

The report is
designed to
determine fonterra
business commerce
essay



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The report is designed to determine Fonterra business and working in New Zealand and rest of the world. Fonterra vision is to lead and provide milk to each and every part of world, in their branded market they want that every consumer to have Fonterra top-of-mind as the leaders of dairy. Around the world Fonterra want their customer to think " Fonterra" first when they think dairy (Fonterra Co-operative group, 2010). In terms of part A, specifying goals and achieving values in long-term is a big task for any organization. The goal of the organization is to upgrade optimization of business value successfully. In order to attain the ambition, the manager needs to identify the attitudes of target market to create value by production procedure and commerce procedure. Environment scan is the reminder when administrator do fiscal analysis, product positioning and marketing positioning. SWOT analysis can be set up from macro atmosphere, while competitors, suppliers and clients are the main factors of business. In the forms of part B, a good consideration and study of resources is the initial step for organization. From where the resource required, such as monetary resources, human resources, technical resources and technology resources were given in terms of a long-term requirements and strategy. Particularly, the section of resource availability describes how to utilize current available resource efficiently and effectively, such as a break down examination of financial resources and an organization of human resources structure. Fonterra core competitive advantage is fast production and quality product as well as customer experience are the main strategy which should be focused on. In order to attain the goals, the report keen out how to accomplish the key tasks, such as operation tasks, marketing task and HRM tasks. lastly, the report review and evaluate the possibility of resources, capability, goals and tasks in the <https://assignbuster.com/the-report-is-designed-to-determine-fonterra-business-commerce-essay/>

previous segment, to make sure the certainty of outcomes. The goals of the business are: The core capability of the company is providing excellence services on time to increase customer satisfaction. Formation and managing of reputation. Proficient management of intellectual capital. Proving a well structure to farmers and farmlands. Providing milk products for any age group. The report particulars the resourcing procedure along with its projection required to effectively function to achieve the above goals. . A full risk investigation is done to recognize the risks linked with resourcing and how Fonterra strategy to efficiently alleviate them through research and proven business strategies. The report uses derived investigation to throw light on the sources of resources and the risk connected with them.

2. RESOURCES DEMAND:

Resources are the key inputs for the organization and the production process such as machinery, employees, building, raw materials, finances and talented managers (Hitt, Ireland & Hoskisson, 2010, p. 15). Resources are the fruitful assets, which are owned by organization and which are grouped together to create capabilities to get the competitive advantage and key success factor (Grant, 2010). There are different resources which are classifies under tangible resources, intangible resources, and human resources. http://labspace.open.ac.uk/file.php/3203/B700_3_004i.jpgSource: Grant, R. M. (2010, p. 127). The links among resources, capabilities and competitive advantage. Contemporary Strategy Analysis (7th ed.). United Kingdom: WileyThe resource demand for the Fonterra organization is as described below

2. 1 Tangible Resources:

2. 1. 1. FINANCE:

Brock (2004) recommended that the financial forecasts for fiscal resources must be unity with other aspect of the operational arrangement. Finance is like blood of any business and creating capital budget is one of the difficult part in a huge organization. An organization must have a good idea from where the finance comes so that a it can move on to see what a organization does with it once it has obtained it (media, 2010). In any organization there are two types of financial scales that is long term capital for finance expand for organization and short term capital for running the organization. As a well structured business Fonterra has its own pool of finance a millions of dollars for the huge organization is distributed in many segments some of them are as follows: Property plant and equipment: 4569 Equity accounted investments: 439 Intangible assets: 2882 Fig: Million dollars Co-operative shares: 5690 (fonterra, 2012)

2. 1. 2 PHYSICAL RESOURCES:

These are the most costly resource than any other resources, so companies assess its fundamentals before investing into these resources. These resources are tremendously hard and are depreciate over a period of time (Lowendahl, 2005). Following are physical resources for company

Office, Land and Building:

The business requires a headquarters where it can works its business. It is decided that the company office in the central in main cities where it is easy to work for the employees also to travel and one must consider the expense

in the building and office. The location and layout must be chosen accurately as it is one-time investment for the company.

Furniture and fixture:

The office must be well furnished as the organization is big and a workplace of so many employees that's why a good workplace provides a better working scenario for the organization. There must be enough cupboards for proper filing arrangements.

Marketing materials:

The business needs hoardings, pamphlet and other billboard resources for its promotion. The company will also do the advertisement all the way through website. It will be completed by promoting our goods and offers different websites.

Telephone and computers:

For endlessly keeping in contact with customers and traders, Fonterra require telephone as well as computers. Computers are one of the necessary resources as they help a lot in deciding the overall data for stakeholders.

Dairy vans, other vehicles: Vans for an organization dealing with milk and milk products must have a vans and refrigerated vehicles so that's the goods are delivered to their destination on accurate time as well as in a good condition.

2. 2 Intangible Resources:

To form worth, the intangible resources are required to be associated with strategy (Kaplan, 2004). The below-stated assets are required to create value for the company.

2. 2. 1 Brand:

Brand is the sum of descriptions which is formed by behavior, performance & communication (Doorley & Garcia, 2010). Danaher, Wilson and Davis (2003) explained that there is higher brand loyalty with high share brands and lower brand loyalty with the lower share. Fonterra already created a good standard for its employees, stakeholders, and customers, which helped them to sustain for a long run and yet in the hard-hitting period. It is all by providing superior services to consumers and fulfilling employee's needs, which in return the company got more customer and employees throughout the world. The brand being a genuine which address the consumer needs which at a same time distinguish itself from opposition.

2. 2. 2 Culture:

Culture is the values, beliefs, customary and practices norms that build the qualities of an organization (Brache & Scott, 2005). Culture make happy with the needs of consumer inside the society. According to Branche & Scott (2005), Fonterra will make a healthy cultural workplace where customers will be top priority, employees will loyal and share information with everyone and where the employees can equilibrium their private lives with their work life. Company always tries to build open and a can-do culture which helps employees to attain the goals of company; and always be flexible so that it

can be changed at any time according to the situation. New principle is more in column with current wants and requirements (Swain, 2010). According to earlier examination, New Zealanders give more attention on ethical and social factors in addition to environmental factors.

2. 2. 3 Goodwill:

Construction of inner and external status and goodwill is very significant for Fonterra. Employee happiness plus customer satisfaction and devotion all the way through high customer experience which is the key to nonstop business and improved sales.

2. 3 HUMAN RESOURCES:

Thomas (2003) pointed out that organization can consider the priceless knowledge, which is fundamental, current, relevant, and reachable. Human resources are the only resources, who manage the business. They are also called intellectual capital. Fonterra has given employment opportunity to around 15600 employees, which are currently employed (Fonterra Co-operative group, 2011). The positives of human resource management are as under: Helps carry out our development strategy Differentiate from competitors Develop employee commitment and mobilization improved productivity Some of the key strategy that Fonterra human resource management needs by which then can together works on a same mission and vision are as follows Recruiting the specialized skills and knowledge person. Interactive and communication abilities. Motivation

3. AVAILABILITY OF RESOURCES:

The most important focus for any organization is to allocate, identify and manage existing resources to recognize where you desire to go where the business is. If resources are not obtainable, essential strategy must be prepared to establish and think options to locate the best utilization of resources made available (Blanchard, 2011). The division of table below shows the outlined discussion of available resources for Fonterra and the strategy made to recognize unavailable resources for a running organization. Being a huge organization on global market Fonterra keeps an alternative plans with it.

3. 1 FINANCIAL RESOURCES

Blackwell (2002) describes that the cash flow predict set out monthly, business establish allowance, equipment, stock, including sales, and other living expenses of business. Resources Available: 30% liquidity is available from a capital investment from owner and other 40% is raised through shares and farmers ownership and the rest is borrowed by banks and financial institutes which includes bank overdraft also. Resources Planned / priority Options: Managing funds for Fonterra is a big challenge both for short term and long term, as being a large organization and investment point in major sector the company can raise a funds by financial institutes which can give loan on a low rate and for flexible period. Substitute Plans: Fonterra can raise the funds by issuing shares in market and on a top of it can earn a good premium on its share face value.

3. 2 PHYSICAL RESOURCES:

Resources Available: The Company already has a well structure complex in Auckland central which provides a great work place for the employees and corporate meetings. Being a office in the heart of city gives easy accessibility. The IT is managed by HCL in Hamilton. Resources Planned / priority Options: A company can raise a huge corporate office under one roof which could be near to city and which will definitely done in a low cost and being close to city center there will be easy accessibility. Company announced to provide a " in-house" collection of milk from farmers (Fonterra, 2010). Substitute Plans: Hawkins & Anne (2010) suggested that cutting the cost is a major problem for huge company but that could be strength for organization like Fonterra in terms of transportation a organization can spread a pipe from farms to dairy plants which will be only one time investment but will give a profit in long terms (Hawkins, 2010).

3. 3 Intangible Resources

Resources Available: Fonterra strategy to have a well-built brand name which differentiates itself in its segment and the products offered. The name Fonterra itself gives the consumer an initiative of the products that determination tagline redefines integration with a new outlook. The goodwill of company is itself a assets for organization which gives the positive and trustworthy image in consumer mind. Resources Planned / priority Options: Modernization in service delivery by finding elastic and trouble based decision system to be cost valuable is the main concern of the company. The organization is planning to have a open structure with in employees where anyone can bring up new idea to increase up the production. The ecological

factors have also be taken into concern the use of plastic in making up of bottles and paper medium for advertising. Substitute Plans: The organization must worked hard for being environment free by keeping electronic advertising like radio and TV media, the plastic bottles can be recycled and can be used in future for easy, fast and low cost production. The company must plan to provide a education to farmers for proper feeding to animals as they are the key resource for organization.

3. 4 Human Resources

Resources Available: Fonterra has a good number of employees. Company appreciates the ability of employees and motivates them. Good HR policies and structure which provide a better place to work in any organization.

Administrative employees are the core employees in the organization.

Resources Planned / priority Options: More financial executive required to take care of financial status and a number of marketing employees must be employed in different countries to built up new relation and increase the productivity for the organization. Information sharing & information replication through on-the-job training (Grant, 2010). Substitute Plans:

Discussion with stakeholders and hiring new strategy planner for innovative plans and strategies to build up a new business environment in organization.

The organization has clear design about the resources availability and do hard work to put on for the unavailable resources. Fonterra make sure about all employees have sufficient direction, tools, freedom and training in present as well as in future. The company will obtain all the necessary resources then it attempt to create evaluation of the input of every resource to add importance to the organization. The part of all resources is necessary

jointly for value chain. Fonterra until the end of time try to make use of its resources to their top to serve the consumers and to generate a good status among the customers (Harrison, 2003).

4. BUSINESS GOALS

Business goals explain the trimmings that the organization is looking to accomplish. Business goals refer to the changes or paths that the business desires to achieve or preserve (Iiba & Brennan, 2009). Business goals also spell out when the business is set to attain these paths or changes preferred. Below we discuss the business goals of Fonterra the point view of new CEO Theo Spierings also included.

4.1 Capability identification and assessment in value chain

Before site targets to strategic subject, it is supportive to organize and evaluate organization capabilities in each segment of operation, and spotlight upon core capability. Grant (2010) pointed that Porter's value chain alienated enterprise's behavior into a sequential value chain by unique support actions and primary activities, this part will examine primary activities. For inbound milk, Fonterra own manufacturing potential, effective and efficient supply chain management system. The objectives are that the quantity of milk produced by farmer which depends on farmland and feeding by farmers in different farmland and supplying it to dairy plants. Production's supply velocity depends on the experience farming requirement of production modernize speeds. Since Fonterra provide huge export of dairy products. Additionally, milk products and manufacturing in different dairy plants helped Fonterra produce large volume of milk Fonterra alone export 95% of New Zealand milk to rest of the world. The production plants situated <https://assignbuster.com/the-report-is-designed-to-determine-fonterra-business-commerce-essay/>

in areas close to farm land provides the inbound of milk to those plants which further develop the milk products. The goal of inbound milk is that provide upgrade milk products with fast speed and low-cost.

4. 2 Customer satisfaction:

Fonterra primary objective is customer satisfaction, which will be possible by construction of emotional relationship with customers. The emotional relation helps the business in the length and power of organization relationship with customer, which determines passion and loyalty (Berenbaum, 1998). So Fonterra always try to assemble emotional relations. According to Agnis (2012), Fonterra will prefer in person dealings with the clients; clients are responded quickly and keep them up to date about the distance to their demand for the customers and actions to be taken for achieving their objectives; and also try to maintain a friendly and approachable behavior with them to build a strong relationship with customers. By bringing up the best time to time services, Fonterra will make customers happy and generate status among them by this method; it will form company's core competency. Fonterra customer service includes • Be accessible and friendly. • Understand customer's demand. • Meet customer's expectations. • Provide a safety experience. • Treat consumer fairly. • Surprising customer with extra effort.

4. 3 Knowledge Management

The reputation of the business is highly subjective by the superiority of the people within the organization. In a skill intensive industry, management of knowledge by putting right information at right time and right place in organization is crucial for Fonterra. The corporation aims to generate an <https://assignbuster.com/the-report-is-designed-to-determine-fonterra-business-commerce-essay/>

open structural environment to manage, retain knowledge, create, and protect to recover productivity and use computer technology which is initially managed by HCL, the organization is a complete package of modern technology and provide information to employees and help them to come up with new ideas and increase the knowledge to improve efficiency. The making of knowledge repositories for technological association and training for emerging technologies for farmers through technical partnerships with companies and educational institute is helpful for the company's knowledge expansion and management (Richter, Stocker, Muller & Avram, 2011). New knowledge development will be never ending process and will be one of the core focus points for Fonterra.

Expansion:

Grant (2010) believes that Company will firstly generate a good client foundation through marketing; executives will establish marketing in different Asian countries so that in future the organization can have a good proposal to set up its workplace over there. Organization can do environmental scan for all places as the company can invest a good amount for marketing to find out the new markets and after detail analysis, business can be started up a new branch in anyone of new place. Company will merge firm to get the experts' knowledge in cost field. By these habits, business can enlarge a lot and if equipments will work as per the strategy, then organization can expand its business at international level (Grant, 2010).

5. KEY TASKS

5.1 Operation tasks: Market-led

In the past years, Hill (1985) described the strategy that a business operation strategy is talented to be connected to its marketing approaches by judgment of how its products can gain customer attraction its markets. His further analyses added that there are two sort of competitive principles in all market, order winning criteria and market qualifying criteria. Order winning criteria are the fundamentals on which customers make up final purchase decision. On the other hand, market qualifying criteria are the fundamentals which satisfied before consumer's purchase decision making at the beginning. For Fonterra, for many customers, the order winning criteria is freshness, with criteria like high quality milk products, funny knowledge and good after-sale examine being market qualifying criteria. As a result, an function strategy might be put up as a fulfillment of market qualifying criteria. Ferrell and George (1987) recommended that the marketing-led operation's process is as the following points: Sellers communicate to customers need effectively; identify customers' demands and ideas after their feedback from products. Confirming farmlands competitive positioning to convince the demands of consumers with dairy capabilitiesOrganizing all appropriate resources and capabilities to carry customer satisfaction to innovative product requirements.

5.2 Marketing tasks: A hunger marketing mode

Exclusive operation system contains well-built executive power; diplomatic marketing style is the push of operation. In order to reflect new products from Fonterra built up " a hunger marketing mode". The benefits of hunger

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marketing mode are as follows: Avoiding the disadvantage of inadequate supplyThe hunger marketing mode carry on high-grade brand imageContributing swift cash backflow and dropping investment of stockDeveloping the brand value in a short run with new products, engaging people to snap up and building higher profitsThe hunger marketing mode give to encourage purchase momentum of customer and satisfies shopping attainment of customer in short term, so, the marketing mode is particularly suitable for organization like Fonterra, Apple experience shop is the most influential example of hunger mode user. Apply hunger marketing mode to Fonterra organization, the following elements should be focused on:

BrandingFader and Schminlein (1993) clearly stated that high market share brands probably show " higher levels of repeat purchasing behavior than that of small sharePromotionKimball (2006) clearly pointed that the short-term increase by trade endorsement might form a decrease of profitability in long term, accompany by a loss of brand constancy. Thus, short-term promotions are appropriate for new element while long-term endorsement fit old element.

5. 3 Innovation

porters4competitivez. jpgSource: Mobile Enterprise. (2009). Porter's Competitive Strategies. Retrieved October 30, 2012 from <http://mobileenterprise.wikidot.com/microsoft-and-the-edge-of-chaos>Innovation in any business scenario is important because this brings up the new products for the customer any provides a better challenging working environment for the organization employees. Providing elasticity of services delivered to consumers by providing diverse opportunity to get the same job

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done. Considering in a "customer first" business approach in all then business actions. Adopting eco production processes to move ahead social acceptance. Creating incorporated services to distinguish from opponent who offer them independently.

5. 4 Human Resource Management tasks

Staff has to put in value and construct effort to the result of an query and make sure eventual execution. Managers have to make investment in most important tasks which is human resource management to attain both customer satisfaction and long-term customer loyalty. Shivarudrappa, Ramachandra and Gopalakrishna (2010) suggested that HRM is " a management function that help managers recruit, select, train and develop members" for a company (p. 5). The achievement of a organization is reliant upon its skill to deal with its people effectively. Figure 4 Talent management processtalent management(source: report from Roche, 2009)

6. RISK ANALYSIS

Risk analysis is the course of action of identifying potential risks that could influence the attainment of the opportunities or objectives negatively. Risks are examined on the basis of their impact and possibility of happening. The consequences of this study provide organization with a heat map to avoid or take risks for higher profit (Price Waterhouse Coopers, 2008). There are numerous issues that require to be solved prior to carrying up a business. Common risks are always there no matter how much probability they are:

6. 1 Financial risk

The crucial financial risk is that the Fonterra is raising the funds for the organizational long term investment in new countries and new developed plants. Aaker (1984) thought that the finest way to lighten financial risk is to do a ideal financial plan plan before setting up the new operation. All the expenditure should be kept into knowledge to avoid accidents. To reduce the risk of finance Fonterra is planning for issuing the new shares into the market to raise some funds from market. Fonterra announced to let the non farmers buy shares for the first time which make interest among both the investor and the foreign fund managers Fonterra intends to raise at least NZ\$500m with the issue, whose price will be announced on November 27th with this huge capital the company is also expecting a dividend of each share and that profit company will use in the times when their will be weak production. Depending on the price of these units, the company predicts they will yield up to 7% in 2013.

6. 2 Customer risk

Poor market reaction from target market force come as a terminal blow for a Fonterra. The possibility of incidence is low, and reaction alternative is moderate. The cleanest technique to end the risk is to do a complete market investigation for diverse target marketplace in special months. Then the organization is able to set a range of marketing strategies so that the business can pact with fickle market quotations. Specifically, managers comprise to recognize the shopper psychology and customer purchase performance for people of diverse ages, to what extent macro-environment

and micro-environment impact consumer's behaviour. These elements have already been given in part A of the report.

6. 3 Technical risks

Technological source is one of the important resources for Fonterra. Since Fonterra sell high-end dairy milk products with high technology, an introduction of a innovative product involves expert skills and technique chains. For example, if a milk product which has to be tested for how much weight of fat is there in that milk sample than it has to pass from beginning to end series of test and the under technological team. With an increase of market sales, demand of technological personnel becomes higher. Once Fonterra is lack of technical support, marketing department and after-sale service department will face difficult operations. The chance of occurrence is low, and reaction option is moderate. When organization pick up costs and achieve significant profits, manager can develop a wider market and boost offers.

6. 4 Safety risks

Safety is the prime consideration when selecting materials, designing, and manufacturing particularly for children. Kids and young child groups are focused segment for Fonterra the products especially designed for this age group are well examined and properly manufactured the health products provides the wealthy nature. The probability of incidence is intermediate while and reaction option is pass on. The most effective way to resolve the trouble is that to acquire equivalent insurance. Once the risk occurs, we have a comeback to the consumers. How to avoid risks is similarly important.

Fonterra must be planned according to most modern corresponding
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condition. For example, Clark(2010) introduce, with fresh rules of attention and numerous implementations. All products designed for children be supposed to be healthy I terms of all nutrition in ages, due to reduce potential effects. For example the product for the child group 0-6 must have all nutrition's as compared to the products compared for age group 35-50.

7. MONITORING and EVALUTION

Menon, Karl and Wignaraja (2009) recommended that monitoring is a procedure of systematic gathering and information breakdown, in order to develop the efficiency and effectiveness of business. Evaluation is a comparison between real business impacts and planned strategies. Specifically, it is concerning what you want to do, what businesses have achieved and how you accomplish it. With the monitoring and evaluation, a business manager is competent to evaluate holistic business development, find out problems and adjust the plan or implementation. Finance factor, market factor and operation factor will be monitored and evaluated through balance score card.

7. 1 Balanced Scorecard (BSC):

Balanced ScorecardSource: (Balanced Scorecard Institute, 2012)Company must consider at its business from financial, customer, Internal Business Processes, and learning and growth viewpoint (managementTV, 2009) (BHFireblade, 2010) (Balanced Scorecard Institute, 2012).

7. 1. 1 Financial:

Financial presentation is calculated from shareholders' point of vision by considering the success of the company, its growth, and shareholder value.

These measures can be evaluated by cash flow, return on assets, sales growth, return on investment, earning per share and operating income, which are measured to indicate whether company's strategy is achieving its objectives or not. These elements are associated with other fundamentals of balanced scorecard as other essentials affect the financial presentation, for example, if employees carry out well then it will influence the financial performance and if consumers are happy then our sales and profit will increase (Brealey, Myers, & Marcus, 2009)

7. 1. 2 Customer-based scorecard:

In the customer-based scorecard, organization will calculate the factors like, quality of service, on-time delivery, cost and service performance. These procedures are distinct from customers' discernment and expectations. These procedures are translated into operational objectives. Once these are translated, company will deliberate on inner business processes to meet up customers' expectations.

7. 1. 3 Internal business processes:

The perception of internal business process includes the satisfaction level for the stakeholders and customers and for that what a business must do.

7. 1. 4 Learning and growth:

Learning and growth determines the objectives by the employees of organization set to achieve organization vision and how that can be sustain in the ability in an era of change and diversity.

Stakeholder analysis:

Fonterra will make sure that the shareholders get suitable returns. Interest for banks on loan are paid on time and customers get additional than what they paid; excellence services and on time services, etc. Employees have reasonable wages, job safety, pressure free environment, strong culture, opportunity to learn, etc. Government is joyful with the devotion to legislations. Local communities anticipate us to be a responsible citizen and a fair competition. Company will try to accomplish the above-stated objectives of the stakeholders as they play imperative role in completion of company's mission, and the ethics that they fetch to the process (Lynch, 2000).

7.3 Marketing factor

The vision of marketing development is that the Fonterra want s to establish its business in all over the world with the motive that everyone thinks of Fonterra when it comes to dairy products, with this motive they are doing marketing campaign to find out new markets in Asia and American continents. A good trade should not only focus on rate of return on sale, but also focus on these indicators: High traffic dataA large number of membersHigh market shareCustomer loyaltyThese should have competitive advantages in evaluation with other dairy companies.

7. CONCLUSION & RECOMMENDATIONS

Fonterra good name is reputed in all over world, this New Zealand based company can definitely settle up a new business in different countries where they can find out cheap labor and structure to perform task and

establishment of new dairy plants for fast production. Different marketing measures from marketing gurus of Fonterra are getting their best efforts to find out new markets for the organization and how a company can bring up a new and innovative product into the market for their existing as well as new customers. It is forecasted that which resources will be necessary and from where they will be acquired to start the business in new market. The story details the resourcing procedure along with its shelf necessary to effectively operate to accomplish the above goals. A full risk investigation is done to recognize the risks linked with resourcing and how Fonterra strategy to resourcefully moderate them through research and verified business strategies. In this report, we carefully study the challenges faced by a large organization and its development through the dissimilar stages of business lifecycle.