e.. profitability, profit, turnover, market share. Objectives may also be qualitative. According to Kotler and Armstrong (2004), there are goals in development, growth and profit. According to the Synek (2007), the aim of the company is to maximize profit and share market prices.

Corporate objectives can be classified according to different criteria:

* according to the hierarchy – senior (primary), the child (partial) and between-objective (between the two groups),
* sizes (range)-unlimited and limited objective, maximalist and minimalist,
* chronological terms-short-term, mid-term, long-term, permanent and temporary, static and dynamic),
* according to the relationship between the objectives – complementary, competitive, contrasting, indiscriminate (one has no effect on the other),
* according to the objectives and content of **a) economic**: (performance (turnover, market share, volume of production, production capacity, stocks)), (financial (total capital, equity, foreign capital, financial investment, liquidity, the amount receivable)), (result (revenues, costs, profits, cash flow, profitability, productivity), **b) technological**, **c) social** - job creation, environmental protection, payment of taxes, sponsorship etc. (Synek, 2007).

Corporate strategic objectives we can split into:

* the objectives relating to the position of an undertaking on the market – a market share, size, turnover, the company's market position,
* objectives relating to profitability-profit turnover, profitability, return on equity and total capital,
* financial targets - liquidity, capital structure, credit, cash flow, ability to trust,
* social objectives – economic and social security of employees, job satisfaction, developing personalities,
* objectives relating to market prestige and social status - independence of the undertaking, image and prestige, social and regional influence, political influence (Tomek, 1998).

In my dissertation thesis I will focus on financial advisory what is strategic business unit (SBU) of Česká pojišťovna. The superior SBU of Financial advisory is distribution channel - VPA Retail. As a underlined part of the distribution channel there are 6 SBUs (together with Financial advisory). There will be also functional strategies proposed: Product, financial, distribution, marketing, personnel.

### 1.3.4.1 Hierarchy of strategy

In a lot of large corporations there are different ways of management and strategic management is in the top of these ways. Strategic management is the broadest in reason of applying to all parts of the company. Strategies come in at three levels as is shown in figure no. 1. The diagram defines the order of hierarchy and coverage of the three levels of strategies as well. It defines the context, limits, boundaries of corporate, business and functional level strategies (Orcullo, 2007).

**Figure 1-1: Hierarchy of strategy**

**Corporate strategy**

**Business (division level strategy)**

**Functional strategy**

Source: (Wheelen and Hunger, 2004, p. 14)

A lot of companies feel that a functional organizational structure is not an efficient way to organize the business so that they have reengineered according to SBUs or processes. A strategic business unit is a semi-autonomous unit and usually it is responsible for its own budgeting as well. It must be clear that an SBU is treated as an internal profit centre by corporate headquarters.

Peter Drucker in his theory of management by objectives (MBO) defined an additional level of strategy called operational strategy. It deals with day-to-day operational activities such as scheduling criteria and it must operate within a budget. Operational level strategies are informed by business level strategies which are informed by corporate level strategies (<http://www.dimca.eu/the-strategy-hierarchy.html>).

**Corporate strategy**

Corporate strategy expresses the basic business decisions, for example, the country and the industry in which the entrepreneur wants to realize his or her business, how it intends to allocate the available funds, the way the business will be controlled, etc.

The definition of the corporate strategy is possible to explain as below: the overall [scope](http://www.businessdictionary.com/definition/scope.html) and direction of a [corporation](http://www.investorguide.com/definition/corporation.html) and the way in which its various [business operations](http://www.businessdictionary.com/definition/business-operation.html) [work](http://www.businessdictionary.com/definition/work.html) together to [achieve](http://www.businessdictionary.com/definition/achieve.html) particular [goals](http://www.businessdictionary.com/definition/goal.html). It has been defined by the business dictionary (<http://www.businessdictionary.com/definition/corporate-strategy.html>).

We recognize more than one strategy definition, for example James Brian Quinn (1980, p. 3) defines strategy as follow:

*...”the pattern or plan that integrates an organisation´s major goals, policies and action sequences into a cohesive whole. A well-formulated strategy helps to marshal and allocate an organisation´s resources into a unique and viable posture based on its relative internal competencies and shortcomings, anticipated changes in the environment and contingent moves by intelligent opponents.*

The next definition is by Johnson and Scholes (1993, p. 10) who say: *“strategy is the direction and scope of an organisation over the long term: ideally which matches its resources to its changing environment...”*

Corporate strategy defines the strategic framework in reason of connecting business strategy of each SBUs (strategic business units). SBUs should develop and implement their level in their business strategies. Corporate strategy is more about the individual types of business, which the company intends to pay than on individual products and services, which is rather a matter for the respective business strategies. The corporate strategy should define the following aspects in particular:

1. Allocation of strategic business units.
2. Determination of their basic strategic goals.
3. The definition of guidelines and achieving strategic objectives by fulfilling paths for each SBU.

These aspects can be also described as the individual steps in the formulation of the corporate strategy. In the first step of the company's business it is set up into individual SBU. Then there are petting up basic strategic objectives for each SBU which defines one of the possible variant of the future development of specific SBU:

1. development and growth of SBU activities,
2. stagnation of its activities,
3. the decline, or cessation of activities.

The third step in the formulation of corporate strategy is the establishment of guidelines/ways to populate a set of strategic objectives for each SBU. Above all, it is important the determination of the so-called the generic nature of the business strategies of the individual SBU (Keřkovský, Vykypěl, 2002).

**Business strategy**

Business strategy refers to the aggregated strategies of single business company as well as a strategic business unit (SBU) in a diversified corporation. As Michael Porter has said, a company must formulate a business strategy that incorporates either cost leadership, differentiation or focus in order to achieve a sustainable competitive advantage and long-term success in its chosen industries (<http://www.dimca.eu/the-strategy-hierarchy.html>).

In developing a business level strategy as well as in order to stay competitive or the company´s competitors, substantial efforts should be made to develop strategies with responsibility of:

1. *“Specific responses to changing condition;*
2. *Scope of geographic coverage of the business strategy;*
3. *Explore collaborative alliance or partnerships as necessary;*
4. *The financial strategy to support the overall business strategy;*
5. *The specific functional strategies to be undertaken;*
6. *Concern for research and development strategy; and*
7. *Conscious efforts to build competitive advantage.*

There are some risks of single business concerns. The idea of growing and expanding is a natural direction for single business to take if only to avoid business closure when the company becomes uncompetitive of for any other reasons. Anyway not expanding amidst growth and success is by itself a strategy but there are some risks. The company must accept some risk, which are:

1. Missing profitable business opportunities on account of lack of resources;
2. Changing customer needs;
3. Technological innovation;
4. Unforeseen changes can undermine a single business company´s prospects;
5. Options to grab other opportunities are limited;
6. Etc. (Orcullo, 2007).

Business strategy specifies the strategic objectives for all elements of the extended marketing mix called 7 P:

1. product (SBU goods and services);
2. price (pricing policy);
3. place (market definition);
4. promotion (distribution channels);
5. people (human resources);
6. process (processes necessary to satisfy the needs of customers including: development, supply, production, distribution);
7. planning (planning, management, organisation and corporate culture) (Keřkovský, Vykypěl, 2002).

### Strategic business unit - SBU

Strategic business unit (Strategic Business Unit – SBU) is defined by identifying groups of customers and their needs, which the company intends to meet, and the technologies used to manufacture (Keřkovský, Vykypěl, 2002).

As Kotler says (2007) SBUs are relatively separated in strategic planning. An example may be a different focus within the production company.

*“An autonomous*[*division*](http://www.businessdictionary.com/definition/division.html)*or organizational unit, small enough to be flexible and large enough to*[*exercise*](http://www.businessdictionary.com/definition/exercise.html)[*control*](http://www.businessdictionary.com/definition/control.html)*over most of the*[*factors*](http://www.businessdictionary.com/definition/factor.html)*affecting its*[*long-term*](http://www.businessdictionary.com/definition/long-term.html)[*performance*](http://www.businessdictionary.com/definition/performance.html)*. Because strategic business*[*units*](http://www.investorguide.com/definition/unit.html)*are more agile (and usually have*[*independent*](http://www.businessdictionary.com/definition/independent.html)[*missions*](http://www.businessdictionary.com/definition/mission.html)*and*[*objectives*](http://www.businessdictionary.com/definition/objective.html)*), they allow the*[*owning*](http://www.businessdictionary.com/definition/owner.html)[*conglomerate*](http://www.businessdictionary.com/definition/conglomerate.html)*to respond quickly to changing economic or*[*market*](http://www.investorguide.com/definition/market.html)*situations.”* (<http://www.businessdictionary.com/definition/strategic-business-unit-SBU.html>).

Strategic business units are useful for any product in organizations. They are basically known as profit centres. They focus towards a set of products and they are responsible for each decision or strategy to be taken for that particular set of products. They are called in short “SBU”.

We recognize several reasons SBU’s which are used in an organization. They are mentioned in the post on the importance for using SBU’s in a multi product organization. Along with the reasons for using SBU’s there are some powers which needs to be inferred on an SBU as well. SBU is influenced by planning independence, empowerment and others. The features are described below.

**a) Empowerment of the SBU manager**

The empowerment of SBU managers is important for the success of the SBU. This happen mainly because the manager knows the market the best as well as the strategies which can be used for optimum returns. Anyway the SBU manager might sometimes need a higher investment for his or her products. This is the time when the manager should be supported from the organization as well as by the employees. If the manager has this type of confidence he or she can manage the progress of the SBU.

**b) Degree of sharing of one SBU with another**

The first point is connected with the second point. One SBU needs some budget but the same is not offered because the budget is being shared by 2 other SBUs. The budget is short as well. Thus the first SBU does not get the independence. There might be other restrictions applied to one SBU when it is using some resources which are shared by another SBU as well. Anyway this might not always be negative. One SBU gains more profit than usual. This revenue might become useful for the other SBU and the growth of both of them can be promoted. The sharing actually plays a positive role in this position.

**c) Changes in the market**

The SBU needs to be flexible. The key to Strategic business management is to have a strict watch on the investment. Very important is the returns from each SBU. The SBU manager plays an important role in the whole process. He or she is recruited from the industry with extensive experience of that particular industry. Portfolio SBU management is done at the top level of the management. Each change in the market and its affect on SBU is anticipated. It must be taken into consideration. Therefore business management may actually mean product portfolio management or SBU management for a multi product organization (<http://www.marketing91.com/strategic-business-units/>).

To be called a SBU, generally a business unit, it has to meet followed criteria. For example it must:

* + 1. *have its own mission, distinct from the mission of other SBUs,*
    2. *have definable groups of competitors*
    3. *prepare its own integrative plans, fairly distinct from those of other SBUs*
    4. *manage its resources in key areas*
    5. *and have a proper size-neither too large nor too small. Obviously, in practice it might be difficult to define SBUs that meet all of these criteria* ([Koontz](http://www.google.cz/search?hl=cs&tbo=p&tbm=bks&q=inauthor:%22Harold+Koontz%22), [Weihrich](http://www.google.cz/search?hl=cs&tbo=p&tbm=bks&q=inauthor:%22Heinz+Weihrich%22), 2006, p. 168.).

Keřkovský and Vykypěl form three possible approaches for each SBU, so that SBU could be defined. It's an **organizational approach, strategic and marketing approach and a project approach**. According to Keřkovský and Vykypěl (2002) it leads to the situations when it is not possible to define the SBU and the company is made up just by one SBU.

1. **Organizational approach**

The establishment of the SBUs is copied to a certain extent of the existing organizational structure. It is possible to achieve the necessary competitiveness of SBU on a particular market. The corresponding business strategy is a strategy of the organizational unit. There is certain management responsible for implementation of the strategy.

1. **Strategic and marketing**

The definition of SBU goes across the existing organizational units and specific business strategy is a strategy of several cooperating organizational units of the company. It can happen that certain organizational unit is involved in the implementation of more than one business strategy. In the management of the company (ČP) there are applied the matrix organizational structure. In addition to the line staff structures responsible for the management of individual business units of company there can also exist a horizontal management structure which responsible for formulating and monitoring of the implementation of the strategies adopted. Project approach: SBU can cover activities related to the execution of a specific project. There can be a combination of the previous ways as well.

**Functional strategies**

These strategies include marketing strategies, human resources strategies, financial strategies, legal strategies, supply-chain strategies, new product development strategies, information technology management strategies. They cooperate on short and medium term plans. They are limited to the domain of each department´s functional responsibility (<http://www.dimca.eu/the-strategy-hierarchy.html>).

A major factor that determines the competitiveness of the business level strategy is anchored on the kind and details of the strategies, which is developed at the level of the functional units. Corporate or business level strategy is meaningful only in the reason coming with an operating unit and functional strategies. The functional strategies are articulation of the business or corporate level strategies at the level of the various departments of the business organization (Orcullo, 2007).

There should exist a partial strategy and strategic management of each specific area in the hierarchically lower level. It may be a development strategy, marketing, strategy, human resources management strategy, development and production base of products strategy, usage of technology in management strategy etc. There may be mutual relations between the functional strategies.

**Horizontal strategy**

If there are relations between strategic business units (for example common or shared activity, the supply of products, provision of services), these relationships should be coordinated through the strategy called horizontal strategy. Otherwise there is a danger of followed:

* there will be problems with different interests of each SBU;
* interrelationships of SBUs will be weaken;
* the company position can be weaken through separate decisions on pricing and investment of SBU.
* SBUs can have weaker position against competitors without coordinated action;
* The transfer of know-how between SBUs units may lag.

In the case of a horizontal strategy it is focused on addressing the mutual strategic relations, the business unit, not on setting strategic objectives of the company as a whole as it is usual in the corporate strategy (Keřkovský, Vykypěl, 2002).

## 1.4 Research specification

In the dissertation thesis there is used **qualitative research**. The technique of the research is **an interview** which can be standardise, half standardise and not standardise interview. The tool of the research can be scenario, questionnaire or recording. I have chosen **questionnaire** for the research.

### 1.4.1 Methodology

Marketing research can be realized by using the method of quantitative or qualitative research. Quantitative research focuses on the measuring of market. We are interested in specification of market (Hague, 2003). Qualitative research uses the inductive forms of scientific methods, in-depth studies of individual cases, various forms of interviews and qualitative observations. The aim is to obtain a description of the characteristics of the cases, generate hypotheses, and develop the theory connected with some issues of the world. Qualitative research is focused on research and it is realized most commonly in natural conditions of social environment. The research plan is flexible what means that the research plan of the base is developed, changed and adapting to the circumstances obtained from the results (Hendl, 2005). Analysis of the research is qualitative.

There are a lot of methods that can be used within qualitative research strategy to obtain new knowledge, however, it is always reliably we can place them in one research paradigms (Creswell, 1997). The literature shows the following lists of the five main methods of qualitative research. These main methods are mostly adaptations of those major as well as they are also called the structured methods, since they consist of several relatively separate procedures. They together give a whole one method: the narrative method, the phenomenological method, grounded theory, ethnographic method, case study.

The narrative method provides qualitative data about specific events in the life of the object (individual, group). The subject of research is the event or its element represented by narration, or narration, the object of the research is an individual talking or writing an information about the event.

A phenomenological research is a typical qualitative approach, which was founded by two research paradigms. Its initiator in the social sciences, A. Schutz, solved the problem of how to scientifically penetrate the world of ordinary daily life (or the life of the world) people without scientific research their instruments (concepts, logic, interpretations, has already prepared opinions). He deformed the picture of this daily life and, in fact, as an object of investigation it destroyed.

Grounded theory is a research method that uses a systematic set of procedures to the formation of inductively derived grounded theory about some phenomenon. The result of the research is more of a theoretical expression of the reality than a set of numbers, or a group of loosely related terms. According to this methodology, the terms and the relationships between them not only created, but also provisionally verified (Strauss, Corbinová, 1999). Grounded theory arises inductively, it is inductively derived from examination of the object which it represents. It is not just "finished", but several times its explanatory power verifies the analysis of the subject until it reaches a theoretical saturation behaviour undertaken in each category, which the research procedure constructs.

Ethnography is a method of collection, analysis and interpretation of qualitative data that has developed primarily in the context of cultural and social anthropology. Its original being explored is a foreign culture and its component a way of life. Culture is a complex phenomenon that manifests itself mainly through the communications and other activities. Its examination is therefore very vicarious. The basic methodological problem research of another culture is the identification of values that make up the Foundation of every culture (the simplest definition of culture says that culture is the sum of the values and meanings of plus institutions that produce, distribute and enable person to experience or consume).

A case study is a monographic method, which has a body of research on a given object to describe either the largest possible number of relevant phenomena and issues or selected number of precisely defined (usually thematically) phenomena and problems. The aim of such a comprehensive and versatile monograph is understanding of that object. The object of research is one case (hence the mono-Graphia), which may be an individual, group, community, village, factory, Enterprise, event etc.

Etnomethodology is a special method focuses on what is clearly and undoubtedly given, that is to say on what I could count (account-able), what is observable and, subsequently, communicable, what exists within the meaning of "I can see-and-say or see-and-do I hear." (Keřkovský 2011/2012).

Collected data describe the everyday life. The basic methods include [interviews](http://en.wikipedia.org/wiki/Interviews) and group discussions, observation and reflection field notes, various texts, pictures, and other materials. The interviews are the main data collection group including various types of interviews, questionnaires and tests. These methods may be used alone or in combination with other methods. Observation is used in particular in the ethnographic memora­bilia as well as in the case studies. The collection documents may constitute the only basis of the study or it can complement data which are obtained by observation and by questioning. The documents can use the data, which was created in the past, was taken by someone else than by researcher or which was collected for other purpose (Hendl, 2005).

### 1.4.2 Research plan used

For my research I have chosen the research plan defined by Prof. PhDr. Stanislav Hubík, CSc. The plans are as followed. Research plan: part of the research is the research proposal with an accompanying text, project research is more concise and plan research is also more concise.

**Table 1-3: Timetable: to gain the answers during August – September 2012**

|  |  |  |
| --- | --- | --- |
| What | When | Who |
| Theoretical theme – study of sources | February – April 2012 | Author of dissertation and working team |
| Theoretical theme - conclusion | 20-30. April 2012 | Author of dissertation |
| External examination | May 2012 | Sociological institute |
| Methodology theme – study of sources | April – May 2012 | Author of dissertation and working team |
| Methodology theme – conclusion | 20-31 May 2012 | Author of dissertation |
| External examination | 4th of June 2012 | Sociological institute |
| External examination conclusion | June 2012 | Author of dissertation and working team |

Source: (realized by my own).

External examination conclusion is important. We accept the critical comments. Theoretical theme is formulated then.

**Table 1-4: Theoretical theme**

|  |  |  |
| --- | --- | --- |
| What | When | Who |
| Theoretical theme – corrected | June 2012 | Author of dissertation and working team |
| Methodology theme – corrected | June 2012 | Author of dissertation and working team |
| Identification of basic package | July 2012 | Author of dissertation and working team |
| Research subject | July 2012 | Author of dissertation and working team |
| Research methods | July 2012 | Author of dissertation and working team |
| Research techniques | July 2012 | Author of dissertation and working team |

Source: (realized by my own).

Internal examination conclusion – identification of object, subject, methods and techniques.

**Table 1-5: Internal examination conclusion**

|  |  |
| --- | --- |
| What | When |
| Pilot research: tolls verification | July 2012 |
| Researcher contact and their training | July 2012 |
| Data picking | August – September 2012 |
| Selection of chosen data | October 2012 |

Source: (realized by my own).

The collected data are checked.

**Table 1-6: Checking of collected data**

|  |  |  |
| --- | --- | --- |
| What | When | Where |
| Transformation of collected data | October 2012 | Company |
| PC transforming of collected data | October 2012 | Company |
| Data analysis | October 2012 | Company |
| Result interpretation | November 2012 | Company |
| Expert report about research | November 2012 | Company |

Source: (realized by my own).

As we can see in the table above we will process the gained data in PC with qualitative analysis. Then will be the collected data selected and interpreted. The expert report will be added.

### 1.4.3 Realized research

In the table below, there we can find questions used in the mentioned interview.

**Table 1-7: Questionnaire**

|  |  |  |
| --- | --- | --- |
| **Question** | **Person** | **Reply** |
| What is your main objection for the financial advisory? | Owners, management |  |
| What changes should be realised? | Owners, management |  |
| What do you miss in financial advisory? | Customers |  |
| Are you satisfied with products/services? | Customers |  |
| Are you satisfied with the benefits, work? | Employees |  |
| What are the main problems with distributing channels? | Business partners |  |

Source: (realized by my own).

The research was focused on the stakeholders which are: owners, management, customers, employees and business partners (questions defined in the table 1-2). The result of this research is enclosed in appendix 1. The aim of the interview was to find the key issue that should be fixed in the financial advisory. In the interview there were addressed 96 respondents working in the company. The result of the questionnaire we can see in the appendix 1 as well as the result of customers´ research.

Attention was focused also on competitors, labor union and government. The research focused on the competitors, labor union and government was made by using the available data from internet as well as by my own by visiting the competitive branches. The main aim of the market research was the determination of the market potential, estimation of the development of demand as well as of the consumers´ preferences. I have focused on the following competitive companies: KAPITOL POJIŠŤOVACÍ A FINANČNÍ PORADENSTVÍ, a.s., Broker Consulting, AWD, Patners Financial Services, a. s., Kooperativa, Allianz, Generali.

**I have used the qualitative research. I have chosen the interview with using the questionnaire for the research.** The result of the research is in chapter 2.9.

## 1.5 Strategic analyses

Strategic analysis is a process when strategists monitor and detect facts evaluated around the company so that they could identify the opportunities and threats. Analysis of the external environment should be focused on the detection of trends primarily, which may affect significantly the company in the future (Malach, 2005).

### 1.5.1 Macro Environment Analysis

Macro Environment Analysis can be called as SLEPT analysis stands for political, economic, social, technological, legal analysis. This analysis is good for an overview of the different macro-environmental factors that the company has to take into consideration.

There are several similar analysis used to investigate the business environment within a company operates with. The most commonly used analysis to external environment analyses are as follow:

* *PEST (political, economic, socio-cultural, technological);*
* *PESTEL (political, economic, socio-cultural, technological, environmental*

*(or ecological), legal);*

* *PESTLIED (political, economic, socio-cultural, technological, legal,*

*international, environmental (or ecological), demographic);*

* *STEEPLE (socio-cultural, technological, environmental (or ecological),*

*economic, political, legal, ethical).* (Cadle, Paul, Turner, 2010, p. 3).

SLEPT analysis provides a framework for investigating and analyzing the external environment for an organization and it is defined below:

**Political factors**

Political factors include areas such as tax policy, labour law, environmental law, trade restrictions, tariffs, and political stability as well. Governments have great influence on the health, education, and infrastructure of a nation. 

**Economic factors**

These factors include economic growth, interest rates, exchange rates and the inflation rate.

**Social factors**

These factors include the cultural aspects as well as health consciousness, population growth rate, age distribution, career attitudes and emphasis on safety. Trends in social factors affect the demand for the services and the products. Companies can also change various management strategies to adapt to these social trends because they are very important. Social factors are arising from customers and potential customers. These changes can often be subtle, and they can be difficult to predict.

**Technological factors**

Technological factors have the most dramatic affect on business, as changes in this external environment are often quickly felt by a certain company (Montana, Charnov, 2008).

The company must observe all the changes in technology so that can respond flexible. It includes ecological and environmental aspects, such as R&D activity, automation, technology incentives and the rate of technological change. They can determine barriers to entry, minimum efficient production level and influence outsourcing decisions. Furthermore, technological shifts can affect costs, quality, and lead to innovation.

**Legal factors** include discrimination law, consumer law, antitrust law, employment law, and health and safety law. These factors can affect how a company operates, its costs, and the demand for its products.

The company must consider factors arising from changes to the law, since the last decade has seen a rise in the breadth and depth of the legal regulations within which organizations have to operate. Some legal issues may originate from the national government but others may operate across a broader spectrum. One key issue when considering the legal element of the analysis is to recognize laws that have an impact upon the company even though they originate from countries other than that in which the company is based so that the situation may occur where a company is operating within the originating country (Cadle, Paul, Turner, 2010).

### 1.5.2 Micro Environment Analysis

Micro Environment Analysis is very important for each company. Organizations should observe the internal organizational environment by realizing analysis. This includes employee interaction with other employees, employee interaction with management, manager interaction with other managers, etc. The company´s long-term plans are dependent on the internal and external environment.

The micro-environment consists mostly of stakeholder groups that a firm has regular dealings with. Their relationships can affect the costs, quality and overall success of a business. Issues in the micro-environment include: suppliers, distributors, customers and competition which is defined below.

**Suppliers**

*“Suppliers can they provide high quality products at a good price? Can they do this reliably in the volumes required? Have they got the flexibility to respond to a firm's demands? What is the bargaining power of these suppliers? How dependent is the firm on them? Does their approach to their staff and resources fit with your ethics? Firms must decide on issues such as who to use to supply them, on the responsibility it takes for these suppliers and on the terms and conditions it adopts. Some firms take quite an aggressive attitude towards their suppliers by trying to push down the prices and delay payments. Others view the relationship more as a partnership in which they are working together with suppliers and that by helping each other both can benefit. The importance of suppliers can be seen if things go wrong.”* (<http://www.oup.com/uk/orc/bin/9780199296378/01student/additional/page_10.htm>).

**Distributors**

Distributors are responsible for getting products and services to the end customers.

In the context of the analysis of distributors is required to focus on the availability and cost of all inputs. These are, in particular, influenced by the quality of the relations between the company and its distributors. Furthermore, the company must focus on:

• the availability and the cost of material,

• the availability and cost of energy,

• the availability and cost of money

• the availability and cost of labour (Keřkovský, Vykypěl, 2002).

**Customers**

Customers are the key to sales. Managers have to monitor customer needs. They have to try to anticipate how these will develop so that they can meet these requirements effectively now and in the future. The companies try to collect the data connected with their customers. By gathering these types of data on shopping patterns and matching this to data on the individual shoppers companies can build up detailed pictures of their buyers and then offer to them appropriate deals. A lot of firms are also trying to develop relationships with customers to help ensure they come back time come back again (<http://www.oup.com/uk/orc/bin/9780199296378/01student/additional/page_10.htm>).

The companies in reason of collecting the data makes an analysis to analyze the situation on the market. Customers´ analysis is to reveal who are our customers and what they need, what are the buying habits, behaviour, and who may be our potential clients. The important thing is to focus on the following aspects and factors as follow:

• identify the buyers and the various factors that influence their decision to purchase,

• demographic factors that create changes in certain categories of customers,

• the geographical factors and the geographical distribution of the markets (Keřkovský, Vykypěl, 2002).

**Competition**

The success as well as the behaviour of any business depends on the degree of competition its market. There is usually one company dominant in the market (called monopoly). When are a few companies dominate it is called an oligopoly. In more competitive markets when the companies are providing similar products customers have more choice. This situation may put downward pressure on prices. This also means that excellent customer service is essential (<http://www.oup.com/uk/orc/bin/9780199296378/01student/additional/page_10.htm>).

The companies operating in the market want to gain profit and be competitive so that they analyze the competition. They can use some type of analyses so that they find the result.

The aim of the analysis should "monitor the relevant competitive advantage". From the perspective of the external perception it is possible to include, for example price and product quality, service, speed of execution of service, total customer satisfaction, the level of qualification of the employees, the company's image, product line of the company. In the terms of internal perception we can include its focus, market share, the ability to manage costs, etc. (Lhotsky, 2010). Company also needs to determine the size, the number and the strength of competitors. It is also necessary to identify the barriers to market entry. There are some ways of the analysis. I think the Porter´s analysis is the best which was communicated in the previous pages.

### 1.5.3 Analysis of internal environment using 7S model

At first it is necessary to define the McKinsey 7-S model. Components of the 7-S Model.

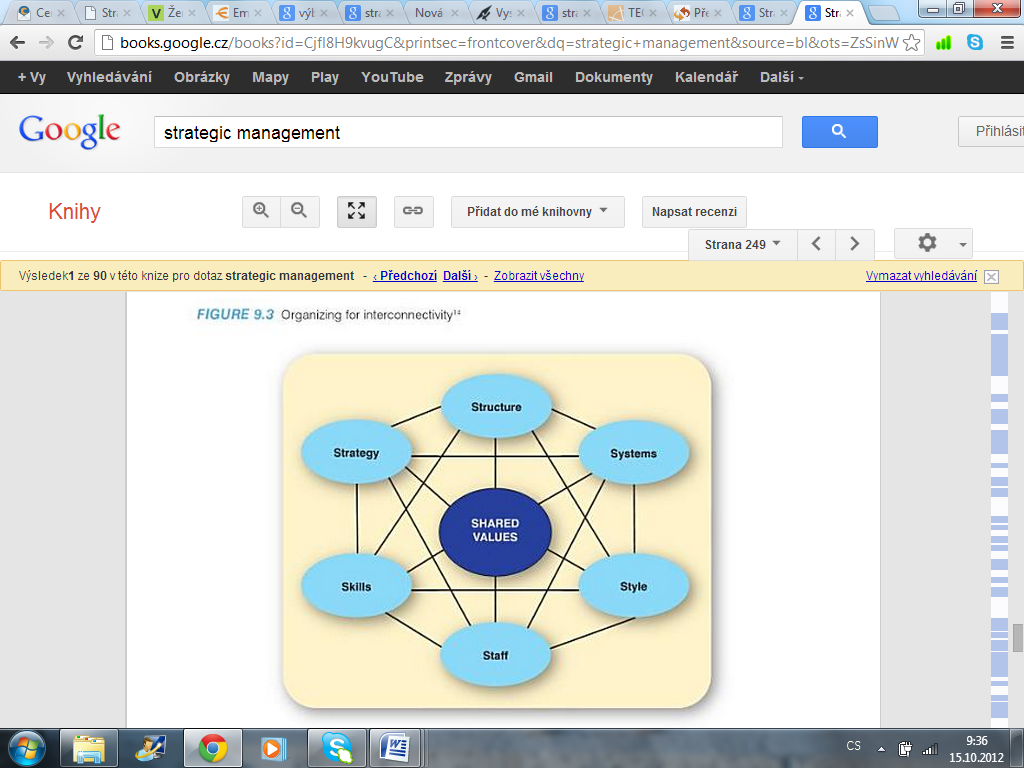
**Table 1-8: 7-S model**

|  |  |
| --- | --- |
| Strategy | A plan or course of action undertaken in response to or in anticipation of changes in the external environment. It leads to the allocation of the organization´s finite resources to reach specific goals. |
| Structure | How people and the work are formally organized. It relates to the nature of the formal hierarchy, reporting relationships, and other design factors that go into the formal structure (e.g., span of control, degree of centralization). |
| Systems | The formal and informal processes and procedures used to flow information and facilitate decision making and action. |
| Style | How the managers behave (their style, what they pay attention to, how they treat others) in the pursuit of organizational goals. At a more macro level, it means the nature and strength of the culture (norms, shared beliefs and values that develop over time and influences behaviour). |
| Staff | How human resources are developed and categorized over time. |
| Shared Values | Longer-term vision and shared values that shape what organizational members do and the destiny of the firm. |
| Skills | The dominant attributes and distinctive competencies that exist in key personnel and the organization as a whole. |

Source: (Ingols, Cawsey, Deszca, 2011, p. 89).

7S model is methodology of strategic analysis of consulting firm MCKinsey. Each organization must be viewed as a set of seven basic factors that are mutually and affect the subject as a whole. They decide how the corporate strategy will be realized (Keřkovský, Vykypěl, 2002).

**Figure 1-2: McKinsey model 7 S**

  
Source: (Witcher, Chau, 2010, p. 249).

This model is based on the theory that, for an organization to perform well, these seven elements need to be aligned as well as mutually reinforcing. The model can be used to help identify what needs to be realigned to improve performance, or to maintain alignment during other types of change. Whatever the type of change the model can be used to understand how the organizational elements are interrelated, and so ensure that the wider impact of changes made in one area is taken into consideration. The company can use the 7S model to help analyze the current situation, a proposed future situation and to identify gaps and inconsistencies between them. It's then a question of adjusting and tuning the elements of the 7S model to ensure that the organization works effectively and well once company reach the desired endpoint. The 7S model is a good framework to help company ask the right questions.

There are followed question.

*„****Strategy:***

* *What is our strategy?*
* *How do we intend to achieve our objectives?*
* *How do we deal with competitive pressure?*
* *How are changes in customer demands dealt with?*
* *How is strategy adjusted for environmental issues?*

***Structure:***

* *How is the company/team divided?*
* *What is the hierarchy?*
* *How do the various departments coordinate activities?*
* *How do the team members organize and align themselves?*
* *Is decision making and controlling centralized or decentralized? Is this as it should be, given what we're doing?*
* *Where are the lines of communication? Explicit and implicit?*

***Systems:***

* *What are the main systems that run the organization? Consider financial and HR systems as well as communications and document storage.*
* *Where are the controls and how are they monitored and evaluated?*
* *What internal rules and processes does the team use to keep on track?*

***Shared Values:***

* *What are the core values?*
* *What is the corporate/team culture?*
* *How strong are the values?*
* *What are the fundamental values that the company/team was built on?*

***Style:***

* *How participative is the management/leadership style?*
* *How effective is that leadership?*
* *Do employees/team members tend to be competitive or cooperative?*
* *Are there real teams functioning within the organization or are they just nominal groups?*

***Staff:***

* *What positions or specializations are represented within the team?*
* *What positions need to be filled?*
* *Are there gaps in required competencies?*

***Skills:***

* *What are the strongest skills represented within the company/team?*
* *Are there any skills gaps?*
* *What is the company/team known for doing well?*
* *Do the current employees/team members have the ability to do the job?*
* *How are skills monitored and assessed?“*( <http://www.mindtools.com/pages/article/newSTR_91.htm>).

### 1.5.4 Porters Five Forces Model

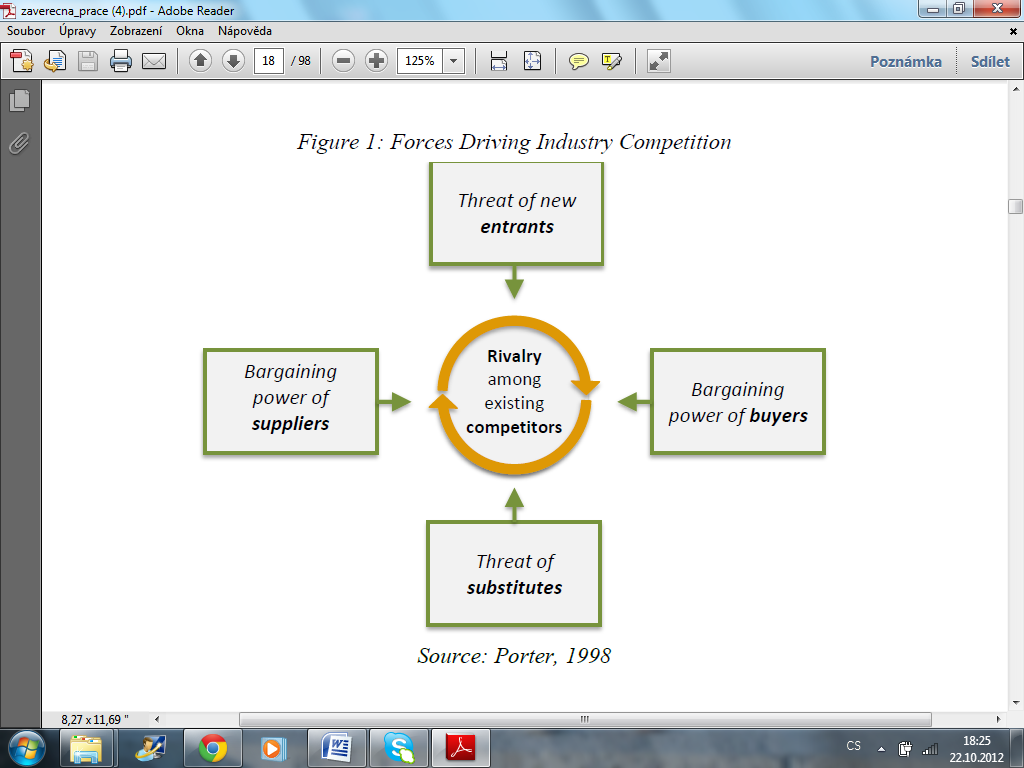
The author of five forces model is the Harvard academic, business guru, strategist and author, Michael Porter (1947-). Porter said in his book called Competitive strategy in 1980 as well as in the next book called Competitive Advantage in 1985 that there are really only three forms of competitive advantage, when described:

*“1. Cost Leadership – having lower costs than any other competitor enables either superior profits or a capacity to offer lower prices.*

*2. Differentiation – being able to offer customers something different to anyone else in the market, as long as it is something that customers value and will prefer.*

*3. Focus – being acknowledged as a specialist and having expertise and knowledge of particular customers or activities and processes that are highly prized. So, from Porter’s perspective, the purpose of a corporate, business unit or functional strategy would be to develop, refine, defend and exploit one of these three sources of competitive advantage.”* (<http://www.student.mbt.unsw.edu.au/Guides/LGSupp_IntroBT_FINAL.pdf>).

**Figure 1-3: Five Forces Competition Model**



Source: (Porter, 1998).

M. E. Porter (1998) explains the picture as follow. The five competitive forces which are: entry, threat of substitution, bargaining power of buyers, bargaining power of suppliers, and rivalry among current competitors, reflect the fact that competition in and industry goes well beyond the established players. These parts are all competitors. This kind of competition may be called extended rivalry.

All five competitive forces jointly determine the intensity of industry competition as well as the profitability, and the strongest force is governing and become crucial from the point of view of strategy formulation.

M. E Porter also speaks about threat of entry. New entrants bring to an industry new capacity, the desire to gain market share, and substantial resources prices can be bid down as well. The treat of entry into an industry depends on the barriers to entry that are coupled with the reaction from existing competitors that the entrant can expect. If barriers are high the treat of entry is low.

M. E. Porter defines major sources of barriers to entry: economies of scale, product differentiation, capital requirements, government policy.

1. Economies of scale.
2. Product differentiation.
3. Capital requirements.
4. Government policy.

Let explain the figure above (1-3). There are four forces mentioned.

1. **Rivalry among competing sellers**

This force must be taken seriously. Porter stated that the big factor determining the strength of rivalry is how actively and aggressively are rivals employing the various weapons of competition in jockeying for a stronger market position as well as for seeking bigger sales. As Thompson and Strickland identified, there are these matters of utmost concern:

*a) “is price competition vigorous;*

*b) active efforts to improve quality;*

*c) are rivals racing to offer better performance features;*

*d) are rivals racing to offer better customer service;*

*e) a lot of advertising/sales promotions;*

*f) active efforts to build a stronger dealer network;*

*g) active product innovation; and*

*h) active use of other weapons of rivalry.”* (Orcullo, 2007, p. 50).

The barriers to entry for companies are as followed: purchasing economies of scale, developed channels, government regulation, patents and proprietary knowledge, assets, competitor retaliation.

1. **Bargaining power of suppliers**

Suppliers are in a strong position when there is a significant cost to switch suppliers, the power of suppliers leads to be a reversal of the power of buyers, the suppliers brand is much powerful, the supplier want to enter our market, customers are fragmented (not in clusters). So that they have little bargaining power (<http://www.strategy-keys.com/michael-porter-five-forces-model.html>).

Companies can reduce the bargaining power of suppliers by vertical integration, or long term supply arrangements. As Porter (1985) stated, the following factors can be some of the determinants of the supply power:

* *“Differentiation of inputs*
* *Switching costs of suppliers*
* *Supplier´s concentrations*
* *Importance of volume to supplier*
* *Cost relative to total purchases in the industry*
* *Impacts of inputs on cost or differentiation.”* (Analoui, Karami, 2003, p. 85).

1. **Bargaining power of buyers**

There are some buyers with significant market share, buyers buy most of the distribution, buyers desire to purchase rival company. Buyers affect an industry through their ability to compare and bargain for higher quality and lower priced commodities. In a monopoly condition the buyers are at a distinct disadvantage. In monopoly only a few supply the products or services. There exists virtually no competition in the specific market. As M. E. Porter (1985) stated, the following factors are the determinants of buyer power, which are **bargaining leverage, price sensitivity**. Porter stated that bargaining leverage includes these factors: buyer concentration, buyer volume, buyer switching costs, buyer information, ability to step back as well as substitute products. A bargaining power analysis includes an assessment of the current buyer power in specific industry what is important (Analoui, Karami, 2003).

1. **Threat of substitute products or services**

A substitute product and service is a different way of product or service type. Anyway it is different, still it is meeting the same customer needs but in a different way. There are these threats presented by substitute products or services to established company in established industries:

* *“Limiting profits. Substitute products and services reduce demand for the established ones and therefore affect the level of price that can be charged.*
* *Redefining or destroying the industry. Substitute products and services offering better value to buyers pose a considerable threat to an established industry. They may make established products and services obsolete; alternatively they may force organizations to revise their offer to customers.”* (Allen, 2001, p. 107).

1. **The threat of new entrants**

These are new business entering an industry with the aim of making the same type of products or services as we are producing. The appearance of substitute products leads to a reduction in demand for the products offered by the established industry. The new entrants offering the same type of product or services increases supply within the industry. There are some barriers to entry as followed:

* **Costs of entry** – it is necessary to commit large capital resources at the outset – capital requirement. When an industry requires large-scale plant with high-cost equipment, then starting will be extremely expensive. We can recognize two different factors: economies of scale and economies of experience.
  1. Economies of scale. When this occur, doubling the amount produced increases total cost by a factor of less than two. It means it is cheaper. In an industry where economies of scale operate there is a major cost disadvantage to being small and many of new entrants tend to be small. When a new entrant can purchase a major existing player it can upset the market balance. An entrant can enter quickly.
  2. Economies of experience. When the companies become experienced in their industry then the average cost of production falls.
* **The attractiveness of the offer to customers** – a new entrant may have to break down customer loyalty in order to gain a share of the market. Customer loyalty may be a barrier to entry because of the fact that a new entrant will have to spend a lot of money on advertising so the company can establish its product in the market. All companies create brand loyalty for their services and products so that they can hold customers and reduce the need for expenditure on innovation. Anyway there are some customers who feel they cannot afford to change the product or service. The switching costs are made up of both straightforward current costs and the risk of future costs. Switching costs are barrier to entry.
* **Access to the particular market** – it can be also a barrier to entry into the market. New entrants into the grocery industry may have to offer longer credit terms, extra margins and better trade allowances to stores than established companies. This occurs because the retailer is taking a risk in removing shelf space from established products to stock a new entrant´s product. In some cases, companies set up alternative distribution systems.
* **Regulatory constraints** – a lot of industries, from financial services to machinery to airlines, are subjects to regulation. The need to comply with regulators´ requirements may be a barrier to entry. Regulations can be, for example: technical competence, quality control and reporting requirements, financial structure of the company, operational procedures etc. (Allen, 2001).

### 1.5.5 Internal analysis

**a) Financial analysis**

The main task of the financial analysis is an assessment of financial health. It is important to provide a comprehensive assessment of the level of the current financial situation in the firm and its causes, to assess the prospects for the company's financial condition in the future, to prepare the groundwork in order to improve the economic situation of the company, in order to ensure further prosperity of the company and to the improvement of decision-making processes (Keřkovský, Vykypěl, 2002).

**b) Distribution and marketing factors**

The marketing area is different for each company focused on products portfolio that the company offers. In the case of customers´ specified products there is no need of strong marketing activities. If concentration is focused on consumer goods on the other hand, there are marketing activities important and useful.

Dedouchová (2001) stated the following three key areas in the framework of marketing strategies and the development of marketing competencies:

* selection of the segment of the market,
* designing the marketing mix,
* strategy implementation.

Assuming the customer needs identification and their preferences, the company can choose one of the following variants of entry market strategies:

* Not differentiated market (different customer groups have the same needs, i.e. a serial input).
* Differentiated market (the market can be divided into several segments that will be responsive to the needs of individual customer groups).
* Target marketing (market is split - the concentration is focused only on one market segment).

Kovář (2008) defines market segment as a group of individuals or businesses, sharing one or more similar characteristics, which leads to the fact that they have similar needs, products or services. Market should be assessed and segmented according to customers´ needs, rather than according to the products. There is need to analyze a large amount of related factors that can have an impact on competitive advantage in the field of marketing and distribution. Keřkovský and Vykypěl (2002), stated the following factors which are relevant for the followed analysis:

* a competitive market structure, total and relative share of company on the market,
* the effectiveness of price strategies for products and services,
* relations with key customers,
* the life cycle phase of the main products, the complexity of the product range and services,
* quality of products and services,
* the strength of main products leadership,
* effectiveness of advertising,
* efficiency of marketing support activities other than advertising
* the distribution and geographical coverage efficiency and effectiveness
* customers´ feeling of the company and its products and services.

**c) Technical and scientific development factors**

Keřkovský and Vykypěl (2002) stated, that technical and scientific development factors are important for company because it increases the competitive advantage of the company. There is offensive and defensive access. In an offensive access the company is faster in a technical and scientific research. The offensive access leads to:

1. fast second – is the second one in a innovation speed;

2. copycat - almost always it waits for period of commercialism.

### 1.5.6 Stakeholders analysis

Stakeholder management is critical to the success of every project in each company. By engaging the right people in the right way in the project, we can make a big difference to its success. Stakeholder analysis is internal as well as external.

Stakeholder Management is an important discipline that successful people use to win support from other people. It helps to people to ensure that their projects succeed where others fail. Stakeholder Analysis is the technique used to identify the key people who have to be won over and then we use stakeholder planning to build the support that helps to succeed.

The benefits of using a stakeholder-based approach are as followed:

* We can use the opinions of the most powerful stakeholders to shape our projects at an early stage. Not only does this make it more likely that they will support us, their input can also improve the quality of the project.
* Gaining support from powerful stakeholders can help us to win more resources. This makes it more likely that the projects will be successful.
* By communicating with stakeholders early and frequently, we can ensure that they fully understand what we are doing and understand the benefits of the project. This means they can support us when necessary.
* We can anticipate what people's reaction to the project may be, and build into company plan the actions that will win people's support.

There are some ways of using these tools.

**1. Identification of Stakeholders**

The first step in Stakeholder Analysis is to[**brainstorm**](http://www.mindtools.com/brainstm.html) who the stakeholders are.

**2. Prioritize the Stakeholders**

We may have a long list of people and organizations that are affected by our work. Some of these may have the power either to block or advance. Some may be interested in what we are doing, others may not care.

**3. Understand the Key Stakeholders**

We now need to know more about our key stakeholders. We need to know how they are likely to feel about and react to the project. We also need to know how best to engage them in the project and how best to communicate with them (<http://www.mindtools.com/pages/article/newPPM_07.htm>).

Stakeholders are all the people working “under” company.

### 1.5.7 SWOT analysis

SWOT analysis works with strengths, weaknesses, opportunities and threats. Strengths (S) and Weaknesses (W) are considered to be internal factors over which it is some measure of control. Opportunities (O) and Threats (T) are considered to be external factors over which you have essentially no control. SWOT Analysis is considered on analysis of the overall strategic position of the business and its environment. This analysis identifies the strategies that will create a firm specific business model to realize the company´s resources and capabilities be better so that the company can gain competitive advantage through market. SWOT Analysis is also the foundation for evaluating the internal and limitations and the probable opportunities as well as threats from the external environment. The strategy views the positive and negative factors setting inside and outside the firm. They must affect the success. As it was said there are four main factors defying below:

1. **Strengths -** strengths are the qualities that enable company to accomplish the organization’s mission. It is the basis on which continued success can be made. Strengths can be tangible and intangible. Strengths can be also defined as the beneficial aspects of the organization or the capabilities of an organization, which includes process capabilities, human competencies, financial resources, products and services, customer goodwill as well as brand loyalty.
2. **Weaknesses –** SWOT Analysis is composed of weaknesses as well. Weaknesses can be defined as qualities preventing the company from accomplishing the mission and achieving the full potential. These weaknesses deteriorate influences on the organizational success and growth and the factors which do not meet the standards we feel they should meet. The company can control the weaknesses. They must be also minimized.
3. **Opportunities –** organizations can gain competitive advantage when they make use of opportunities. They must be careful. They must recognize the opportunities and grasp them when they arise. Opportunities may arise from market, competition, industry or from technology (<http://www.managementstudyguide.com/swot-analysis.htm>).
4. **Threats –** threats occur within the competitive, customer, economic, political or socio-cultural environments. Threats and opportunities exist outside the firm, independently of internal strengths, marketing options or weaknesses (Ferrell, Hartline, 2010).

SWOT Analysis helps in strategic planning in following manner:

* *“It is a source of information for strategic planning.*
* *Builds organization’s strengths.*
* *Reverse its weaknesses.*
* *Maximize its response to opportunities.*
* *Overcome organization’s threats.*
* *It helps in identifying core competencies of the firm.*
* *It helps in setting of objectives for strategic planning.*
* *It helps in knowing past, present and future so that by using past and current data, future plans can be chalked out.”*(<http://www.managementstudyguide.com/swot-analysis.htm>).

SWOT Analysis provides information helping company in synchronizing the firm’s resources and capabilities with the competitive environment in which the firm operates.

SWOT Analysis has some limitations. It may cause companies to view circumstances as very simple because the companies might overlook certain key strategic contact which may occur. Categorizing aspects might be very subjective because of great degree of uncertainty in market. SWOT Analysis does not tell how company can identify these aspects for itself. There are certain limitations of SWOT Analysis: price increase, inputs/raw materials, government legislation, economic environment, searching a new market for the product, etc.

There are internal limitations as well. They include insufficient research and development facilities, poor industrial relations, lack of skilled and efficient labour, etc. (<http://www.managementstudyguide.com/swot-analysis.htm>).

SWOT analysis is a careful evaluation of company´s internal strengths, weaknesses, environmental opportunities and threats. In SWOT analysis there are the best strategies accomplish company´s mission which is done by exploiting company´s opportunities and strengths while neutralizing the threats and avoiding the weaknesses (Griffin, 2011).

SWOT analysis is a result and a summary of the strategic analysis and it is used to identify both external and internal factors. These factors are made within the framework in context, and it is rated its impact. It is possible to construct a SWOT diagram on the basis of such analysis. This diagram is useful for the selection of the correct strategy.

### 1.5.8 Marketing generic strategies

As Michael E. Porter (1998) stated three generic strategies. They are:

* overall cost leadership
* differentiation
* focus

### Overall Cost Leadership

We can recognize these main ways of achieving competitive advantage:

* *“Increasing profits by reducing costs, while charging industry-average prices.*
* *Increasing market share through charging lower prices, while still making a reasonable profit on each sale because you've reduced costs.”*( <http://www.mindtools.com/pages/article/newSTR_82.htm>).

Cost leadership is about minimizing the cost to the organization of delivering products and services. The cost leadership strategy involves being the leader in terms of cost in the industry or market. Simply being amongst the lowest-cost producers is not good enough.

The company therefore needs to be confident that company can achieve and maintain the number one position before choosing the cost leadership route. Companies that are successful in achieving cost leadership often have:

* *“Access to the capital needed to invest in technology that will bring costs down.*
* *Very efficient logistics.*
* *A low cost base (labor, materials, facilities), and a way of sustainably cutting costs below those of other competitors* ( <http://www.mindtools.com/pages/article/newSTR_82.htm>).

The greatest risk in pursuing a cost leadership strategy is that these sources of cost reduction are not unique, and other competitors copy the company´s cost reduction strategies. It´s important to find ways of reducing the costs.

### The Differentiation Strategy

The second generic strategy is one of differentiating the product or service the company offers, creating something that is perceived industry as being unique. Approaches to differentiating can take many forms, for example design or brand image, technology, features, customer service, dealer network or other dimensions. In an ideally condition, the company differentiates itself along several dimensions (Porter, 1998).

To make a success of a differentiation strategy, companies need:

* *“Good research, development and innovation.*
* *The ability to deliver high-quality products or services.*
* *Effective sales and marketing, so that the market understands the benefits offered by the differentiated offerings.”*( <http://www.mindtools.com/pages/article/newSTR_82.htm>).

Large companies pursuing a differentiation strategy need to stay agile with their new product development processes otherwise, they risk attack on several issues.

### The Focus Strategy

Company using Focus strategy concentrates on particular niche markets and, by understanding the dynamics of that market and the unique needs of customers within it, develop uniquely low cost or well-specified products for the market. They serve customers in their market uniquely well so that they tend to build strong brand loyalty amongst the customers. This leads to particular market segment less attractive to competitors. It is still essential to decide whether company will pursue Cost Leadership or Differentiation once company has selected a focus strategy as a main approach. Focus is not normally enough on its own. But whether company uses cost focus or differentiation focus, the key to making a success of a generic focus strategy is to ensure that company is adding something extra as a result of serving only that market niche (<http://www.mindtools.com/pages/article/newSTR_82.htm>).

When we are looking for the best strategy we can also define the strategy alternatives. They are four of them. Expansion strategy, reduction strategy, stability strategy and combined strategy (Keřkovský, Vykypěl 2002).

### 1.5.9 Choosing the right strategy

The selected strategy should meet the following conditions: Business Strategy must include a partial strategy worked for enterprise level, the level of business units and functional level.

Partial strategies must be interdependent and constitute in a coherent system. The strategy must correspond to the appropriate organizational structure and management system, which will enable the company to respond to changing market conditions flexibly and creates a good working climate. The strategy should develop the basic skills to the company. At the same time it should prepare company for the acquisition of new skills, which could be exploited in time of changes in its surroundings.

The strategy should involve the selection of appropriate managers, who will be not only a good professional level, but at the same time able to communicate with people and get them for strategy implementation. Strategy must include the development and training of employees of the company. The strategy must create a sense of belonging of employees and pride to company (Vysušil, Dedouchová, 1998).

There are some key steps they must be done when company wants to choose correct strategy. All the steps are mentioned below:

Step 1: For each generic strategy, carry out a SWOT Analysis of the strengths and weaknesses, and the opportunities and threats company would face, if company adopted that strategy. Having done this step, the company can be able to make a success of some of the generic strategies.

Step 2: Use Five Forces Analysis to understand the nature of the industry the company is in.

Step 3: Compare the SWOT Analyses of the strategic options with the results of Five Forces analysis. For each strategic option, company must ask how company could use that strategy to:

* *“Reduce or manage supplier power.*
* *Reduce or manage buyer/customer power.*
* *Come out on top of the competitive rivalry.*
* *Reduce or eliminate the threat of substitution.*
* *Reduce or eliminate the threat of new entry.”*( <http://www.mindtools.com/pages/article/newSTR_82.htm>).

# 2 ANALYTICAL PART

## 2.1 Identification of Česká pojišťovna a.s.

Česká pojišťovna a.s is a universal insurance company with a more than 180-year rich tradition of providing life and non-life insurance. Since a competitive environment was reintroduced in 1991 the company has remained the biggest insurance company on the Czech insurance market. The company provides individual life and non-life insurance. The company provides also insurance for small medium and large clients in industrial, business risks and agriculture. The company has more than 3000 sales points. Insurance premiums total 38.4 billion CZK in 2010. The company manages about nine million insurance policies as well as the market share on the home insurance market exceeds 25 percent. The company belongs to the biggest insurance company – the Generali PPF Holding. Since 2008 Generali PPF Holding has been a joint venture of Assicurazioni Generali the PPF Group. Nowadays Generali PPF Holding operates in 14 countries where belong Belarus, Bulgaria, Croatia, Czech Republic, Hungary, Kazakhstan, Serbia and Montenegro, Poland, Romania, Russia, Slovenia, Slovakia and Ukraine (<http://en.ceskapojistovna.cz/>).

*“Penzijní fond České pojišťovny with a 27% market share is the largest provider of Supplementary Pension Insurance (SPI) in the Czech Republic. The fund has more than 1 million clients and manages assets totalling nearly CZK 35 billion. It offers its services to both individual and corporate clients.* [*ČP Invest*](http://www.cpinvest.cz/)*is one of the most important Czech investment companies. At present, it has 15 open-end mutual funds with assets exceeding CZK 6.5 billion. ČP Zdraví is the largest provider of private health insurance in the Czech Republic. It has been managing more than half of the market share for many years. The narrow specialization by ČP Zdraví offers modern and highly diverse products providing insurance against loss of income due to illness. Its history dates back to 1992.”*( <http://en.ceskapojistovna.cz/>).

### 2.1.1 Company´s history

Česká pojišťovna a.s. is a universal insurance company with 185-year history and tradition of providing life and non life insurance.

Česká pojišťovna is a member of Generali PPF Holding B.V. which operates in 14 Central and Eastern European countries. Through its subsidiaries, Generali PPF Holding manages assets exceeding EUR 15 billion and serves more than 13 million clients across the region. Generali PPF Holding is registered in the Netherlands and its main organizational branch is based in Prague, the Czech Republic. Generali PPF Holding B.V. is a joint venture company of Assicurazioni Generali (51 % share) and PPF Group (49 % share).

Besides the subsidiaries the company has its strategic bank alliances to be able with providing mortgage and consumer loans, credit cards, current accounts and building saving.

### 2.1.2 Products

The range of the products is very huge. We can recognize these types of products: insurance of cars, life, travel and accident insurance, property insurance, liability insurance and animals insurance.

In a product portfolio of life assurance there is currently the most widely used product called Diamond. Diamond´s advantage is the possibility of insurance for the entire family under one contract. Whole family pays only one payment of premiums. Appreciation of funds takes place via the ČP Invest funds. The product has a unique range of insurance against serious diseases and selected critical diseases. Specifically, it contains 33 diagnoses. The product is also composed of the concept of insurance free of charge. During adverse events Česká pojišťovna shall assume the obligation to pay insurance premiums. A part of it is health insurance and accident assistance. The client can negotiate optional insurance schemes.

They are plenty of them. It is a death resulting from an accident, death resulting from an accident in a motor vehicle, permanent damage of the accident with progressive implementation, permanent disability resulting from an accident, time needed for treatment of accident insurance for the case of death, the regular payment of a pension in case of death, assurance on survival, a guaranteed insurance amount in survival, exemption from payment in case of permanent disablement, invalidity insurance, insurance daily aid during the stay in the hospital, insurance premiums during the incapacity at work, insurance, loan payments when the income, insurance in case of illness, a medical student, assistance services Medik Plus and Medik. Another type of life insurance product is a Patriot. This insurance is designed for investors with loathe to risk because it offers safety money deposit with a conservative assessment. The insurance contract is always realized for a period of 15 years. Money embedded on the insurance contract intended for investment, have an appreciation of 2.45% per year.

### 2.1.3 Vision and mission

Česká pojišťovna is built on fundamental changes to reinforce the dynamism and performance sales network supported by the change in the corporate culture. Company builds on the 184-year-old tradition, which is a respectable basis for the further development. Česká pojišťovna helps clients to ensure a better future in key moments in their life. The company completely fulfills the mission. The company brings simple, quick, fair and professional solutions in the field of insurance and investments in a way that always surpasses the clients´ expectations.

The company´s values are: fairness, simplicity, professionalism, speed and to offer always something extra.

Company´s values are the basic building blocks of its society. The company shows how it acts and how it behaves what are the indicators of the performance. These indicators contribute to the stability of company´s society. Česká pojišťovna always offers active support as its value (Internal source of Česká pojišťovna).

**The vision of Česká pojišťovna:**

Česká pojišťovna wants to serve to the clients and partners simple, quick, fair and professional solutions in the field of insurance and investments in a way that always surpasses their expectations.

### 2.1.4 Company´s mission

Česká pojišťovna helps to clients to ensure a better future in key moments in their life as a responsible leader of the insurance market.

## 2.2 Analysis of superior strategy

The superior SBU of Financial advisory is distribution channel - **VPA Retail.** VPA Retail is an internal distribution channel made up from insurance agents. VPA Retail employs 4 500 agents at the moment. Financial advisory leads under VPA Retail. The VPA Retail manger is superior to financial manager.

The Retail channel is the biggest one and my dissertation thesis is interested on it. The channel has also the most salesmen of all. Retail channel carries out an active search of clients and so on. The smaller one is the SME channel. The smallest one is the branch network. Company provides insurance-specific sales channel. For example, industrial, commercial, or agricultural insurance.

Financial advisers and managers of financial advising groups are not employees of the company. They are the exclusive insurance agents (self-employed persons), they have usually the license of the investment provider as well. In the future they will be tied to the representatives in connection with the sale of 2nd pillars of the pension reform (if they have their own subordinate employees, they keep a license provider of insurance of investment intermediaries).

In Česká pojišťovna there is Retail divided to the agent's network and the branch network (staff). Currently these two channels were connected under one channel and the aim is to use financial advising for the branch. Agents´ network has about 4,500 dealers (agents) and managers, those who are really active are approximately 1000 retailers and 300 managers of groups. The branch network has about 600 salesmen and managers. They are employees.

VPA Retail cooperate with financial advisory at many issues. At least it is the superior SBU for financial advisory. The VPA Retail manager is the top manager subordinated to the headquarters as we can see below.

**Figure 1-4: VPA Retail organization**



Source: (realized by my own).

### 1. VPA Retail strategic goals

VPA Retail has some main strategic objectives. They are as followed:

1. The main objective is the satisfied client as well as the long-term relationship with client. Here we include active care of client, NPS and positive surprise of client.
2. The clients can find the services of company anywhere = the company has multi-channel strategy and cooperation.
3. Investment to the next development of distribution channel.
4. Next development of activities managing as well as performance of Retail distribution channel.
5. Innovation in products and services - the best offer in the market.
6. Active participation on retirement reform.

The strategic goal of VPA Retail is to look for new clients. This channel offers life insurance products, cars insurance, property, liability, accident solutions, business insurance, travel insurance or insurance of domestic animals and some more products, for example pension insurance or building savings as well as concentration on corporate business.

The main goal is to fulfill the clients´ needs in a way described in vision of Česká pojišťovna.

**The main business objectives of VPA Retail**

- positive nett production (stabile tribe of clients)

- 220.000 clients of 2nd pillar of retirement reform

- fulfilment of business plan of production during increasing up to 7-10 %

- to increase the number of active agents up to 20 %

**The main activities of VPA Retail**

VPA Retail realizes some key activities. They are:

* active managing of performance of the channel
* new adapt and post-adapt program
* education of managers and agents
* development program for agents
* increasing of efficiency of agents recruitment
* decreasing of agents fluctuation up to 1 year.

**2. The way of achieving the goals**

The way of achieving the goals respects the goals of all company. VPA Retail cooperates with other channels, employees, managers and traders. The cooperation is good anyway it could be better (W1).

In the following part I will focus on **identification of superior strategy.** I will focus on the way how to analyze it with answering 3 main questions:

1. **WHO = SBUs**
2. **What = basic strategic objectives of SBUs**
3. **HOW = basic orientation of business strategy**

Answers for these questions are mentioned in the following chapters.

### 2.2.1 Identification of SBUs´

VPA Retail consists of these 6 SBUs´:

**SBU1: VPA Distribution Network**

**SBU:2 Branch Network**

**SBU:3 Financial Advisory Division**

**SBU:4 Business Support Services Division**

**SBU:5 External Distribution Division**

**SBU: 6 Česká Pošta Division**

### 2.2.2 Identification of SBUs´ key strategic objectives

In the enclosed table there is an information about each strategic business unit which leads under the subordinated business unit (VPA Retail), their strategic objectives and their strategy as we can see below.

**Table 1-9: SBUs and their strategic objectives**

 Source: (realized by my own).

### 2.2.3 The way of achieving the objectives

Each SBU has its director who is responsible for its working. The collective objectives of SBUs are **to fill up the business strategy of VPA Ratail with connection to the ČP corporate superior strategy**. Each distribution business unit work with VPA Retail plan what means they have almost the same objective. Business Support Services Division support them. Financial advisory mostly makes it more efficient as well as develops next business.

### 2.2.4 Identification of main strategic tasks coming from the superior strategy for business strategy (SBU Financial advisory)

Main strategic tasks coming from the superior strategy for business strategy is seen in the following areas.

According to this context, the strategy follows the financial advisory in these areas:

1. Complete, periodical and long-term care of clients.
2. Stabilization of the clients tribe (net production) thanks to financially-consulting attitude as well as the clients´ services.
3. Education, competence and the development of financial advisers (expertise and business skills).
4. Performance increasing as well as the effectiveness of the distribution channel thank to comprehensive manual and information determination about the client on the basis of his or her objectives and needs.
5. Sales promotion of 2nd retirement reform pillar, thanks to a diversification of the assets of the client (investment strategy).
6. An implementation of new innovative settings given to financial advisers that leads to increasing of sales efficiency.

### 2.2.5 Analysis of achieving the tasks by the Financial advisory

At first I introduce the financial advisory and I put the analysis of achieving the tasks by the Financial advisory in the end.

1. **Identification of Financial advisory - SBU**

At first I have to define the financial advisory so that I can realize the mentioned analysis.

A comprehensive personal finance solution offers to the clients through a network of Česká pojišťovna's own financial advisors.

Financial advisory is covered by the Department of financial advisory. I am in a charge of it as a Director. The company operates in a matrix management structure. They are directly managed by the line management (32 regional directors and 7 regional directors who are already employees). The line falls under a Chief Director, who is also my direct superior. I am responsible for 7 regional directors. The financial advisory is a service unit of the distribution network, which is governed by the Chief Director. Financial advisory is a young and flexible SBU (S1).

The company supports the further development of financial advisory, primarily due to:

* a long-term relationship with the client and complexity – it ensures the stability of the low-strain and cancellation);
* a financial plan "provides" many sells of the products of subsidiaries and banking alliances (Česká pojišťovna Zdraví, Česká pojišťovna Health, PF Česká pojišťovna, mortgage loans, building savings, credit cards (in the future, consumer loans, current accounts, etc.);
* greater efficiency of business services;
* improving of the quality of business services, etc.

These activities can be defined as strengths (S2) so that the financial company has good support of the top management (the company supports the further development of financial advisory). The own network of financial advisers the company began to rebuild in January 2011. Currently they are 200 trained experts who can advise to each client individually. They can solve questions connected with investments, housing and insurance. As Michael Šrubař, Director of the financial advisory says: to specify which product is suitable for the customer's needs, in order to be used in all of its benefits.

Financial advisers of the Česká pojišťovna take care of client's finances. They shall draw up a tailored financial plan, which defines the particular ways to meet client's objectives. Creation of financial plan is carried out in several steps. During the first meeting the client inform the advisers about his or her family and life goals, for example purchasing an apartment, buying a car, the studies of children, and especially their own independent income. In the next step, the advisor communicates with a client all the steps that client does for the meeting the objectives. It means to map all the financial products that the client has contracted (loans, insurance, investment) in detail. The third step is to develop a transparent and comprehensible financial plan.

Part of the concept of Česká pojišťovna financial advisory is also an interactive game that simulates the life cycle of the family. Financial advisor explains all the individual steps, explains properly the principles of setting up a financial plan. During the game the client will accept the advantage of insurance or how to invest to have enough finance to gain the goals. Financial advisory tries to motivate client what means they can get more clients (S3).

1. **Benefits of the financial plan**

**Guaranteed risk** - financing plan treats all significant risks, so that the client has always sufficient funds. Risks must be fixed even under adverse circumstances.

**The liquidity reserve** - the financial plan provides money folder immediately ready for use, and it is good to have a value set in the appropriate amount. Too high reserve of this type of amount is siphoning off funds that could be more effectively evaluated in other circumstances. Conversely, a lack of it leads to complications in the case of unexpected expenses or revenue short falls.

**The fulfillment of the objectives** - a financial plan is working with short-term, medium-term and long-term means in such a way as to optimize yields and risks. The result is a balanced structure of assets with the maximum power, proper security and adequate liquidity.

**Financial independence** - is one of the main objectives for which leads high bunched up a financial plan. Long-term funds help to maximize revenue, so that it has remained insufficient resources to maintain the standard of living at the moment of termination of the active economic activities.

1. **Financial advisers**

The level of financial advisers has grown since the start of the financial advising in 2006 until middle of the year 2010, from none of them up to approximately 200 financial advisers and 50 managers of financial advisory groups. In the middle of the year 2010 there left approximately 100 financial advisers to Broker Expert, including the complete original leadership of financial advising in Česká pojišťovna a.s. (Director and eight financial advising guarantors). There were working 78 financial advisors and 31 managers of financial advising groups after recertification in the first quarter of 2011. By the end of 2011 there were working 148 financial advisors and 76 managers of financial advisory groups after conditioning, recruitment, training and certification of new financial consultants. The end of the plan for year 2012 is 200 financial advisers and 100 managers and financial advising groups. This objective will be fulfilled. Projection of 2013 is 250 financial advisers and 150 managers and financial advising groups. This objective is realistic. Financial advisory will replace the existing inactive financial advisers as well as will realize new certification.

Financial advisers and managers of financial advising groups are not employees of the company (S4). They are the exclusive insurance agents (self-employed persons), they have usually the license of the investment provider as well.

1. **Department of financial advisory**

This department consists of director and a support team. The support team consists of following persons:

* 3 persons – editor/webmaster, methodologies, assistant,
* 7 regional specialists of financial advising, who follow the arrangement of the agents´ network.

1. **Analysis of achieving the tasks by the Financial advisory**

The analysis comes out from the areas stated above in the chapter 2.2.1.

**a) Complete, periodical and long-term care of clients, stabilization of the clients tribe (net production) thanks to financially-consulting attitude as well as the clients´ services.**

Company has a lot of financial advisers who take care of clients. They cooperate with the other SBUs, have good education and empathy. The present business strategy fulfils the VPA Retail tasks quite good but there is a space for improvement. The improvement is especially seen in these areas:

* The synergies must be exploited with CRM sufficiently (W2);
* Make up of clients segmentation (W3);
* Necessity of building a loyalty program for the clients having financial plan (W4);

**b) Education, competence and the development of financial advisers (expertise and business skills) -** This issue is very problematic. The financial advisors are educated but they should be more educated in some specific areas. It is necessary to organize periodical trainings for them. Currently there are some trainings organized but they are not periodical and not respond to all specific issues. The improvement will be seen in this area:

* There is a space for the creation of benefits to financial advisers (education and development, lifetime rent, co-brand development business under the brand name of the financial advisory of Česká pojišťovna (W5).

**c) Performance increasing as well as the effectiveness of the distribution channel thank to comprehensive manual and information determination about the client on the basis of his or her objectives and needs -** this area is realised quite good anyway the company wants to improve it. Financial advisers will be accessible in any time in any place. They (together with other SBUs) will ask the clients for some specific information.

**d) Sales promotion of 2nd retirement reform pillar thanks to a diversification of the assets of the client (investment strategy)** - financial advisors cooperate with other SBUs in these areas.

**e) An implementation of new innovative settings given to agents that lead to increasing of sales efficiency** (W6) **-** this is a category which must be improved. Currently the company has online services, is ready to help almost anytime anywhere (the company has already the multi-channel strategy and cooperation).

### 2.2.6 Partial SWOT analysis

Cooperation among VPA Retail and other channels W1

Financial advisory is a young and flexible SBU S1

SBU has great support of the company S2

SBU motivates client S3

Financial advisers and managers are not employees S4

The synergies must be exploited with CRM sufficiently W2

Make up of clients segmentation W3

Necessity of building a loyalty program for the clients having financial plan W4

There is a space for the creation of benefits to financial advisers (education and development, lifetime rent, co-brand development business under the brand name of the financial advisory of Česká pojišťovna W5

An implementation of new innovative settings given to agents that leads to increasing of sales efficiency W6

## 2.3 Slept analysis

### 2.3.1 Political factors

Political factors include areas such as tax policy, labour law, environmental law, trade restrictions, tariffs, and political stability. Czech government is not stable what influences the insurance company. There are a lot of laws changes in the Czech Republic which is also not good. There are many changes in business area as well. Not stabile political environment is taken as threats (T1). EU has a lot of problems to keep the whole EU system so that we can expect some problems here as well (T2).

**Table 2-1: Political factors**



Source: (realized by my own).

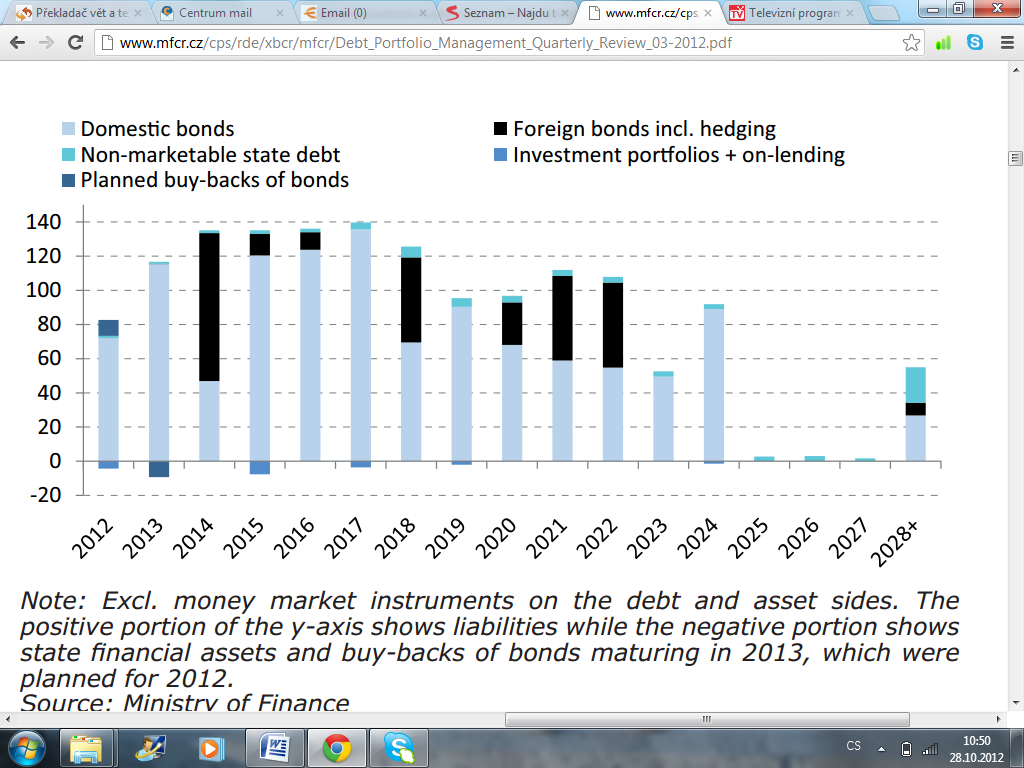
**2.3.2 Economic factors**

The economic environment is linked with the political-legal environments. The Government and the legislative situation are highly unstable in the Czech Republic. The economic environment is influenced by inflation.

It is also important to monitor the State public debt. “*Short-term state debt (debt payable within one year) as of the end of Q3 increased in comparison to the end of Q2 by 2.1 percentage points to 21.4% and thus reached the value according with the Strategy. At the same time, reﬁnancing risk was kept below the target limit of 25.0% set for 2012. The average time to maturity of the state debt as of the end of Q3 decreased in comparison to the end of Q2 by 0.1 years to 5.6 years. The average time to maturity of the state debt is thus within the announced target band of 5.0 to 6.0 years set for 2012. Starting from 2012, the Ministry has actively managed the medium-term state debt (debt payable within ﬁve years) as part of the reﬁnancing risk using the proportion of the medium-term state debt to the total state debt indicator. A limit of 70.0% out of the total state debt was established*

*for 2012 and for the medium-term horizon. As of the end of Q3, the medium-term state debt increased in comparison to the end of Q2 by 1.5 percentage points to 54.9% and is thus below the established limit.”* (<http://www.mfcr.cz/cps/rde/xbcr/mfcr/Debt_Portfolio_Management_Quarterly_Review_03-2012.pdf>). State public debt is marked as T4 and social reforms as T5.

**Graph 2-1: Redemption proﬁle of state debt and ﬁnancial assets (CZK billion) (end of Q3 2012)**

****

Note: Excl. Money market instruments on the debt and asset sides. The positive portion of the y-axis shows liabilities while the negative portion shows state financial assets and buy-backs of bonds maturing in 2013, which were planned for 2012.

Source: (<http://www.mfcr.cz/cps/rde/xbcr/mfcr/Debt_Portfolio_Management_Quarterly_Review_03-2012.pdf>).

**Graph 2-2: Economically active people**

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Source: ([www.czso.cz](http://www.czso.cz)).

Problems with economics (for example high level of unemployment) are taken as threats (T3). Not good economic situation (T6).

**Table 2-2: Economical factors**

|  |  |  |  |
| --- | --- | --- | --- |
| **Economical factors** | | | |
| **Influencing factors** | **Present situation** | **Future situation** | **SWOT** |
| Unemployment of people what means ČP has less clients | The current situation is changeable but not stabile | We can expect the not stabile political situation in the future as well | T3 |
| State public debt | Increasing state public debt | We can expect increasing state debt in the future as well | T4 |
| Social reforms | Czech republic is under social and retirement reforms | We can expect next reforms and savings | T5 |
| Economics | Not good situation | Stagnation | T6 |

Source: (realized by my own).

### 2.3.3 Social and demographic factors

**1. Analysis of external societal environment**

The first category what we have to analyze, is the demographic development. As we can see on the following table, there is population growing in the Czech Republic.

**Table 2-3: Population in the Czech Republic**



Source: ([www.czso.cz](http://www.czso.cz)).

In the Czech Republic there is increasing level of inhabitants. It is caused by higher birth rates as well as due to migration and getting old. There were a total amount of 10 517 000 inhabitants in the Czech Republic in the year 2010 and 10 505 445 inhabitants (31. 12. 2011). The amount of inhabitants living in the Czech Republic is growing what we can see on the following data. In 2001 there were 10 230 060 inhabitants living in CR. There is also approximately 408 000 strangers living in the country. The biggest increase is noted in the Central Bohemia and Prague in population over the past ten years, which have become the regions with the highest number of inhabitants in the Czech Republic (www.czso.cz). Inhabitants and people who have low financial literacy is marked as (O1). Old people is marked as (T7).

Maximum number of inhabitants of both sexes is aged around 30-40 years old.

**Table 2-4: Marital status**

|  |  |  |
| --- | --- | --- |
| **MEN** | Single | 2 315 993 |
| Marriage | 2 260 382 |
| Divorced | 472 047 |
| Widowed | 120 377 |
| **Women** | Single | 1 898 556 |
| Marriage | 2 241 520 |
| Divorced | 598 145 |
| Widowed | 625 750 |

Source: ([www.czso.cz](http://www.czso.cz)).

Economically active people are marked as (T9) and divorced people are marked as (T8).

**a) Lifestyle of population**

Lifestyle is influenced by the employment and unemployment of the population. People spend and travelled very much within the year 2009. After the Global economic crisis the situation has changed. People worry about their jobs. They are also saving money and less spending. Although now is the situation better, people are still afraid of their job. Financial advisers would get more clients because of the situation. People take care of insurance and are used to save their money in Czech republic (O4). This situation means they are interested where and how invest their money. There are a lot of rich people in CR (O3).

**b) Religion in the Czech Republic**

Religion can also have influence on the purchasing of insurance products. In the Czech Republic there is approximately 40 % of the population with no religion. 39,2 % of population reports to the Roman Catholics of Ireland. 4,6 % are Protestant, 3 % are Orthodox and 13.4 % of the population professes are another religion (<http://www.tourism.cz/encyklopedie/objekty1.phtml?id=115496>).

**c) Education**

Education is the most important value in this century. Everybody has a greater chance to find a better job with good education. Education also influences the behaviour of the insurance company's clients. More educated people choose products carefully, think about their money and will probably ask for financial advice. They usually have more financial options. In the field of education and qualification there has been recorded positive growth. Czech Republic is gradually moving closer to the European developed countries what is marked as opportunity (O5).

**Table 2-5: Social and demographical factors**

|  |  |  |  |
| --- | --- | --- | --- |
| **Social and demographical factors** | | | |
| **Influencing factors** | **Present situation** | **Future situation** | **SWOT** |
| Inhabitants and people who have low financial literacy | Increasing level of inhabitants and people who have low financial literacy | Increasing level of inhabitants and people who have low financial literacy | O1 |
| Old people | Increasing level of old people | Increasing level of old people | T7 |
| Divorced people | A lot of divorced people | We can expect higher level of divorced people | T8 |
| Economically active people | A lot of economically active people | Increasing level of old people | T9 |
| People saving their money because of the Global economic crisis | People saving their money because of the Global economic crisis | We can expect the Czech people will still save their money | O2 |
| A lot of rich people | A lot of rich people | We can expect lower level of rich people | O3 |
| People take care of insurance | People looks for good insurance | People will look for good insurance more than in the present | O4 |
| Education | CR is moving closer to European development countries | We can expect the situation will be better in the future as well | O5 |

Source: (realized by my own).

### 2.3.4 Technological factors

Technology represents a very important component of any successful company. Almost each company needs technology, especially computer technology, machines, etc. Technology is important for insurance industry as well. Insurance company has to monitor the progress in technologies because it can be its competitive advantage. In the context of computing techniques there are essential software and equipment. The modernization of technology systems and their management is relatively expensive. Company spends a lot of money on it. Česká pojišťovna uses high quality IT system and takes care of CRM. Anyway the situation in the base of technology is not the best in the Czech Republic, it could be better what can be marked as threats (T11).

Česká pojišťovna uses a new portal. The successful development of the new website at www.ceskapojistovna.cz was finished on October 8th, 2011. New website, [www.ceskapojistovna.cz](http://www.ceskapojistovna.cz) has more functionalities suitable for client access to contracts, online insurance and other products that the company provides within improving its services.

**Table 2-6: Technological factors**

|  |  |  |  |
| --- | --- | --- | --- |
| **Technological factors** | | | |
| **Influencing factors** | **Present situation** | **Future situation** | **SWOT** |
| Technology situation | The situation of technology is not the best in CR | We can expect the situation will be the same as it is now in the future | T11 |

Source: (realized by my own).

### 2.3.5 Legal factors

There are some changes in the legislative environment. There are some laws influencing insurance market, for example it is law no. 235/2004 Sb., VAT. Law no. 40/1964 Sb., civic law, law no. 513/1991 Sb., business law and some more. Of course there are also laws from European union. This laws are not stabile, they have more meanings in some issues which is no good for business (T12).

**Table 2-7: Legal factors**

|  |  |  |  |
| --- | --- | --- | --- |
| **Legal factors** | | | |
| **Influencing factors** | **Present situation** | **Future situation** | **SWOT** |
| Legal factors | Not stabile legal factors | Not stabile legal factors | T12 |

Source: (realized by my own).

### 2.3.6 Partial SWOT for SLEPT analysis

In the Czech Republic there is increasing level of inhabitants. There were a total amount of 10 505 445 inhabitants in the Czech Republic in the year 2011. In the Czech Republic there is growing level of people in the age between 30 – 40 years old which are economically active. Economically active inhabitants can earn money, travel and spend money. They also can spend more money for insurance products. The lifestyle situation is quite good today but population is still influenced by the World economic crisis. They worry about their job and many of them save their money. Of course they can save it in a insurance products and similar products as well. The world situation leads to the inhabitants´ interest to the financial literacy. Many of them use the financial support, financial advices. The situation is influenced by the government. As we can see, at the meantime the government discusses the state budget. This budget should not to be deficit any more. The problem is connected with each of us. If the budget will be not more deficit we will have to pay more money for many different items. Probably it will lead to the slowing down the economy what is really not good. People will save their money more and more and it can lead to poor interest of financial products. This situation is not good for insurance company of course. There is also pretty aggressive competitive situation in the financial market. There are many of competitors, as financial companies, banks etc. The insurance company has to pay attention to all factors defined by the analysis.

In the table below we can see the partial SWOT.

**Table 2-8: Partial SWOT**

|  |  |  |  |
| --- | --- | --- | --- |
| **Political factors** | | | |
| **Influencing factors** | **Present situation** | **Future situation** | **SWOT** |
| Stability of political situation | The current situation is changeable but not stabile | We can expect the not stabile political situation in the future as well | T1 |
| Integration process into EU | It is the priority of Czech Republic | EU has a lot of problems to keep the whole EU system so that we can expect some problems here as well | T2 |
| **Economic factors** | | | |
| **Influencing factors** | **Present situation** | **Future situation** | **SWOT** |
| Unemployment of people what means ČP has less clients | The current situation is changeable but not stabile | We can expect the not stabile political situation in the future as well | T3 |
| State public debt | Increasing state public debt | We can expect increasing state debt in the future as well | T4 |
| Social reforms | Czech republic is under social and retirement reforms | We can expect next reforms and savings | T5 |
| Economics | Not good situation | Stagnation | T6 |
| **Social and demographic factors** | | | |
| **Influencing factors** | **Present situation** | **Future situation** | **SWOT** |
| Inhabitants and financial literacy | Increasing level of inhabitants and people who have low financial literacy | Increasing level of inhabitants who have low financial literacy | O1 |
| Old people | Increasing level of old people | Increasing level of old people | T7 |
| Divorced people | A lot of divorced people | We can expect higher level of divorced people | T8 |
| Economically active people | A lot of economically active people | Increasing level of old people | T9 |
| People are saving their money because of the Global economic crisis | People saving their money because of the Global economic crisis | We can expect the Czech people will still save their money | O2 |
| A lot of rich people | A lot of rich people | We can expect lower level of rich people | O3 |
| People take care of insurance | People looks for good insurance | People will look for good insurance more than in the present | O4 |
| Education | CR is moving closer to European development countries | We can expect the situation will be better in the future as well | O5 |
| **Technological factors** | | | |
| **Influencing factors** | **Present situation** | **Future situation** | **SWOT** |
| Technology situation | The situation of technology is not the best in CR | We can expect the situation will be the same as it is in the future | T10 |
| **Legal factors** | | | |
| **Influencing factors** | **Present situation** | **Future situation** | **SWOT** |
| Legal factors | Not stabile legal factors | Not stabile legal factors | T11 |

Source: (realized by my own).

## 2.4 Industry analysis

### 2.4.1 Suppliers

Suppliers of Česká pojišťovna are:

* Post office,
* Mobile phone providers,
* Banks,
* Suppliers of electricity,
* Suppliers of office matters,
* Suppliers of energies,
* Suppliers of software,
* Cleaning companies, etc.

The company gives a lot of expenses for these suppliers so that it is essential to analyze these expenses and find the cheapest ones. The company chose the cheapest as well as the high-quality ones so that suppliers are not problem for the company. Stabile suppliers are marked as strengths (S5).

### 2.4.2 Distributors

Česká pojišťovna uses the distribution channels for the distribution of all the products. These channels are internal and external channels. Internal distribution channels are made up of networks of bulkheads and exclusive insurance advisors. Česká pojišťovna has approximately 3000 sales points in the Czech Republic.

External distribution channels are:

* MLM network,
* cooperation with the Komerční banka a.s.,
* Raiffeisen bank,
* Raiffeisen stavební spořitelna,
* Modrá pyramida,
* Home Credit a GE Money Bank – reciprocal setting of business activities,
* Česká pošta, etc. Česká pošta has been a business partner of Česká pojišťovna for many years.

Česká pošta offers products of life and non-life public insurance of Česká pojišťovna. Česká pošta also provides the basic services. The MLM network consists of **ZFP Akademie, OVB Allfinanz, Fincentrum**, and some more. Česká pojišťovna also collaborates with third parties. Here we can include, for example, real estate agencies, mortgage brokers or travel agencies.

Česká pojišťovna has also its own distribution channels. They are composed of three basic channels. These are **the retail channel**, SME channel and the branch network. Other less important channels are brokers as well as MLM network. Basic channels are organized according to the some specific regions. The company works with seven specific regions. The regions are different from the usual Czech regions. Each regional platform has 4 regional managers. We can recognize the retail channel managers, SME managers and branch managers. There is also a manager responsible for brokerage business. Exclusive and subordinate agents of the company may be working under the retail or SME channel.

The retail channel is the biggest one and my dissertation thesis is interested on it. The channel has also the most salesmen of all. Retail channel carries out an active search of clients. This channel offers life insurance products, cars insurance, property, liability, accident solutions, business insurance, travel insurance or insurance of domestic animals and some more products, for example pension insurance or building savings as well as concentration on corporate business. The smaller one is the SME channel. The smallest one is the branch network. Company provides insurance-specific sales channel. For example, industrial, commercial, or agricultural insurance.

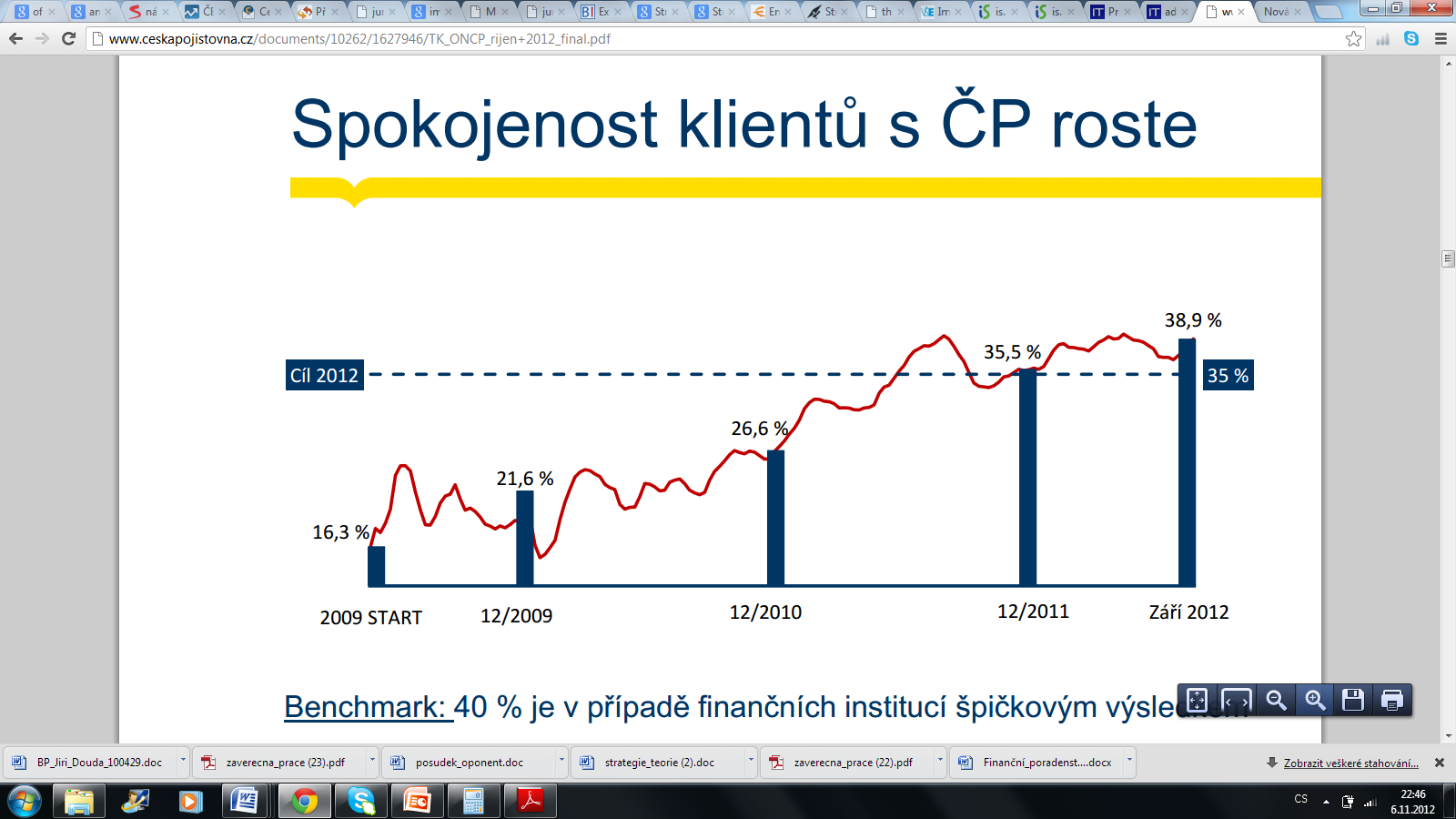
Branches are the types of channels which doesn´t look for potential clients. Their clients come to branch and communicate with insurance employees about the products. We can also recognize the internet website as a distribution channel. Clients can be insured through internet website. Česká pojišťovna offers these types of products on internet: cars insurance, travel and property insurance, liability insurance, accident insurance and insurance of animals. The aim of this sales channel is a reduction in the cost of the company and it is comfortable for clients. The sale will take place over the Internet usually faster than by realizing the usual sale. Next distribution channel is mobile devices. There is a special client zone for this channel realized by Česká pojišťovna. Its aim is to approach to the client and make the process easy and faster. There is importance of improving of marketing and distribution factors here (W7). A lot of distributors are marked as strengths (S6).

### 2.4.3 Customers

Česká pojišťovna takes care of the customers as well as it can. The company has well developed customer relationship management (CRM). CRM in company concept means that the client must get the same impression of the company at every contact with the company. On the other hand the company must have complete information about the client at any sale place. Česká pojišťovna offers the web site to its customers that is easy to read and graphically evolved design with a connection to social networks, as Facebook or Twitter. Customers have access to all necessary information in one place today.

In the Czech insurance company there is a robust system for the measurement of customer satisfaction. Employees of the company ask their clients about their satisfaction with the services every week. Currently the company monitors all the key processes that the client passes through: from the negotiation or contract changes as well as the cancellation through the renewal of the contract. By using the coefficient of NPS (Net Promoter Score) the company measures how well their employees are able to satisfy the clients so that the company can respond correctly and flexible. The most effective solution is usually communication with client, the way the company communicates with client, how often they communicate. All crucial improvement helps to increase customers´ satisfaction. The company also uses NPS inside the company. It means the management monitors employees´ satisfaction. Clients´ and employees´ satisfaction are both connected.

**Graph 2-3: Clients satisfactory with Česká pojišťovna**



Source: (www.ceskapojistovna.cz).

In the picture above we can see the clients satisfactory with Česká pojišťovna. This result is very good. Almost 40 % in September 2012 is really pretty.

Financial advisory is a specific field and people who are not the clients of company doesn´t trust to it what is marked as threats (T12). Also a lot of different products can confuse the potential client. This can be classified as weaknesses (W8). Clients´ satisfactory is very important for each company. Effort to improve their satisfactory can be classified as opportunity (S7). Česká pojišťovna has a lot of satisfied and loyal customers and people trust to ČP what can be marked as strengths (S8). There are also some clients of ČP who don´t like financial advising (T13).

**a. Literacy**

There was carried out research into financial literacy among the adult population for the Treasury already in the year 2007.[[1]](#footnote-1) This research aimed to subjective evaluation of the citizens about their own financial literacy and, consequently, should be found, in which direction it should concentrate on expanding knowledge of the activity of the citizens. Research conducted in the form of a questionnaire which was addressed to 811 respondents.

The answers showed that 35 % of people questioned rated their financial literacy would mark no 3 (scale at school). They were the most often elected reviews on this scale. Majority of the respondents replied that they consider appropriate further training in the financial field and knowledge of the concepts involved. They have participated in education, it would be free and independent, with no branding or product. People also reported that adult education should ensure the State (42 %) or financial institution (37 %). For the State there is a certain prestige in comparison with other States, and on the prevention against indebtedness ( (<http://www.mfcr.cz/cps/rde/xbcr/mfcr/Zavery_vyzkum_Fin_gramotnost_2007_pdf.pdf>).

As the research has showed there are a lot of people who wants to improve their financial literacy and there are many of them who don’t know the financial literacy well. Anyway these people could be potential customers of Česká pojišťovna, there is a problem with financial part. Low financial literacy is classified as opportunity (O6).

Potential clients would become customers of financial advisory in Česká pojišťovna, if it would be free of charge. Financial advising is free of charge for the clients of Česká pojišťovna. Therefore, in addition to the financial advising, which would be free, they must be interested in something extra – in some product of insurance company. It should be an interesting product. Insurance customers are most often focused on the price of insurance products so that the company can attract customers by putting emphasis on a particular product with a financial plan options free of charge.

### 2.4.4 Competitors

There are a lot of competitors in Financial Planning and Advice market in Czech Republic what is marked as threats (T14). I don´t define all of them, but only the most known companies. I have to include Insurance companies as well as the financial companies. Financial companies are, for example: AWD, Partners, Broker Consulting, Kapitol, etc. The insurance companies and the financial companies are usually connected.

**a) KAPITOL POJIŠŤOVACÍ A FINANČNÍ PORADENSTVÍ, a.s.**

Kapitol pojišťovací a finanční poradenství, a.s, was founded in 1995 as a subsidiary of Kooperativa pojišťovna a.s. and its parent company Wiener Städtische. Kapitol became the most important partner in the field of life insurance for Kooperativa insurance, a.s. after a short period. In about 10 years of its activity it has extended its product portfolio of a comprehensive range of insurance products and at the same time it began offering other financial products such as building society schemes, supplementary pension insurance, or housing loans.

At the present day the company belongs among the greatest financial advisory company in the market. Kapitol is currently the biggest insurance provider on the Czech market in terms of volume of premiums in the area of citizens. Kapitol´s advisers concluded contracts in volume greater than 1.3 billion Czech crowns of insurance premiums. The level of prescribed insurance premiums exceeded up to 3.2 billion CZK. Kapitol keeps strong position in life insurance on the market. Kapitol has more clients than many of Czech insurance companies (<http://www.koop.cz/o-nas/spolupracujeme/kapitol-pojistovaci-a-financni-poradenstvi-a-s/kapitol-pojistovaci-a-financni-poradenstvi-a-s.html>).

**b) Broker Consulting**

Broker Consulting was established in 1998. At the present day the company consists of

* Broker Consulting, a. s. (Czech Republic)
* Broker Expert, a. s. (Czech Republic)
* Broker Consulting, a. s. (Slovak)
* Fin Consulting, a. s. (Slovak)

The turnover of the Group amounted to 700 million CZK in 2010. Thanks to the prolonged interest in Service Broker Consulting the growing of the group is in average rate of 30% per year. The company has more than 300,000 clients. The main service offered by the company is a financial plan. The company has more than 100 centers and offices and more than 1000 professional financial advisers. The uniqueness of the output of Broker Consulting financial plan is an electronic application that is ready on the basis of sophisticated financial planning methodology (<http://www.bcas.cz/o-nas/kdo-jsme>).

**c) AWD**

AWD company entered the Czech market in 2005 AWD. All experts working for the AWD have all the necessary licences registered at the Ministry of finance and the Czech National Bank. The advisory is readily available to all citizens Thank to branches throughout the Czech Republic.

**d) Patners Financial Services, a. s.**

The Czech joint-stock company - Partners Financial Services, a.s., started its business in June, 2007. Company´s main activity is the providing of independent financial advisory. At present day, Partners is the largest advisory company on the Czech market, with more than an annual turnover of over one billion CZK and more than two hundred thousand clients. We can include to the group of Partners:

* Partners Bank,
* Partners investment company,
* Partners Media,
* Partners of the Academy (<http://www.partners.cz/cs/o-partners/o-spolecnosti/>).

As we can see, there are a lot of threats influencing the company. Anyway Česká pojišťovna is still the leader in the insurance market.

The Czech insurance market continues in stagnation in 2012. Insurance companies have collected insurance premiums up to 41.3 billion Czech crowns in the first half, which is about 0.2 % less year on year.

Life insurance has increased by 1.4 % to 16.7 billion CZK, non-life insurance has decreased by 1.2 % to 24.6 billion CZK by the end of June 2012. The number of insurance contracts has increased by 2.2 % to 20,05 million CZK. The number of insurance contracts has decreased in life insurance by 2.4 %, in non-life insurance increased by 3.6 %. Within non-life insurance it has declined again, mainly in the compulsory liability insurance code (5.7 %), followed by low prices of insurance of vehicles. In accidental prescription insurance it has decreased by almost two %. Česká pojišťovna holds 26,5 % in whole prescribed insurance, 28,3 % in non-life insurance and 23,7 % in life insurance (www.cap.cz).

Competitive companies are: Kooperativa, Allianz, Generali and some more. The prices of competitive products are not part of the dissertation thesis because the range is very large. The fees of the product Diamant are available in the appendix 2. There is comparison of life insurance in the following table.

**Table 2-9: Comparison of life insurance**



Source: (<http://www.pojisteno.cz/zivotni-pojisteni/zivotni-pojisteni-srovnani/>).

As we can see, Česká pojišťovna has quite good prices for the product Diamant. Česká pojišťovna realizes its business in a very competitive market. There are a lot of companies who can influence it. Anyway the company has strong position on the market, loyal employees, good financial situation and many clients. Česká pojišťovna must offer more benefits to clients as well as to look for new ones to keep the stabile post on the market. There is a very competitive market what is marked as threats (T15).

### 2.4.5 Analysis summary

Below we can see the partial SWOT of the analysis.

Stabile suppliers are marked as strengths S5

There is importance of improving of marketing and distribution factors here W7

A lot of distributors are marked as strengths S6

Financial advisory is a specific field and people who are not the clients of company doesn´t trust to it what is marked as threats T12

Also a lot of different products can confuse the potential client. This can be classified as weaknesses W8

Clients´ satisfactory is very important for each company. Effort to improve their satisfactory can be classified as opportunity S7

Česká pojišťovna has a lot of satisfied and loyal customers and people trust to ČP what can be marked as strengths S8

There are also some clients of ČP who don´t like financial advising T13

Low financial literacy is classified as opportunity O6

There are a lot of competitors in Financial Planning and Advice market in Czech Republic what is marked as threats T14

There is a very competitive market what is marked as threats T15

## 2.5 Porter analysis

### 2.5.1 Rivalry among competing sellers

There are a lot of competitors on the financial and insurance market so that the rivalry among competing sellers is really high (T16). Česká pojišťovna is a strong company, a leader on the insurance market so that it is not the biggest problem for the company. The company must be careful of the sellers and should offer every time something extra. Clients will choose the best company in the financial field. Česká pojišťovna is known as a loyal company so that clients will probably be interested in it (O7).

### 2.5.2 Bargaining power of suppliers

Bargaining power of suppliers is quite strong. The strongest can be the power of financial advisors who can leave the company so that it is important to motivate them what can be marked as threats (T17). Česká pojišťovna has good reputation and operates long time in the market so that the stability of company can be seen as opportunity (O8). The way of motivation is described in one of the following chapters.

It is important to analyse all the expenses of each entry of the company. Company must focus on:

* Availability and expenses on the material,
* Availability and expenses on the energy,
* Availability and expenses on getting finance,
* Availability and expenses on labour (Keřkovský, Vykypěl 2002).

Česká pojišťovna makes the business as best as it can and these points has solved very well.

### 2.5.3 Bargaining power of buyers

Customers are very important for each company. We can say they are really the most important. We are interest not only in the structure of the customers, their education but also in their literacy.

Clients have a strong bargaining position, because they can easily leave our company and go to the competitive company what can be marked as threat (T18). There are a lot of people who need financial advice as well as the company has a lot of clients so that it is marked as opportunity (O9).

### 2.5.4 Threat of substitute products or services

Clients can invest money in various mutual funds, or in today's news investments in gold. But insurance itself has no substitute. A lot of insurance products are fixed by the law what is good for the insurance company. Financial advisory can be jeopardized by the better financial products what can be marked as threats (T19). The services and the products are similar in the financial market so that this can be marked as (O10).

From the point of the insurance industry the substitutes can be found as substitute products offering extra benefits, bonuses and other benefits. They are also all the services that the company may influence. In the financial market there creates new kinds of competition and offers complements. We can meet packages of products, for example. They can consist of examples of menus associated with pumping life insurance with a mortgage. The Banks are a threat as well. Substitutes are dangerous in the way they can be much cheaper or vice versa can integrate several options.

The company must take care of the product portfolio. It is important to offer a wide range of products in various prices, to offer to consumers alternative products, and not allow the competitors to offer the substitutes with offering good products/services.

### 2.5.5 The threat of new entrants

The threat of new entries on the market affected the insurance company negatively (T20). New entrants are a threat for the existing insurance companies on the insurance market. Such institutions, which are trying to penetrate the market, tend to gain a substantial share of the resources. As a result, there may be a reduction in prices of competitors within the selected products and services. However, financial advisory is a specific similarly to Česká pojišťovna. Česká pojišťovna has not significant problems with the entry of new competitors on the market because it operates long time on the marked what was marked as (O8) in previous part. Its market share is large. It is a leader in its field. Financial advisory, however, may be threatened by the new brokerage companies or merging insurance undertakings with financial firms, etc. Česká pojišťovna has a lot of loyal clients, very good position on the market (leader of the insurance market) as well as most of Czech people believing in the company so that there is very small possibility of threats from new entrants.

### 2.5.6 Partial SWOT of Porters analysis

There is mentioned SWOT analysis.

Clients will choose the best company in the financial field O7

Bargaining power of suppliers T17

Stability of company can be seen as opportunity O8

Clients have a strong bargaining position, because they can easily leave our company and go to the competitive company what can be marked as threat T18

There are a lot of people who need financial advice as well as the company has a lot of clients so that it is marked as opportunity O9

Financial advisory can be jeopardized by the better financial products what can be marked as threats T19

The services and the products are similar in the financial market so that this can be marked as O10

The threat of new entries on the market affected the insurance company negatively

T20

## 2.6 Market analysis

There are a lot of competitors in the financial planning and advice market. Financial agents and advisers agreed financial products to clients with a total value in amount of 14 billion Czech crowns in the second quarter of 2012.

**a) Insurance**

Associated entities mediated commonly paid of life insurance products in amount of 1 041 406 000 CZK, a lump sum paid in amount of 217 918 000 CZK in the field of insurance. Non-life insurance was mediated in total amount of 363 226 000 CZK. They have totally concluded 186 805 contracts.

**Table 2-10: Insurance**



Source: (<http://poradci-sobe.cz/financni-poradenstvi-1/financne-poradensky-trh-v-druhem-ctvrtleti-2012/>).

**b) Investment**

The two associations have focused on a detailed structure of the cash flow for investment products, which enable to identify the relationship of individual instruments. The products were made for a total of 886 554 000 Czech crowns on the basis of 37 664 contracts in this area.

**c) Loan products and deposit**

In the field of credit and savings products there is dominated the housing financing. The total volume of credit products (mortgages and loans from building saving) intermediated by members of the USF and AFIZ that reached above 11 451 265 000 CZK in total number of 58 561 contracts over the past half-year. In particular, deposit savings portfolio folder also added a supplementary pension and savings accounts in addition to the above-mentioned building savings (<http://poradci-sobe.cz/financni-poradenstvi-1/financne-poradensky-trh-v-druhem-ctvrtleti-2012/>).

**Share of Česká pojišťovna on the market**

The balance sheet has reached 119 billion Czech crowns in the first three quarter ČP 2012, which represents more than a 2 % increase. The market share of Česká pojišťovna increases during 2012. Compared to the first quarter (25.2 %) it has increased by 1.3 percentage points to 26.5 % at the end of September 2012. Total insurance prescribed premiums of ČP has reached above 24.2 billion CZK for the first three quarters of the year 2012 according to International Financial Reporting Standards. In the field of non-life insurance premiums it was 15.2 billion Czech crowns, in the life insurance 9 billion Czech crowns. In the case of non-life insurance, we can see the growth. Prescribed insurance premiums have decreased year on year after three quarters, but only by 2.7 %, while a year ago it was about 6 % and even two years ago by almost 8 % (<http://www.opojisteni.cz/ekonomika/vysledky-pojistoven/vysledky-ceske-pojistovny-za-prvni-tri-ctvrtleti-potvrdily-jeji-financni-silu/>). The situation of Česká pojišťovna on the market is very well but there is a lot of improving necessary. Financial advisory must improve as well on the market what is marked as (O11).

### 2.6.1 Analysis summary

Financial advisory must improve as well on the market what is marked as O11.

## 2.7 Stakeholders analysis

This analysis is important to find out the expectations of stakeholders. For this analysis there is used interview with the chosen stakeholders. The result of the interview is described in the following table.

### 2.7.1 Internal and external stakeholders

Internal stakeholders are:

* Owners
* Management
* Employees and financial advisors

External stakeholders are:

* Customers
* Labor union
* Competitors
* Government
* Business partners

**Table 2-11: Stakeholders analysis – expectations**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Stakeholders** | **Expectations** | **Objectives** | **Power/the cause of power** | **Valuation** |
| Owners | Establishment of a strong financial advisory | Satisfied customer, profit increasing | World known unit, financial equity | 10 |
| Management | Spreading of the advisory teams and the expansion of product line at the level of Bank alliances | Improve the quality, improving the availability of products, greater efficiency | Knowledge of domestic market, knowledge of the company and competition | 9 |
| Employees | Higher salary, benefits | Keep the position and have higher salary/position | Sometimes there is a problem to find motivated and qualified employee | 6 |
| Labor union | Higher salaries, better work conditions, health and safety | Continuously increasing of salaries, collective agreement | Legislative, strong labor union position | 4 |
| Customers | Lower prices of products, bonuses, employees loyalty | Products spreading, lower prices | To have enough money to purchase, to be more educated in the financial field | 9 |
| Competitors | Reduction of competitiveness | To be top in the financial advisory field | Long-term impact to the foreign markets | 7 |
| Government | Legislative issues and employment issues | Spreading of working positions, economical prosperity | Lows, regulations | 4 |
| Business partners | Commission increasing, better relationships | Market spreading, good prices | Knowledge of market and customers | 4 |

Source: Data gained from interview.

The highest numbers says the highest priority that the company should pay attention to. The priority is focused on these stakeholders: owners, management and customers. They are numbered “9”. It means they are the most important stakeholders in the company and within the strategy re-formulating there must be paid attention to them. The second group creates employees and competitors. Both of them are very important. The company strategy must think about the employees as well as competitors. As we can notice from the table above we can see customers´ satisfaction, improving the availability of products, products spreading. This parts are opportunities because financial advisory can improve customer´s satisfaction and can improve the availability of products or products spreading. There are also some lower prices of products because there is an aggressive competition in the field of business.

Analytic discussion connecting with stakeholders analysis is below. Owners and management focus on satisfied customer, profit increasing, improvement of the quality, improvement of the availability of products and greater efficiency. They mostly focus on clients to offer high quality of products and services. This needs to be improve almost each part of the financial advisory. Employees want to keep the position and have higher salary/position. This point must be solved at least by using special benefits for them as well as trainings. Business partners are important as well. They want market spreading and good prices. Financial advisory will have to focus on this point, improve the communication between business partners and agree the agreement of payment conditions as well as check all the agreements. The most important are the customers. They want products spreading and lower prices. Financial advisory has some new ideas connecting with products spreading and the prices will be attractive for the clients. Competition is strong but financial advisory is young and flexible. ČP has a lot of good products and services as well as good position on the market so that it is not problem for company. Financial advisory as well as whole ČP has a lot of satisfied customers/clients. Customers´ satisfaction is marked as strengths (S9). We have realized the research of customers´ satisfaction what is defined in chapter 2.9.

The result of research with responses is enclosed in appendix 1.

### 2.7.2 Partial SWOT for stakeholders analysis

Customers´ satisfaction S9

Improving the availability of products and products spreading S10

Lower prices of products T21

## 2.8 Internal analysis

### 2.8.1 Analysis of “price” of business strategy

Develop the habit of continually examining and reexamining the prices of the products and services we sell to make sure they're still appropriate to the realities of the current market. Sometimes we need to put lower the prices. At other times, it may be appropriate to raise our prices. Many companies have found that the profitability of some products or services doesn't justify the amount of effort and resources that go into producing them. By raising their prices, they may lose a percentage of their customers, but the remaining percentage generates a profit on every sale.

Sometimes we need to change our terms and conditions of sale. Sometimes, by spreading our price over a series of months or years, we can sell far more than we are today, and the interest we can charge will more than make up for the delay in cash receipts. Sometimes we can combine products and services together with special offers and special promotions. Sometimes we can include free additional items that cost we very little to produce but make our prices appear far more attractive to our customers (http://www.entrepreneur.com/article/70824).

Financial plan is paid for people who aren´t the client of Česká pojišťovna. Clients of Česká pojišťovna have the financial advices free of charge. Anyway it is long stated, the price must be correctly formed. It is convenient to regulate the price according to clients´ needs. This category is correctly adjusted. The price for the financial advises was discussed in previous part of the dissertation thesis. It is possible to improve the price condition by using benefits for clients, as benefit for all financial plan or loyalty benefits. The price must be set up according to competitive products analysis. Česká pojišťovna has realized this analysis last year and the price was suitable so that it is not necessary to change the price (S11).

### 2.8.2 Analysis of “place” of business strategy

The situation is specific in Česká pojišťovna because of insurance. The company has marketing department as well as many other departments. Marketing communications is ensuring with special marketing departments. Their main task is to come up with specific links to individual products in order to maximize their sales.

Česká pojišťovna uses these distributor channels:

* An independent financial adviser.
* Insurance advisor at the branch.
* Insurance company's website.
* Exclusive insurance advisor to insurance companies.
* Internet sites that deal with insurance.
* Non-exclusive insurance advisor, broker, bank alliances.
* Communication through phone, customer service line.

The above stated channels can be marked as strengths (S12). Financial advising will focus on wide range of population. Attention will be paid on each person, natural person and artificial persons as well as the companies.

### 2.8.3 Analysis of “product” of business strategy

We have to ask critical questions such as, "Is our current product or service, or mix of products and services, appropriate and suitable for the market and the customers today?"

Whenever we're having difficulty selling as much of our products or services as we'd like, then we need to develop the habit of assessing the business honestly by asking, "Are these the right products or services for our customers today?" Is there any product or service we're offering today that, knowing what we now know, we would not bring out again today? Compared to our competitors, is our product or service superior in some significant way to anything else available? If so, what is it? If not, could we develop an area of superiority? Should we be offering this product or service at all in the current marketplace? (http://www.entrepreneur.com/article/70824).

Financial advisory is a department focused on providing financial advices. Clients come and ask for financial help connected with their business, life, work etc. They also may get an advice to conclude some contract (life or non-life insurance etc.). Whether they can have the insurance product we have to include the insurance products as well. Anyway there will not be these products mentioned anymore.

The production of financial advisers is as followed:

The aim of 2013 is to achieve 20 % share of financial advisers among senior advisers, to increase the production of Česká pojišťovna, ČP Zdraví, Penzijní fond ČP up to 25 % and to increase the production of ČPI up to 50 % and to 30 % of the mortgage. The share of financial advisers is 2015, then the share between senior advisers up to 25 %, the share of ČP production, ČP Zdraví and Penzijní fond up to 30 %, ČPI production up to 60 % and the production of mortgages up to 35 %.

In VPA Retail of Česká pojišťovna there works around 4 000 salesmen (1 076 are senior advisers SP and 320 managers of groups (MS)). SP and MS are real professionals. In these groups there are 201 financial advisers (18,68 %) with the production for ČP, ČP Zdraví and Penzijní fond ČP approximately 21 – 24 % of production. The sale of investment ČPI is 47 % production and selling of mortgages is 27 % of production. As we can see, the company has wide range of products and services what is very good for clients. They can choose the correct one product or service. The financial advisors help them during their decision making so that they can improve their knowledge what is marked as (W9).

### 2.8.4 Analysis of “promotion” of business strategy

Promotion includes all the ways we tell our customers about our products or services. Small changes in the way we promote and sell our products can lead to dramatic changes in our results. Even small changes in our advertising can lead immediately to higher sales. Experienced copywriters can often increase the response rate from advertising by 500 % by simply changing the headline on an advertisement.

Large and small companies in every industry continually experiment with different ways of advertising, promoting, and selling their products and services. And here is the rule: Whatever method of marketing and sales we're using today will, sooner or later, stop working. Sometimes it will stop working for reasons we know, and sometimes it will be for reasons we don't know. In either case, our methods of marketing and sales will eventually stop working, and we'll have to develop new sales, marketing and advertising approaches, offerings, and strategies (http://www.entrepreneur.com/article/70824).

Financial advisory is focused on the clients (S13). The promotion of ČP is good. It is not quite good in financial advisory what needs improvement (W10). The company gives a lot of money on promotion. Česká pojišťovna is oriented mainly on product communication campaign, or to enhance the image of the undertaking. Česká pojišťovna often uses campaign as a form of communication with the customer. For example, these campaigns are: Pomáháme vám zpátky na nohy, Kombinované vkladové pojištění, Dětské pojištění Sluníčko PLUS, Diamant. These campaigns are presented by television, outdoor, website and daily press.

We will give more money for advertising on TV so that people will know about their possibilities. The advertisement will be presented by our employees working on each contact branch (employees and agents/financial advisors presents financial advising as one of the possibility). Once a 3 months when clients come to the contact place we ask them of taking care of their money. We also will use phone contact to inform them. We are absolutely sure many of them don´t like to be disturbed so that the way of communication will be different. It is not difficult to speak with people coming to contact place but it is more difficult to speak with them who don´t come. So that it is good to have TV advertisement to attract them to the contact place. Also we have to be careful of placing the advertisement. People don´t like watch advertisement during watching some movie but they don´t mind to watch it during News (after or before). Anyway they don´t like to watch it during movie it is good to have some advertisement at the time so that people will know about this possibility. Good advertisement is on website. We will inform a lot of economically active people using this way. There are a lot of ways of advertisement placing.

### 2.8.5 Analysis of “people” of business strategy

*“Develop the habit of thinking in terms of the people inside and outside of your business who are responsible for every element of your sales and marketing strategy and activities.*

*It's amazing how many entrepreneurs and businesspeople will work extremely hard to think through every element of the marketing strategy and the marketing mix, and then pay little attention to the fact that every single decision and policy has to be carried out by a specific person, in a specific way. Your ability to select, recruit, hire and retain the proper people, with the skills and abilities to do the job you need to have done, is more important than everything else put together. In his best-selling book, Good to Great, Jim Collins discovered the most important factor applied by the best companies was that they first of all "got the right people on the bus, and the wrong people off the bus." Once these companies had hired the right people, the second step was to "get the right people in the right seats on the bus."*

*To be successful in business, you must develop the habit of thinking in terms of exactly who is going to carry out each task and responsibility. In many cases, it's not possible to move forward until you can attract and put the right person into the right position. Many of the best business plans ever developed sit on shelves today because the [people who created them] could not find the key people who could execute those plans.”* (http://www.entrepreneur.com/article/70824).

In addition to persons engaged in the sale of insurance, the insurance company needs to secure a series of similar activities as in any financial institution. These are in particular the administration of insured clients, which is practicable almost only with using computers and high-quality software, administrative work and other activity operation of the insurance undertaking. They are also required insurance specialist staff, such as any insurance mathematicians, financial advisers and many other professions.

Prosperity depends mainly on the level of the insurance undertaking and the capabilities of the employees engaged in the sale of insurance as well as the financial advisers. Human resources are the keys to success. Success is formed by the correct choice of the type of people for sales activity as well as for the financial advising. It is necessary to have certain psychological characteristics, such as, in particular, initiative and perseverance, self-confidence, success-oriented, credible performance, the ability of understanding and predicting the reactions of people, building and maintaining relationships, listening, analytical and conceptual thinking, the art of asking questions. It is important to be communicative as well as to have “correct own life”. It means the financial advisers shouldn´t be problematic persons, having problems with public etc. Of course it is important to pay attention to all legislative anchoring to make the business correctly. It is very difficult to choose suitable employee/agent for this position. Anyway it is difficult, Česká pojišťovna takes care of its employees as well as on the recruiting new employees. Česká pojišťovna has a lot of good employees as it was mentioned above. Company has a lot of loyal employees (S14). Employees have a lot of experiences as well as the financial advisors but there is a space to improve it. They can make mistakes of course so that this part is marked as (W11).

### 2.8.6 Analysis of “process” of business strategy

*“It refers to the methods and process of providing a service and is hence essential to have a thorough knowledge on whether the services are helpful to the customers, if they are provided in time, if the customers are informed in hand about the services and many such things.”* (<http://ezinearticles.com/?The-7Ps-of-Marketing-Mix&id=1486721>).

An important change is controlled by changing the internal processes of Česká pojišťovna a.s. in the continuing the transformation of the organizational structure, which touches all the activities from the sale of insurance across the internal administration until the execution of the method claims. All the processes and procedures are associated with the sale and promotion of insurance products as well as with the subsequent care of the clients (S15). Processes are associated with the following points: the working procedures of the sellers and financial advisers, procedures related to the processing of the concluded insurance contracts, procedures related with the adoption of the client to the insurance, procedures related with the adoption of the client to the insurance, procedures related to the administration of insurance, processes associated with the payment of claims, process related to financial advising.

### 

### 2.8.7 Analysis of “planning” of business strategy

We can conclude the planning, managing, organizing, and company´s culture of crucial SBU. Planning and managing are relatively good in financial advisory (S16). Company culture is good and long.

### 2.8.8 Partial SWOT analysis

The price must be set up according to competitive products analysis. Česká pojišťovna has realized this analysis last year and the price was suitable so that it is not necessary to change the price (S11).

The below points are marked as S12:

An independent financial advisers.

Insurance advisor at the branch.

Insurance company's website.

Exclusive insurance advisor to insurance companies.

Internet sites that deal with insurance.

Non-exclusive insurance advisor, broker, bank alliances.

Communication through phone, customer service line.

As we can see, the company has wide range of products and services what is very good for clients. They can choose the correct one product or service. The financial advisors help them during their decision making anyway they can improve their knowledge what is marked as W9

Financial advisory is focused on the clients S13

The promotion of ČP is good. It is not quite good in financial advisory what needs improvement W10

Company has a lot of loyal employees S14

Employees have a lot of experiences as well as the financial advisors but there is a space to improve it. They can make mistakes of course so that this part is marked as W11

All the processes and procedures are associated with the sale and promotion of insurance products as well as with the subsequent care of the clients S15

Planning and managing are relatively good in financial advisory S16

### 2.8.9 Internal Analysis using 7 S model

**1. Strategy**

Česká pojišťovna takes care of its clients so that it realizes suitable strategy.

Corporate strategy (for year 2012) is consistently oriented on the clients. The parts of the strategy focus on the 1st line and the support of the 1st line. The strategy has a total of 8 strategic blocks:

1. **The Retail VPA**
2. **Branches**
3. **SME**
4. **Services to clients**
5. **CRM and marketing**
6. **Costs, simplicity and the order**
7. **Data and reporting**
8. **Products and prices**

Česká pojišťovna primarily takes care of the clients. Clients are on the top of the chart. Clients also will be on the top of the chart in the future. Financial advisory is oriented on clients as well what was defined in the previous part (S13).

**2. Structure**

Figure 2-1: Organizational chart of Česká pojišťovna

Source: ČESKÁ POJIŠŤOVNA. Čtvrtletní zpráva za třetí čtvrtletí roku 2012.

Organizational chart has changed few times from the beginning of business activities. The organizational structure of the Česká pojišťovna is not rigid service with permanence elements. Organizational structure is changed and adapted to current needs very often. This structure reached the largest changes in connection with the entry of the Czech Republic into the European Union and the emergence of Generali PPF Holding and the implementation of a strategy called "Blíž klientům", which was introduced in 2007. As we can see, organizational structure is flexible and able to develop. Organizational chart is formed well what can be marked as (S17).

**3. Systems**

Česká pojišťovna has expanded the use of hardware and software solutions from IBM for preventing unexpected problems with the IT infrastructure as well as simplifies the entire ICT environment. New monitoring and control system leads to the transparency and improving of ICT service management, online reporting for business users, and also to reduce the costs of IT management by nearly ten million Czech crowns a year. Česká pojišťovna acquired comprehensive solutions based on IBM software for comprehensive management of the ICT infrastructure, by integrating, monitoring, evaluation of ICT events and analysis in cooperation with IBM and GC System companies. This software helps also to provide vital information about the availability of business services and agreements relating to the level of services provided. Data regarding the performance collects and distributes a central console now. It provides a consolidated view of information in its IT environment, where such information is monitored in real time and then is forwarded. Česká pojišťovna can respond faster to its clients demand, better anticipates shortfalls and provides real measurable data. Česká pojišťovna uses the business intelligence tools, especially management informational systems (MIS). The financial advisory system has to be improved because there is a space in cooperation with other SBUs and channels what is marked as (W12).

**4.** **Style**

Managing the financial advisory is correct (S18). There is paid attention on all key issues in the company.

**5.** **Staff**

There are a lot of financial advisors and managers in Česká pojišťovna. They all are self-employed persons. The aim of the strategy is to have financial advisors in the branch network what is not finished yet (W13). They will be employees of the company. At this time there work some employees in the branches.

**6. Shared Value**

Shared value of the company is as follow:

* Fairness
* Simplicity
* Professionalism
* Speed, and
* Always to offer something extra

Company´s values are the basic building blocks of its society. The company shows how it acts and how it behaves what are the indicators of the performance. These indicators contribute to the stability of company´s society. Česká pojišťovna always offers an active support as its value (Internal source of Česká pojišťovna). Employees of the company are fully identified with the company´s values. Managers of the company take care of this relationship as best as they can. The company still acquires a competitive advantage as well as the fact that there are identified the majority of employees with these values, which in turn creates positive synergies and a quality corporate culture. Financial advisory fulfills the shared value what is marked as (S19).

**7. Skills**

Česká pojišťovna´s ability is an effort to satisfy customers. Česká pojišťovna also offers the ability to offer customers a correct product, advice, is able to design and set up financial plan for a particular person, is able to adapt to the conditions and requirements of both the clients and the market (S20). Česká pojišťovna is a leader in its activities in the market.

### 2.8.9.1 Partial SWOT analysis

Organizational chart is formed well what can be marked as S17

The financial advisory system has to be improved because there is a space in cooperation with other SBUs and channels what is marked as W12

Managing the financial advisory is correct S18

The aim of the strategy is to have financial advisors in the branch network what is not finished yet W13

Financial advisory fulfills the shared value what is marked as S19

Financial advisory is able to adapt to the conditions and requirements of both the clients and the market S20

### 2.8.10 Financial analysis

This analysis focuses on price. We have to concentrate on financial aspects so that the financial analysis is essential.

Financial analysis focuses on company finance. I use the balance sheet of the company. I concentrate on return on assets (ROA), return on equity (ROE), etc. The analysis is also focused on horizontal and vertical analysis.

**a) Horizontal and vertical analysis**

Horizontal analysis is calculated on the balance sheet and the profit and loss account in the last column. There are also the table of assets and liabilities and the comments to both types of calculated indicators and also a table with profit and loss statement and comments.

**Table 2-12: Horizontal and vertical analysis of assets**

|  |  |  |  |
| --- | --- | --- | --- |
| **Balance Sheet – Assets** | | | |
|
| **Assets** | **2010 / mil. CZK** | **2011 / mil. CZK** | **2010/2011** |
| Inmaterial property | 1 445 | 1 439 | 99,6 |
| Equity in subsidiaries and affiliates | 5 034 | 6 125 | 121,7 |
| Investment | 88 197 | 87 652 | 99,4 |
| Financial assets at fair value of this award-winning against costs or income accounts | 27 029 | 21 904 | 76,6 |
| Shares of the insurer on the insurance technical reserves | 10 248 | 9 474 | 91,8 |
| Postponed fiscal debt | 51 | 46 | 89,1 |
| Other assets | 1 396 | 954 | 53,7 |
| **Total assets** | **126 461** | **116 515** | **91,5** |

Source: Výroční zpráva České pojišťovny, r. 2011.

Intangible assets represent software and other intangible assets, which is goodwill. The largest part is the software. Intangible assets, however, was higher in 2010 due to the purchasing of software. Property participation in subsidiaries and associated companies represents all held ownership stakes. It's the most important item. This item was increased of 1 091 000 thousand CZK. The value of the investment has decreased year-on-year. Financial assets at fair value of this award-winning against costs or income accounts. This appropriation has decreased. Other items have also decreased. This situation was caused by the negative evolution of society changes, the earthquake in Japan, and others.

**Table 2-13: Horizontal and vertical analysis of liabilities**

|  |  |  |  |
| --- | --- | --- | --- |
| **Balance Sheet – Liabilities** | | | |
|
| **Liabilities** | **2010 / mil. CZK** | **2011 / mil. CZK** | **2010/2011** |
| Equity | 4 000 | 4 000 | 100 |
| Own equity | 24 755 | 17 455 | 58 |
| Obligations | 6 886 | 6 734 | 97,8 |
| Other obligations | 1 843 | 1 831 | 99,4 |
| Foreign sources | 101 655 | 99 060 | 97,4 |
| **Total equity** | **126 461** | **116 515** | 91,5 |

Source: Výroční zpráva České pojišťovny, r. 2011.

Equity constitutes the monetary and non-monetary deposits of all members in the share capital of the company. Its value is 3,2 % of the total liabilities. We can see the decreasing trend of financial indicators.

**Table 2-14: Rate indicators**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Rate indicators in %** | | | | | |
|  | **2011** | **2010** | **2009** | **2008** | **2007** |
| **ROA** | 3,00 | 8,5 | 5,8 | 4,6 | 5,7 |
| **ROE** | 20,4 | 43,5 | 33,8 | 31,8 | 39,8 |
| Profit per stock/CZK/mil. | 88 825 | 296 300 | 184 500 | 146 825 | 173 475 |
| Profit per divident/CZK/mil. | 235 000 | 219 950 | 146 829 | 112 500 | 137 500 |

Source: Výroční zpráva České pojišťovny, r. 2011.

A key objective of each entity and insurance institutions is to decrease the negative effects caused by random events and maximize the profit. Horizontal analysis of the ratio or ratios shows very positive development up to year 2010. Return on equity (ROE) expresses the fact when equity produces sufficient income to shareholders and owners of the company. For this reason, the value of the ROE should be higher than the interest that investors could receive whether investing in risk-free securities guaranteed by the State. To the development of this indicator is focused by the fact that in the period has grown more equity or net profit. Česká pojišťovna had economic result of 11, 2 billion Czech crowns in 2010. The growth of equity was good in this year. Thus the result positively influenced the high economic value of equity's profitability.

Return on assets (ROA) expresses appreciation of the equity in economic activity with the production by the profit. ROA evaluates the overall viability of the company. The value of the ROA has a stable progress in Česká pojišťovna. In 2010, it has reached the appreciation of 8.9 % almost twice. The increase was caused by profit increasing, which positively affects the ROA. Sum of the total assets has not changed almost in 2010. Foreign capital has increased the equity. The profitability so the equity has developed upsite down trend. The year 2010 has brought significant growth due to profit increasing and a decline in the influence of 2008 caused the negative reduction in net profit as well as the increasing of the sum of total assets due to the global economic crisis. Česká pojišťovna was able to reduce impacts of the decline of financial market that influence the company´s profit. In 2010 the dividend was in amount 219 950 Czech crowns per one stock what was in total 8,8 billion Czech crowns. This positive situation has changed in 2011. The profit has dropped because of the negative situation in 2011. The whole world was influenced by the whole economic crisis. I would say almost all insurance companies had problems because of the negative situation in Japan and the problems occurred in European Union. According to stated analysis I can say the company is financial health (S21).

### 2.8.11 Technical and scientific development factors

Technical and scientific development factors are very important for each company. As a important activity for Česká pojišťovna I have made up the table with offensive and defensive factors of company.

Table 2-15: Offensive and defensive factors

|  |  |  |
| --- | --- | --- |
|  | **Offensive** | **Defensive** |
| Product character and company process character | The company offers some new products/services anyway is under high competition | The company does its best to innovative all the products/services. |
| Product development |  | High accent to the expanse of capacity |
| Offer | Company expanses the branches. |  |
| External environment | Proactive |  |

Source: (realized by my own).

The company is huge. This company has a lot of money to invest it to the innovation anyway it is not priority in a specific insurance market. This company could be called as offensive innovator because it tries to offer new products/services, for example mobile application for smartphones. The company invests a lot of money to innovations. New technologies are ensuring by external companies, for example IBM. Employees have to learn new technologies what can be difficult. These factors can be marked as weaknesses (W14).

### 2.8.12 Partial SWOT analysis

Financial analysis shows that company had some financial problems in 2011. The problems were caused by negative world situation in 2011. I have analyzed the situation in 2012 and the situation is getting better and company is completely financial health. Therefore I can put financial analysis to the strengths S21

Employees have to learn new technologies what can be difficult. These factors can be marked as weaknesses W14

## 2.9 Results of research

**I have used the qualitative research. I have chosen the interview with using the questionnaire for the research.**

The chosen method of the research (interview) has been chosen because of my availability, time possibility and possibility of obtaining the correct data. By the reason I think the chosen method was chosen properly.

**Research results:**

**Research period:** Research was realised in the period of August – September, 2012.

**Number of respondents:** 96 respondents working in the company

**Number of gained responses:** 78

**In percent:** 81,25 %

The questions focused on customers were asked during their visit of the Česká pojišťovna branches in Czech republic (**126 customers were asked**). The research focused on competitors was realised in the same period. The research was the qualitative research as well. There were used these techniques:

- nonstandardized in-depth interview and the technique was half-standardise technique.

I have examined the websites, documents (documents analysis - content analysis) and visited some chosen branches where I have asked for some specific information, for example prices, services and some other information which are summarized in the chapter of competition. **All the data gained from the researches will be evaluated in the following part of the dissertation thesis, for example analysis of the stakeholders, customers and competition.**

During the data collection I have remembered on the ethic aspects of the research. The questions were formulated by considering the ethic aspects so that I have asked the question helping to the company to find the key problematic points in the financial advisory of the company. I have also realised the research in competitive companies and gained only the public known information. Information gained from websites is marked with the sources. I think the ethic aspects have been done correctly.

The first step in the implementation of the research is an identification and description of basic problems. The target must result from the analysis and it includes a research area as well as the research topic. For my research I have focused on a qualitative research strategy as I have mentioned above. According to Professor Hubík the quantitative research includes following research methods: narrative/biographical, phenomenological, ethnographical, anchored the theory, case study.

Techniques used: Interview

The form of realization: half-standardise

Methods: Descriptive characteristics of the files

Tool used: Questionnaire

I have chosen the qualitative research because of high level of validity in interview. I also could gain a lot of information about the chosen sample. For this dissertation thesis is good to have a lot of information from few respondents. The result of the research is included in practical part of the thesis as well as in the appendix 1.

## 2.10 Overall SWOT analysis

|  |  |
| --- | --- |
| **Strengths** | **Weaknesses** |
| Financial advisory is a young and flexible SBU - S1 | VPA Retail cooperates with other channels, employees, managers and traders. The cooperation is good anyway it could be better - W1 |
| SBU has great support of the company - S2 | The synergies must be exploited with CRM sufficiently - W2 |
| SBU motivates client - S3 | Make up of clients segmentation - W3 |
| Financial advisers and managers are not employees - S4 | Necessity of building a loyalty program for the clients having financial plan - W4 |
| Stabile suppliers are marked as strengths - S5 | There is a space for the creation of benefits to financial advisers (education and development, lifetime rent, co-brand development business under the brand name of the financial advisory of Česká pojišťovna - W5 |
| A lot of distributors are marked as strengths - S6 | An implementation of new innovative settings given to agents that lead to increasing of sales efficiency - W6 |
| Clients´ satisfactory is very important for each company. Effort to improve their satisfactory can be classified as opportunity - S7 | There is importance of improving of marketing and distribution factors here - W7 |
| Česká pojišťovna has a lot of satisfied and loyal customers and people trust to ČP what can be marked as strengths - S8 | Also a lot of different products can confuse the potential client. This can be classified as weaknesses - W8 |
| Customers´ satisfaction - S9 | As we can see, the company has wide range of products and services what is very good for clients. They can choose the correct one product or service. The financial advisors help them during their decision making anyway they can improve their knowledge - W9 |
| Improving the availability of products and products - S10 | The promotion of ČP is good. It is not as good in financial advisory what needs improvement - W10 |
| The price must be set up according to competitive products analysis. Česká pojišťovna has realized this analysis last year and the price was suitable so that it is not necessary to change the price - S11 | Employees have a lot of experiences as well as the financial advisors but there is a space to improve it. They can make mistakes of course so that this part - W11 |
| An independent financial adviser - S12 | The financial advisory system has to be improved because there is a space in cooperation with other SBU and channels - W12 |
| Improving the availability of products and products - S10 | The aim of the strategy is to have financial advisors in the branch network what is not finished yet - W13 |
| Insurance advisor at the branch. | Employees have to learn new technologies what can be difficult. These factors can be marked as weaknesses - W14 |
| Insurance company's website. |  |
| Exclusive insurance advisor to insurance companies. |  |
| Internet sites that deal with insurance. |  |
| Non-exclusive insurance advisor, broker, bank alliances. |  |
| Communication through phone, customer service line. |  |
| Financial advisory is focused on the clients S13 |  |
| Company has a lot of loyal employees - S14 |  |
| All the processes and procedures are associated with the sale and promotion of insurance products as well as with the subsequent care of the clients - S15 |  |
| Planning and managing are relatively good in financial advisory - S16 |  |
| Organizational chart is formed well S17 |  |
| Managing the financial advisory is correct - S18 |  |
| Financial advisory fulfills the shared value - S19 |  |
| Financial advisory is able to adapt to the conditions and requirements of both the clients and the market - S20 |  |
| Financial analysis shows that company had some financial problems in 2011. The problems were caused by negative world situation in 2011. I have analyzed the situation in 2012 and the situation is getting better and company is completely financial health -S21 |  |
| **Opportunities** | **Threats** |
| Inhabitants and people who have low financial literacy - O1 | Stability of political situation T1 |
| People saving their money because of the Global economic crisis - O2 | Integration process into EU - T2 |
| A lot of rich people - O3 | Unemployment of people what means ČP has less clients - T3 |
| People take care of insurance - O4 | State public debt - T4 |
| Education - O5 | Social reforms - T5 |
| Low financial literacy is classified as opportunity - O6 | Economics -T6 |
| Clients will choose the best company in the financial field - O7 | Old people T7 |
| Stability of company can be seen as opportunity - O8 | Divorced people - T8 |
| There are a lot of people who need financial advice as well as the company has a lot of clients so that it is marked as opportunity - O9 | Economically active people - T9 |
| The services and the products are similar in the financial market - O10 | Technology situation - T10 |
| Financial advisory must improve as well on the market - O11 | Legal factors - T11 |
|  | Financial advisory is a specific field and people who are not the clients of company doesn´t trust to it what is marked as threats - 12 |
|  | There are also some clients of ČP who don´t like financial advising - T13 |
|  | There are a lot of competitors in Financial Planning and Advice market in Czech Republic what is marked as threats - T14 |
|  | There is a very competitive market what is marked as threats - T15 |
|  | Bargaining power of suppliers - 16 |
|  | Clients have a strong bargaining position, because they can easily leave our company and go to the competitive company what can be marked as threat - T17 |
|  | Financial advisory can be jeopardized by the better financial products what can be marked as threats - T18 |
|  | The threat of new entries on the market affected the insurance company negatively - T19 |
|  | Lower prices of products - T20 |

SWOT analysis of financial advisory is connected with all company because the financial products/advices are connected with insurance products in the company so that the concentration will be focused on the company as a whole.

Financial advisory has a lot of strengths but also has a lot of weaknesses. Financial advisory has to take care of the weaknesses and tries to eliminate them. Very important is to pay attention to the clients, financial advisers, marketing and distribution factors and mistakes done by employees at least. Financial advisory can´t influence the opportunities and threats but must be aware of them and think of them in suggesting the strategy.

SWOT analysis has shown that the financial advisory is a strong SBU with plenty of strengths and some weaknesses. There are a lot of opportunities what the financial advisory should use in the future.

# 3 PROPOSAL OF BUSINESS STRATEGY

Česká pojišťovna must change. The company must be simple, quick, fair and professional, and always ready to surpass client expectations. As a market leader the company is responsible and has decisive role. The company must change so that everybody will enjoy to work with company and sell the products and services. The first steps on this road have already been made and brought positive results. The objectives must be specific, measurable, achievable, realistic and timed.

## 3.1 Strategic objectives for "Product" business strategy

The strategic objectives for products will stay as they are now. The current business strategy fulfills all the issues needed for "product". There are only some recommendation for services.

Financial advisory offers special products, as financial plans and advising. As we found out of the research the financial advisory services and products are suitable for customers. Two of the customers have said they would appreciate if the products would be more easy or not so many of them. When there is a lot of products it can confuse the customers.

## I have used the SMART method for this chapters.

1) Specific

a) The strategic objective for product is to offer high-quality services for all clients and for the potential clients of Česká pojišťovna.

b) Higher cooperation with banking alliances.

2) Measurable - Financial advisory will measure it by observing new clients.

3) Acceptable - Financial advisory will use the results from analysis of customers and use it during creating the prices.

4) Realistic - all clients must be satisfied with the services and products what we will measure.

5) Timed - high quality of services will start immediately at least up to 1 month. Cooperation with banking alliances will require about 3 months.

## 3.2 Strategic objectives for "Price" business strategy

It is possible to improve the price condition by using benefits for clients, as benefit for all financial plan or loyalty benefits. The price must be set up according to competitive products analysis. Česká pojišťovna has realized this analysis last year and the price is suitable so that it is not necessary to change the price. Price policy is defined in the financial analysis.

## I have used the SMART method for this chapters.

1) Specific - The price per financial advising must be lower to motivate clients.

The price for processing financial plan will be set from 2,000 CZK to about 10,000 CZK what is depending on the complexity of the specific financing plan (for retail clients). The price for annual meeting, at which the revision takes place, and, where appropriate, the financial plan modifies the price will be around 500 CZK.

2) Measurable - Financial advisory will measure it by observing new clients.

3) Acceptable - Financial advisory will use the results from analysis of competition and use it during creating the prices.

4) Realistic - the price must be realistic.

5) Timed - Price setting - up to 2 months, all these steps will take around 2 months.

## 3.3 Strategic objectives for "Place" business strategy

Financial advisers offer their services in branches within the Česká pojišťovna. They are reached anywhere. There is a multi-channel strategy and cooperation in ČP.

1) Specific - to offer as good service as possible to all clients at any place and time.

2) Measurable - Financial advisory will check the quality of services.

3) Acceptable - Financial advisory will train all employees and financial advisors to offer the best services.

4) Realistic - Trainings will be realized periodically.

5) Timed - periodically.

## 3.4 Strategic objectives for "Promotion" business strategy

The company will give more money for advertising on TV so that people will know about their possibilities. Promotion is very important for the company. Financial advisers and not only them will have to talk a lot with clients. The SBUs will cooperate more effectively.

1) Specific - to make up good promotion to find new clients.

2) Measurable - Financial advisory will check the results.

3) Acceptable - Financial advisory will pay for promotion to special agencies.

4) Realistic - In cooperation with promotion agencies. It will be used in TV, newspaper, radio, etc.

5) Timed - during all year.

## 3.5 Strategic objectives for "Process" business strategy

1) Specific.

a) Strategic objective is to improve all the processes to increase the clients´ satisfaction.

b) Higher support of line management.

c) Synergies with CRM and segmentation of clients.

2) Measurable - Financial advisory will check the results.

3) Acceptable - There will be cooperation among all SBUs.

4) Realistic - higher cooperation is realistic.

5) Timed - during all year.

## 3.6 Strategic objectives for "Planning" business strategy

1) Specific.

Strategic objectives for planning are to connect the corporate strategy with the business strategy. All the managing and organizing goals are connected with the satisfaction of clients and potential clients of Česká pojišťovna.

2) Measurable - Financial advisory will check the results.

3) Acceptable - The business strategy will cooperate with the corporate strategy.

4) Realistic - All SBUs will cooperate under the strategy.

5) Timed - during all year.

## 3.7 Strategic objectives for "People" business strategy

There are the following objectives for People.

1. Recruit new financial advisers

Human resources plan for the end of 2012 is to recruit new financial advisers so that the total number will be 200 financial advisors and 100 managers of financial advising groups in the end of 2012. Recently the company can state the plan will be successful. The view of the year 2013 is to employ 250 financial advisors and 150 managers of financial advising groups. This objective is pretty real to fulfill.

The aim of financial advisory department is to further raise the number of managers at the financial advising groups, who should gradually become bearers of the know-how. The know-how of the financial advising will be transmitted to salesmen in their groups.

2. Built a loyalty program for clients having financial plan.

3. Benefits for financial advisers.

4. Education and periodical training of financial advisors.

The aim of the Department is to promote business services:

1. **Recruitment of financial advisers (internal/external).** This point will be realized with Human Resources. Potential financial advisers must have proper qualification, good communicative skills as well as they must be positive and flexible persons. These people can be young, older or old, we don´t care. But we are looking for persons with certain image they have or will have in the future. We don´t want to change them, we just want them to represent our company.
2. **Training (methodology for financial advising).** This point will be realized with Human Resources. Each employee or agent must educate himself or herself. It is also important train them in an internal methodology (financial advisors methodology). This training will be realized in the beginning of employment as well as once a year (just examinations).
3. **Regular workshops and transfering of best practice.** This point will be realized twice a year. We will realized workshops where will be presented the best practices. The best financial advisors will advise and teach other advisors in their work activities. The best financial advisors will be appreciated with some benefit.
4. **Controlling of financial advisers results –** there must be controlled the financial results as well. Line management will be responsible for controlling of financial issues.
5. **Incentive actions for financial advisers** – these actions are defined in figure 3-2.
6. **Cooperation with the Training department and other related services –** this point is very important. Financial advisory is a service department for contact with clients so that financial advisers must be well educated in their job.

**1. System of benefits for financial advisers**

**Table 3-1: System of benefits for financial advisers**

|  |  |  |
| --- | --- | --- |
| **Issue** | **Deadline** | **Responsibility** |
| Training and development | February 2013 | Human Resources Management |
| Co-brand development under financial advisory | April 2013 | Human Resources Management/Top management |
| Day off for education | February 2013 | High management |
| Benefits in chosen health care | June 2013 | Human Resources Management/Top management |
| Choose of more benefit possibilities, e.g. the best financial advisor can get more than 5 paid days holiday. | August 2013 | HR/Financial advisory/Top management |
| Ensuring of sharing of best practices | February 2013 | HR/Financial advisory |
| Consumers loans (cars) | June 2013 | Top management/Financial advisory/HR |
| Special education offer | June 2013 | HR/Financial advisory/Educational companies |
| The incentive competition for financial advisers | 1st of January 2013 | HR/Financial advisory |
| Financial literacy interactive textbook project | February 2013 | HR/Financial advisory/Top management |
| Cooperation with the Business Department with corporate clients and branch offices | Continuously | Financial advisory/Top management |

Source: (created on my own).

**2. Loyalty program for clients having financial plan which consists of:**

**Table 3-2: Loyalty program for clients having financial plan**

|  |  |  |
| --- | --- | --- |
| **Issue** | **Deadline** | **Responsibility** |
| Better price for clients having financial plan | May 2013 | Financial advisory director/Top management |
| Yearly bonus | December 2013 | Financial advisory director/Top management |

Source: (created on my own).

## 3.8 Justification of the strategy draft according to the results of a comprehensive SWOT

For this part of dissertation thesis I have used the SAP technique which is the best according to my opinion.

**Table 3-3: SAP technique**



Source: (created on my own).

Then I will carry on with the previous chapter where was the concentration focused on financial advisors. Then the aim of the Department is to promote business services:

1. **Supervision in the field.**
2. **Development of new instruments and their subsequent implementation** – with cooperation with IT company, for example easier functions on website.
3. **Running of financial advisers Web site of Česká pojišťovna and professional editorial activities** – this is in responsibility of IT company and responsible employees of the company (IT administrators). It is connected with the promotion.

Financial advisory has its own operational and project budget so that the department can handle with the budget effectively. Financial advisory goes through many changes. The view of financial advisory for 2013 is described in the following table.

**Table 3-4: View of financial advisory**

|  |  |  |
| --- | --- | --- |
| **Issue** | **Deadline** | **Responsibility** |
| Premia card of ČP | Pilot November 2012 | Financial advisory |
| New SW application for financial advisers (pilot) | Pilot December 2012 | Financial advisory/SW company |
| Redesign and the finalisation of the application Polepši si! | Pilot December 2012 | Financial advisory/SW company |
| Business potential reporting from applications for the financial advisers of SW | Pilot February 2013 | Financial advisory/SW company |
| Carrying on of the ČP - Financial academy | Continuously | Financial advisory/Top management |
| New argumentation sheets of financial adviser | Pilot January 2013 | Financial advisory |
| VPP Multirisk Plus on DVD | Pilot February 2013 | Financial advisory/Top management |

Source: (created on my own).

One of the most important issues is to strengthen the Human resources so that the recruiting process of new employees will be much easier as well as faster. Human Resources Management is responsible not only for recruiting but also for training, health and safety, education and other necessary issues. There are also some other important issues that must be realized.

The recruiting process acceleration must be effective. It is important to recruit more employees to Human resources department so they can take care of recruiting as well as the whole administrative tasks. By this step the process can be accelerate.

Second of the most important issue is continuing the process of training and development of financial advisors network with the aim of increasing the quality of providing services. It is very important to build the educational network for the advisors. Educated advisors will be appreciated. The table below mentioned some benefits for advisors, for example incentive competition for financial advisors. They can gain a lot but they have to be educated and do their job well so that the clients will be satisfied. Also it is important to widening of the present service model also for branch network, SME and corporate segments into combined sales and service model. This point is marked in graph 3.

As it was said, Financial advisory will have functional strategy: Product, financial, distribution, marketing, personnel.

### 3.8.1 Arguments for the proposed business strategy

Re-formulation of the business unit (SBU) of financial advisory is important because of missing some important issues. There is implemented to the matrix structure a some of new elements. There is higher support of Human resources management to the line management. They both cooperate better. There are weekly meeting needed. There is also much effective communication needed. They both must cooperate in the daily issues. CRM must focus on the clients´ segmentation. The segmentation models are important. Predication models promote better understanding of the behaviour and clients´ needs and allow for better targeted marketing communications. If there are not available prediction models for calculations of the propensity-to-buy the score for certain products, there may be carried out in accordance with campaigns targeting segments. The segments can also serve as a basis for most likely the right General stratiﬁcation increasing correctness when measuring the effectiveness of certain marketing efforts. Also the company should spread the product line in collaboration with banks.

Churn management solves effectively the keeping of the clients. Churn management identifies main “leaving candidates” who want to leave the company. Churn management detects the causes of their behavior, pursues an appropriate retention campaign to maintain and measure results achieved.

Data mining brings significant added value to churn management. Its outputs are primarily targeted to solicit customers who bring value and the likelihood of their leaving is big. The models also make it possible to verify the problems of the pricing policy of the individual services, their combination and optimization, together with better understanding clients and their needs. The models also create incentives for better communication with the customer. An important long-term benefit is then derived from the knowledge of the data. Predication model can be successfully solved by IT company.

### 3.8.2 Reformulation of SBU business strategy

Reformulation of SBU business strategy is the main step leading to successful change of strategy using at the company. The current strategy is convenient anyway it has some smaller problematic areas which have to be solved as soon as possible.

**Required status of the financial advisory**

The required status of the financial advisory comes out of the subordinated strategy as well as from the research which we can see in the appendix 1. The required status of the financial advisory is as followed:

The current business strategy needs to be improved. Weak points are in the following areas what was defined above. They are for example:

* need of support of line management;
* there are not linked the other distribution channels sufficiently;
* there is not exploited the synergies with CRM sufficiently;
* clients´ segmentation is missing, etc.;
* there should be developed cooperation at the level of banking alliances (product supply);
* loyalty program for the clients having financial plan missing;
* benefits for financial advisers missing - there is a space for the creation of benefits to financial advisers (education and development, lifetime rent, co-brand development business under the brand name of the financial advisory of Česká pojišťovna.

The required status of the financial advisory is as followed:

Financial advisory services strengthen its position on the market in 2013.

Financial advisory will offer more services to the clients.

Financial advisory will offer more services (benefits) to the employees and agents.

Financial advisory links business strategy with corporate strategy.

Another objective is to carry on in improvement of attention towards clients.

Also the customers have some comments to the financial advisory, services and products. As the research has shown the most problematic area is to motivate them. We can motivate them by financial or other benefits (loyalty benefits etc.). Customers have no problem with financial advisors, they are satisfied with them. The new re-formulated strategy must accept all the mentioned points.

3.8.3 Business strategy proposal from the SWOT analysis

SWOT analysis is a result of the strategic analysis and it is used to identify both external and internal factors. It is possible to construct a SWOT diagram on the basis of such analysis and we can try to find the correct strategy.

On the basis of the SWOT analysis we have proposed the **SO (Strengths and opportunities strategy)** to the financial advisory of Česká pojišťovna. There have been find a lot of opportunities in the analysis environment, which can be used. The result under these favorable circumstances should be growth-oriented and aggressively oriented strategy. This strategy should appropriately respond to weaknesses and threats in a way that it should be possible to reduce them with the company growth. As the proposal has shown there will be good to use the expansion strategy. In the table below we have justified the proposal of results of SWOT analysis.





There are also strengths and weaknesses defined in the table below.





As we can see, Financial advisory has a lot of opportunities and strengths what is defined in the tables above.

# 4 RECOMMENDATION FOR AN IMPLEMENTATION

Strategic planning is successful in the time when there are some basic assumptions:

* There must be realized the organizational conditions for developing the chosen strategy (long-term plans, programs, budget, etc.). Financial advisory of Česká pojišťovna has its own budget so that the advisory has no problem with this part of strategy implementation.
* There should be developed the organizational directive of strategic managing where are all the aspects defined.
* There must be the strategic objectives defined by top management. This part is already defined.
* All employees and managers must be informed about new strategy, strategic objectives and all the processes so that they will know about their tasks. This is connected with the motivation of employees. This part is already defined.
* The realization of strategy should be controlled once a time so that the company will know if the strategy is successful or not. For this reason the company can use some external analysis as well as the SWOT analysis.

Implementation objectives come out of the strategic objectives which are: The whole income of financial advisory SBU - financial advisory should be up to 30 % till the end of 2016 and decreasing of the fluctuation up to 80 % till the year 2016.

1. **The whole income of financial advisory SBU** - financial advisory should be up to 30 % till the end of 2016.

Implementation objectives for the strategic objective mentioned above are:

* Management of financial advisory has to implement new IS - managing and quality.
* Management of financial advisory has to implement new IS - human resources system for benefits and trainings.

1. **Decreasing of the fluctuation up to 80 %**

This strategic objective will be carried out implementation objective by making benefits for financial advisers, their trainings and other advantages. Financial advisory hopes the benefits, better trainings and other advantages for financial advisors and employees will decrease the fluctuation during the year 2014 up to 40 % and during the year 2016 up to 80 %. The Czech Republic fight with economic stagnation as well as the World economic crisis and its impact so that employees and financial advisors will look for job for loyal company. ČP and its financial advisory is really loyal to their employees as well as to financial advisers. By better system of benefits and trainings financial advisors won´t look for other job in competitive companies.

These two basic implementation objectives are the most important at the moment anyway there is some more tasks they should be solved.

# 5 CONCLUSION

The dissertation thesis focused on reformulation of business strategy suitable for the financial advisory of Česká pojišťovna.

Česká pojišťovna is large insurance company with a lot of experiences in the insurance area. Anyway it is the number one on the market in insurance issues, there is still possibility of improvement. The company consists of a lot of departments where we can find financial advisory as well. Financial advisory of Česká pojišťovna is a young part of the company with great potential. Financial advisory is spreading fast. This is the reason why it is important to set up the correct business strategy for this unit. New business strategy has to cooperate with corporate strategy.

The thesis consists of two main parties. The first one is the theoretical part and the second one is the practical part of the thesis. There are described the most important issues leading to the suitable business strategy of financial advisory. The information is connected with financial planning, internal and external analysis, etc. There is also information about strategy formulation and choosing the right strategy. The second part focuses on the practical issues of the chosen company.

There were defined some particular problems, aims and objectives in the thesis. The main aim of the dissertation was to create and confirm new business strategy for SBU with strong support in corporate strategy. This corporate strategy should have positive effects to business results of SBU and influence its market position. There were two main objectives in my dissertation project, which are connected and together should re-formulate the business strategy of SBU. The objectives were as followed: Firstly the up-date of current SBU business strategy based on strategic analysis. Secondly assessment of changes in connection with re-formulated SBU business strategy and description of the possible impact to the corporate strategy or other SBUs business strategies.

I think the aims were fulfilled. I have focused on reformulating the business strategy of financial advisory. There were realized a lot of analyses touching certain issue of the company. On behalf of these analyses I have formulated the correct business strategy suitable for financial advisory of Česká pojišťovna. Thesis shows the problematic areas in the financial advisory at the moment. The chosen strategy solves these problems with support of line management, synergies with CRM, creation of benefits. According to these analyses I have found out that the Strengths and Opportunities strategy and the expansion strategy are the best strategies for the financial advisory. It is a medium-term strategy connected with the corporate strategy. This strategy will also help to financial advisory to cooperate with some different departments, for example Human Resources, SME. This strategy will think of the clients´ segmentation as well as of all CRM. The segmentation of clients will be possible with using some specific IT systems, as prediction models and data mining. This strategy gains some profit to corporate strategy which are: professionalism of network – which is one of the value of Česká pojišťovna, stability of clients, higher sales efficiency, comprehensive financial products offer focusing on clients´ objectives = higher satisfaction of clients (NPS, etc.), satisfaction of all stakeholders, better position on the market.

To implement this strategy will not be problem for the company. The strategy cooperates with the shared value of the company which are fairness, simplicity, professionalism, speed and always to offer something extra. This situation makes positive synergy as well as the quality of corporate culture.

Anyway in the meantime I thought about implementation process included to this dissertation thesis, I have changed my mind. Actual thesis is quite large so that there is no more space for implementation process. This thesis could be written more detailed but this detailed analysis would exceed the adjusted range of the dissertation thesis.

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* **Internal source**

Internal source of Česká pojišťovna.

# LIST OF APPENDICES

Appendix 1: The result of research.

Appendix 2: Overview of charges – Diamant.

APPENDICES

**Appendix 1: The result of research**

|  |  |  |
| --- | --- | --- |
| **Question** | **Person** | **Reply/Person** |
| What is your main objection for the financial advisory? | Owners, management | 9 |
| What changes should be realised? | Owners, management | 9 |
| What do you miss in financial advisory? | Customers | 126 |
| Are you satisfied with products/services? | Customers | 126 |
| Are you satisfied with the benefits, work? | Employees | 78 |
| What are the main problems with distributing channels? | Business partners | 5 |

We can see the completed questionnaire below:

**1. What is your main objection for the financial advisory?**

This question was answered by 9 managers. The main objection were, as we can see below:

1. Not enough support of line management - must be changed;
2. All the distribution channels must be linked sufficiently;
3. There is not good cooperation with the banking alliances what should be developed;
4. The synergies must be exploited with CRM sufficiently,
5. Company has not properly done the clients segmentation;
6. Company has to build a loyalty program for the clients having financial plan to motivate them;
7. Creation of benefits to financial advisers to motivate them to work properly and to be loyal to the company.
8. Some of issues are not as efficient as they should be.

**2. What changes should be realised?**

The mentioned changes correspond with the previous question. Managers added it is very important to built the loyalty program for the clients what is very important. It is also important the improving of trainings, higher support of line management, higher protection of financial advisors.

**3. What do you miss in financial advisory?**

81 customers are satisfied with the financial advisory, what is 64 % of all respondents. 45 customers had some comment what is 36 % of all respondents. Their answer were:

- I am satisfied with financial advisory and with the financial advisers 2x

- I would be happy if I have more financial benefits 10

- better financial benefits during saving money etc. 1x

- The behavior of financial advisors is nice but it is seem to be sometimes artificial 1x

- I would be happy if the services would be more specified because it is a lot of them what can confuse me. 1x

- I would appreciate if the financial adviser takes care of my finance all the time and I wound not be interested in it anymore. This service would not be paid or paid minimally.

1x

Others 29x

**4. Are you satisfied with products/services?**

124 customers are satisfied with the products and services, 2 of them said there is a lot of services what can be confused.

**5. Are you satisfied with the benefits, work?**

I am satisfied with benefits 34 employees

I am satisfied with benefits, but we could have more of them 44 employees

**6. What are the main problems with distributing channels?**

The reply were: commission increasing, better relationships, good prices and market spreading, the communication is effective but always is something to improve.

**Appendix 2: Overview of charges – Diamant**



Source: (www.ceskapojistovna.cz).

1. Česká Spořitelna realized similar research in 2011. [↑](#footnote-ref-1)