



**NATIONAL RESEARCH UNIVERSITY
HIGHER SCHOOL OF ECONOMICS**

LEADERSHIP STRATEGY OF LSR GROUP ON THE RUSSIAN CERAMIC BRICK MARKET

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первые

Группа ЛСР — это

№1

в России и Северной Европе

по производству газобетона

в России

по производству товарного бетона

по добыче песка

по производству керамического кирпича

на Северо-Западе России

по добыче гранитного щебня

по производству железобетона

по предоставлению в аренду башенных кранов

по объемам перевозок строительных материалов

в Санкт-Петербурге

по девелопменту элитного жилья

по строительству крупнопанельного жилья

- **29 leading enterprises of the Russian Northwestern region**
- **total turnover - about 15,6 billion rubles**
- **about 15 000 employees**

LSR Group profile in brief

The main areas of business

- **manufacture of building materials**
- **rendering of machinery services**
- **development and construction**
- **construction operations and contract services**
- **production of nonmetallic minerals**

Teaching Objectives



- *to develop strategic, system and analytical thinking;*
- *to develop the skills of strategic analysis;*
- *to present practical solutions on key business problems*

Target Audience

This case is intended as a teaching tool:

- *for the Master's programs and MBAs with the concentration in management.*
- *for the courses in contemporary «strategic analysis» and «strategic management».*



- *Russia's leader in the ceramic bricks production*
- *1997 - Acquisition of Lenstroykeramika's factory (25% of the market share)*
- *2007 - 70 % of the market share*



The market and the competitors in St.Petersburg and the Leningrad region (2007)

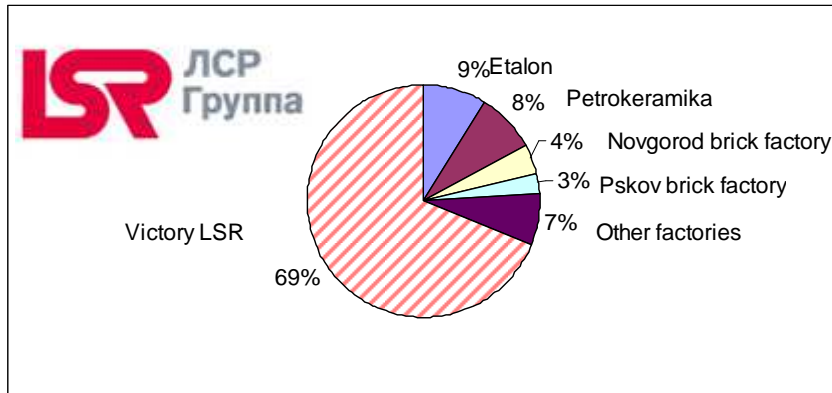


FIGURE 1. MARKET SHARES OF THE MAIN BRICK SUPPLIERS

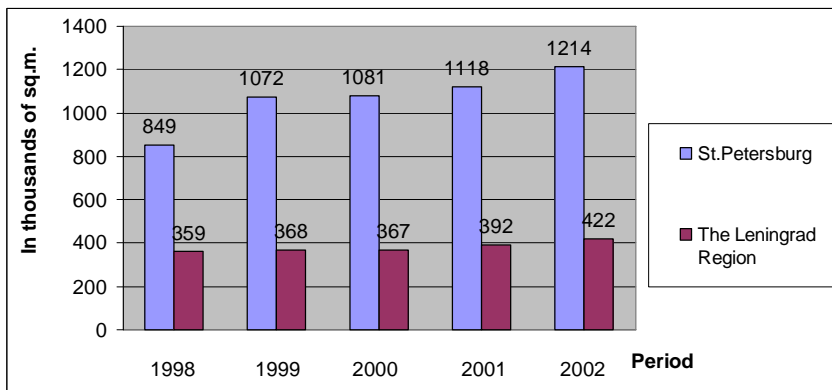
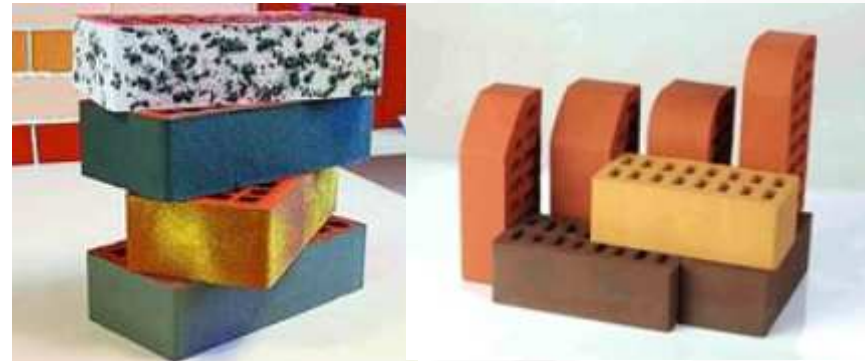


FIGURE 2. VOLUMES OF NEW RESIDENTIAL BUILDINGS



Customers segmentation



1. **Large construction companies**
(70% of all sales volume)
2. **Small and medium size building enterprises, building materials' warehouses and other trading organizations** (25% of the sales volume)
3. **Population engaged in individual construction** (5% of sales)

Questions for Discussion (1)

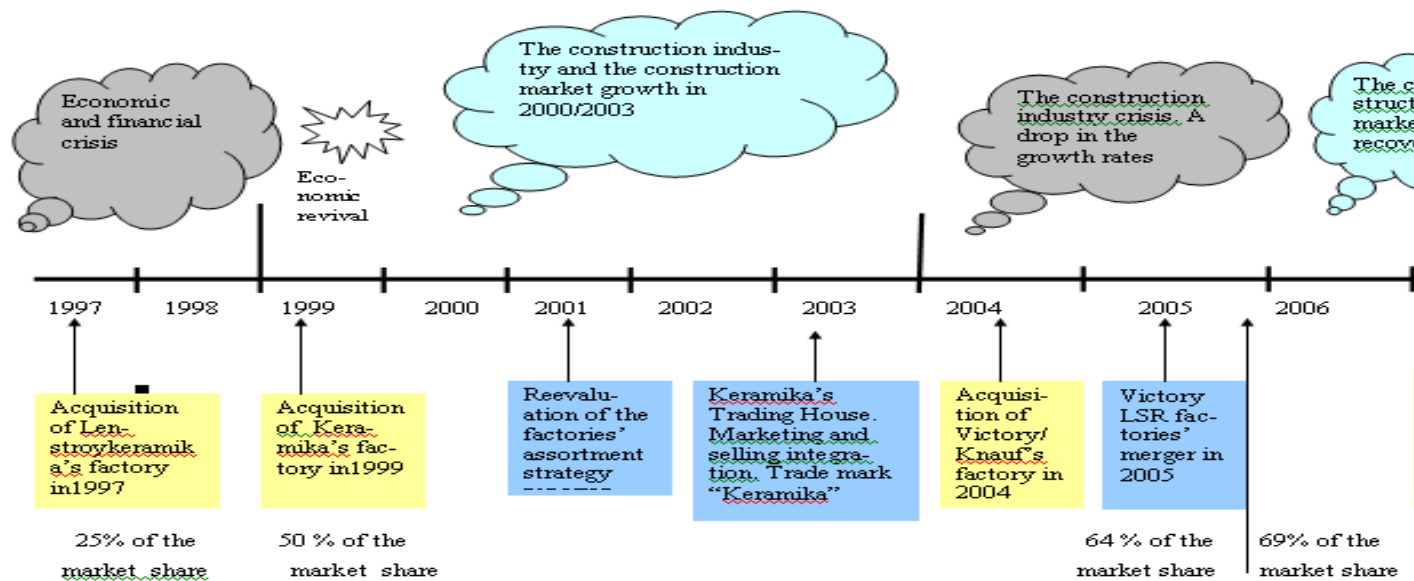
1. *Specify the main problems which the company had to face while reaching its strategic goals.*
2. *Which diametrically opposed results can be achieved by the merger of three enterprises with similar assortment?*
3. *Examine the possibility of achieving synergy effect and estimate the results (advantages and disadvantages) of the three brickworks' merger for LSR Group.*

Questions for Discussion (2)

4. *Suggest the most effective way of carrying out the merger. Which managerial approaches and procedures will yield the best results?*
5. *Which strategic management concept was applied during realization of LSR Group's strategic goals?*

The main stages of the LSR Group's business making

- Acquisition of Lenstroykeramika's factory in 1997 (25% of the market share)
- Acquisition of Keramika's factory in 1999 (50 % of the market share)
- Reevaluation of the factories' assortment strategy in 2001
- Marketing and selling integration. Keramika's Trading House in 2003
- Acquisition of Pobeda/Knauf's factory in 2004
- Pobeda LSR factories' merger in 2005 (64 % of the market share)



LSR vs Wienerberger

- A market entry of a new, potentially strong player (Wienerberger) and its acquisition of the Pobeda/Knauf's factory;
- Sale of the two LSR Group's brick factories to Wienerberger;
- LSR Group's acquisition of the Pobeda/Knauf's factory.

- The problem of merging of three brick factories with different organizational and national cultures
- “Internal competition”;
- The problem of creating an effective management system of the brick business.



The actions taken to solve the “internal competition” problem

Factories’ specialization according to product assortment

Internal staff mobility (rotation from one factory to another)

Teambuilding

The key success factors in the brick business



Own raw-material source



Qualified personnel (especially the engineering one)



**Access to financial resources
(investments, financial capital)**

The core LSR's marketing strategies

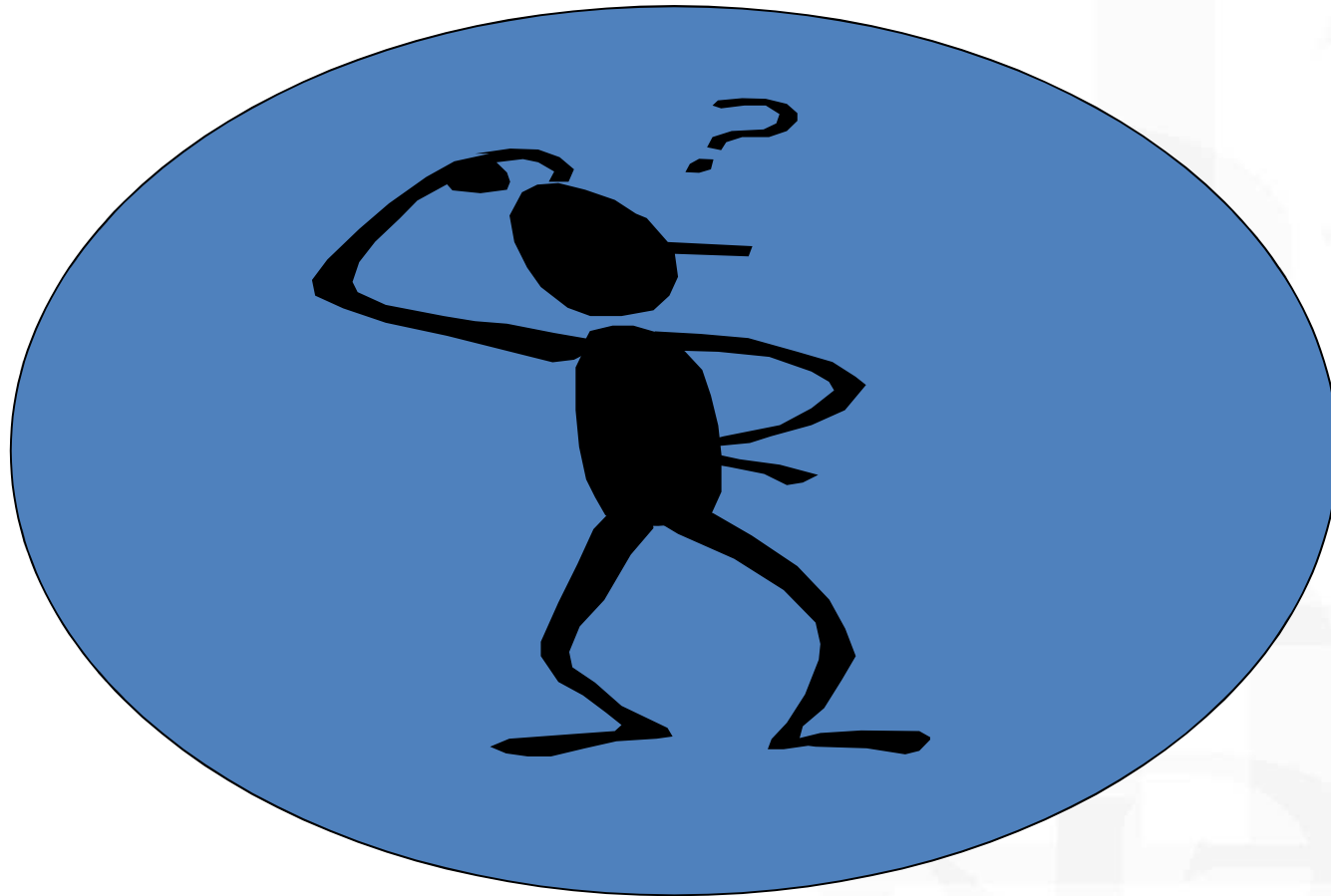
- **Main Market Share Strategy**

- **Wide Assortment Strategy**



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QUESTIONS ?



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**Thank you
for your attention!**