Null
Lack of liquidity regarding outstanding claims from distributing companies

2.2 External Factor Evaluation Matrix (EFE)

Brainstorming sessions and guidance seeking from advisors and supervisors resulted in identification of 9 opportunities and 5 threats on the Afghan market. After the questionnaire was completed, the final score related to the company’s opportunities and threats totaled 2.98. It means the company can react favorably if it faces factors which pose threat or opportunity. In other words, the company makes use of available opportunities favorably and minimizes the effect of threat-creating factors to the lowest possible level (James et al., 2006).

The most important opportunities
- Advanced structure of Iran's pharmaceutical industry compared with Afghanistan
- Development of political and economic cooperation, conclusion of multiple memorandum of understandings and agreements between Iran and Afghanistan
- Having competitors who practice different religions and their remote distance to Afghanistan

Practicing same religion, having historic, cultural and linguistic commonality, and, as a result, existence of positive view over Iranian pharmaceutical products.

The most important threats
- Insecurity, riots and terrorism
- Activities of domestic and foreign competitors in Afghanistan

2.3 Threat, Opportunities, Weaknesses and Strengths matrix (SWOT)

<table>
<thead>
<tr>
<th>Opportunities (O)</th>
<th>ST strategies</th>
<th>WT strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1- Development of political and economic cooperation, conclusion of multiple memorandum of understandings and agreements between Iran and Afghanistan</td>
<td>1- Branding in the Afghan market (S2,5.7 / T5)</td>
<td>1- Insuring the products regarding Afghanistan political situation (W1,3 / T4.5)</td>
</tr>
<tr>
<td>2- Practicing same religion, having historic, cultural and linguistic commonality, and, as a result, existence of positive view over Iranian pharmaceutical products</td>
<td>2- Training professional manpower skilled at drug distribution and providing them with franchise (S1,6,9 / T1,3,6)</td>
<td>2- Making use of Islamic Republic of Iran political influence over influential Afghan agents who can support drug exports (W1,2,4 / T1,3.5,6)</td>
</tr>
<tr>
<td>3- Active participation of Iranian drug manufacturers in Afghanistan and receiving increasingly positive feedback</td>
<td>3- Direct exports through delegation (S1,2,3,6 / O2,3,4)</td>
<td>3- Cash sales with minimum risk (W3 / T1,4.5)</td>
</tr>
<tr>
<td>4- Laws which support non-oil export from Iran</td>
<td>4- Formation of an exportation holding from Iranian companies in Afghanistan market (S1,2,3,6,9 / O2,3,4,7)</td>
<td>4- Taking part at trade fairs and cash sales (W1,2,3 / O1,5,6)</td>
</tr>
<tr>
<td>5- Protective policies for absorbing investment and insuring pharmaceutical products in Afghanistan</td>
<td>(W1,2,3 / O2,3,4)</td>
<td>5- Disability to manufacture products as the first producer</td>
</tr>
<tr>
<td>6- Advanced structure of Iran's pharmaceutical industry compared with Afghanistan</td>
<td>(W1,3,4,5 / O1,2,5)</td>
<td></td>
</tr>
<tr>
<td>7- Having competitors who practice different religions and their remote distance to Afghanistan</td>
<td>(W1,3,4,5 / O1,2,5)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Weaknesses (W)</th>
<th>SO strategies</th>
<th>Strategy WO</th>
</tr>
</thead>
<tbody>
<tr>
<td>1- Low experience on international market</td>
<td>1- Participation in building drug manufacturing factories (S1,6,8 / O1,3,5,6)</td>
<td>1- Trilateral participation for manufacturing products with high technology (PDO confirmation holding company with an Afghan firm) (W1,3,4,5 / O1,2,5)</td>
</tr>
<tr>
<td>2- Shortage of professional staff, low efficiency and, as a result, increase in unemployment rate, and rise in inflation</td>
<td>2- Building drug manufacturing factories (S1,6,8 / O3,5,6)</td>
<td>2- Using skilled advisors/advising companies which are experienced in international marketing of pharmaceutical products (W1,2,3 / O2,3,4.6)</td>
</tr>
<tr>
<td>3- Lack of GMP confirmation from the international organization despite receiving confirmation of its country Ministry of Health</td>
<td>3- Direct exports through delegation (S1,2,3,6 / O2,3,4)</td>
<td>3- Disability to manufacture products as the first producer</td>
</tr>
<tr>
<td>4- Claims from distributing companies</td>
<td>4- Formation of an exportation holding from Iranian companies in Afghanistan market (S1,2,3,6,9 / O2,3,4,7)</td>
<td></td>
</tr>
<tr>
<td>5- Low experience on international market</td>
<td>(W1,3,4,5 / O1,2,5)</td>
<td></td>
</tr>
<tr>
<td>6- Disability to manufacture products as the first producer</td>
<td>(W1,3,4,5 / O1,2,5)</td>
<td>(W1,2,3 / O2,3,4.6)</td>
</tr>
</tbody>
</table>

Table 1 Threats, opportunities, weaknesses and strengths matrix (SWOT)

<table>
<thead>
<tr>
<th>Threats (T)</th>
<th>ST strategies</th>
<th>WT strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1- Lack of proper IT system in Afghanistan and, as a result, lack of modern distributing systems and databases</td>
<td>1- Branding in the Afghan market (S2,5.7 / T5)</td>
<td>1- Insuring the products regarding Afghanistan political situation (W1,3 / T4.5)</td>
</tr>
<tr>
<td>2- Shortage of specialized doctors and advanced pharmacies</td>
<td>2- Training professional manpower skilled at drug distribution and providing them with franchise (S1,6,9 / T1,3,6)</td>
<td></td>
</tr>
<tr>
<td>3- Drought of professional staff, low efficiency and, as a result, increase in unemployment rate, and rise in inflation</td>
<td>3- Direct exports through delegation (S1,2,3,6 / O2,3,4)</td>
<td>3- Cash sales with minimum risk (W3 / T1,4.5)</td>
</tr>
<tr>
<td>4- Culturally underdeveloped, resolving problems through tribal procedures</td>
<td>4- Formation of an exportation holding from Iranian companies in Afghanistan market (S1,2,3,6,9 / O2,3,4,7)</td>
<td>4- Taking part at trade fairs and cash sales (W1,2,3 / O1,5,6)</td>
</tr>
<tr>
<td>5- Insecurity, riots and terrorism</td>
<td>(W1,2,3 / O2,3,4)</td>
<td>(W1,2,3 / O1,5,6)</td>
</tr>
<tr>
<td>6- Presence of domestic and foreign competitors on the Afghan market</td>
<td>(W1,3,4,5 / O1,2,5)</td>
<td>(W1,2,3 / O2,3,4.6)</td>
</tr>
<tr>
<td>7- Having competitors who practice different religions and their remote distance to Afghanistan</td>
<td>(W1,3,4,5 / O1,2,5)</td>
<td>(W1,2,3 / O2,3,4.6)</td>
</tr>
</tbody>
</table>
2.4 Strategic position and action evaluation (SPACE) matrix

This four cell matrix determines whether the type of applicable strategy is aggressive, conservative, defensive or competitive. A total of 21 questionnaires were filled out by the senior manager, members of the board and middle managers. The average scores were calculated as described on the table presented in the appendices. According to the annexed diagram, the company falls on the aggressive cell, indicating that it is a financially sound firm and operating in a sustainably growing industry with competitive advantages.

2.5 Grand strategy matrix

Any organization falls on one cell of the grand strategy matrix, regardless of its industrial position. The position of organizations can be determined based on their competitiveness and market growth. Results obtained from the questionnaire filled by the statistical population indicates that the organization falls on the first cell of the matrix. It is indicative of its excellent position as described below.

Current markets (market penetration and development)

Products (product development)

A company which holds such position will find it unreasonable to lose such status (having a strong competitive advantage). The companies falling on the first cell and having large resources should use backward integration, forward integration and horizontal integration strategies. Homogeneous variety can reduce the risks of a unique product when a company commits itself to producing and distributing a distinctive item.

2.6 Quantitative strategic planning matrix

The quantitative strategic planning matrix is used as an analytic framework. Relative attractiveness of strategies is determined by using the quantitative strategic planning matrix. Regarding the obtained results from SPACE matrix, which evaluated the organization position as aggressive, strategies resulting from SO were sent to 21 managers through questionnaires and, after they were filled up, the results were calculated. According to the results, the first applicable strategy is "formation of a holding from Iranian companies for Afghanistan market".

2. Conclusion

Aggressive strategies are appropriate for the company regarding the result obtained from the SPACE matrix. Four SO strategies from the SWOT matrix were tested. These 4 strategies are listed below in order of priority.

1-Formation of a holding from Iranian companies for Afghanistan market
2-Participation in building drug-manufacturing factories in Afghanistan
3-Direct exports to Afghanistan through agents
4-Building drug-manufacturing factories in Afghanistan

In summary, we describe the issues related to the above mentioned strategies.

3.1 Strategy of formation of an exportation holding from Iranian companies on Afghanistan market

To effectively implement the holding, the following recommendations are made:

General approaches must be in line with promoting the country's capabilities to use potential and actual opportunities available on the free market.

In line with high level documents (20-Year Vision Plan and the Fourth National Development Plan), the principle of government downsizing and reduction in government involvement should be taken into consideration. To that end, government involvement should have a descending trend (Boroujerdi, 1991).

Infrastructures and privatization capabilities including capital markets, laws for private sector activities, corresponding political factors, etc. must be promoted. Professionalizing the management to maintain organizations' dynamic and sustainable equilibrium on free market environment.

In line with maintaining a trade-off between structure effectiveness and strategy, the structure of holdings should be examined. Some structures should be designed to help the organizations become well responsive to environmental complexity. (IRICA, 2007)

Meritocracy and professionalism in assigning managers and avoiding political devastating influence should be institutionalized as the major principle.

3.2 Strategy of participation in building pharmaceutical factories in Afghanistan

The foreign investor might obtain its required capital independently (independent investment) or carry out its economic activities through joint investment. Legally, foreign independent investors are the subsidiaries which have 100% foreign ownership (Strategic management of Human resource, 2006). Subsidiaries are headquartered in the host nation but their entire stocks or the majority of them are owned by the foreign company. In joint foreign investment, investment costs and the obtained benefits are distributed among domestic and foreign investors. Nowadays, the majority of developing countries prefer this kind of investment for its benefits (erstc, 2002).

3.3 Strategy of direct exports through agents

By the time a company has extra capacity in the factory located in the parent country, it can probably operate effectively on limited market. Since the production fixed costs are covered by domestic sales, foreign sales costs can be determined based on the variable costs instead of total costs. When foreign sales outweigh domestic sales, or the production reached the maximum capacity of the factory, this pricing strategy is ignored. (Suzan et al., 2003)

One advantage of this strategy is that companies can receive better indication of foreign sales before engaging their resources for production in other countries (Matching research, 2003).

The other advantage is that companies become familiar to the operating environment of the other country before investing abroad.

3.4 Strategy of building pharmaceutical factories in Afghanistan

To make direct investment, control should accompany investment; otherwise, it is defined as "investment through securities". Regarding the direct investment, companies should perform in such a way that the government does not dictate whom they must hire, what they must sell (or at what price they must sell), and how they must distribute incomes (Hunger and Wheelen, 2007).

The control over the company will be handed over to the government if all conditions are not included. For investors, the control is an important issue, since they do not feel like handing over all their critical resources to a domestic or foreign organization which can make all operating decisions independently and freely. (Fred, 2007)

If new inventions, trademark and management knowledge are handed over to these companies, they might be misused to degrade the competitive position of the original holder. Next to that, operating costs will reduce, if "control" exist, in addition to the following cases:
1. The parent company and the subsidiary have the same organizational culture.
2. The company can hire internal managers who understand its goals.
3. The company can avoid lengthy negotiations with other companies.

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