



The Egyptian Swiss Chemical Company: Surviving the Pandemic Crisis

Case

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Abstract

The case addresses the situation of the Egyptian Swiss Chemical Company (known commercially as SwissChem) during the COVID-19 pandemic. SwissChem is facing several challenges with regard to the future strategy of the company. The case describes the evolution of SwissChem from a trader in the field of construction chemicals to one of the prominent manufacturers in Egypt. The case also discusses the external environment of the industries related to construction chemicals, as well as the internal factors affecting the performance of SwissChem. The protagonist of the case, Abdel Rahman Shorosh, is the managing director of SwissChem. He is trying to decide about the future strategy which should be followed by the company taking the huge impact of COVID-19 into consideration. Students will be asked to devise a suitable strategy that Adel Rahman can adopt, one that incorporates the surrounding environment related to COVID-19.

Case

Learning Outcomes

By the end of this case study, students should be able to:

- describe various functions of the chemicals industry;
- discuss how to identify the target market for the chemicals industry;
- characterize, in the context of Egyptian society and business, what a business organization is and the role that business has in society;
- identify obstacles faced by entrepreneurs while establishing a new business in the chemicals industry;
- explain the ethical and social responsibilities of business;
- assess the external and internal environmental factors that affect organizations;
- describe the organizational design of companies involved in the chemicals manufacturing industry;
- formulate corporate strategies that consider environmental factors affecting the organization.

Introduction

On June 21, 2020, Abdel Rahman Atef Shorosh (hereafter “Abdel Rahman”), the managing director of the Egyptian Swiss chemical company known commercially as SwissChem, is returning home from work. While travelling from the SwissChem headquarters on Nile Street in El Agouza District to his neighborhood at the Palm Hills compound in El Sheik Zayed City in the western suburbs of Cairo, he was reminiscing about SwissChem’s successful journey from its early days to the present.

The status of SwissChem was threatened because of the COVID-19 pandemic that had affected the whole world dramatically since March 2020. Abdel Rahman thinks about several issues; specifically, the sustainability of the SwissChem business, the strategic decisions that might affect the employees, and, more generally, the current impact of the pandemic on the Egyptian economy.

Abdel Rahman, now 37 years old, is also burdened by the enormous responsibilities placed on his shoulders since the death of his father, Atef Shorosh (hereafter “Atef”), in 2016. Abdel Rahman feels responsible for his immediate family, his extended family, and also his business associates. However, he thinks, with hardships come the shaping of a man, as his father used to tell him.

SwissChem: The Entrepreneurial Journey

Abdel Rahman wants to find a positive approach to address the challenges SwissChem was facing due to the pandemic. The idea he was contemplating came originally from his father. Atef, who was a member of Shorosh family, who mainly worked in metal packaging. The family had established a business a century ago and Atef belonged to the third generation of this family business. However, Atef, who had experience in real estate development and construction, wanted to diversify the sources of the family wealth. In the early 1980s, he observed the construction materials market and noticed that this market was underserved. Most of the material needed was imported and of relatively low quality, and the local manufacturers offered only a small number of products. Yet, at that time, the statistics showed that the demand for building material was very high due to the accelerating rate of construction.

In 1984, Atef decided to establish SwissChem. He used the technical expertise of a Swiss friend who provided the raw material and some finished products from Switzerland. The evolution of the company followed the usual path, which started with importing some material from Bauchemie, a prominent Swiss company involved in construction chemicals, and selling it in the Egyptian market to contracting and real estate development companies. In order to stock material, Atef rented a warehouse in the Ezbet El Nakl area. Beginning in 1986, SwissChem had achieved a strong financial performance. With this success in selling imported products, Atef started to think about manufacturing products. To do this, he needed access to significant capital investment. Accordingly, Atef approached his family members about their interest in investing in his company. As an incentive, he offered company partnerships to family members.

The market demand for chemical products continued to flourish, and although SwissChem was working at full capacity, it was not able to fulfill the customer demand. Furthermore, SwissChem could not provide all varieties of products requested by their customers.

This expansion effort led to the crucial decision to build a new factory in 6th of October City, in western Cairo. The new facility, opened in 1990, has a floor area of 10,000 sq. m (see [Figure 1](#)). It contained state of the art equipment and was designed specifically for the purpose of manufacturing SwissChem products (see [Figure 2](#)). The factory started production in 1990 and is still the manufacturing division responsible for production, along with the commercial division of SwissChem located at Nile street. SwissChem principally produces construction chemicals. These chemicals include additives, materials, and coatings to protect buildings. The additives are added to cement to give it more strength and workability. and to the mortars and the floors to provide better physical properties. The portfolio eventually included waterproof material for buildings and floors. SwissChem moved from importing finished products to importing raw material. This transition was helped by the ability to use Bauchemie chemical formulas, as well as producing its own formulas.

Figure 1. SwissChem Factory in 6th of October City, Western Cairo, Egypt



Source: SwissChem. Used with permission.

Figure 2. SwissChem Research and Development Department



Source: SwissChem. Used with permission.

After reminiscing on the successful journey of SwissChem, Abdel Rahman has not arrived at any conclusion about the future strategy of the company within the pandemic COVID-19; however, he is not downhearted—the values rooted in him by his late father Atef seem to protect him from negative thoughts. SwissChem allocated a certain percentage of its profits towards society development, with an unofficial agreement to provide decent lives for its employees. Abdel Rahman believes in the proverb “you reap what you sow,” so thinks there is no need to worry, at least for now. He thinks that he can decide on which strategy to follow tomorrow, during the upcoming official meeting with the board of directors and the top management. Even so, he is still restless in bed that night, wondering about what he should do

What Makes SwissChem Different?

Abdel wakes up early on the morning of June 22, 2020, to prepare for the upcoming meeting. He begins by reminding himself of the competitive advantage of the company. SwissChem’s products were of a superior quality to those of its competitors, due to its use of the best available raw materials from both the international and local market. In addition, the excellent service provided to customers after the initial sales is one of the chief attributes of the company. And the company’s product portfolio is diverse, which helps it to meet the various needs of the customers.

Understanding the External Environment

Abdel Rahman also reflects on the current macro environment in Egypt. The government is involved in mega projects related to housing, roads, and transportation, which looks very promising for companies working in the field of construction chemicals. Also the tariff rate is 5% on the imported raw materials needed for the industry. However, the company is facing some challenges, mainly due to the COVID-19 pandemic.

These include relative fluctuation in exchange rates, some foreign suppliers having stopped production, and the demand for products—especially from the private sector—having also decreased. From the micro perspective, SwissChem is selling most of its products for cash payments, or over 30 days at the most. On the one hand, company knowhow has provided its staff with superior capabilities in troubleshooting (solving technical problems) any challenges faced by its customers; on the other hand, the average age of the employees is relatively high, and this might hinder the new initiatives, due to resistance to change. Also, the company's use of digital marketing as an important tool to increase sales needs further improvement.

Abdel Rahman thinks about the construction chemicals industry, worldwide, which has been suffering from a decrease in demand due to the spread of COVID-19 and what accompanied this with regards to national decreases in spending as well as dramatic challenges in the supply chain. However, he knows that these times will eventually pass, and the indications are that things might be on the rise within a maximum of three years. So he decides to concentrate on analyzing the industry without taking into consideration the pandemic challenge. The company is always trying to diversify its suppliers from different parts of the world, including mainly Switzerland, and Germany, followed by South Korea, Saudi Arabia, and other countries—as long as the raw material complies with SwissChem standards. The customers who are buying SwissChem's products do not have a diversified portfolio of suppliers, and they cannot be involved in importing material from foreign companies, due to the relatively higher prices. There are only eight companies within the Egyptian market, two of them have the highest market share, and the other six companies have almost the same market share. Although the six companies are competing, each company has an advantage in some specific products; accordingly, the companies have agreed to support each other in case of shortage in the portfolio of any one company. Also, there are no existing substitutes for the products provided by the different companies working in the field of construction chemicals. The industry also requires high capital for establishing a manufacturing facility, as well a thorough knowledge of both the technicalities and the market dynamics.

SwissChem: A Closer Look

SwissChem top management does not interfere in daily operation, but reserves its involvement to strategic decisions only, The top management uses management by objectives, and middle managers are held accountable by the end of each fiscal year. This operates through its several departments. The company premises are separated into the manufacturing plant at 6th of October city, and the commercial headquarters located at El Agouza neighborhood.

The factory has a total of 50 employees, divided into several departments: the production department, with 30 workers, and 4 supervisors, 1 production manager, 1 production planning, and 1 quality control; the administration department, with 2 employees; 6 employees responsible for security; 2 employees responsible for the inventory; and 2 employees working as gardeners. All of the workers are responsible for a specific job, and the production workers are divided into 4 subsections—heating, grinding, mixing, and grinding.

The commercial arm of the company has a total of 37 employees, and is divided into the several departments: the accounting department, with 4 accountants, 1 head of accountants, 1 auditor, and the CFO; the sales department, with 20 sales engineers responsible for 5 geographical areas, and supervised by 5 heads of sales, and all headed by a senior sales manager. There are also two employees responsible for human resources, an office manager, and the CEO.

After revising the current situation Abdel Rahman develops a clear idea about which strategy he should propose to the board of directors?

Discussion Questions

1. Is SwissChem working B2B or B2C? Explain your answer.
2. Describe the SwissChem company's target segment using evidence from the case.
3. Outline the role of business in society according to your understanding of the case.
4. Describe the challenges that might have faced Atef Shorosh in establishing SwissChem, from your

perspective.

5. Describe the competitive business strategy of SwissChem, based on evidence from the case.
6. Using evidence from the case, develop a SWOT analysis for SwissChem.
7. ~~Using information from the case, describe the operative competitive forces in the construction chemicals industry. As part of your description, categorize the intensity of each force as weak, moderate, or strong.~~
8. Using evidence from the case, describe the organizational design aspect of SwissChem.
9. If you were in Abdel Rahman's position, which ~~corporate~~ strategy would you recommend that the board of directors adopt? Explain your answer.

i.e., structure, degree of differentiation, centralization, formalization and span of control

Further Reading

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