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Strategic Plan for Intercrafts Perú

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Abstract

Intercrafts Peru Inc. has been working side by side with Peruvian handcrafts producers for over ten years and it is currently going through a financial and organizational downturn. The company has experienced net losses for the past three years and there is a need to implement changes that can revert this situation by putting the company back on track to achieve sustainable long term growth.

The organization is subjected to trade practices established by the World Fair Trade Organization (WFTO) and it is through these practices that the company has established long term relationships with customers in North America, Europe and Oceania. However changes in the industry and internal inefficiencies limit the capacity of Intercrafts to increase the number of sales reaching new customers.

The company was born as an initiative of the (Interregional Central of Peruvian Artisans) CIAP and explains the low bargaining power towards the suppliers because of the relationship. Furthermore this bond reinforces the social commitment of the organization from its conception, to support the sustainable development of the artisans and their environment. It is in this commitment that the company can exploit most of the potential strengths and opportunities.

In this context this strategic plan proposes the use of three strategies to take the company from its current situation to the desired situation to be the best crafts exporting company in Peru in 2020: (a) Product development through strategic alliances, creating new designs capacitating the artisans to improve the products; (b) Retrenchment, restructuring some of the company's processes to reduce costs and have an efficient operational system; and (c) Market penetration attacking the high end niche market with improved marketing.

Resumen Ejecutivo

Intercrafts Perú Inc. ha trabajado de la mano con productores de artesanía peruanos por más de 10 años y actualmente se encuentra en una mala situación financiera y organizacional. La compañía ha operado los tres últimos años incurriendo en pérdidas. Existe una necesidad por realizar cambios que puedan revertir esta tendencia y poner a la compañía en un camino de crecimiento sostenido en el largo plazo.

La organización está sujeta a las prácticas de comercio establecidas por la Organización Mundial de Comercio Justo y es a través de estas prácticas que ha conseguido relaciones de largo plazo con clientes en Norte América, Europa y Oceanía. Sin embargo cambios en la industria e ineficiencias internas limitan la capacidad de Intercrafts para ampliar la base de clientes actual.

La compañía nace como una iniciativa de la Central Interregional de Artesanos del Perú (CIAP). Y en esta relación se explica el bajo poder de negociación que existe hacia los proveedores. Sin embargo esta relación también refuerza el compromiso social de la compañía que, desde su concepción, está dedicada a apoyar al desarrollo sostenible de los artesanos y su entorno. Es aquí en donde se encuentran potenciales oportunidades y fortalezas que Intercrafts necesita explotar.

Es en este contexto que este plan estratégico plantea el uso de estrategias para llevar a la compañía del estado actual a ser la exportadora número uno de artesanías peruanas en el 2020: (a) Desarrollo de producto alianzas estratégicas, fortaleciendo la relación con CIAP con capacitaciones y creación de diseños innovadores; (b) Atrincheramiento, reestructurando algunos de los procesos de la compañía con el fin de disminuir costos y ser más eficientes; y (c) Penetración de mercado, atacando nichos en el sector más elevado del mercado con una nueva técnica de mercadeo.

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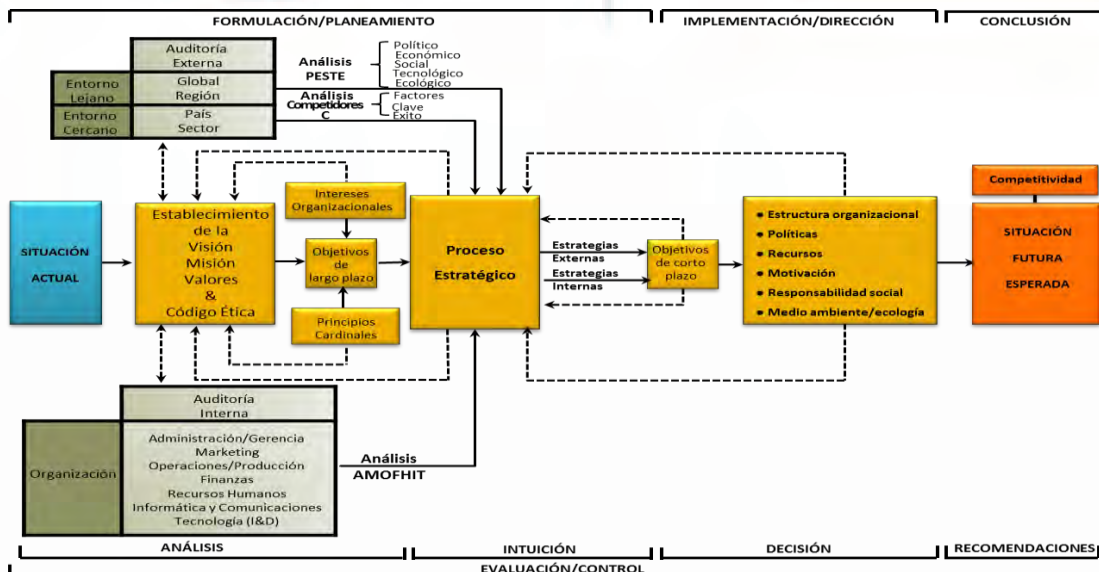
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The Strategic Process: Overview

The strategic plan developed in this document was prepared according to the Sequential Model of the Strategic Process. The strategic process consists of a set of sequentially developed activities that allow an organization to project into the future and to reach its vision. Figure 1 shows the three main phases of such process: (a) Formulation, which is the planning stage itself whereby strategies—that will take the organization from its current situation to the desired future state—will be identified; (b) Implementation, in which the strategies obtained during the first stage are implemented; it is the most difficult stage due to its strictness; and (c) Evaluation and control, in which the activities are carried out permanently throughout the entire process in order to monitor the sequential steps and, finally, the Long-Term Objectives (LTO) and Short-Term Objectives (STO). Apart from these three phases, there is a final stage that presents the conclusions and final recommendations. Notably, the strategic process is characterized by its interactivity—since many people are involved in it—and by its iteration because it generates a repetitive feedback.

Sequential Model of the Strategic Process.



Note. D'Alessio, F. A. (2013). El proceso estratégico: un enfoque de gerencia (pp. 10). Mexico, D. F.: Pearson

The model starts with an analysis of the current situation, followed by the establishment of the vision, mission, values, and code of ethics; these four components guide and regulate the activities of the organization. Then, the National Interests Matrix (NIM) and the external evaluation are developed to determine the influence of the environment in the studied organization. In this way, the global industry is analysed through PESTE analysis (Political, Economic, Social, Technological, and Ecological factors). PESTE analysis originates the External Factors Evaluation Matrix (EFEM), which allows knowing the impact of the environment through the opportunities that could benefit the organization, the threats that should be avoided, and how the organization is acting on these factors. PESTE analysis and the competitors originate the organization's evaluation in relation to these, from which the Competitive Profile Matrix (CPM) and the Referential Profile Matrix (RPM) are obtained.

Thus, the external evaluation identifies the key opportunities and threats, the situation of the competitors, and the Critical Success Factors (CSF) in the industrial sector. This makes it easier for planners to start the process that will lead to the formulation of the strategies, which allow taking advantage of the opportunities, preventing and/or reducing the impact of hazards, knowing the key factors to succeed in the industry, and surpassing the competition.

The internal evaluation is subsequently developed, which is aimed at the definition of strategies that capitalize on the strengths and neutralize the weaknesses, in a way that competitive advantages are built from identifying distinctive competencies. AMOFHIT internal analysis (Administration & Management, Marketing & sales, productive Operations & infrastructure services, Finance & accounting, Human resources & culture, Information, communication, & Technology) is carried out for this purpose and the Internal Factors Evaluation Matrix (IFEM) is obtained from it. This matrix allows evaluating the main strengths and weaknesses of the functional areas of an organization, as well as identifying

and assessing the relationships between such areas. A thorough internal and external analysis is required and crucial to continue with the process that is most likely to succeed.

In the next stage of the process, the interests of the organization are determined, i.e. the most important goals to be reached in order to globally succeed in the markets where the organization competes. From this, the Organizational Interests Matrix (OIM) is derived and it allows establishing the LTO based on its vision. These are the results that the organization expects to obtain. Note that the "sum" of the LTO would lead to achieve the vision and the "sum" of the STO would be the achievement of each LTO.

The matrixes presented in stage 1 of the first phase (NIM, EFEM, IFEM, CPM, RPM, and OIM) are key inputs that will enhance the quality of the strategic process. In stage 2, the strategies are developed matching up and combining the strengths, weaknesses, opportunities, and threats along with the previously analysed results. For this, the following tools are used: (a) the Strengths, Weaknesses, Opportunities and Threats (SWOT) matrix; (b) Strategic Position and Action Evaluation (SPACE) matrix; (c) Boston Consulting Group (BCG) matrix; (d) Internal-External (IE) matrix; and (e) the Grand Strategy Matrix (GSM).

At the end of the strategic formulation, stage three is given by the choice of strategies, which represents the strategic process itself. A set of integration, intensive, diversification, and defensive strategies result from the abovementioned matrices. The Strategic Decision Matrix (SDM) selects these strategies, which are specific and not alternative, and whose attractiveness is determined in the Strategic Planning Quantitative Matrix (SPQM). Finally, the Rumelt Matrix (RM) and the Ethics Matrix (EM) are developed to finalize the retained and contingency strategies. After this, the second phase of the strategic planning begins: the implementation. Based on this selection, the Strategies Matrix is developed against the long-term objectives (LTO). This matrix verifies if the LTO can be accomplished by implementing the retained strategies. Likewise, the Strategies Matrix is developed against the Competitors

and Substitutes' Possibilities Matrix (CSPM) that helps to determine how many of these competitors will be able to cope with the strategies retained by the organization. The integration of the intuition with the analysis is essential, since it favours the selection of strategies.

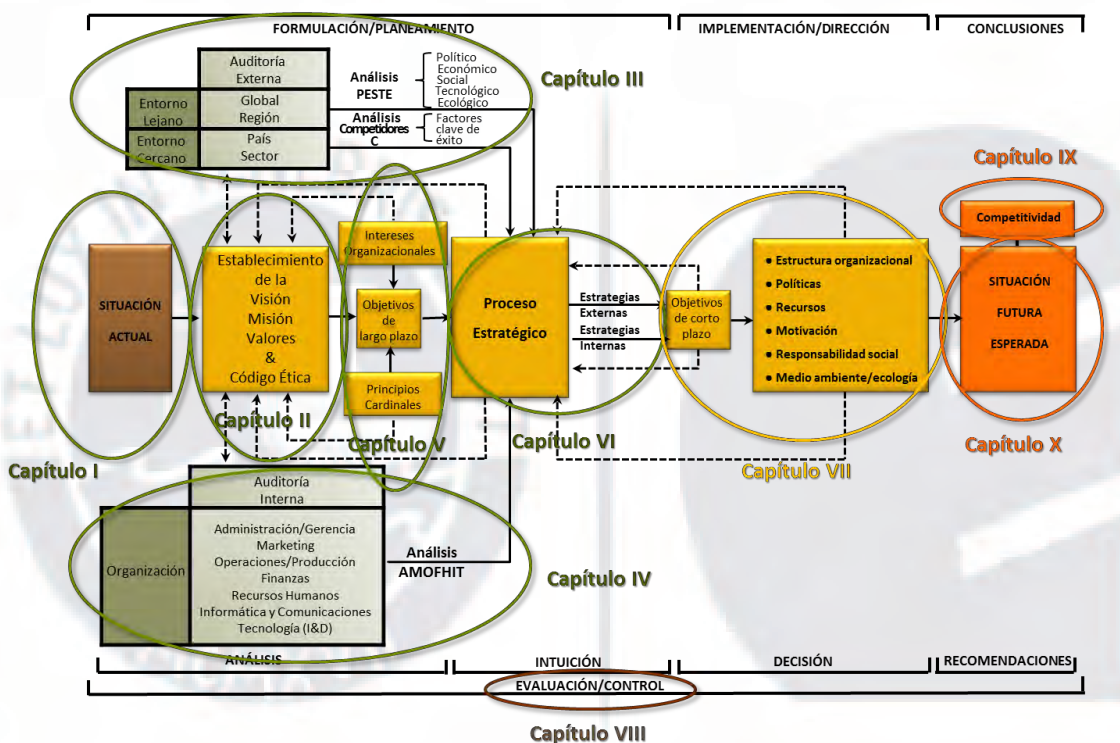
After formulating a strategic plan that allows accomplishing the future projection of the organization, the identified strategic guidelines are implemented. The strategic implementation basically consists on translating the strategic plans into actions and, subsequently, into results. It is worthy to point out that a successful formulation does not guarantee a successful implementation, since the latter is more difficult to carry out and it implies the risk of execution failure. During this phase, the STO and the resources allocated to each of them are defined, and the policies for each strategy are established. It is necessary to have a new organizational structure. The worst mistake is to implement a new strategy using an old structure.

The concern for the respect and preservation of the environment, the social and economic sustainable growth considering ethical principles, and the cooperation with the related community (stakeholders) are part of the Organizational Social Responsibility (OSR). Decision makers and those who, directly or indirectly, are part of the organization should voluntarily commit to contribute to the sustainable development by looking for the shared benefit with all stakeholders. This implies that the action-oriented strategies are based on a set of policies, practices, and programs that are integrated into its operations.

In the third phase, the strategic assessment is carried out using the four control perspectives of the Balanced Scorecard (BSC): (a) internal learning, (b) processes, (c) customers, and (d) financial, so that the achievement of the STO and LTO can be monitored. From this, the appropriate corrective actions are taken. In the fourth phase, after all the planning, the conceived competitiveness for the organization is analysed and the necessary

conclusions and final recommendations are suggested to accomplish the desired future state of the organization. Likewise, an Integrated Strategic Plan (ISP), in which the process is displayed at glance, is presented. The strategic planning can be developed for a small business, company, institution, industry, port, town, municipality, region, state, department, and country, among others

Sequential Model of the Strategic Process



Note. Do not consider Hartmann, National Competitiveness, or Chapter IX. Chapter X becomes Chapter IX.

Chapter I: General Situation of the Organization

1.1 General Situation

Intercrafts Peru Inc. is a handcraft export company located in Lima on the district of San Marin de Porres and it was created in 2002. This organization is dedicated to export Peruvian artisan craftworks to Europe, North America and Oceania. Intercrafts was founded by a Peruvian artisan consortium that consist of eight artisan Associations from the Central Interregional Artisans of Peru (CIAP) with the purpose of contributing to the sustainable development of the artisans. The main objective of CIAP was to create an exporting company to help Peruvian artisans to overcome challenges in handcraft production, packaging, labeling, displaying, and international sales. Currently, the company sells a wide range of handcrafted products including ceramic, jewelry, nativities, painted glass, and gifts. The Board of Directors is composed by three members from CIAP, and the general manager from Intercrafts.

For the organization to help artisans to improve their living conditions, Intercrafts is committed to the ten principle of the World Fair Trade Organization (WFTO) which means that all the products are certified and labeled as Fair Traded handcraft products. The artisans that supply Intercrafts consist on members of the 14 CIAP associations plus 15 independent suppliers with over 76% of the artisans are women (Lamarche, 2015). The artisans are located across Peru in Lima, Ayacucho and Puno. In 2012 the company had over 700 artisans supplying the international distribution however now in 2015 the number has reduced to around 300.

Table 1 shows CIAP's current members and the location in which they operate within the country. In addition, it details the level in which CIAP rates each association or craft business, depending on their level of formality, capacity and operations (CIAP, 2015):

- Level A: Organizations with very solid structures that have a legal status and sufficient management capacity. They perform quality controls and do the packaging of their products by themselves.
- Level B: Organizations with strong structures and adequate management capacity. They are not in the ability to perform quality control of their products.
- Level C: Groups of artisans who do not have sufficient strength as an organization or new associations that are on trial.

A fourth group includes members who are not rated within any of the previous levels, due to them not being listed on the CIAP website, therefore being no data available of this kind (N.D.). However, these two are also current members of the organization (Lamarche, 2015).

For the period comprehended between 2008 and 2013, the company's main clients were from the following countries: (a) Italy (64%), (b) France (13%), (c) USA (9%), and (d) Spain (4%) (Intercrafts Peru Sac, 2014). In 2014 the company has incurred on a loss of 154,660.59 Soles, although the sales were 1,786,013.76 Soles. This is due to an unusual high administrative expense (37.93%) that exceeded the gross profit margin (27.48%). This is explained mainly because of uncollectable sales, internal inefficiencies, paying extra-hours and delayed orders.

In order to be profitable the company must cut expenses and be more efficient lowering the administrative cost to a level lower than the gross profit margin. The company has experienced net loss for the years of 2012 and 2014 and as a consequence the directors decided to lay off three employees and change the general management. The company is now composed of eight employees in total.

Table 1

CIAP members

Level	Members of CIAP	Location
A	Ichimay Wari	Lurin, Lima
	Sur Andino	Chucuito, Puno
	Tawaq	Ate Vitarte, Lima
	Tika Rumi	Villa El Salvador, Lima
	Kuyanakuy	San Juan de Miraflores, Lima
B	Rasuwillka	City of Ayacucho, Ayacucho
	Camacani	Camacani, Puno
	Galaxia	Collao, Puno
	Awaqkuna	Chaclacayo, Lima
	Casa Betania	San Martin de Porres, Lima
C	Creaciones del Ande	San Martin, Puno
	Roma Aymara	Chucuito, Puno
N.D.	Jatunsayna	Macari, Puno
	Los Andes de Pisacoma	Chucuito, Puno

Note. N.D. No data available

Intercrafts operates in a fragmented and mature industry correlated with different indigenous Peruvian cultures. Due to the low barrier to enter the market and low initial investment needed. Also, the Peruvian government is keen on supporting and promoting new entrants to the handcraft market. Most of the Peruvians handicrafts exporter companies have experienced a decline on sales over the past three years due to changes in the global handcraft industry as strong competitors are aggressive on adapting new designs to buyer preferences and using advance production methods and delivery. This situation is also powered by the international economic crisis (Lamarche, 2015).

The sales channel in the industry is becoming smaller and some international handcraft exporters are starting to sell directly to the final customers. Intercrafts compete with many companies that have more freedom in decision making, profit sharing and managing supplier relationships. In the case of Intercrafts, the situation is more complex as the suppliers are also shareholders in some cases. Also, the directors of the company agree on

participating on fair trade practices which can limit the company ability to compete in an open international market.

The main problem with Intercrafts is the informality and the lack of efficiency in terms of the performance of their employees, management of internal process, and figuring out a way to cut the administrative expenses. Intercrafts has other internal and external problems that need to be addressed. This raised the need for a solid strategic plan based on a long-term assessment that can drive the company's activities towards goals and the gain of a sustainable competitive advantage in the market. To achieve the company's purpose which is to support and improve thousands of Peruvian artisans in rural areas. The company must realize that competes with a high number of strong competitors from all over the world.

Although most of the artwork sold by Peruvians artisans is quite unique and different representing the culture of each of the regions of origin, other international competitors are striving to win the same customers. The role of Intercrafts' management is called to be more than a middleman between the artisans and international handcrafts importers taking initiatives to lead this relationship. A strategic plan will improve company's formality and long-term profitability that will also reflect on its social purposes.

1.2 Conclusion

Intercrafts has more than ten years of operation as handcrafts exporter and managed to accomplished a positive rate of growth until 2012, while assisting the local artisans through exportation of Peruvian handcrafts to international markets. With 300 artisans producing and supplying handcraft products Intercrafts has been building relations with suppliers and customers. However, imbalanced financial statements and gradually weakling collaborations occurred during the past year, which is now confirmed as a threat to the company's future growth and development.

The organization operates in a fragmented industry with low barrier for new entrants to the market. The company needs to adapt to the changes in the global handcrafts industry. The role of Intercrafts management should be leveraged from a mediator promoter between the artisans and international handcraft importer to strategic planner to sale and compete in a global market. Establishing a strategic plan would be very the cornerstone driving the company activities towards the financial and social goals of Intercrafts.



Chapter II: Vision, Mission, Values, and Code of Ethics

2.1 Background

Central Interregional Artisans of Peru (CIAP) is a Non-Governmental Organization (NGO) originally founded by eight artisans in 1992 (Serrv: Creating Connections , 2015). CIAP is an organization comprised of associations of artisans that make and produce local Peruvian handcrafts for sale. These groups of individuals came together to help develop their environment as well as the development of the members and their families by providing work and income.

In 1994, CIAP Commercial, a Peruvian company was created by CIAP in order to develop commercial transactions without any profitable aim. As the branch of CIAP, this subsidiary had the responsibility for the exportation of the goods made by members of CIAP to promote Peruvian handcrafts in the global market. Their main functions focused on the creation of marketing and distribution channels that would market their goods not just locally but internationally. Part of the financial returns would be distributed to CIAP, the artisans, and other assistance. In 2002, CIAP changed the name CIAP Commercial to Intercrafts Peru while still belonging to the CIAP family. In 2005, Intercrafts was recognized as one of the top three best traders of artisan goods on a national level (Intercrafts and CIAP, N/A). While continuing to grow their market base Intercrafts has established long-term contracts with customers in North America (USA and Canada) and Europe (France, Australia, Italy, Spain, England, Germany, and Belgium).

Due to the lack of structure of the organization there have been problems and a lack of efficiency in terms of the performance of the employees, their internal process and the high administrative cost. Imbalanced financials and weakening collaborations occurred during the past three years.

2.2 Vision

Intercrafts' Business Plan developed in 2014 has proposed the following Vision: "Be one of the biggest Peruvian crafts exporters in Peru. By becoming a reliable trade channel that is efficient and competitive. Contributing to the sustainable development of the Peruvian craftsmen, their associations and environment" (Intercrafts Peru Sac, 2014).

The vision is simple and adapts to Intercrafts' competences. However according to the essential principles that every vision statement should have Intercrafts' vision statement should state a specific timeframe that accordingly to the industry creates a sense of urgency to be accomplished (D'Alessio, 2013). Furthermore given Intercrafts current situation it is advisable to adjust the vision to be more ambitious with a main goal that is realizable but at the same time bringing more confidence and positive atmosphere to the company. It is suggested that the Vision should be adjustment to the following:

Become the largest seller of crafts from Peru by 2020. Exporting Peruvian culture to different parts of the world, being a reliable distribution channel that is efficient and competitive while contributing to the sustainable development of Peruvian artisans their associations and environment.

2.3 Mission

Currently the Mission of the company is defined and catches the essence of what a mission should be. It relates to all the stakeholders involved and also covers the main purpose of having a mission that is being a driving force defining the purpose of the organization and why their work is important (D'Alessio, 2013). The mission of the company is:

"Trade and export hand crafted products, strengthening the competitiveness of artisans by facilitating access to the market under the principles of Fair Trade. Adapting to

the demands of consumers to help improve the living conditions of artisans and development of their environment” (Intercrafts Peru Sac, 2014).

According to the nine factors that a mission statement should have, this mission is failing to address the workers/employees of Intercrafts that should be mentioned in it (D'Alessio, 2013). This point needs to be address especially because in the company’s current situation with the internal organization and staff are going through a restructuring process. Incorporating the employees in the mission will help develop a new type of relationship with them. The mission proposed is:

Trade and export hand crafted products, strengthening the competitiveness of artisans by facilitating access to the market under the principles of Fair Trade through developing knowledge with our collaborators. Adapting to the demands of consumers to help improve the living conditions of artisans and development of their environment.

2.4 Values

The values of the organization are governed by the 10 principles of fair trade created by the World Fair Trade Organization (WFTO). This is a decision of the board of directors from CIAP and is oriented to support the suppliers with long term commercial relationships. This reduces the power of negation of Intercrafts and it is a competitive advantage for competitors that are not forced to follow this restrictions. But it also provides benefits reinforcing the social commitment of the company providing long term relationships with customers and gives access to specialized exhibitions. However the company is not taking these factors to develop competitive advantages at the time.

The values adapted from the World Fair Trade Organization are (Intercrafts Peru SAC, 2015):

- **Creating Opportunities for Economically Disadvantaged Producers:** Reducing poverty through trade is the main objective of Intercrafts. The organization supports

marginalized artisans grouped in associations or independent workshops. Marketing of handicrafts can generate long-term revenue for social and economic empowerment.

- **Transparency and Accountability:** The organization is transparent in its management and commercial relations. Employees, members and producers are included in the processes of decision-making and receive a monthly report on the activities. The report is sent to the president of each association and they have the responsibility to share with their corresponding members.
- **Fair Business Practices:** Defined trade commitments. With more than twenty years of relations with CIAP training their members to be more professional respecting the contracts and quality of the products. All purchases are made with a formal order. There is payment in advance of 35% to all suppliers. The company may grant loans when associations need them for production reasons. When orders are cancelled through no fault of producers or suppliers, Intercrafts would purchase all of the merchandise and has in stock for future orders.
- **Payment of a Fair Price:** A fair price is agreed by all through dialogue and participation, which provides fair pay to the artisans and can also be sustained by the market. The artisans' products are priced calculating production time and production cost with an increase between 10% and 40% to cover management costs, packaging and profit. We accept to calculate the FOB price for maximum profit 3%. Every year the prices are updated aligned with the increased costs of raw material and labour.
- **Child labour:** Any involvement of children in the production is always known and will not adversely affect the welfare, safety, educational needs or the need for children to play. All children of artisans go to school. They can help their parents to production in their spare time. Parents do not exploit them children should only help because they

like the activity or for recreational purposes. Employees and suppliers are completely free to work or not with us.

- **Commitment to Non-Discrimination, Gender Equality and Freedom of enrolment:** No type of discrimination will be tolerated. We work with the highest proportion of women (72%) and most administrative positions including the post of General Manager, are held by women. In addition, an agreement with the leaders of the groups and workshops that compromises them to prohibit discriminatory practices in their organization with penalties that can up to the ending commercial relationships. The organization respects the right of all employees to form and join unions of their choice and to bargain collectively. Regularly, Intercrafts management organizes meetings to allow employees to express their problems, complaints, etc. Also, every time they visit the artisans everyone has the opportunity to express themselves.
- **Ensuring Good Working Conditions:** Intercrafts provides a safe environment for employees work. When making visits to workshops, we identify working conditions and major safety concerns to address them properly. Working hours and conditions of employment meet the conditions established by the laws of Peru (insurance, pensions, wages and overtime 14 salaries a year paid and 25% more than a normal for extra hours).
- **Providing Development of Capabilities:** Intercrafts increases the positive impacts on the development of small artisan producers, CIAP receives budgets for various meetings and training activities. Intercrafts has a program of training and product development activities (designs, market trends) with artisans in conjunction with designers and students. For artisans who have difficulty organizing their production planning, we help them schedule, we build an agenda for them to follow day-to-day activities.

- Promotion of Fair Trade: We offer our customers information about our products and associations of artisans who make the products. We promote fair trade through our media and in different events on which we participate as Intercrafts and CIAP.
- Environment: The employees, artisans and their families received training on environmental protection. In the offices there are posters about saving water, electricity and printer ink with small tips to avoid waste. Most of the raw materials used are local and natural: clay, wool, dyes. They come from sustainably managed sources, and have a lower overall impact on the environment. We use the most of cartons used for packaging, and the largest and most important orders are shipped by sea. We also want to reduce the use of plastic bags in the packaging of products.

The main focus for core values is to support the mission, vision and shape the culture to reflect what the company views and values are. By establishing strong core values, a company can focus and direct the core competences that Intercrafts already has. The values are derived from the WFTO whose goals are to promote sustainability and development for the poor which aligns to the mission of Intercrafts and what they promote as a corporate image. The values also help with the decision-making process. However the organization has a need for a full time accountant that can promote these values. And the amount of personnel for the job in most area needs improvement. For instance, for number value number eight in the list, which states that Intercrafts helps to improve the capabilities of the workers through training but in recent years this program has been on the decline but they are still focused on improving the system to promote this.

2.5 Code of Ethics

Having ethics provides any company with a framework to identify and promote acceptable standards of behaviour for businesses. A good framework also guides a company through movement along the business cycle, for example, the introduction stage, rapid or

diminishing growth. Seen from the values above, Intercrafts ethics are expanded from the WFTO that is internationally recognized as a standard of business practice. Therefore, these fundamental practices that the directors stated do not need and cannot be changed because they ensure there is a standard of practices in the workplace, personnel policies, and promote the organization as a standardize company for investments and business opportunities. In addition to this, Intercrafts has promoted social responsibility within their organization as with the artisans through recycling, project development, and using as much natural products in their processes as possible (Lamarche, 2015).

2.6 Conclusions

A clear vision and mission will provide Intercrafts clear goals and motives to be competitive and overcome any difficulties that might be found on the way. Starting from the current situation of the company explained in Chapter I, the vision statement appears as a desired future situation and this strategic plan provides the guidelines to get as close as possible to it. From the analysis given it can be assessed that their needs to be slight changes to the mission and vision so that all of the necessary criteria for these statements are there and addressed.

The horizon of time is established according to the industry, how fast it changes and how competitive it is (D'Alessio, 2013). Values and code of ethics exist to provide guidelines involving all of the stakeholders and acting as an umbrella for the mission that is the driven behind all of Intercrafts' activities that should get the company from its present situation to the vision wanted. From what was seen in the values and code of ethics, they are aligned with the vision and mission of the organization but because it is an international standard it can be difficult to maintain especially if there are changes in the business structure and industry.

Chapter III: External Evaluation

The objective of this chapter is to define the threats and opportunities that the external environment presents to Intercrafts and the industry of crafts exports in Peru. Starting from a deep analysis of the industry and its forces we measure the reaction of Intercrafts to them and how does it compete with other companies in this field. For external evaluations a business uses an evaluation system for a variety of purposes. Such reasons include, measuring the success of a program and determining the effects of certain areas that can affect an organization. For this the use of the Environmental Analysis PESTE will be used. The following framework will include the Political, governmental, and legal forces (P); Economic and financial forces (E); Social, cultural and demographic forces (S); Technological and scientific forces (T); and the Ecological and environmental forces (E).

3.1 Environmental Analysis (PESTE)

Intercrafts main purpose is to trade a variety of original Peruvian crafts. These are hand made by Peruvian craftsmen. However the local market is not the main market for the company, on the contrary Intercrafts aims to diversify into international markets by using the fair trade distribution channels. The organization's main focus is in these channels because they are committed to the social and economic development of the artisans and their families.

Through exporting Intercrafts is also focused in promoting the diversity and culture of the artisans because by helping the artisans develop they can show original production related to the historical background of each specific group. The company is also engaged in the improvement of the quality and designs to cope with the demands of the international market. There is also a lot of work done, and to be done, restructuring and strengthening the foundation and internal politics in the craftsmen associations (Lamarche, 2015).

Taking all of this into account for this strategic plan an analysis of the external factors are presented to discover the most critical points for Intercrafts success in the next five years

to come. It is also important to mention that for the company it is vital to link the Peruvian operations with the international market status to get the most of the following PESTE analysis.

3.1.1 Political, governmental, and legal forces (P)

Peru is characterized by a weak political framework with informal political parties and politicians. The Peruvian government has a long history of delaying important reforms in many institutions because of political inefficiencies. Most of these issues are related to corruption, 85% of the population perceives the efforts of the government to fight corruption as inefficient and 22% admit giving bribes (Transparency International, 2013). However there are important reforms that have been successful and that are currently an example to follow in Peru like the Peruvian Central Bank or the Peruvian Economy and Finance Ministry (MEF).

Another good example of institutions with a good perception in the country is the Peruvian ministry of International Trade and Tourism (MINCETUR) that has created institutions that can help and promote trade for small and mid-sized companies like Intercrafts. In 2007 the Commission for the promotion of exports was created (PROMPERU) and it is widely recognized because of their efforts to attract tourism to the country and promoting the country brand from Peru (PROMPERU, 2015).

This institution is entitled to promote and take actions to provide support tools for the managers that are involved in international trade. This institution has branches such as SIICEX (Integrated Information System for Exports) that is an integrated system in which manager can ask for assistance in a broad range of services (SIICEX, 2015).

The main markets that Intercrafts is currently selling to be the United States and Europe. It is important to remark that Peru has successfully negotiated Free Trade

Agreements with and US and the EU. This allows Intercrafts to benefit from this trading without high tariffs or barriers (Foreign Trade Information System, 2015).

The law No.29073 under the Peruvian legislation is named, “Peruvian artisan law”. The purpose of this law is to recognize the importance of the craftsmen in the preservation and promotion of the traditional Peruvian values and the diversity of the culture. This is beneficial because it provides a safe legal framework for the long term plans of Peruvian companies in the industry with operations in Peru (MINCETUR, 2007). Furthermore INDECOPI, the copyright institution in the country, has recently publicized the intellectual property rights guide to protect the production of Peruvian crafts (Gestion, 2015).

3.1.2 Economic and financial forces (E)

Peruvian economy is not growing as fast as in previous years but the macroeconomic environment remains strong despite of a low private investment mostly caused by speculation in the political environment. Peru has a highly informal labor and more so in the peripheral areas of Lima and the departments that are home to most of the craftsmen that supply Intercrafts and most of its competitors. A 2014 report from INEI shows that 3 out of 4 jobs are informal in the country and only 13% of the Peruvian homes have purely formal sources of income (INEI, 2014).

The European crisis has decreased Intercrafts sales into that market (Lamarque, 2015). The Greek situation and all of the speculation surrounding it is not helping to the Euro recovery. International customers are reluctant to commit to big imports because of the lack of confidence in the current European economic structure (Gestion, 2015).

Another issue is that Intercrafts receives US dollar from their sales but they pay in soles to their suppliers and collaborators. This creates an exposure to the currency exchange \$/Sol that needs to be taken into account for this strategic plan. The relationship between the

dollar and the sol has been fluctuating more dramatically from month to month as shown in Figure 1.



Figure 1. The Monthly Average Fluctuation of the Sol against US\$ nominal exchange rate between august of 2014 and July 2015 (Banco Central de Reserva, 2015)

3.1.3 Social, cultural and demographic forces (S)

The crafts production in Peru is highly disperse and therefore the industry is fragmented with a lot of independent sellers (Figure 3). There is also much diversity in the techniques used and the tools that are needed vary in most cases, as a consequence the diversity of handicrafts is high and there are many different products related to the identity of different areas of the country (Lamarque, 2015).

Handicrafts production in Peru comes both from urban and rural areas. Furthermore these activities generate both informal and informal jobs, being the second largest group (around 75%). It is also usual that the associations that produce and sell the crafts are family based and highly hierarchized being the middle-aged men are usually the leaders and decision makers (Intercrafts, 2014).

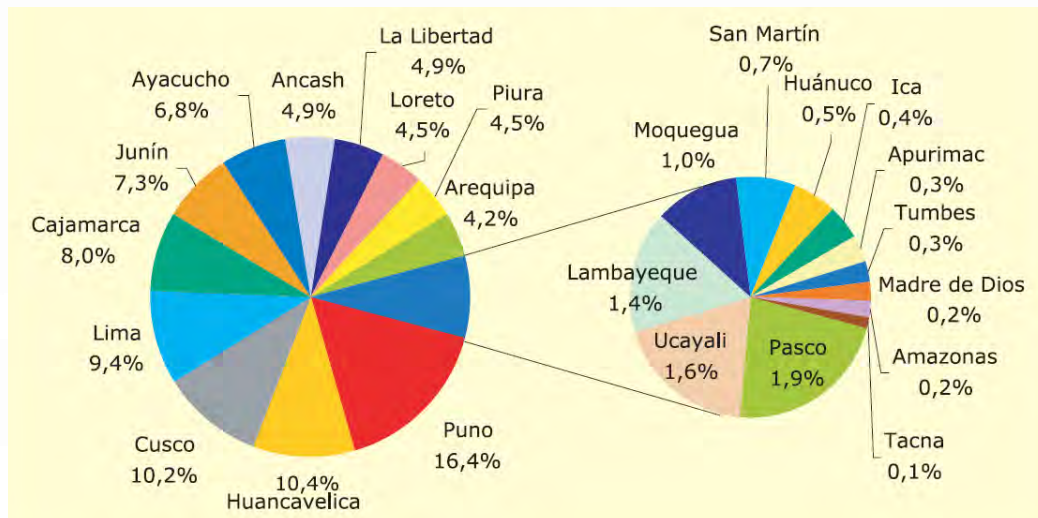


Figure 2. Demographic distribution of handcraft production in Peru (Intercrafts, 2014)

The industry is trying hard to adapt to the needs of the customers especially working with modern distribution channels and social media to promote sales and the work of the companies. E-commerce is a growing global trend, for example in Europe this type of trade has grown at a rate of 18% approximate for the last two years while in the United States it has grown 14% per year because the market is bigger in sales compared to the EU (E-commerce news EU, 2015).

Studies have shown that traditionally, the market for crafts at an international level is mostly focused on the middle to upper level individuals for the western market (United States Agency of International Development, 2006). Also crafts production is the second largest source of employment in rural areas after agriculture in many regions of the world. Some of the attributes that are related to this type of products are that they are decorative and useful in some cases such as textiles. It is also important to know that global trends in terms of consumer preferences historically changes fast and it is very important to be up to date with these trends and to establish proper communication channels with the suppliers and customers to react faster to sudden switches in the demand (United States Agency of International Development, 2006).

3.1.4 Technological and scientific forces (T)

The standards of the packaging and presentation of the products are creating trade barriers in the international crafts industry (Lamarche, 2015). Peru has one of the lowest investments in R&D in the world with just 0.15% of its GDP invested. The World Bank ranks Peru in the 76th position that means that in a region that does not invest in R&D Peru is one of the lowest (The World Bank, 2015). The low investment and the lack of access to technology in Peru is a restriction for innovation in this industry.

Digital media is becoming an important channel for the industry to develop branding and consolidating the image of the company and relating it to the host country and culture. Sales and digital payment methods are also a force that is gaining terrain opposed to traditional ways of doing business that were successful in the past. Social media is also being used to connect and build commercial relationships and associations between exporters and distributors (E-commerce news EU, 2015).

3.1.5 Ecological and environmental forces (E)

Peru's environment has change a lot from region to region and the country has a vast diversity of microclimates and special conditions. The poor living standards of some of the rural population in the country like Puno is the reason people die in the winter ever year from diseases related to poor alimentation and exposure to extreme cold conditions (El Comercio, 2015). For Intercrafts this is especially important because 76% of the craftsmen are women from Puno that are dedicated to producing textiles with traditional motives. Furthermore an important group of customers relates the buy of this type of product with the social environment and the potential help that buying a product represents. This means that with an environmental help to be done goes hand to hand with marketing opportunities to exploit (Lamarche, 2015).

3.2 External factor evaluation matrix (EFEM)

The matrix for the evaluation of the external factors takes inputs from the PESTE analysis while taking into consideration the most important opportunities and threats, ranking them and measuring how Intercrafts is responding to each specific statement. It is crucial for this matrix that the inputs and the PESTE analysis have been done properly and have considered relevant forces of this industry (D'Alessio, 2013). The weight represents how much influence the force has on the industry and the value represents how the company is reacting to it. The values go between 1- 4, 4 means that the company is responding well and 1 means that the response or reaction is poor. Table 2 shows the EFEM for Intercrafts Peru Inc.

After this analysis we can determine that Intercrafts is not taking advantage of the opportunities that are present in the environment and they are also not responding properly to the possible threats since that would involve having a score of 2.5 or above. The total score for this matrix was a 1.87 being the opportunities are a bit lower than threats response.

3.3 The Organization and its Competitors

An analysis of Porter's 5 Forces (Bargaining Power, Bargaining Power of Buyers, Threats of Substitutes, Threats of New Entrants, and Competitive Rivalry) was used to analyze the micro-factors and the environmental factors that are affecting Intercrafts' operations (D'Alessio, 2013).

3.3.1 Bargaining power of suppliers

The handcraft industry is a fragmented one, meaning that the market consists of many small to medium size companies/associations/individuals in which no one can cause a big influence in the market. For Intercrafts, there are two ways in which they get their products and they are:

- a) Purchasing from their suppliers

- b) Purchasing the raw materials themselves and hiring these artisans for a timeframe to make the products for them.

Table 2

External Factors Evaluation Matrix (EFEM)

Critical factors of success	Weight	Value	Weighted Score
Opportunities			
1 Government's assistance	0.10	3	0.30
2 Effective usage of E-commerce	0.08	2	0.16
3 Diversity/range of the market	0.15	1	0.15
4 Strategic alliances with international handcrafts retailers	0.12	1	0.12
Subtotal	0.45		0.73
Threats			
1 Informal Labour in Peru	0.15	2	0.30
2 Currency exchange fluctuation	0.10	1	0.10
3 International crisis	0.12	1	0.12
4 Switch in customer preferences	0.06	3	0.18
5 Technological/Packaging standards	0.08	4	0.32
6 Poor working conditions	0.04	3	0.12
Subtotal	0.55		1.14
Total	1.00		1.87

Note. 4. Very good response 3. Good response 2. Average response 1. Poor response

The inputs would then be considered the products or the raw materials such as the wool, wood, clothe material etc. Since many artisans are from different parts of Peru, they focus on particular types of craft because of the raw materials available. So as a result the individual artisans would hold no bargaining power but because most of these individuals belong to associations that are associated with CIAP, there are a medium to high level of bargaining power of suppliers against Intercrafts.

3.3.2 Bargaining power of buyers

For the purchasing of their products, there are three groups which are:

1. Local Residents
2. Tourist that visit Peru
3. Export to the international market

According to Figure 5, the GDP per capita in Peru has had a constant increase from 2005 to 2013. It can be seen that the income of the country has increased and the amount of tourist as well. With an increase in GDP, it is assumed that there are more funds in the country and with more tourist coming every year will result in even more money in the economy. As a result, with more funds, persons are spending more in the country, which the handicrafts industry is included (The World Bank, 2015).

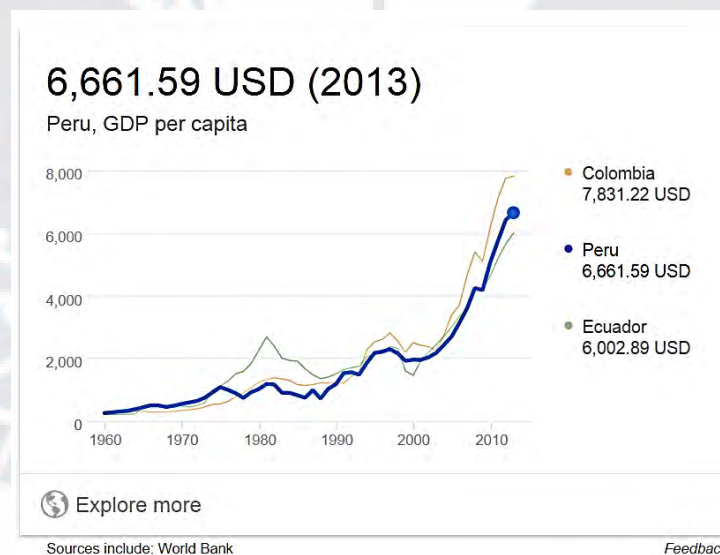


Figure 3. The GDP per Capita of Peru from 1960 to 2013 (The World Bank, 2015)

For InterCrafts when selling their products in bulk to customers there is a low ease to which they can drive down the prices because the prices are set for the customers. In many cases discounts are given depending on the amount that is purchased but generally the prices are within a certain range. But on the other hand, when tourists and residents buy from the vendors with the merchandise normally the individuals would ask for a lower price. Therefore, the power of buyers is medium to high.

3.3.3. Threats of substitutes

In the Craft Industry, the goods that are being produced by the artisans would be considered homogeneous with a light differentiation in the product. For example, the artisans would all produce cups that are homogeneous but the differentiation would be in the design of the cup or the shape of the cup. So the appearance of more suppliers producing the same goods can be a threat to the organization. In addition to this, other substitutions could be products that are not distributed by Intercrafts, industrial manufacturing that can produce the goods in less time, and other products that are not authentically Peruvian. The threats of new entrants is high

3.3.4. Threats of new entrants

In Peru, the Government has developed a strategic plan known as PENSAR which is used to promote the entry of new artisans in the industry because it will increase exports, trade, and increase of productivity in the country (MINCETUR, 2007). For the overall economy this would be a benefit but for Intercrafts this is negative because what this does is encourage more competition in an already fragmented industry for Intercrafts. This results in the barriers to entry being low for the industry because it is quite easy to enter and exit and there are no needs for patents or licensing and the cost of entering the market is low. Then Ministry of Foreign Commerce and Tourism of Peru (MINCETUR) is responsible for the promotion of tourism in Peru that includes the Handicraft industry. In 2007 this organization stated the National Craft Competition that helped to showcase the types of crafts in Peru and to encourage innovation.

3.3.5. Competitive rivalry

In general, competitors for the handicraft industry can be anyone that produces sells or distribute any craft related item. As seen from Figure 6 below the main exporters from Latin America and the Caribbean are Mexico, Panama, Dominican Republic, and Brazil that

account for 71.81% of the exporting with only 4.61% from Peru. The main reason for the large market share is due to the amount of government assistance and encouragement in the industry to help encourage the artisans.

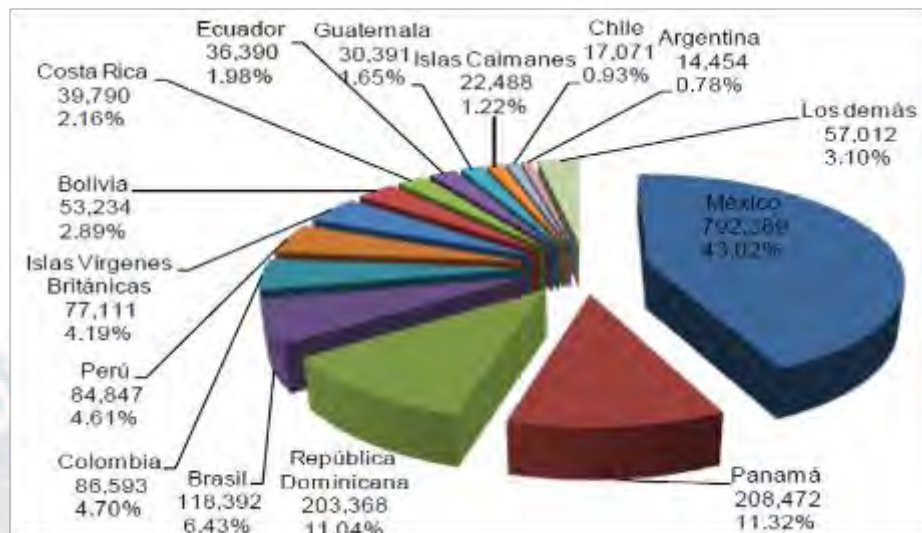


Figure 4. Exporters in Latin America and the Caribbean Handicrafts Sector (Centro Nacional de Planeamiento Estratégico [CEPLAN], 2011)

From the Information gather from the Porters 5 Forces Figure 7 gives an overview of how much the factors will affect Intercrafts operation. In the illustration below the ranking is from 1 to 9, with 1 being the lowest and 9 being the highest in the ranking. As explained further in Chapter V, Intercrafts has situated themselves in the cost focus segment in the market as their strategy.

What this organization has done is not just focus on lowering their price to look more attractive but focus on cost advantage to target a certain segment of the market which is mainly composed by distributors. This then allows them to sell in large quantities to these companies and have the opportunity to customize products to provide added values. The advantages of this concept is that focusing can help to defend against the Porter's Five forces and make their way into a niche market for indigenous products.

	1	2	3	4	5	6	7	8	9	
1	Low Barriers of Entry for New Entrants			X	High Barriers of Entry for New Entrants					
2	Low Levels of Competition in the Market							X	High Levels of Competition in the Market	
3	No Substitutes in The Market						X	Availability substitutes in The Market		
4	No Dependence on Complementary Products or Support			X	High Dependence on Complementary Products or Support					
5	Customers Have Low Bargaining Power, Consumers Establish the Terms						X	Customers/Consumers Have High Bargaining Power, the Consumers Establish the Terms		
6	Low Bargaining Power with the Suppliers, the Suppliers Establish the Terms					X	High Bargaining Power with the Suppliers, the Suppliers Establish the Terms			

Figure 5. Ranking for Important Factors in the Porter's 5 Forces

3.4 Intercrafts and its Referents

According to an interview conducted with the General Manager she said, "In the industry there are many competitors but the major two that directly affect Intercrafts are Manos Amigas and Allpa" (Lamarche, 2015). When comparing their main competition it can be seen that these two other organizations engage in the same trade in the same markets resulting in a direct rivalry for market share. With it also being suggested that because these companies have been around longer and more structure they have more stability. Also, because they are independent bodies their financial situation is better because they are able to invest into the organization without the need to pay dues to the parent company in the case of Intercrafts and CIAP.

According to Strouds, "Benchmarking is a way of discovering what is the best performance being achieved – whether in a particular company, by a competitor or by an entirely different industry ... to identify gaps in an organization's processes in order to achieve a competitive advantage" (Strouds, N/A). For this analysis the following companies will be used as comparison because they compete for the same market share and they have a

similar background and organization and they are Allpa and Manos Amigas. The competitive benchmarking will be used because Intercrafts want to remain in the current industry and this approach will help to assess where the organization is compared to other organizations that can be identified as industry leaders.

To establish proper benchmarks for the organization it is important to choose companies that act in the same industry and Intercrafts aspires to become like but not necessarily compete directly with the Intercrafts with the purpose of identifying key elements of success that need to attend to become a leader in the industry (D'Alessio, 2013).

3.5 Competitive Profile Matrix (CPM)

This CPM takes inputs from the forces of the industry analysis and weights them in order to better understand how Intercrafts is performing in relation with the criteria shown in Table 3 below. A value of 4 means the criteria is a major strength of the company while a value of 3 means that it is a minor strength, 2 meaning minor weakness and 1 a major weakness which needs to be improved in order to gain competitiveness. The CPM compares Intercrafts to companies that are fighting for the same market share and operate under similar industry related forces. Possible new entrants and substitutes can be also taken into account in an additional analysis. In Table 3, the list of Critical factors for success was used to compare Intercrafts' standing to their biggest competitors. In this analysis it was determined that Manos Amigos ranked the highest in the overall weighted average especially in the power of negotiations. But even though Intercrafts did not have a high ranking there was still a good social value and relationship with their organizations and institutions. The competitors were chosen after interviewing Intercrafts general manager (Lamarche, 2015).

3.6 Reference Profile Matrix (RPM)

The Reference Profile Matrix is similar to the CPM but compares the performance of the company with benchmarks that are the leaders of the industry and are presented as

aspirational to Intercrafts. These companies are shown in Table 4. The purpose of this is to evaluate in which factors the performance shows bigger gaps in terms of performance compared to these benchmarks. African Crafts Market and Earth Africa are the benchmarks chosen because of their distribution capabilities, distributing crafts from Africa with a worldwide online distribution service providing good quality products, creating value for the society they represent and introducing innovations to the industry such as corporate services and a wide use of digital marketing channels. For example Earth Africa produces videos to promote African culture and promotes them on their own You Tube channel. Both companies have a clear understanding of the industry and exploit the link between the culture and the product sold this a key factor that Intercrafts should be able to exploit as well.

Then from Table 3, the same analysis was used for the international Benchmarks used for the industry. In the previous analysis Intercrafts had a rating of 2.25. When compared to the international bodies the disparity was even greater, Compared to the 2.95 and 2.80 previously the results are now 3.6 and 3.5 respectfully. It can be due to the quality of the products and the financial stability being better than that the one from the local Peruvian companies and Intercrafts.

In this way using international benchmarks generates greater gaps that Intercrafts can analyses for a benchmark that is more ambitious and can provide a different set of comparisons that can help develop some of the areas of the company. Especially regarding the distribution channels and the digital media applied in the use of e-commerce to reach more customers.

Table 3
Competitive Profile Matrix (CPM)

Critical Factors for Success	Weight (%)	Intercrafts		Manos Amigas		Allpa	
		Value	Average	Value	Average	Value	Average
1 Social Value added	10	4	0.40	3	0.30	3	0.30
2 Power of negotiation with suppliers	20	1	0.20	3	0.60	2	0.40
3 Financial stability	15	1	0.15	2	0.30	2	0.30
4 Relationships with organizations and institutions	10	4	0.40	3	0.30	3	0.30
5 Quality of the products	20	3	0.60	3	0.60	3	0.60
6 Distribution channels	15	2	0.30	3	0.45	4	0.60
7 Diversity of products	10	2	0.20	4	0.40	3	0.30
Totals	100		2.25		2.95		2.80

Note. 4. Major strength, 3. Minor strength, 2. Minor weakness, 1. Major weakness.

Table 4
Reference Profile Matrix (RPM)

Critical Factors for Success	Weight (%)	Intercrafts		African crafts market		Earth Africa	
		Value	Average	Value	Average	Value	Average
1 Social Value added	10	4	0.40	4	0.40	3	0.30
2 Power of negotiation with suppliers	20	1	0.20	3	0.60	3	0.60
3 Financial stability	15	1	0.15	4	0.60	4	0.60
4 Relationships with organizations and institutions	10	4	0.40	3	0.30	3	0.30
5 Quality of the products	20	3	0.60	4	0.80	4	0.80
6 Distribution channels	15	2	0.30	4	0.60	4	0.60
7 Diversity of products	10	2	0.20	3	0.30	3	0.30
Totals	100		2.25		3.6		3.50

Note. 4. Major strength, 3. Minor strength, 2. Minor weakness, 1. Major weakness.

3.7 Conclusions

The external analysis shows that Intercrafts is not responding, as it should to the external forces present in the industry. There is considerable room for improvements in many areas that are currently being take care of considered by the administration of the company. Intercrafts has found support in public institutions such as SIICEX that has provided managerial support and access to information and tradeshows. Also private institutions like Pontificia Universidad Católica Del Perú have cooperated with specific projects that have been successful such as assistance to acquire special ceramic ovens for the company or consultant jobs made by students without any charge. The company understands some of forces of the industry but is unable to react properly because they don't have the tools or organization required to do so.

When comparing Intercrafts with benchmarks that are having better results in the industry the strongest point is the commitment that the company has to the artisan and their development. On the other hand the weak points to take into account are the poor financial management and the weak position that the company has when negotiating with the artisans. This last aspect is a consequence of the commitment that Intercrafts has with fair trade practices and the sustainable development of the artisans. The fact that the company is not prepared to manage currency exchange fluctuations with the Nuevo Sol and didn't had a plan to react to the international crisis shows that the polices of the previous management where mostly short-term oriented.

Chapter IV: Internal Evaluation

4.1 Internal Analysis AMOFHIT

The internal Analysis is done using the AMOFHIT which is an assessment and analysis of the various function of an organization. For which the following sections would be discussed: 1. Administration and Management, 2. Marketing and Sales, 3. Operations and Logistics, 4. Finance and Accounting, 5. Human Resources, 6. Information and Communication Systems, 7. Technology and Research and Development (D'Alessio, 2013).

4.1.1 Administration and management (A)

To analyse the decision making process and planning done in the organization it is important to understand that Intercrafts Peru is a member of the CIAP family and its partners who provide different goods that are produced all over the country. Working as the subsidiary of CIAP group, Intercrafts is organized and functioned by seven internal and one external employee under the day-to-day management of General Manager Justin Lamarche, whom was appointed by the eight associations of CIAP. Managing the company is in accordance with the guidelines and instructions from the Board of Directors however is the General Manager who works as a bridge between the shareholders, suppliers, customers and employees. It is the key role that connects all-important departments of the entire organization, and most importantly that manages the company's marketing and on a national and international level. Each employee of Intercrafts has operational responsibility for the duties.

Board of directors. Considered as a private company with the register, the Board of Directors for Intercrafts consists of four persons in whom three members are from CIAP and a general manager. Important decisions within the company are made democratically in annual assembly meetings of representatives of each of the member organizations. A board of

Directors that is elected from the member organizations oversees the daily operations and planning.

Although Intercrafts works as a subsidiary to CIAP, this group of associations is also the main and almost exclusive supplier for Intercrafts this is why the relationship between them is so critical for the success of both organizations. It is a strong point for Intercrafts to have such a tight relationship with an important group of suppliers but only when both interests are aligned.

General manager. In the day-to-day operations, Justin Lamarche is managing Intercrafts overall and ensures the implementation meets with the company goals. She is also in the marketing role of exploring potential markets for Intercrafts. The management has the task of defining the global strategy of the company. For a small organization faces large demand of daily tasks and business orders, it is not sufficient enough for one person to manage all.

Accounting and administration manager. Dina Huarranca is responsible for the respect of systems and administrative, accounting and financial procedures, as well as respecting the application of the regulation and legislation related to the activity of the company.

Accounting outsourcing. Jose Guerra is a part-time accountant hired by Intercrafts for books and auditing.

Sales manager. Ruth De La Cruz is responsible for managing customer orders ensuring their good development to delivery in the office. Meanwhile she also manages the newly developed social media for purpose of exploring the international markets.

Considering the important of the marketing strategy and planning for Intercrafts at this stage of development, Sales Manager will need more support for the rest part of her work in order to concentrate in the most important factors. At current stage, Sales Manager can only

conducting research in house due to inefficiency in support. General Manager is now the only one supporting with the marketing jobs.

Logistics manager and warehouse. Concepcion Rivera Ceron manages the goods and materials (products, labels, boxes for the products...) ensuring their availability in time. Intercrafts' office contains enough spaces for the logistic operations however it is not maximized in use due to inefficient managing system. The logistics department has three specialized operators that help to fulfil the international orders that the company gets:

- Packing 1 Operator, Julian Palomino controls the quality of products, label and pack the products according to customer specifications, quality requirements and regulations
- Responsible Export, Flora Mamani is responsible for planning and coordinating shipments of orders with stakeholders (customers, customs brokers ride) to meet customer's schedule.
- Responsible of Orders, Ruth De La Cruz is responsible for the good development of quality control, labelling and packaging of the order to be ready the day of release.

4.1.2 Marketing and sales (M)

Intercrafts Peru is the marketing and export arm of CIAP. Up until now, CIAP has succeeds in gathering 21 artisan group members, representing 300 artisans throughout Peru including marginal areas of Lima, Ayacucho, Huancayo, Cuzco, Puno, Piura, Pucallpa and Arequipa. According to the General Manager, Intercrafts Peru's largest importer of handicrafts is USA and European countries, but now there is an opportunity in other regions such as Middle East, Australia and Asia (Lamarche, 2015).

The current consumers look for quality products that are useful with unique design and creativity of the artisan. The integration of traditional techniques and modernized designs are highly valued. Artisans design and produce accordingly to meet with markets demand and

changes. Intercrafts Peru also offers value added products by providing specialized and customized packaging services. Over 10 years after CIAP has created the commercial structure in 2002, Intercrafts Peru was able to export CIAP's crafts and other vendors from different regions of Peru to over 15 countries.

Presently Intercrafts Peru offers variety of product lines, includes home decorations, alpaca garments, child's toys, personal accessories, jewellery, musical instruments, gifts-parties and others included local and quality raw material such as natural fibers. (Intercrafts Peru, N/A). Because the increasing competition and uniqueness of trends in handicrafts markets, the current products were only produced massively with lack of innovations. It is important for Intercrafts to define its niche market for increasing its competitive advantages.

As part of the family CIAP, Intercrafts Peru promotes the interchange based on dialogue, transparency and respect between the producers, the traders and the consumers worldwide. Furthermore, CIAP has also established a responsible tourism business, a savings and loan cooperative, and is active in promoting fair trade in Peru. The management team of Intercrafts Peru is currently discovering new marketing opportunities and exploring client relationships by establishing social media platforms, as well as attending international trade shows and exhibitions.

As mentioned in the 2014 business plan, Intercrafts Peru focuses mainly on promoting the channel and their old customers. Actions have been taken with various tactics including:

- Train the sellers.
- Redesign of the web page online catalogue.
- Promoting the introduction of new product lines to be launched.
- Catalogues in print that serves the vendors to make their visits to local customers.
- Organize own fair Intercrafts in which all members participate associations.

- Creating lines local corporate market: the Pontifical Catholic University of Peru and hotels - restaurants. Besides market lines not belonging to fair-trade especially in USA and Latin America.

4.1.3 Operations, infrastructure and logistics (O)

Orders from customers are sent to CIAP for production. Then Intercrafts has two options for the production line: receiving the finished items from artisans of CIAP or, hire part-time artisans to work by hours in the ceramic laboratory that located in Intercrafts' office for the customized items.

According to Intercrafts' term of order, the minimal order is USD\$750.00 for varies goods with bigger size. For ceramic product and other small products the minimum quantity is 10 units with the team of order for minimum 30 days.

Packaging: The finishing goods are packaged in Intercrafts' warehouse with carton, paper and polyethylene bags to protect the fragile products. If the clients are willing to pay an additional price for the individual boxes, Intercrafts is also feasible to do so. All the jewelries are placed in tiny boxes after they will be placed in master boxes that cannot be exceeded 20 Kg. Currently there are two employees are in charge of packaging process within Intercrafts.

Transportation of shipment: The cost of the transport depends on the quantity of the merchandise and is calculated by cubic meter or by container, options in 30 cubic meters and 60 cubic meters. The minimum price to reach the Mediterranean coast by boat is USD\$ 170.00. The cost to send the products by plane is calculated in relation to the volumetric weight, which is obtained by multiplying three of the sides of the box and by dividing the result by 6000.

Payment method: For important orders that is more than USD\$5,000.00, a credit card is needed. The anticipated payment is required if the order is less. 50% to confirm the order and 50% before dispatching is required. 3% of the total anticipated payment is receivable in

advance to prevent from cancellation of orders from clients. Payment can be deposited via Bank transfer, Western Union or Money Gram. Intercrafts has experienced losses from unexpected order cancellations and delay and failing in payment from customers.

4.1.4 Finance and Accounting (F)

In Intercrafts Peru, the financials as well as the accounting are done by an unofficial accountant working within the organization full time whose main duties include customer billing and accounting for the expenses for all of the day-to-day transactions of the company. For other matter such issuing reports to the government, is due trough an external accountant. The main statements that will be assessed in this document that Intercrafts reports would be the Balance Sheet, Income Statement, Statement of Returned Earnings, and the Cash Flow.

Monthly there are informal reports generated to distribute to shareholders and CIAP that would then be distributed to the associations and artisans a part of the organization. Furthermore yearly official financial reports are generated to assess the performance of the organization for internal and external parties. For Intercrafts, the operational cost and benefit are shared between themselves and CIAP because of their shared relationship. When reporting their financials the amounts can be either denoted in Soles or Dollars. This is because they are paid in US\$ by their customers and pay their dues to CIAP in Soles, this means that when paying the artisans for their products or their expertise it is usually in Soles unless special or unusual circumstances are presented by the artisans.

As seen in Figure A2 in the Appendix, the following Balance Sheet for Intercrafts can be seen with four ratios below that would be considered some of the most important ratios for this industry. From the liquidity stand point Intercrafts is doing well since they are able to cover their current liability obligations with the assets they currently have with a ratio of 1.8, 1.4, and 1.2 for 2012, 2013, and 2014 respectively. But it can be noted that this liquidity is

slowly being diminished due to the increase in the payables and decrease in their most liquid funds which are cash and the as at bank. When accessing the asset turnover the receivables turnover was used because of the need to assess the effectiveness of the organization's credit policy. From 2012 to 2013 Intercrafts was constantly situated close to the lower end of the industry average but not until 2014 that the ratio dropped to 3.6 because of the difficulty with collected cash from their customers especially with a considerable increase in the accounts receivables by 44%.

In the leverage ratio, the debt ratio was used and helps to identify exactly how solvent the organization is. The ratio of 1 would mean that the company would have to sell all of their assets to pay off their liabilities and from this we can see that they are in a good situation because the ratio is in the mid-range between .53 and .66 with the highest being in 2014. So if they would have to pay off their debts they would still have assets left over but the downside to this is that 29% of the total assets are from the customer's network so it is contingent on them actually paying the full amount. Then lastly the ROE was used to assess how much profit was generated from the amount of investment made in the organization. From the results it can be determined that for every dollar put into the company they lose .29 cents in the case of 2014. This type of outcome will be very detrimental for the organization because it is saying that the organization has not been generating no income for itself except in the case of 2013 where they made .04 cents but it still did not balance with the considerable loss from the previous year.

4.1.5 Human resources (H)

Within Intercrafts Peru, Justin Lamarche, the General Manager is the only person in charge of the entire human resource management (HRM) includes recruiting, training, managing wages and salaries, evaluating performance, resolving disputes and communicating

with all employees at all levels. Currently, Justin Lamarche is in the process of restructuring and reorganizing the company aims in improving the efficiency of the entire team.

Except the interns that Intercrafts hires periodically for internal administration supports such as social media and customer relations maintenance, it is worth to mention that the most employees have been working in Intercrafts for nearly ten years. Justin Lamarche has also completed her internship with CIAP family before being assigned as the general manager of Intercrafts team. It is positive that the operation team is effectively knowledgeable about the organization. Figure 6 gives a clear description of the company structure with the seven main employees along with the external accountant and the independent accountant gotten from Intercrafts' Business Plan (Intercrafts Peru Sac, 2014).

4.1.6 Information and communication systems (I)

Communication and information sharing have been done over the team meetings, phone, Skype meetings and emails. As it is a fairly small team in Intercrafts, the system is not complicated and information is often shared in person. According to the General Manager, an intern they hired before has created a training manual for the company, however; unfortunately it is not in used by anyone. Communication and information sharing are often delayed whenever the General Manager is occupied with marketing trips over sea (Lamarche, 2015). To maintain the relations between Intercrafts and suppliers it is also highly required to physically visiting the artisans who are located in varies locations in rural Peru.

4.1.7 Technology and research and development (T)

In 2014, Intercrafts implemented a project to build its own laboratory of ceramics in house for improving the production process of first clay-work and burning. It has also offered Intercrafts more control over the product quality and work efficiency when artisans are hired to produce in house paid by hours. Intercrafts now has a new website designed and published with details about the company, dialogues handcrafted products, the craftsmen, fair trade

conditions, social responsibilities of the company and so on. Also a Facebook page was created in January 2015 for attracting potential suppliers and customers.



Figure 6. Diagram of Intercrafts' Company Structure

The ordering system is part of both social media platform mentioned above and it helps the office to effectively attract the online orders. Intercrafts has also tried to develop the markets by working with Alibaba and Amazon, however no effective result was shown. During the process of discovering and establishing the potential client relations, the general manager is fully engaged in researching the market trend and demands, evaluating the competitors and developing strategic plans accordingly. The efforts to improve the media

used by the company are many however no consistent results are shown yet and there are many tools and platforms that are still not being implemented or used.

4.2 Internal Factors Evaluation Matrix (IFEM)

This matrix in Table 5 takes inputs from the AMOFHIT analysis and weights criteria according to their importance then the rating represents how well the company is performing in those statements. On the upper side of the matrix, the strengths are rated at a value of 4 or 3 with 4 being a major strength and 3 a minor one while on the lower side the weaknesses found on the analysis are with a value of 2 for the minor weaknesses and 1 for the major ones. From the results given Intercrafts will be considered to have a minor weakness internally because the weighting is below 2.5 in the scale with a 2.12.

4.3 Conclusions

The fact that there is no actual human resource department with clear designated individual in Intercrafts, the General Manager is nearly doing everything to make sure the company is functioning with pace on daily bases, from human resource, marketing and sales, finance and accounting and more. However, overloaded duties and lack of efficiency have cost many delayed in processing which will eventually damage the company. Intercrafts has a valuable know-how product of all the years of experience in the market however the current shortage of sales and bad financials have introduced the company into an internal crisis. Nowadays the organization and staff is experiencing a restructuring process to improve the performance of the company. The IFEM shows that the strength that the company has develops over time are important but the weaknesses are neutralizing them to the point of creating inefficiencies that explain the score of 2.12.

Table 5

Internal Factors Evaluation Matrix (IFEM)

Key Internal Factors	Weight	Rating	Weighted Score
Strengths			
1 Expertise of members of the organization	0.08	3	0.24
2 Strong marketing and sales connections with old customers	0.10	3	0.3
3 Relationship with suppliers	0.10	4	0.4
4 Relationship with Peruvian public and private institutions	0.08	4	0.32
5 Diversified products	0.08	3	0.24
Subtotal	0.44		1.5
Weaknesses			
	Weight	Rating	Weighted Score
1 Inefficient logistics	0.15	1	0.15
2 Dependence on the current customer relations	0.15	1	0.15
3 Dependence on the current administration	0.06	2	0.12
4 Lack of e-commerce capabilities	0.10	1	0.1
5 Financial position	0.10	1	0.1
Subtotal	0.56		0.62
Total	1.00		2.12

Note. Major Weakness (1), Minor Weakness (2), Minor strength (3), Major strength (4)

Chapter V: Interests of the Organization and Long-Term Objectives

This chapter will determine the Interest of Intercrafts as well as the potential of the organisation, the cardinal principles and these will lead to the statement of the long term objectives for this strategic plan. Before the interest of the organization can be identified it needs to be determined where Intercrafts is situated in the Generic Strategy Model (Figure 9). In this model, there are four sections that a company can find themselves in: (a) Cost Leadership – this where the cost is low with a broad target, (b) Cost Focus – this is where the cost is higher with a narrow target, (c) Differentiation – this where the focus is on the broad target while trying to make their products slightly unique, (d) Differentiation Focus – this is focused on creating a special service for a narrow target, and (e) Niche in Cost – targeting a specific market with a product, (f) Niche Differentiation – the act of targeting a specific market with a unique product (D'Alessio, 2015).



Figure 7. Generic Strategy Model

From the above diagram it is illustrated that Intercrafts is in the Cost Focus section of the Model. This is because of the type of industry it is, the products that are being produced and the target market that Intercrafts focuses in. Intercrafts' target is narrow because the industry is very fragmented and as a result they only have a small market share. This is because Intercrafts does not have a large customer market and their customers are focused

only in certain countries. In addition to this, they are in the cost segment because of the lack of uniqueness in the market. The reason for this is because in this industry there are many similar competitors so diversification is difficult and as a result they fall under the cost focus strategy.

5.1 Interests of the Organization

The interests of the organization are the ones that the company intends to achieve at all cost and are vital for them (D'Alessio, 2013). The tightly interconnected relations between CIAP and Intercrafts Peru have always been the vital focus that needs to be developed. Intercrafts is not allowed to pursue profit margin more than 3% due to policies put in place by CIAP's board members which is explained by their current short term oriented policies.

After interviewing Justine Lamarche, the General Manager, along with assessing their current situation, the vital interests of the organization found are the following:

- Developing an efficient market strategy to generate profitability by increasing the number of customers and sales abroad.
- Stabilise the company's finances and reducing the administrative cost (see Appendix A1).
- Improve the productive capacity of the artisans by educating them and improving technical tools.
- Increase the efficiency of the internal processes by having a capable and motivated staff.

5.2 Potential of the Organization

More than ten years of experiences and expertise have consolidated the market position of Intercrafts for handicrafts exports by becoming a reliable trade channel that is efficient and competitive. Even with the low entry barriers and high competitions mentioned previously, consider of what Intercrafts have accomplished since 2002 for it is not difficult to

define the significant growth and development of the company. As experiences and business connections are not built in one day, we identify it as the strongest core competence of the company.

For a detailed analysis of this core competence and potentials we reviewed the AMOFHIT analysis in Chapter four to look at the seven classic functional areas were evaluated: (a) administration and management (b) marketing and sales (c) operations, logistics and infrastructure (d) finances and accounts (e) HR and culture (f) information systems and communications (g) technology, research and development, (D'Alessio, 2013).

The major strength and weaknesses found were the following:

- Intercrafts management has the knowledge and understanding of each member on the organization and relations between suppliers, CIAP and others, as well as the current base of customers that are essentially valuable.
- The company has a strong competence in traditional Marketing expertise that consolidates their market position with several experiences in fair trade exporting. The previous positive achievements in marketing and sales have increased the company's international reputation. However a weak point regarding Marketing of the company is the lack of proper digital sales channels as mentioned previously, the corporations with Amazon and Alibaba have failed and there has not being a clear effort to regain a strong position in these channels. Considering the international markets that Intercrafts would like to expand the business to, it is vital that Intercrafts maximizing their knowledge about the market for discovering new groups of customers for its existing products and services.
- The main weakness that represents a threat for the interest of the organization is the Operations, logics and infrastructure within Intercrafts. It is critical for Intercrafts to minimize the high cost from administration which is now exceeded the margin profit.

The proposed objective is to reduce the administration cost by 20%, which is relevantly possible after the development and implementation in administration and management, marketing and sales, and all the other departments.

- It is also considered for this plan their financial position since the company has no money to invest in possible the implementation of this plan (see Appendix A1).

External factors like the international economic crisis have reduced sales and late payments or order cancellations become a common problem for Intercrafts from 2012 to 2014.

5.3 Cardinal Principles of the Organization

According to D'Alessio (2013), there are four principles that are critical to developing a long term strategy and should be taken into consideration for identifying the opportunities and threats for the organization and its environment: (a) Influence of third parties, (b) Present and past ties, (c) Counterbalance of interest, and (d) Conservation of enemies (competitors).

5.3.1 Influence of third parties

There are direct and indirect influences in Intercrafts' relationships that influence the performance of the company. It is important to understand that bilateral relationships may have third party's interest influences as well (D'Alessio, 2013). Intercrafts as a selling branch of CIAP has a crucial relationship because CIAP's internal politics and decisions affect Intercrafts because changes in the leaders are equal to changes in the board of Intercrafts.

PROMPERU is a clear ally to all exporters in Peru, and as stated in Chapter III has helped Intercrafts with guidance and project development before. Private institutions such as Pontific Catholic University of Peru have also provide help with planning and consulting projects that led to the creation of the current ceramic lab that Intercrafts has. The World Fair Trade Organization is a player that improves the distribution channels for Intercrafts providing access to specialized fairs and network, furthermore it helps Intercrafts shape an

image of a socially responsible image this is very important for some of the consumers in the industry (Lamarche, 2015). But it is important to recognize that it also limits the bargaining power of the company by fixing long terms agreements and fixed payments.

5.3.2 Present and past ties

The relations between CIAP and Intercrafts have offered Intercrafts numerous of opportunities, guaranteed suppliers and quality of the products. This relationship has been built over time developing trust and co-dependence. There is significant variation the number on artisans within the associations of CIAP. The varieties of products have offered Intercrafts international exportation possibilities. Intercrafts are forbidden to purchase any similar designs and products from outside of CIAP that under certain circumstances negatively impacts Intercrafts' competitive advantage in the markets. Intercrafts has also build strong relationships with some of their current customers, due to the nature of fair trade agreements this business is based in long term relationships, both with suppliers and customers.

5.3.4 Counterbalance of interests

There is a common interest among all crafts exporters to promote the cultural diversity of the country and expand into new parts of the world. This objective is also shared with government that trough the Ministry of External Commerce and Tourism invests in this purpose. There is a fierce competition in the industry with independent sellers and big rivals such as Manos Amigas and Allpa that were compared with Intercrafts on Table 3. These actors fight for the same market share as Intercrafts. However theses competitors also share an interest to improve the quality of product and therefore improving the working conditions and technical expertise of the artisans, reducing informality and promoting regular employment.

5.3.5 Conservation of enemies

There are direct and indirect competitors existing. Externally Intercrafts has experienced competitiveness among the private sector in the industry. The company has to be prepared for the increased competitions independent suppliers this incentivizes Intercrafts to create competitive advantages that can cope with the flexibility and low formality. Other companies are offering cheaper prices with good quality. Intercrafts in this way is forced to have a strong marketing presence and exploiting the fact that there is a strong commitment with the community of artisans. Also the organization will have to differentiate itself from the others and find a niche market when expanding. As Intercrafts has to import the handcrafts products almost exclusively from CIAP at a set price, they don't have many options to seek for more suppliers. However, we have discovered that the individual artisans within CIAP associations are also selling products privately to the distributors and retailers at a much cheap price. Because of lack of clear regulation stated within CIAP.

Distributors could potentially become the competitor to Intercrafts as well. As distributors are not limited to Intercrafts only, they have many options in choosing the best sales before exporting to the retailers. They are the expertise that knows about the market up in front so the products that they distribute to the retailers could be selected according to the actual demand of the market. Skipping the distributors and directly connect with the retailers, or even opening own retail stores are seen as solutions for Intercrafts.

5.4 Organizational Interests Matrix (OIM)

The interests of the organization are the ones that the organization is focused in achieving and are of vital importance to be successful in the future. The matrix in Table 6 shows these interests and the possible parties involved with a common or opposite connotation. This are ranked accordingly to the impact they might have to achieve the respecting objectives.

5.5. Long-term objectives (LTO)

The long-term objectives will be achievable by implementing the external strategies and they must be aligned with the vision statement (D'Alessio, 2013).

Table 6

Organizational Interests Matrix

Organizational interest	Level of intensity of interest		
	Vital	Important	Peripheral
Generate profitability by increasing the number of customers and sales abroad. Developing an efficient marketing strategy.	Independent suppliers*	Promperu. Manos Amigas* Allpa*	PUCP Other volunteer institutions
Stabilize the company's finances reducing the administrative cost	CIAP	International Distributors	
Improve the productive capacity of the artisans by educating them and proving technical tools	CIAP	Independent suppliers*	Manos Amigas Allpa
Increase the efficiency of the internal processes by having a capable and motivated staff	Administration and management	Informal market*	

Note. Type: common, opposite*

These Objectives should lead the company to accomplish this vision. Furthermore the long-term objectives must follow 9 essential characteristics: (a) quantitative; (b) realistic; (c) measurable; (d) challenging; (e) understandable; (f) hierarchical; (g) reachable; (h) congruent among business units; and (i) defined in a time horizon (D'Alessio, 2015). For this strategic plan the LTO have also taken into account the financial limitations, the size and amount of employees working for Intercrafts. The long-term objectives for Intercrafts are the following.

First long-term objective (LTO1). This will be to increase the Financial Efficiency of Intercrafts. By 2020 the administration expense should decrease by 20%. In addition to this

the organization will be focused towards having an overall consistency of the amount and reduction of the fluctuation of the marginal rate of the administration expenses. In 2014 the administration cost was 38% of the sales (See Appendix A1).

Second long-term objective (LTO2). There will be an increase in the Financial Growth of Intercrafts. By 2020, it is expected that Intercrafts will exceed sales by moving towards the amount of S/.2.5 million for the organization's sales. This will then increase the average sales of the organization from 6% to 8%.

Third long-term objective (LTO3). By 2020 there will be an increase in the Customer Retention and a 10% increase in yearly customer acquisition for Intercrafts. This will be accomplished by improvements made to the marketing campaigns to convert all information from the old website to the newly establish website to maintain and better assess the benefit of the online platform. The focus will be towards increasing the accessibility of the catalogue of new products and web traffic by 35% to find more practical ways to obtain long-term customers.

Fourth long-term objective (LTO4). By 2020, the goal is to eliminate the need to pay extra hours by developing a process for training that will facilitate knowledge transfer in the organization, reducing the learning curve of new employees to one week approximately. In addition, also providing training for those within the organization and to continuously improve and adopt best practices promoting a formal and disciplined corporate culture. Last year extra hours were paid when dealing with large orders.

5.6 Conclusions

The Interests of the Organization shows that there are many direct and indirect factors that affect the profitability and sustainability of Intercrafts. There are many improvements that can be considered the relationship and dependency of these external parties. For instance, CIAP, from the analysis has a vital importance in the success of Intercrafts in the future since

the success of some of the LTO relays on this aspect. Also, it is realized based on the previous Chapter that Intercrafts has many competitors in the market and there are Government initiative programs that are encouraging individuals and organization to enter the market. Hence, it is imperative for Intercrafts to identify their external opportunities and expected risk to determine that best action plan to grow in the industry.

Furthermore it is vital to achieve the interest of the organization to identify the key players in the industry both for good or bad to power the effect of the good influences and diminish the effect of the opposite interests. Intercrafts can relay to allied institutions that already have a connection with them and it is also important to watch closely the competitors' moves analysing and identifying their strategy regarding Intercrafts. The General Manager knows that there are strong customers in Europe and the US but realize that there needs to be diversification in the dependency on these large buyers. Even with Intercrafts' experience in the market, there still needs to be some improvements in the process and the communication so it would be good to identify other organizations such as Manos Amigos and Allpa that have diversified and expanded their original business plan (Lamarque, 2015).

Chapter VI: The Strategic Process

6.1 Strengths, Weaknesses, Opportunities and Threats Matrix (SWOTM)

The aim of this section is to analyse the internal environment of Intercrafts Peru (strengths and weakness) in order to strategically better prepare the company for changes in the external environment (opportunities, threats). For this purpose we have applied the SWOT Analysis Matrix tool to understand the strategic options that Intercrafts can choose from if any threats or opportunity appears in future.

Table 7 illustrates possible OS strategies that Intercrafts can use to take advantage of external opportunities by using their strengths; ST strategies minimizes external threats using the company current strengths; while WO strategies can be used to minimize weaknesses by capitalizing on external opportunities that might arise; and the WT strategies can be adopted to minimize weakness and mitigate threats. This tool is used to navigate management on how to better deal with opportunities, minimize threats and generate strategically for each possibilities. WT defensive strategies might be used to prevent the company from losing because it combines the internal weaknesses and the occurrence of external threats, while SO will guide the decision makers at Intercrafts to maximize the benefits from potential opportunities by using the company strengths.

- SO strategies-exploit:

To use the strengths of Intercrafts while maximizing the potential opportunities of the market the strategies are the following:

1. Participate on global art exhibitions.
2. Participate and advertise on indigenous Latin artworks events.
3. Promote Peruvian handcrafts and culture by collaboration with the Peruvian government.
4. Alliance with international handcrafts retailers to sell Intercrafts' products.

- WO strategies-seek:

The strategies to improve Intercrafts weak point to benefit from external opportunities are the following:

1. Partnership with an international retailers or distributor that can exchange practices to improve the internal process of production.
2. Partnership with art instructors/students to teach artisans new designs and technics.
3. Cost oriented strategy by restructuring internal process and human capital focusing on efficiency.

- ST strategies-confront:

In this section Intercrafts is advised to use their strengths to confront external threats using the following strategies:

1. Focus in products with more return to reduce the risk and costs involved.
2. Focus on unique products and high end clients.
3. Build alliances with competitors creating synergies.

- WT strategies-avoid:

Intercrafts weaknesses that also converge with threats on the environment of the industry must be minimized and avoid using the following strategies:

1. Establish new line aiming the high end of the market.
2. Develop new products to target the segment where competitors are not reaching the same clients.
3. Create manuals and procedures, documenting of each job process to standardize the work process.

6.2 Strategic Position and Action Evaluation Matrix (SPACEM)

The SPACEM matrix that is presented in Figure 9 is generated to establish a strategic position for the company according to an external and internal evaluation. The external

evaluation ranks the industry strength and the environmental stability while the internal evaluation ranks the financial strengths and the competitive advantages of the organization. The Following External and Internal Evaluations in Tables 8 and 9 respectively, are used as the inputs for the Figure 9.

The inputs in this matrix are going to provide specific coordinates that will determine where Intercrafts is in one of the four quadrants in Figure 9. The first table shows that the industry is not doing very well now after the international crisis. Even though the external analysis prepared in chapter 3 show that the industry is declining at the moment, the SPACEM analysis and matrix provides further insights on the potential that the industry might have in the next five years. Furthermore as shown in Table 8, Porte's 5 forces analysis show that the barriers of entrance are low and the competition level is very high, these two factors lowered the score for the industry analysis in the SPACE matrix.

For the internal analysis, Table 8, it is seen that the company's processes are inefficient at the moment competing with disadvantage with other players in the market however the strong internal factors are the relationships that Intercrafts has built in its years of operations and this has also led to integrate with important suppliers such as CIAP members.

The Analysis positions Intercrafts in the competitive quadrant means that the company needs improve its competitiveness by becoming a more efficient organization in an industry that shows some potential. The external alternative strategies that correspond to this quadrant are: (a) Concentric fusion, (b) conglomerated fusion, (c) reconversion, (d) differentiation. Since the results are close to land on the defensive quadrant and given the critical internal financials of the company it is also important to consider the following defensive strategies: (a) cost reduction, (b) entrenchment, (c) dispossession.

Table 7

SWOT Matrix

		Strengths: S	Weaknesses: W
SWOT Matrix		1 Expertise of members of the organization.	1 Inefficient logistics.
		2 Strong marketing and sales connections with old customers.	2 Dependence on current customer relations.
		3 Relationship with suppliers.	3 Dependent on current administration.
		4 Relationship with Peruvian institutions.	4 Lack of e-commerce capabilities
		5 Diversified products.	5 Financial position.
Opportunities: O		Strategies: SO	Strategies: WO
1	Government's assistance.	1 Participate on global art exhibitions (S1, S4, and O1).	1 Partnership with an international retailers or distributor that can exchange practices to improve the internal process of production (W1, W2, and O4).
2	Usage of e-commerce.	2 Participate and advertise on indigenous Latin artworks events (S3, S4, O3, and O4).	2 Partnership with art instructors/students to teach artisans new designs and technics (W2, W5, O3, O4).
3	Diversity/range of the market.	3 Promote Peruvian handicrafts and culture by collaboration with the Peruvian government (S4, S5, O1, and O4).	3 Cost oriented strategy by restructuring internal process and human capital focusing on efficiency (W1, W2, W4, W5, O1, and O2).
4	Strategic alliances possibilities.	4 Alliance with international handicrafts retailers to sell Intercrafts' products (S1, S5, O1, and O4).	
Threats: T		Strategies: ST	Strategies: WT
1	Informal labor in Peru.	1 Focus in products with more return to reduce the risk and costs involved (S2, T2, T3).	1 Establish new line aiming the high end of the market (T3, T4, W4, and W5).
2	Currency exchange fluctuation.	2 Focus on unique products and high end clients (T5, S3, S4, and S5).	2 Develop new products to target the segment where competitors are not reaching the same clients (T5).
3	International crisis.	3 Build alliances with competitors creating synergies (S1, S2, S3, T3, and T4).	3 Create manuals and procedures, documenting of each job process to standardize the work process (W1, W3, W5, T1, and T5).
4	Switch in customer preferences.		
5	Technological/packaging standards.		
6	Poor working conditions.		

Table 8

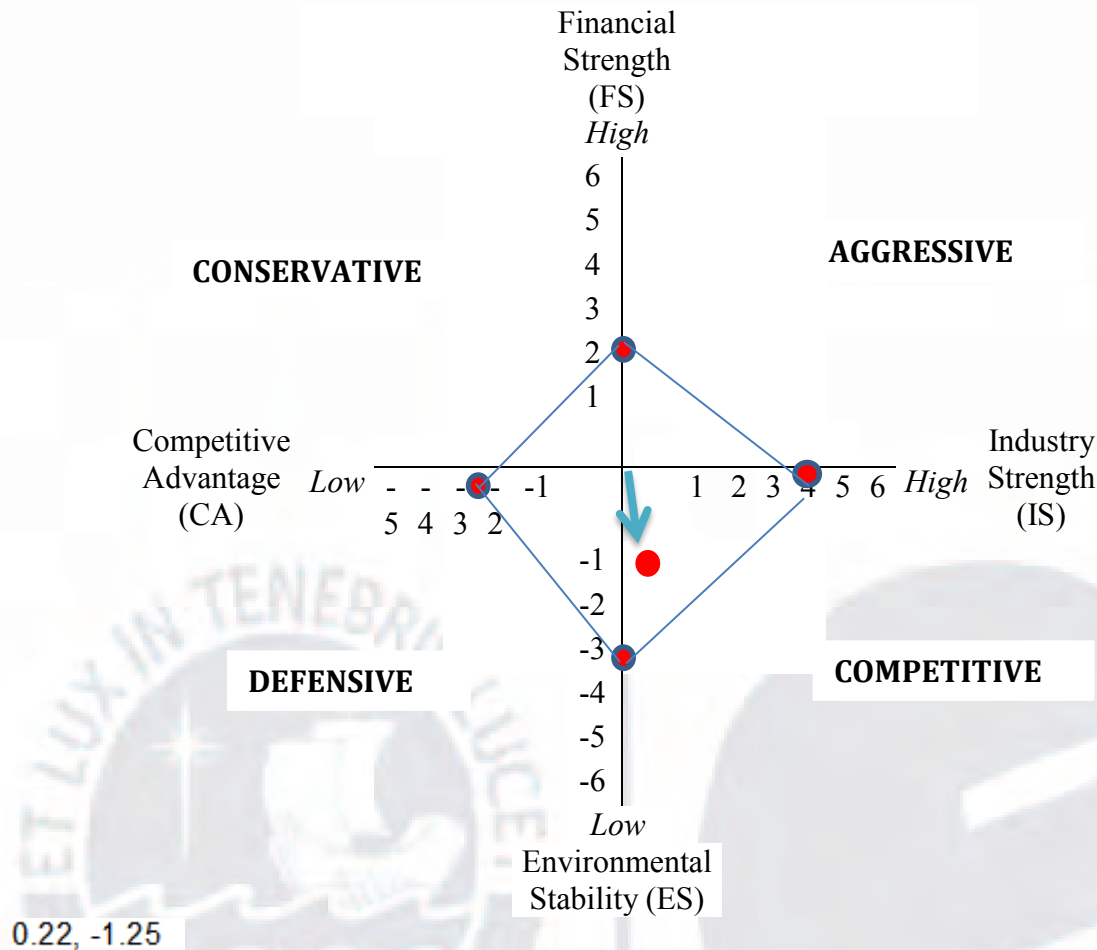
Strategic External Factors

Critical industry strength factors (IS)										Value
Growth potential	Low	0	1	2	3	4	5	6	High	4
Profit potential	Low	0	1	2	3	4	5	6	High	5
Financial stability	Low	0	1	2	3	4	5	6	High	2
Technological knowledge	Simple	0	1	2	3	4	5	6	Complex	3
Use of resources	Inefficient	0	1	2	3	4	5	6	Efficient	3
Capital intensity	Low	0	1	2	3	4	5	6	High	3
Ease to enter the market	Easy	0	1	2	3	4	5	6	Hard	2
Productivity/Use of capacity	Low	0	1	2	3	4	5	6	High	3
Bargaining power of suppliers	Low	0	1	2	3	4	5	6	High	4
Average										3.22
Critical environmental stability factors (ES)										Value
Technological changes	Many	0	1	2	3	4	5	6	Few	5
Inflation rate	High	0	1	2	3	4	5	6	Low	6
Demand variability	Big	0	1	2	3	4	5	6	Small	1
Competitors products price range	Wide	0	1	2	3	4	5	6	Narrow	3
Barriers to enter the market	Few	0	1	2	3	4	5	6	Many	2
Rivalry/pressure for the demand	High	0	1	2	3	4	5	6	Low	1
Price elasticity	Elastic	0	1	2	3	4	5	6	Inelastic	2
Pressure from substitute products	High	0	1	2	3	4	5	6	Low	3
Average-6										-3.13

Table 9

Strategic Internal Factors

Critical industry strength factors (IS)										Value
Growth potential	Low	0	1	2	3	4	5	6	High	4
Profit potential	Low	0	1	2	3	4	5	6	High	5
Financial stability	Low	0	1	2	3	4	5	6	High	2
Technological knowledge	Simple	0	1	2	3	4	5	6	Complex	3
Use of resources	Inefficient	0	1	2	3	4	5	6	Efficient	3
Capital intensity	Low	0	1	2	3	4	5	6	High	3
Ease to enter the market	Easy	0	1	2	3	4	5	6	Hard	2
Productivity/Use of capacity	Low	0	1	2	3	4	5	6	High	3
Bargaining power of suppliers	Low	0	1	2	3	4	5	6	High	4
Average										3.22
Critical environmental stability factors (ES)										Value
Technological changes	Many	0	1	2	3	4	5	6	Few	5
Inflation rate	High	0	1	2	3	4	5	6	Low	5
Demand variability	Big	0	1	2	3	4	5	6	Small	2
Competitors products price range	Wide	0	1	2	3	4	5	6	Narrow	3
Barriers to enter the market	Few	0	1	2	3	4	5	6	Many	2
Rivalry/pressure for the demand	High	0	1	2	3	4	5	6	Low	1
Price elasticity	Elastic	0	1	2	3	4	5	6	Inelastic	2
Pressure from substitute products	High	0	1	2	3	4	5	6	Low	4
Average-6										-3.00



0.22, -1.25

Figure 8. Strategic Position and Action Evaluation Matrix (SPACEM)

The specific advised strategies are:

- Concentric fusion, by focusing on the products that have a better return of investment as the textiles from Puno and ceramic production from all the suppliers.
- Product Development, by producing unique designs, establishing strategic alliances with design and art students that can provide a unique competitive advantage to stand out in a saturated and competitive industry.
- Cost reduction, by not paying overtime when bottlenecks occur in the plant.
Restructuring the logistics and processes and reducing the inventory holding costs.
- Dispossession, by selling the land that Intercrafts acquired in January of 2006 and that is currently not being used.
- Targeting the high end of the market with innovative designs and marketing

6.3 Boston Consulting Group Matrix (BCGM)

The main purpose of this section is to analysis the international customers based in their country; to understand where the market share is growing for Intercrafts and which market generates positive cash flow. For this purpose we are using Boston Consulting Group Matrix (BCGM) which mainly developed to analysis the company product portfolio and categorize them into four types star performers, cash cows, dogs, or question marks based on growth rate, market share, and positive or negative cash flow (D'Alessio, 2013). However, the model can be modified to be used based on the company's nature and its industry. One example of modification of the BCGM model is done by Haltofová & Palvĺna where they show the possibility of the application of the Boston Matrix within Financial Analysis of NGOs (Haltofová & Štěpánková, 2014).

In the case of Intercrafts we decided to apply Boston Consulting Group Matrix to the international market and allocate countries based in their growth rate, market share, and positive or negative cash flow (see Figure 9). The company sells hundreds of products and it would be more logical to focus on countries rather than products as the company core business is exporting handcraft to the global market. Based on Intercrafts Peru Inc. sales data for the period 2008 to 2013 we can categorize the company countries portfolio as follows:

- Italy is a star as it has more than 64% of the market share but in the same time requires more investment in art exhibits and marketing to gain more market share.
- France and Germany are cash cows for Intercrafts Peru Inc. as the company mostly rely on reputations and repeated customers from these countries. The company should not spend money to expand their client base from these markets to enjoy the cash without spending more in marketing.
- United States market for Intercrafts Peru Inc. is a question mark because the company has growing market share but still the market share is a low 9% of the

company sales. The company needs to think strategically to win more customers from the US to make this market move into a star performance. An increase on investment in market or product that is categorized as a question mark might lead this category to be a dog. Intercrafts management needs to analysis the US market carefully and seek the best strategy to gain this market.

- Spain and Australia for Intercrafts Peru Inc. are dogs market because both have low market share and low growth rate. The company should minimize such markets in their targeted markets and shift their efforts towards other markets such as the US and Italy.

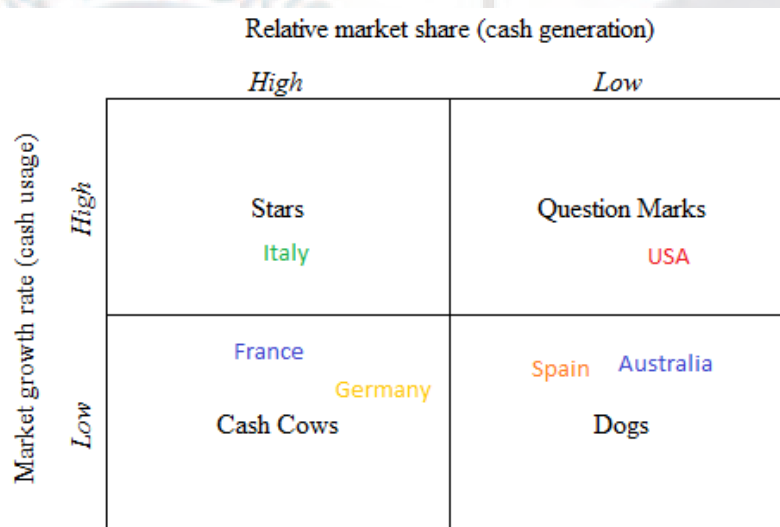


Figure 9. The Application of Boston Consulting Group Matrix (BCGM) on Intercrafts

The specific strategies that applied to Intercrafts are the following:

- Disengage from the Australian and Spanish markets thus eliminating the investment to sell there.
- Design innovative products targeting the German and French markets.
- Participate on tradeshows in Southern Europe to gain access to new customers there.

6.4 Internal-External Matrix (IEM)

The aim of this section is evaluate Intercrafts Peru Inc. both external and internal environments using the Internal Factor Evaluation (IFE) and External Factor Evaluation

(EFE) weighted averages to understand which strategies to use by the company internally and against rivals. The Figure 11 shows a weak position of Intercrafts as plotted both total weighted score from an (IFE) and (EFE) on an IEM matrix; The company scored 2.12 for (IFE) and scored 1.87 for the (EFE) the company is located in the third region in and the cell (VIII) which means the company position in the (Harvest or Divest).

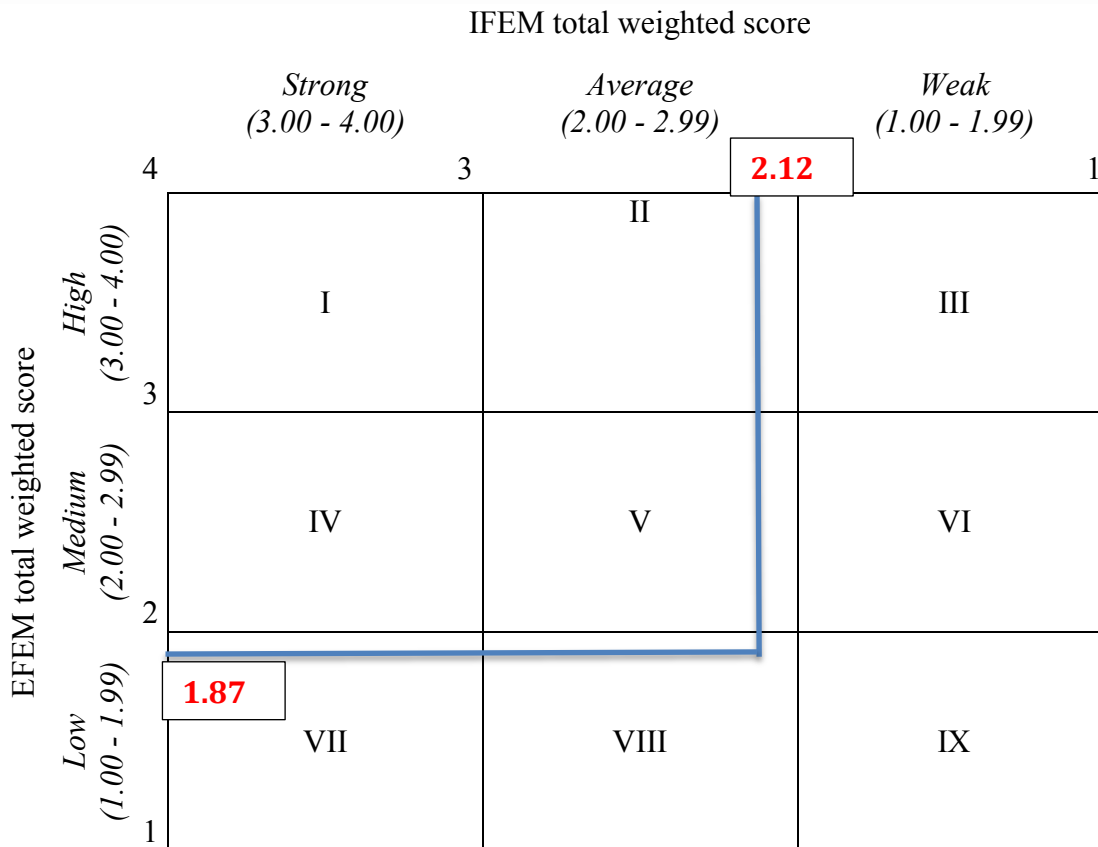
Companies located in the (Harvest and Divest) are suggested to use defensive strategies (D'Alessio, 2013). Intercrafts lack of efficiency in operation, poor profitability, and strong pressure from the shareholders. The result obtained from Figure 11, the matrix suggests the company uses defensive strategies and needs to improve the internal operation in order for the company to survive and be profitable in the long run. The specific strategies are the following:

- Reduce the cost of operations by restructuring the packaging processes to make them more efficient.
- Evaluate the staff's performance to reallocate/restructure human resources
- Reduce the number of products offered focusing on the most successful ones and improving them.
- Selling assets to inject cash in the company.

6.5 Grand Strategy Matrix (GSM)

The GSM shows a relationship between how competitive Intercrafts is in the industry and how fast the industry is growing. This analysis shown in Figure 12 is supported by the internal and external analysis done in Chapter III and IV. The specific strategies applied to this matrix are the following:

- Dispossession, selling assets to refresh the cash flow of the company.
- Concentric Diversification, by innovating with new designs involving the artisans in exclusive production for Intercrafts.



Region	Cells	Prescription	Strategies
1	I, II, IV	Grow and construct	Intensive Integration
2	III, V, VII	Retain and maintain	Market penetration Product development
3	VI, VIII, IX	Harvest or divest	Defensive

Figure 10. Intercrafts' External-Internal Matrix

- Entrenchment, by reducing the administrative cost and restructuring the processes.
- Conglomerate diversification, developing products non-related to the process to gain new customers using Intercrafts reputation.
- Liquidation, selling all the company assets.

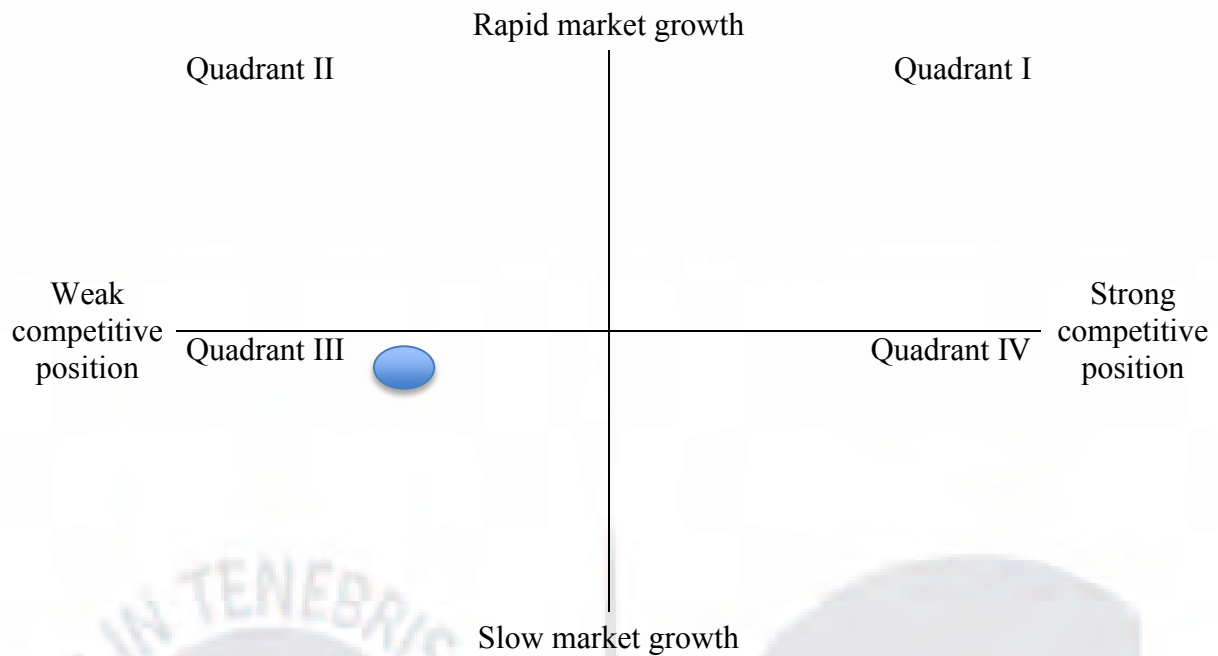


Figure 11. Grand Strategy Matrix for Intercrafts (GSM)

6.6 Strategic Decision Matrix (SDM)

The Strategic Decision Matrix on Table 10 presented below conglomerates all the matrixes on this chapter with the purpose of finding strategies that repeat. Then those strategies will be used on the Quantitative Decision Matrix (D'Alessio, 2013). The alternatives that were repeated for three or more times will be kept and named retained strategies.

6.7 Quantitative Strategic Planning Matrix (QSPM)

This matrix uses as inputs, the threats and opportunities from the EFE Matrix and the Strengths and weaknesses from the IFE Matrix with their respective weight. These inputs are matched with the strategies from the SDM. Each strategy provides value for the criteria from the IFEM and EFEM and then these values shown in Table 9 below are weighed to generate a score. If the strategy scores 5 or more it means that it is retained if not it is discarded. The strategies that scored more than 5 are: (a) Product development, improving the designs of the

products by building alliances with art students and professionals; (b) Defensive strategy by restructuring the human capital and processes, reducing the administrative cost; and (c) Market penetration by targeting the high end of the market with refined and innovative designs (Table 11).

6.8 Rumelt's Matrix (RM)

The Rumelt's Matrix (RM) named after Professor Richard Rumelt is described as a model that is used to identify the leading ideas of the diversified strategy based on factors such as the advantage, acceptance, and the ease to which the task can be carried out shown in Table 12. According to this strategy, the test use the factors from the Quantitative Strategic Planning Matrix in the previous section that uses the ones that have a rate of five and above. From the previous Matrix improving the designs of the products by building alliances with art students and professionals, Restructure the human capital and the processes, reducing the administrative cost, and Targeting the high end of the market with refined and innovative products are the only ones that ranked above.

From the research done in the previous section and along with making an educated assumption, all three of the strategies passed the test and can be used for the analysis. In respect to the consonance, the rate in which the organization can adapt to the changes in the environment will affect the success of the strategies that will be implemented. However, this will be very hard to evaluate since this will be based on external factors that were mentioned in the SWOT in which Intercrafts will have no control over.

6.9 Ethical Matrix (EM)

This matrix is generated to see if the strategies retained violate any rights or laws. It is important to implement this matrix to guarantee the success of the strategies chosen (D'Alessio, 2013). None of the three strategies that remain in this strategic process violates or goes against any of the values states in Table 13.

6.10 Retained and Contingency Strategies

The strategies that remain after all the filters in this chapter are: (a) Product development via strategic alliances, improving the designs of the products by building relationships with art students and professionals; (b) Defensive strategy that consist on a restructure of the human resources, processes and tasks developing formal manuals and procedures to reduce administrative cost; (c) Market penetration, targeting the high end of the market with refined and innovative products differentiating from the competition.

Then it is also important to list some contingency strategies because the strategic process is not meant to be static, as conditions in the market and the company change this strategic process should be reviewed and therefore taking into account a list of contingency strategies that were discarded at some point: (a) Defensive strategy that consists on selling assets to increase cash flow, land or machinery not in use or non-vital for the operations. In case environment does not evolve as expected; (b) Entrenchment strategy, focusing on product with more return and eliminating wide variety from the catalog losing market but reducing cost and variability.

In the Quantitative Strategic Planning Matrix on table 11 strategies (a) and (b) listed above as contingency strategies could be also be retained and implemented in this plan because even though their score is lower than 5 the difference could be taken into consideration since only three strategies where retained after this matrix. These three strategies are deliberately taken just as contingency strategies because of the following reasons: (a) These strategies contradict the intention of retained strategies with a higher score, (b) The lack of personal available capable to cope with more than three strategies at the time, and (c) Some of the contingency strategies can potentially hurt current strengths of the organization. This way the contingency strategies create set of tools to react to unexpected changes in the environment that could affect negatively the retained strategies.

6.11 Long-term Strategies vs. Objectives Matrix (LST vs. OM)

The LST vs OM is a matrix that can determine how the objectives will coincide with the long-term strategies of the organizations in Table 14. From the analysis, three of the four strategic objectives have gotten a total of three whereas one got a total of two as the total. From the analysis it can be seen that there is a strong pull towards the 1st, 2nd, and 4th long-term objectives in the matrix and the rest of the information can be seen in the matrix.

6.12 Competitive Possibilities Matrix

The Competitive Possibilities Matrix matches the selected strategies for Intercrafts and states possible reactions by the competition or substitute products. In this case as shown in Table 15 the current competitors are Manos Amigas and Allpa, also considering International Exporters as possible competitors or substitutes. This information provides information about their possible reaction to Intercrafts strategies and in that way makes it possible to stay ahead of them in the implementing phase.

6.13 Conclusion

From the analysis it can be seen that there are a number of internal factors that affect Intercrafts compared to external factors. With that being said, it still does minimize the extent to which these factors can possibly improve and hinder the growth rate of the organization. But even with the competitive advantage being high the financial advantage is considerably low compared so there needs to be diversification in the way Intercrafts does their business. In addition to this, the markets that Intercrafts has engaged in is diverse in the way it is situated in the BCGM but like the analysis says there is a strong pull towards France and Germany and with the expansion of the customer base, can improve the reliance on two countries. It also suggests that Intercrafts uses mainly defensive strategies to operate their business and as a result need to improve on the internal structure of the company but with the lack of a rapidly growing industry, the incentive tends to be much lower than if the industry

had a higher rate of growth. In the Quantitative Decision Matrix, the strategies were compared to the matrices that were used in the previous sections. From that assessment and comparison in the ethical table to determine if the strategies coincide with laws. Thereafter, after all the assessment it was determine that because the industry, it will be quite difficult to gain an overall advantage in the market but through the use of restructuring can greatly benefit the organization.



Table 10

Strategic Decision Matrix (SDM)

Alternative strategies	Specific strategies		Matrix					Total
			SWOT	SPACE	BCG	IE	GS	
Product development	Improving the designs by building alliances with students and professionals	1	X	X			X	3
Defensive, entrenchment	Cost reduction restructuring the logistics processes and increasing efficiency	2	X	X		X		3
Forward vertical integration	Partnership with international distributors to gain know how	3	X					1
Vertical integration backwards	Settling long term goals together with CIAP	4	X					1
Conglomerate diversification	Developing non-related products to gain new customers	5	X				X	2
Market penetration	Targeting the high end of the market with innovative designs and marketing	6	X	X	X			3
Defensive, entrenchment	Cost reduction restructuring all the human resources, tasks and procedures. Creating manuals	7	X			X	X	3
Defensive, dispossession	Sell assets to increase cash flow such as land or machinery	8		X		X	X	3
Defensive, Concentric fusion	Focusing on products with more return and eliminating wide variety	9	X	X	X	X		4
Market development	Participate in International tradeshows to access new markets	10	X		X			2
Liquidation	Selling all the assets of the company	11					X	1
Market penetration	Focus on Participating in Indigenous art work exhibitions	12	X					1
Market development	Build an alliance with the Peruvian government to enter new markets	13	X					1
Horizontal integration	Share marketing with competitors to build alliances to create synergies	14	X					1

Table 11

Quantitative Strategic Planning Matrix (QSPM)

Key Factors	Weight	Strategic Alliance				Defensive Strategies				Market development			
		Rating	Weighted Score	Rating	Weighted Score	Rating	Weighted Score	Rating	Weighted Score	Rating	Weighted Score	Rating	Weighted Score
		Improving the designs of the products by building alliances	Cost reduction restructuring logistic processes and increasing efficiency	Restructure the human resources, processes and tasks developing formal procedures	Sell assets to increase cash flow, land or machinery not in use	Focusing on product with more return and eliminating wide variety from the catalog	Targeting the high end of the market with improved products and marketing						
Opportunities													
1 Government/SIICEX Assistance	0.10	2	0.20	2	0.20	2	0.20	1	0.10	2	0.20	4	0.40
2 Effective use of e-commerce	0.08	4	0.32	1	0.08	4	0.32	2	0.16	3	0.24	4	0.32
3 Diversity/range of the market	0.15	4	0.60	2	0.30	2	0.30	1	0.15	1	0.15	4	0.60
4 Strategic alliances	0.12	4	0.48	3	0.36	2	0.24	2	0.24	3	0.36	3	0.36
Threats													
1 Informal labor in Peru	0.15	3	0.45	3	0.45	4	0.60	1	0.15	2	0.30	1	0.15
2 Currency exchange	0.10	1	0.10	1	0.10	1	0.10	1	0.10	2	0.20	1	0.10
3 International crisis/Recession	0.12	2	0.24	3	0.36	3	0.36	4	0.48	4	0.48	1	0.12
4 Switch in customer preferences	0.06	3	0.18	3	0.18	3	0.18	3	0.18	4	0.24	3	0.18
5 Poor working conditions	0.08	1	0.08	4	0.32	4	0.32	4	0.32	1	0.08	2	0.16
6 Packaging standards	0.04	3	0.12	4	0.16	3	0.12	1	0.04	3	0.12	3	0.12
Strengths													
1 Expertise of members of the organization	0.08	3	0.24	3	0.24	3	0.24	2	0.16	4	0.32	3	0.24
2 Strong marketing and sales connections with old customers	0.10	4	0.40	2	0.20	2	0.20	3	0.30	3	0.30	4	0.40
3 Suppliers relations	0.10	4	0.40	2	0.20	3	0.30	4	0.40	1	0.10	3	0.30
4 Relationship with Peruvian public and private institutions	0.08	4	0.32	1	0.08	1	0.08	2	0.16	2	0.16	4	0.32
5 Diversified products	0.08	4	0.32	3	0.24	2	0.16	1	0.08	1	0.08	3	0.24
Weaknesses													
1 Inefficient logistic	0.15	1	0.15	4	0.60	4	0.60	1	0.15	3	0.45	1	0.15
2 Dependence on the current customer relations	0.15	4	0.6	1	0.15	1	0.15	1	0.15	1	0.15	4	0.60
3 Dependence on the current administration	0.06	3	0.18	4	0.24	4	0.24	1	0.06	1	0.06	3	0.18
4 Lack of e-commerce capabilities	0.10	1	0.10	1	0.10	3	0.30	1	0.10	2	0.20	1	0.10
5 Financial Position	0.10	1	0.10	4	0.40	4	0.40	4	0.40	1	0.10	2	0.20
Attractiveness Score	2		5.58		4.96		5.41		3.88		4.29		5.24

Not attractive (1), Somewhat attractive (2), Attractive (3), Very attractive (4)

Table 12

Rumelt's Matrix (RM)

Specific Strategies	Consistency	Consonance	Viability	Advantage	Acceptance
Improving the designs of the products by building alliances with art students and professionals	Alternative strategy				
	Yes	Yes	Yes	Yes	Yes
Restructure the human capital and the processes, reducing the administrative cost	Alternative strategy				
	Yes	Yes	Yes	Yes	Yes
Targeting the high end of the market with refined and innovative designs and marketing	Alternative strategy				
	Yes	Yes	Yes	Yes	Yes

Table 13

Ethical Matrix

Rights	1	Impact on the right to live Violates _____	Neutral _____	Promotes <u>1,2,3</u>
	2	Impact on property rights Violates _____	Neutral _____	Promotes <u>1,2,3</u>
	3	Impact on the right of free thought Violates _____	Neutral _____	Promotes <u>1,2,3</u>
	4	Impact on the right of privacy Violates _____	Neutral _____	Promotes <u>1,2,3</u>
	5	Impact on the right of freedom of conscience Violates _____	Neutral _____	Promotes <u>1,2,3</u>
	6	Impact on the right to talk freely Violates _____	Neutral _____	Promotes <u>1,2,3</u>
	7	Impact on the right to proper processes Violates _____	Neutral _____	Promotes <u>1,2,3</u>
Justice	8	Impact on the distribution Fair <u>1,2,3</u>	Neutral _____	Unfair _____
	9	Fairness in the administration Fair <u>1,2,3</u>	Neutral _____	Unfair _____
	10	Compensation rules Fair <u>1,2,3</u>	Neutral _____	Unfair _____
Utilitarianism	11	Strategic goals and results Excellent <u>1,2,3</u>	Neutral _____	Harmful _____
	12	Strategic means employed Excellent <u>1,2,3</u>	Neutral _____	Harmful _____

Table 14

Long Term Strategies vs. Objectives Matrix

Vision					
Become the largest seller of crafts from Peru by 2020. Exporting Peruvian culture to different parts of the world, being a reliable distribution channel that is efficient and competitive while contributing to the sustainable development of Peruvian artisans their associations and environment.					
Long term objectives					
Strategies/Objectives	Decreasing administration exp. By 20%	Increase sales by S/2.5 million	10% Increase customer acquisition	Eliminate extra hours payments	Total
1 Improving the designs of the products by building alliances with art students and professionals		X	X	X	3
2 Restructure the human resources, processes and tasks developing formal procedures	X	X		X	3
3 Targeting the high end of the market with refined and innovative products		X	X	X	3

Table 15

Competitive Possibilities Matrix

Strategies/Competitors	Manos Amigas	Allpa	Non-Peruvian Exporters
1 Improving the designs of the products by building relationships with art students and professionals	Keep on competing by low cost option with traditional designs	Compete with new designs or keep on low cost option	Take control of the distribution channels in their correspondent market
2 Defensive strategy that consist on a restructure the human resources, processes and tasks developing formal manuals and procedures to reduce administrative cost	Low capacity of reaction	Low capacity of reaction	No reaction
3 Targeting niches in the high end of the market with refined and innovative products and marketing.	Keep on competing by low cost option with traditional designs	Try to implement a similar line fighting over that segment	Increase the barriers to enter some of the markets

Chapter VII: Strategic Implementation

The previous stages of this strategic plan were focused on planning however this chapter is focused on the implementation stage and its main focus is to provide the tools to execute the findings previously stated. After discovering the long-term objectives (LTO) in the previous planning stages of this plan, this chapter provides execution strategies through the design of the short-term objectives (STO) described in Tables 16,17,18, and 19. According to D'Alessio the implementation stage needs to take into account the critical elements: (a) short term objectives, (b) politics, (c) resources, and organizational structure (D'Alessio, 2013).

7.1 Short-Term Objectives

The short-term objectives are assigned to every one of the four long-term objectives in Chapter V. In this way a long-term objective is a sum of short-term objectives that are provided as milestones in the way to achieve the LTO and therefore achieving the Vision (D'Alessio, 2013).

Table 16

Short-Term Objectives 1 (STO 1)

Long Term Objective	
LTO 1	Increase the Financial Efficiency of Intercrafts. By 2020 the administration expense should decrease by 20%. The organization will be focused towards having an overall consistency of the amount and reduction of the fluctuation of the marginal rate of the administration expenses.
Short Term Objectives	
STO 1.1	By the end of 2015 reduce the packaging time in 10% by creating a new logistic process. Restructuring the packaging processes together with the employees to complete orders.
STO 1.2	By 2017 reduce the administration cost in 10%. Setting up budgets for every quarter of the year by allocating resources on well-defined goals and have strict control over those budgets.
STO 1.3	By mid-2016 get 1 signed agreement with CIAP member. Agree on the allocation of resources explaining the relationship between the short-term and the long-term.

Table 17

Short-Term Objectives 2 (STO 2)

Long Term Objective	
LTO 2	There will be an increase in the Financial Growth of Intercrafts. By 2020, it is expected that Intercrafts will exceed revenues by moving towards the amount of S/.2.5 million for the organization's sales. This will then increase the average sales of the organization from 6% to 8%.
Short Term Objectives	
STO 2.1	By the beginning of 2016 develop 10 new designs. Building a strategic alliance with the PUCP's art faculty by having students to talk with the artisans and compete for creative designs to support Intercrafts product development and promote themselves around the world.
STO 2.2	By the end of 2015 rebuilt Intercrafts web page. Focusing on English as a main language targeting distributors and customers.
STO 2.3	By 2017 increase the sales average in 16%. Negotiate with CIAP to create sales commission by offering a percentage of the sale to distributors and retailers in the Target Markets.

Table 18

Short-Term Objectives 3 (STO 3)

Long Term Objective	
LTO 3	By 2020 there will be an increase in the Customer Retention and acquisition by 10% increase in yearly customer acquisition for Intercrafts. The focus will be towards increasing the accessibility of the catalogue of new products and web traffic by 35% to find more practical ways to obtain long-term customers.
Short Term Objectives	
STO 3.1	Increase the web-sales by 30%. Allocate three quarters of the sales budget resources to web sales, encouraging the use of English both for the web and the employees.
STO 3.2	Introduce a membership system for the current consumer base. Sending information about the artisans and a catalog with new and old products to get feedback and trend information. Increase in 10% sales to old customers by the end of 2016.
STO 3.3	Negotiate with CIAP and PROMPERU for the creation of promotional videos about Peruvian culture linked to the artisan's work. Publishing this videos on the new web no later than mid-2016

Table 19

Short-Term Objectives 4 (STO 4)

Long Term Objective	
LTO 4	By 2020, the goal is to eliminate the need to pay extra hours by developing a process for training that will facilitate knowledge transfer in the organization, reducing the learning curve of new employees to one week approximately. In addition, also providing training for those within the organization and to continuously improve and adopt best practices promoting a formal and disciplined corporate culture.
Short Term Objectives	
STO 4.1	Have a rotation on the employees that attend the weekly meeting with CIAP to develop relationship with the artisans associations and gain knowledge about the production process.
STO 4.2	Have monthly evaluations on performance of the employees. Establishing a reward system by acknowledging the best employee and having him/her talked to the others about his/her experience.
STO 4.3	By the end of 2016 increase the efficiency of logistics in 10%. Developing a manual for the storage staff and the packaging and dispatching systems. Having employees collaborating in the creation of this manual but also focusing on Efficiency and gathering information for the company.

7.2 Resources Allocated To Short-Term Objectives

To implement the short term objectives it is important to know which resources are needed and where are they going to be allocated. There are seven types of resources: (a) materials (direct or indirect), (b) labor or machines (productive assets), (c) methods (systems and procedures), (d) mentality (working environment, organizational culture that will enable change), (e) environment, and (f) money (D'Alessio, 2013).

The resources needed for each set of short-term objectives will be the following:

STO1. From Human Resources, the general manager and the employees in the logistics area and the external accountant will need to dedicate a lot of their time. The area will be focused on the machinery that consists of the servers and printers. For this to work, the basic Microsoft Office Suite will be used for the STO 1.1. Furthermore Money needs to

be allocated for extra time that the external accountant on STO 1.2 and for transportation on STO 1.3.

STO2. Since these objectives are about Human Resources, time needs to be invested from the general manager and the sales department. Money will also be required to hire an external web design specialist to work on STO 2.2 and also for transportation on STO 2.1.

STO3. From Human Resources on 3.1 and 3.2 time from the sales manager is required and for STO 3.3 time from the general and administrative managers is required. Money with three quarters of the sales budget is required for STO 3.1. Machinery such as servers are needed.

STO4. From Human Resources perspective, all of the staff is needed for STO 3.1 and STO 4.2. For the STO 4.3, time is needed from the logistics department. For technology, a basic Microsoft Office suite is required for STO 4.3 complete with machinery such as servers and office utility. An environment mentality and cultural change is needed for STO 4.3 having to reorganize all the packaging and loading area.

7.3 Policies for each Strategy

The politics of the company shape the road that the company is going to follow for this strategic plan. Based on the values and code of ethics in chapter II the rules and practices promoted by Intercrafts are as follows:

- Policy 1. Promote a commitment to the development of the artisans working with Intercrafts and to generate sustainable social and economic empowerment.
- Policy 2. Work in accordance to the Peruvian legal framework by contributing to the development of Transparency and formal labor development in the country.

- Policy 3. Respect and promote the cultural Identity and background of all the stakeholders without discriminating under any basis; promoting equity of gender ethnic background and culture.
- Policy 4. Respect and promote fair trade, paying a fair price and committing to long-term distribution of Peruvian crafts for the development of the communities involved.
- Policy 5. Report and condemn child and forced labor. Ensure that the products being distributed are contributing to employment of parents and people in need to improve their current status.
- Policy 6. Allow freedom of speech for all the employees and artisans to express. Promoting meetings and developing standard channels to share ideas and thoughts in the company.
- Policy 7. Ensure safety and good health conditions. Respecting formal labor hours and all of the statements provided by law.
- Policy 8. Promote Knowledge development of the artisans and the employees. Recognizing knowledge transfer as an asset for the organization.

The relationship of these policies with the proposed strategies is matched this way:

- For the first strategy related to a market penetration improving the designs of the products by building alliances with art students and professionals, the policies matched are 1, 2, 3, 4 and 8.
- The second strategy that is to restructure the human resources, processes and tasks developing formal procedures is matched with policies 2, 4, 6, 7 and 8.
- The third strategy is targeting the high end of the market with refined and innovative products and marketing and is matched with policies number 1, 2, 3, 4, 5 and 8.

7.4 Organizational Structure

For this strategic plan to be implemented successfully it is important that the organizational structure change. A restructure is needed to ease the implementation of the strategies and objectives as stated in the previous chapters (D'Alessio, 2013). For Intercrafts to align the objectives and strategies to the structure of the company it is important for the management to lead the process by reinforcing some areas of the company and restructuring some of the traditional work processes. The logistics and packaging area of the company need to be reengineered and reorganized. The staff should be evaluated and involved in the generation of formal procedures. The plant of the company has to be reorganized to reduce waste and promote excellence.

Intercrafts' current company structure is the one seen in Chapter 4.1 but a suggestion could be made to change the structure to the one in Figure 13. This change will add an addition intern to work along with the general manager as well as the logistics manager on inventory control. The reason for the suggestion of an intern rather than a full time employee is due to the lack of available funds to hire a professional in those capacities. The person that works with the manager will be in charge of marketing to help find new customers and manage the website for Intercrafts. This would help the manager to focus more on other areas of the organization rather than taking a lot of time on this aspect. Another duty of this individual would be to focus on inventory because of the lack of organization and management of the goods in the warehouse facility. This would help with the organization and structure in his department to increase efficiency.



Figure 12: The Proposed Organization Chart for Intercrafts

7.5 Environment, Ecology, and Social Responsibility

Intercrafts Peru is highly committed to social responsibility and the development of poor communities and their environment. This is not only a commitment but one of the key assets of Intercrafts reputation and brand image.

The company is also committed to improve the working condition of the artisans and by doing so controlling the raw materials and technics being used to assure that none of them are harmful to the environment, the artisans or their families. Material like clay, wool or dyes all come from sustainable sources and have a low impact on the environment. The development of the artisan's communities also involved the use of natural resources in a

sustainable matter, integrating them to a formal labor system following the requirements of the Peruvian law. Furthermore as previously stated in this report Intercrafts is part of the World Fair Trade Organization and follow the principles stated by this entity. There is a commitment to reduce the carton used for packaging. This will not only be beneficial for the environment but for the process of packaging itself.

7.6 Human Resources and Motivation

Human resources are the ones to be implementing change therefore it is imperative that all of the collaborators involved are ready to implement it. The general management is responsible for delivering this plan to the responsible actors and seeking support to allocate resources to the objectives stated. The staff has many years of experience and a long term relationship with the organization these factors will help to build the commitment needed to execute this strategy. It is also important for the employees to understand that if their capabilities need to grow they will have to be ready to learn and adapt to the requirements that the new organizational structure is going to have.

This strategic plan and specific objectives have been produced taking into account the financial limitations that the company is experiencing right now. A small amount of financial resources will be needed to implement this plan but a lot effort and human capital is needed as well to be successful.

7.7 Change Management

It is important for the management to develop change resistance strategies that will guide Intercrafts into accepting and believing in the importance of the changes promoted with plan. Changing the organizational structure and restructuring some of the work processes might produce some resistance however it is vital for all the staff to understand that the current working conditions are not sustainable and that short term orientation is not going to

be beneficial. Creating a sense of urgency is required in order to get all the collaborators on board. In the case of Intercrafts the general managements plays a critical role, having to lead this process of change guiding the staff.

Creating a change environment does not come free therefore a strategy must be built to minimize resistance. For this process key players should be identified and convinced of the importance of this process. The board members and CIAP must share the Vision and Mission on this plan and work together with Intercrafts to ensure that it is understood that long term measures will assure income to develop as producers and citizens.

7.8 Conclusions

The implementation phase of the process is one of the most important due to the fact that there can be any amount of plans made but if there is no guideline all plans and goals will be lost. Like what was done in the previous chapter the long term goals were suggested to have a long-term objective for Intercrafts. In this chapter the long-term goals were broken down into short-term goals and procedures that can be used to make sure that the future goals would be met under general circumstance. Thereafter the resources were accessed to see that there is personnel or capital available to ensure that Intercrafts had the capability to ensure that they remained on target for the projected milestones. But, for these strategies to be fulfilled there must be full involvement by of all employees and management which includes CIAP to ensure that these strategies coincide with the policies and the social responsibility that Intercrafts has.

Chapter VIII: Strategic Evaluation

A strategic evaluation can be used as an action plan to develop specific goals and objectives. Depending on the type of organization, the strategic play will vary and the approach used will be different because of the industry. With the use of this tool the evaluation can be used for managers and executives to provide performance information from the project, programs, and activities that were designed to meet the goals and objectives. For this chapter the Control Perspectives and Balance Scorecard (BSC) will be used for this assessment.

8.1 Control Perspectives

There are always going to be changes in the business environment so this is why a strategic process must be in place to ensure that the long-term and short-term goals/objectives are met and align with the organization's vision. Management accounting and management control have long been viewed as practically synonymous concepts, since accounting provides a language capable of including all areas of organisation and it has always been attributed with a considerable decision-making orientation, which is especially true in the case of management accounting (Otley, 1999). The tool used to do this is the Balance Score Card (BSC) and it has the following perspectives: The Internal Learning, The Processes, The Clients, and The Financials that will be explained.

8.1.1 Internal learning

In an internal strategy there are many factors that must be considered in order to ensure that the organization has the tools to be able to constantly improve their process. This analyses is from the human resource perspective and some key indicators are: (a) the satisfaction of the workforce, (b) Retention of the Workforce, (c) Productivity of the Labour Force, (d) Capacity of Information Systems, and (e) Capacity of the Enabling Systems

(Kaplan & Norton, 2009). For the prospect of Internal Learning there are three short-term Strategies as it relates to the training and the improvement of the learning capabilities of the employees and the motivation that is geared towards it.

8.1.2 The Processes

The transformation of the external and internal analysis of an organization into strategies to reach the vision regarding short and long term objectives is the strategic plan for example (D'Alessio, 2015). For the matrix is used to give managers the perspective of how well the business is running and whether or not the products and services offered coincide with the mission of the business. The internal perspective will focus on analysing the processes needed to satisfy customers, focusing on indicators related to: (a) scheme innovations; (b) after-sales service; (c) operational efficiency; (d) measures quality, production, and waste; and (e) cycle times (D'Alessio, 2013). For this section there are three objectives and the indicators to successfully assess the internal process of the organization.

8.1.3 The Clients

This perspective measure the customers and evaluates the (a) market share within and outside the country, (b) retention of customers and consumers, (c) acquisition new customers and consumers, and (d) the profitability per customer and consumers (D'Alessio, 2013). The following four strategies will be used and the following short-term objective will be geared towards acquiring new customers, retaining existing customers, and making sure there are resources to attract customers.

8.1.4 The Financials

The financial perspective analyses the return on investment and added value to the organization, it monitors the results of the strategies implemented, considering the control of short-term goals, which, in the end, will enable an assessment of the long-term objectives and

then formulated vision for the sector (D'Alessio, 2013). In which there are two short-term objectives that will assist in achieving these goals.

8.2 Balance Scorecard (BSC)

The Balance Scorecard (BSC) is a strategic planning and management system that is used extensively in business and industry, government, and non-profit organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals (Balanced Scorecard Institute, 2015). For this analysis the use of the previous short-term goals will be used from the previous chapter and place the appropriate heading. The various heading include: The Learning & Growth Perspective, The Business Process Perspective, The Customer Perspective, and The Financial Perspective. The Table 20 illustrates the four sections of the BSC.

8.3 Conclusion

The BSC developed by Kaplan and Norton is used to assess the performance management of the organization. Like was said before it is good to create a plan and then assess if there are implementation methods for the plan to achieve the goals. But for this section, it is geared towards finding a way to determine if the goals are met and that it is through the use of indicators that will assess if the tools are being used in the ways they should be. In this chapter the Balance Scorecard was used and it allowed for the four sections to be indicated in the above sections to determine if it was geared towards the clients, financials, internal process, or the internal learning.

Table 20

Balance Scorecard (BSC)

Perspective	Short term objectives	Indicator	Goals	Way to Measure	
Internal Learning	STO 4.1	Have a rotation on the employees that attend the weekly meeting with CIAP to develop relationship with the artisans associations and gain knowledge about the production process.	Amount of time engaged with other party	2 Activities per month	Human Resources Report
	STO 4.2	Have monthly evaluations on performance of the employees. Establishing a reward system by acknowledging the best employee and having him/her talked to the others about his/her experience.	Inputs/Outputs compared to the last month	10% increase in performance per year	Human Resources Report
	STO 4.3	By the end of 2016 increase the efficiency of logistics by 10%. Developing a manual for the storage staff and the packaging and dispatching systems. Having employees collaborating in the creation of this manual but also focusing on Efficiency and gathering information for the company.	Time taken to perform all tasks in a single process/Previous time taken	20% increase in efficiency	Human Resources Report
Processes	STO 1.1	By the end of 2015 reduce the packaging time by 10% by creating a new logistic process. Restructuring the packaging processes together with the employees to complete orders.	Hours of Overtime/Hours of Overtime from previous period	Reduce by 10%	Employee Time Sheet from Human Resources Reports
	STO 1.2	By 2017 reduce the administration cost in 10%. Setting up budgets for every quarter of the year by allocating resources on well-defined goals and have strict control over those budgets.	Rate of budgets being maintained	5% less each quarter	Budget Reports
	STO 1.3	By mid-2016 get 1 signed agreement with CIAP member. Agree on the allocation of resources explaining the relationship between the short-term and the long-term.	Number of meetings	1 signed agreement	Internal Database with minutes taken from each meeting
Clients	STO 2.1	By the beginning of 2016 develop 10 new designs. Building a strategic alliance with the PUCP's art faculty by having students to talk with the artisans and compete for creative designs to support Intercrafts product development and promote themselves around the world.	Number of new designs	10 designs per year	Survey and Reports
	STO 2.2	By the end of 2015 rebuilt Intercrafts web page. Focusing on English as a main language targeting distributors and customers.	# of persons visiting and buying on the web page	30 or more views a month	Survey and Reports
	STO 3.2	Introduce a membership system for the current consumer base. Sending information about the artisans and a catalog with new and old products to get feedback and trend information. Increase in 10% sales to old customers by the end of 2016.	# of Customers 2016/ # of Customers 2015 (% Increase/decrease)	3% increase in catalogue distribution and members per year	Contracts signed by each joining member
	STO 3.3	Negotiate with CIAP and PROMPERU for the creation of promotional videos about Peruvian culture linked to the artisan's work. Publishing this videos on the new web no later than mid-2016	# of subscribers (% increase/decrease)	7% more subscribers each year	Amount of subscriptions on website
Financial	STO 2.3	By 2017 increase the sales average in 16%. Negotiate with CIAP to create sales commission by offering a percentage of the sale to distributors and retailers in the Target Markets.	% increase of Sales commission / Sales	8% increase in sales (year)	Financial Records
	STO 3.1	Increase the web-sales by 30%. Allocate three quarters of the sales budget resources to web sales, encouraging the use of English both for the web and the employees.	% increase in income	10% increase in web sales	Financial Records

Chapter IX: Conclusions and Recommendations

This chapter is the last stage of this strategic plan for Intercrafts Peru. It raps up all the work done so far and also provides the Comprehensive Strategic Plan. Also in this section final remarks and recommendations are provided to the company.

9.1 Comprehensive Strategic Plan

The Comprehensive Strategic Plan on Table 21 is a summary of the previous chapters in this document. It helps to visualize all the plan in one table and to make proper adjustments and corrections when necessary. Having an integrated vision of the plan is fundamental (D'Alessio, 2013). Furthermore it is also created for periodic evaluation of the plan that is always required since the conditions in the environment and the company are constantly changing.

9.2 Concluding Remarks

1. In 2014 Justine Larmarche became the general manager of Intercrafts Peru. Receiving the company on a financial deficit with 38% administrative expenses over sales reported in the 2014 profit and loss statement. The company is dependent on a tight relationship with CIAP members and long term planning is required to reverse the current situation.
2. The crafts industry is not subject to fast technological changes but it is highly competitive and fragmented therefore is hard to survive with constant losses (Lamarche, 2014). Independent artisans are taking advantage of the system selling at a lower price outside of their association. This creates non-loyal competition because of the commitment that Intercrafts has with fair trade and CIAP.
3. Changing the policies values or code of ethics is not an option to compete for Intercrafts.

Table 21

The Comprehensive Strategic Plan

Mission: Trade and export hand crafted products, strengthening the competitiveness of artisans by facilitating access to the market under the principles of Fair Trade through developing knowledge with our collaborators. Adapting to the demands of consumers to help improve the living conditions of artisans and development of their environment.	Vision					Values 1. Creating opportunities for economically disadvantaged producers 2. Transparency and accountability – the organization is transparent in its management and commercial relations. 3. Knowing of financial disadvantages producers face, paid an advance of 35% to all suppliers. 4. Payment of a Fair Price – A fair price has been agreed by all through dialogue and participation 5. Ensuring to child and Forced Labor 6. Commitment to Non-Discrimination 7. Ensuring Good Working Conditions 8. Providing Development of Capabilities 9. Promotion of Fair Trade 10. Caring for the environment and sustainable development	
	Become the largest seller of crafts from Peru by 2020. Exporting Peruvian culture to different parts of the world, being a reliable distribution channel that is efficient and competitive while contributing to the sustainable development of Peruvian artisans their associations and environment.						
	Organizational Interests 1 Developing an efficient market strategy to generate profitability by increasing the number of customers and sales abroad. 2 Stabilize the company's finances and reducing the administrative cost (Appendix A). 3 Improve the productive capacity of the artisans by educating them and improving technical tools 4 Increase the efficiency of the internal processes by having a capable and motivated staff.	Long term objectives					Cardinal Principles
		LTO 1 Increase the Financial Efficiency of Intercrafts. By 2020 decrease by 20% the administration expense.	LTO 2 By 2020 increase the sales to S/. 2.5 million.	LTO 3 By 2020 Increase customer acquisition and retention in 10%. The web traffic should rise in no less than 35%	LTO 4 By 2020 eliminate extra hours by standardizing procedures and creating a new manual for the logistics department		1 Influence of third parties 2 Past and present ties 3 Counterbalance of interests 4 Conservation of enemies
	Strategies						
	1 Improving the designs of the products by building relationships with art students and professionals	X		X			Politics 1, 2, 3, 4 & 8
	2 Defensive strategy that consist on a restructure the human resources, processes and tasks developing formal manuals and procedures to reduce administrative cost	X	X	X	X		Politics 2, 4, 6, 7 & 8
	3 Targeting the high end of the market with refined and innovative products and marketing.		X	X	X		Politics 1, 2, 3, 4, 5 & 8
	Balance Score Card						
	Internal learning perspective STO 4.1 Amount of time engaged with other parties. STO 4.2 % of Employees Leaving/% of employees staying. STO 4.3 Time taken to perform all tasks in a single process/Previous time taken Processes STO 1.1 Hours of overtime/Hours from previous period STO 1.2 Rate of budgets being maintained STO 1.3 Number of meetings Clients perspective STO 2.1 Number of new designs STO 2.2 # of persons visiting and buying on the web page STO 3.2 # of customers 2016/# of customers 2015 STO 3.3 # of subscribers Financial perspective STO 2.3 % increase of Sales Commission/Sales STO 3.1 % increase in income	Short Term Objectives					Code of Ethics Intercrafts ethics are expanded from the WFTO which is internationally recognized as a standard of business practice. These fundamental practices endure there is a standard of practices in the workplace, personnel policies, and promote the organization as a standardize company for investments and business opportunities. Intercrafts has promoted social responsibility within their organization as well as the artisans that with alongside them through recycling, project development, and using as much natural products in their processes as possible.
Resources							
Organizational Structure							
Operational Plans							

4. If all the members of Intercrafts led by their general manager follow this plan there is a big possibility to recover following the strategies provided, allocating resources in the short-term objectives, reaching the long-term objectives and the Vision. The biggest asset the company has is their mission and their commitment these will provide the confidence and motivation to follow this strategic plan.
5. The organization needs to improve the internal performance to be able to take advantage of the opportunities that are present in the environment. Intercrafts have developed know-how over years of operations but this has to be accompanied by good management practices and an internal restructure.
6. External opportunities of the industry are surrounded by a high level of uncertainty this is why Intercrafts has to be creative and determined to reach the vision of the company.
7. The commitment of working with CIAP has to be respected but to do so it is also important to include them in the process of setting common long-term goals and means to achieve them.

9.3 Final Recommendations

1. An especial recommendation is the creation of a brand for products exported by Intercrafts. This should happen after this plan is implemented and as soon as the company recomposes its organizational capabilities through the strategies suggested in this business plan. The creation of a brand is aligned with the Product development strategy that suggests seeking for support in strategic alliances with art students. The creation of a brand will reinforce the competitiveness of Intercrafts and will strengthen their marketing capabilities.

It is also advisable that the brand or brands created follow one of the following strategies: (a) Brand related to the region of origin of the pieces, meaning that the brand image of the product will be related to the specific location of the artisan production and will add value for them; (b) Creation of sub brands related to the nature of the product, for example creating a specific brand for colorful textiles; and (c) Brand related to the artisan, this would raise the artisan to gain recognition through Intercrafts and will generate the possibility for the company to distribute through new channels as artistic pieces.

2. It is recommended that Justine Lamarche remain as the general manager of Intercrafts to lead on the implementation of this strategic plan because the strategies and objectives presented were stated considering her expertise, insights on the industry and her willingness to implement change.
3. As stated in this discovered it is important to work on each objective side by side with CIAP. Being flexible enough to adapt to changes and needs generated on their side but also being determined enough to convince them that without long term planning there is no positive future for neither or both.
4. For this plan to be successful it is important to be formal and promote formality throughout the collaborators and the suppliers from CIAP.
5. To increase the sales and consumers through digital channels it will be useful to study the competitors web design since it is much more developed than Intercrafts'. It is also recommended that for the development of a new web page for the company benchmarks are taken into account.
6. After the period of time covered by this plan it is important to create a new one taking into account the achievements and consequence of the implementation of this strategy.

9.4 Future of the Organization

If this Strategic plan is followed, by the end of 2019 Intercrafts is expected to have profits by reducing the administrative cost from previous years (Table 22). But more important than that it would have a corporate culture based on long-term planning and formal labor conditions.

Table 22

Future of Intercrafts

	2014		2020
Sales	\$1,786,013.76	100%	132%
(-) Cost of Sales	-1,295,234.4	72.52%	
Gross Profit	490,779.38	27.48%	
(-) Sales Expenses	-67,229.99	3.76%	
(-) Administrative Expenses	-677361.22	37.93%	20%
	Loss		Profit

Note. Currency in Nuevos Soles (S/).

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Appendix A

<i>PROFIT / LOSS STATEMENT</i>							
	2014		2013		2012		
Sales	1,786,013.76	100%	1,898,840.03	100%	1,677,228.13	100%	
(-) Cost of Sales	1,295,234.38	72.52%	1,418,343.60	74.70%	1,273,153.20	75.91%	
Gross Profit	490,779.38	27.48%	480,496.43	25.30%	404,074.93	24.09%	
(-) Selling Expenses	67,229.99	3.76%	59,328.97	3.12%	99,459.19	5.93%	
(-) Administrative Expenses	677,361.22	37.93%	305,859.74	16.11%	414,405.33	24.71%	
Profit/Loss of Operations	- 253,811.83	14.21%	115,307.72	14.21%	- 109,789.59	-6.55%	
Financial Income	80,900.96	4.53%	31,921.06	1.68%	46,980.22	2.80%	
(-) Financial Expenses	130,949.00	7.33%	146,731.72	7.73%	85,621.69	5.10%	
Miscellaneous Income - Freight Screen export	23,733.42	1.33%	-	0.00%	-	0.00%	
(-) Extraordinary Expenses	-		-				
Exceptional income	125,465.86	7.02%	27,500.49	1.45%	30,222.85	1.80%	
Profit for the period before Imports	- 154,660.59	-8.66%	27,997.55	1.47%	- 118,208.21	-7.05%	

Figure A1: Intercrefts' Profit and Loss Statement from 2012 to 2014 (Intercrefts, 2014)

Intercrafts' Balance Sheet

Assets	2012		2013		2014	
<i>Fixed Assets</i>						
Holdings	18,531.48	1%	-	0%	-	0%
Other Accounts Receivables	-	0%	-	0%	-	0%
Investment Transactions	-	0%	18,531.48	1%	18,531.48	1%
Intangible Assets	-	0%	4,100.52	0%	4,100.52	0%
Land and Machinery	668,596.60	46%	804,496.60	49%	856,900.41	56%
Accumulated Depreciation	- 33,183.54	-2%	- 50,870.00	-3%	- 70,118.60	-5%
Total Fixed Assets	653,944.54	45%	776,258.60	47%	809,413.81	53%
<i>Current Assets</i>						
Cash and Banks	104,833.32	7%	193,417.93	12%	45,589.70	3%
Customers Network	425,477.93	29%	448,736.17	27%	336,373.03	22%
Staff Accounts Receivable	5,866.76	0%	800.00	0%	1,115.90	0%
Accounts Receivable	55,176.06	4%	65,281.36	4%	94,161.46	6%
Stock	58,806.70	4%	84,264.21	5%	105,067.13	7%
Advance Payments	9,014.19	1%	1,009.81	0%	1,009.81	0%
Deferred Charges	1,009.80	0%		0%		0%
Advanced Payment on Taxes and Credit	129,179.62	9%	84,872.03	5%	145,936.54	9%
Total Current Assets	789,364.38	55%	878,381.51	53%	729,253.57	47%
Total Assets	1,443,308.92	100%	1,654,640.11	100%	1,538,667.38	100%
Liabilities						
Bank Overdraft	-	0%	1,324.96	0%	-	0%
Taxes Payable	4,402.56	0%	4,385.10	0%	3,534.80	0%
Provisions	228,550.26	16%	177,796.63	11%	67,904.92	4%
Compensation Payable	9,866.77	1%	8,935.25	1%	17,124.52	1%
Shareholders Payable	-	0%	-	0%	-	0%
Other Accounts Payable	430,164.89	30%	636,841.23	38%	575,983.68	37%
Customers' Advance Payments	98,348.02	7%	134,487.71	8%	92,049.76	6%
Estimate of High Risky Collectables		0%	10,030.16	1%		0%
Provisions for Doubtful Debt	-	0%	-	0%	255,891.22	17%
Total Liabilities	771,332.50	53%	973,801.04	59%	1,012,488.90	66%
Equity	671,976.42	47%	680,839.07	41%	526,178.48	34%
Total Liabilities and Equity	1,443,308.92	100%	1,654,640.11	100%	1,538,667.38	100%
Current Ratio = CA/CL	1.78		1.35		1.22	
Receivables Turnover = Credit Sales/Acc. Rec.	7.711		6.874		3.572	
Debt Ratio=Total Debt/Total Assets	0.53		0.59		0.66	
ROE = Earnings Available /Equity = %	-0.18		0.04		-0.29	

Figure A2: Intercrafts' Balance Sheet from 2012 to 2014

