Recondo, Paulino III D. May 10, 2016

N32

**Case Study for Chapter 5-1**

**Royal Printing and Packaging Company**

**Case Background:**

In May, 1989, a 68-year-old man named Ricardo Baltazar, entrusted the future management of Royal Printing and Packaging Company to his own son, Jose. Jose graduated from a business school in Metro Manila last month. Sr. Baltazar started the company on 1962 by initially investing P2000.

In the beginning, the company used to accept all kinds of printing jobs, composed mostly of small job orders. Later, Mr. Baltazar established mutual relationships with a few multinational drug companies and a large commercial bank. Because of this, the small job orders were dropped. Worse, it lost its connection with its client bank because the company was fully dependent on drug companies.

Mr. Baltazar confidently told his son all about the past journeys of his company and its resources. He told his son that the company has no substantial liabilities. All the imported printing machineries were bought brand new and are still in good running condition.

Jose began to evaluate the reports made by his father. He read the company financial statements and found out that the company sales was not even P1 after being in the business for more than 25 years. He was disappointed because the net margin was estimated to be 10% compared to the interest rate of 16% if he sold the assets and invested in treasury bills. He told his father that on that Heidelberg machine alone, they should have made an income of P192,000. His father told him that selling these assets is not an option. Jose went back to work to plan for the current year. He pulled out a Printing Association Industry study for his reference.

**External Enviroment (Opportunity and Threat)**

|  |  |  |
| --- | --- | --- |
| **External Environment** | **Opportunity** | **Threat** |
| **Economic** | - There would be uptrends in the value of production in the manufacturing sector which represents a huge percentage in of the market. The projected uptrends in the manufacturing sector representing 7% of the marking being served by the local job and commercial printers. Paper settles 70% of the total production cost and supplier grant 3% cash.  - Removal of price controls of basic prime commodities and dismantling the monopolies. | No possible threats |
| **Socio-Cultural** | - Since the purchasing department decided on the printer’s service according to the quality and if it meets the expectations and meets the quoted price.  - There’s an expansion to the demand of the basic school textbooks which estimated at 2.7% | No possible threats |
| **Rivalry of Competitor** | No possible opportunities | There are over 3,700 printing and publishing establishments that exist in the country, having 2,700 of them located in Metro Manila. These means there are lot of competitors who can also give what the company offers or can give more. |

**Internal Environment (Functional Units)**

**Administration**

The administration might have been careless on the factors that are affecting the company. It’s clear that there are no means of knowing the possible threats and no means on focusing the weakness of the company. They should’ve focus more on the future endeavors of the company not only in the strengths and what can the company service their clients. There should start planning long term to know how the company can withstand over the years.

**Marketing**

There should be proper and effective advertisements, so that the clients/society knows how competent the company is. Having advertisements can give them information of the quality of service the company offers. The company should know how to persuade their clients in giving the best they can at the best quality and price.

**Sales**

Growth of the company is affected by the sales which lies the income of the business. It reflects how effective the services of company are.

**Statement of the Problem**

The net income of the company is too small and may not be enough. The net margin was estimated to be 10% compared to the 16% interest rate, resulting to the company’s income not being enough.

**Alternative Courses of Action**

**Value (Soft or Hard)**

The company must prioritize their clients giving them the required benefits that they should gain. Clients are one of the factors of running a business. They create business transactions and are held accountable for the company’s success. As discussed earlier, the company must give advantageous benefits to its clients giving them great quality of services. A win-win situation must be greatly implemented knowing that there some clients take advantage of a certain company.

**Cost**

Businesses are costly. It requires a large amount of money to start one. Money is very much significant in business. The company needs to have proper equipment that is willing to give high quality services to its clients with the proper cost of what it can assure and offer its clients. Quality comes with quantity, therefore, the company must support and provide output that will not be wasted. In other words, costing must be implemented. The company must know the amount of output it can produce in a day and the amount of work loads a client is expecting. There must not have exorbitance in the produced output.

**Risk**

The company must have known the possible threats as early as possible to create solutions and avoid such instances of losing income that might lead to the company’s loss if proper action has not taken place. All factors must be considered when running a business. Plans and strategies should be implemented to avoid the threats of the business. Having enough researches and information about the company’s strengths and weaknesses will give a better and much easier way on how to handle the business. A certain company must consider its competitors, and treat other businesses as its rivalry. With this, business transactions inside and outside the company would be very much secured from the endeavours around it. Security and protection matters in all business transactions to retain its clients and to gain more advantageous acts that will greatly affect the company.