

# Strategic initiative essay sample

[Business](#), [Strategy](#)



Harley-Davidson, Inc.'s (HOG) strategic financial plan looks to improve on quality while keeping costs affordable to their consumer, and forecast associated costs of returns and allowances across the enterprise, while maintaining an acceptable amount of working capital within the corporation. The financial plan HOG has set forth incorporates various processes to ensure the company can continue to expand in hopes to remain profitable in the foreseeable future. While there are many methods involved with strategic planning, HOG is going to focus on the organization's financial planning, how costs and revenues within the supply chain affect planning, and the ethical concerns related to the planning initiative. Through these strategic initiatives, HOG's management team will continue to emphasize growth through financial planning while focusing to maintain their strong reputation as a leader in the motorcycle industry. Strategic Planning Initiative

HOG has a good idea of their business finances for the 2014 year. Their plan involves gross margin, operating margin, administrative, selling, and engineering expenses. HOG has also considered how their costs and the currency exchange can affect their operating and gross margins. The operating margin of HOG is expected to increase by 0.9 to 1.9 percent in 2014 (Harley Davidson, 2014). The firm believes that lowering their selling, administrative, and engineering costs will help to meet its goal (Harley Davidson, 2014). HOG believes there will be pressure from product mix and pricing of products on the gross margin; however, they are confident the gross margin will end with a positive impact in the dollars of gross profit (Harley Davidson, 2014).

HOG also expects the foreign currency exchange to have an effect on the gross margin percent and dollars (Harley Davidson, 2014). HOG plans their street motorcycles to be available at the beginning of 2014 causing the gross margin to be impacted negatively at first (Harley Davidson, 2014). The company plans to leverage their current spending in order to offset the growth in expenses from opportunities they are investing in to grow the company (Harley Davidson, 2014). The plan is to focus on increasing their gross and operating margins while offsetting their expenses using leverage on their current spending. Organization's Financial Planning

HOG's financial planning is essential to their business initiative as it lays the foundation to propel the company towards their top priorities. If HOG is not financially sound, they will not be able to move forward with their strategic planning. In efforts to increase their gross and operating margin, HOG must focus on increasing their capital along with cash on hand, which will translate into business savings. Finding ways to lower expenses incurred would be another focus point in achieving an increase in gross and operating margin. Additionally, HOG must determine the best ways to promote growth while simultaneously minimizing any negative effects it may have on the business, its consumers, employees and those who have a vested interest in the company. Nonetheless, HOG must continue to strive to increase their return on every dollar spent on output. Discovering ways to meet their initiative internally allows for a plan to be put into action.

Looking towards credit to meet strategic planning may not be the best idea, as borrowing may not be guaranteed. If a company is relying on credit to

finance an expansion, and suddenly credit is unavailable due to adverse market conditions, strategic planning will suffer (Clements, 2014). Financial planning for the business initiative will require more than one idea and quite possibly several amendments to those ideas. Accordingly, “ the best practices in change management suggest that the optimum strategy is to diversify strategies, since depending on only one to work out may be overly optimistic” (Clements, 2014). Costs and Revenues of the Supply Chain

HOG plans to leverage their current spending in order to offset the growth and expenses from opportunities they are investing. Guerrieri (2014), “ a planned reduction in inventory led to a decrease in revenue, but Harley-Davidson said its sales increased in the United States and worldwide, thanks to its Street models and the re-introduction of the Road Glide” (Sales up, revenue down as Harley recovers from shipment cuts in Q3). Another reason for the decrease in revenue was also due to several recalls that cut into HOG’s profit. In order for HOG to continue being profitable despite reducing shipments, they must reduce the probability of recalls that ultimately cost the company revenue. While the plan is to reduce shipments, it is still in line to maintain their supply with the demand increase of 6. 2% reported from 2011-2012 (Harley Davidson, 2014). Since HOG is global commodity, the process of reducing costs such as the source of raw materials, production, storage, and transportation play a vital part in their ability to increase revenue through sales.

For example, HOG states that U. S. retail sales in 2013 were adversely affected in the fourth quarter by the absence of the popular Road Glide from

the 2014 model year (Duprey, 2014). By doing so, HOG attempted to reduce production costs because the Road Glide was not one of their top sellers; however, they are buoyed by the re-introduction of the Road Glide and look forward to seeing American shipments and inventory up to full levels in the fourth quarter (Guerrieri, 2014). The ability of HOG to accurately define, measure, and manage costs for their supply chain operations of the Road Glide was essential for their successful operations of their inventory that continues to trend upward at the highest since 2009 (SEC. GOV, 2014).

Ethical concerns related to the initiative

Lowering selling, administrative, and engineering costs will aid in the goal of HOG, but maintaining ethical decisions holds a high level of importance. By lowering costs, HOG must ensure the quality of their products remain efficient and safe. Consumers purchase HOG's motorcycles to put on the road, and many lives could be at risk if their safety is not a top priority. Although reducing the quality of HOG's products can reduce expenses and maximize profit, there is unethical behavior linked to the decision (Miksen, 2014). "The danger of reducing quality to maximize profit is damage to the company's brand name and a loss of both consumer respect and trust" (Miksen, 2014). Miksen (2014), "One of the fastest ways to maximize profit and reduce costs is to slash employee expenses" (Employees). While slashing employee expenses may seem logical in some cases, in order to retain the reputation that HOG wants to uphold, the firm must be careful in deciding whether or not this measure will be effective.

According to Miksen (2014), “ It’s unethical in many people’s eyes to cut employee pay and benefits in an attempt to pad the profit numbers, but many companies opt for such a strategy because its quick, proven and effective” (Employees). HOG is focusing on the ability to increase gross and operating margins, and they may intend to be ethical in their practices; however, it is imperative that dollar signs do not become more important than actions of the firm. Participating in unethical acts is not always done with unethical intentions. For this reason, before making any adjustments, HOG must certify that the decisions being made are appropriate. Being strategic in the initiative includes focusing on upholding their reputation to investors, consumers, and employees. Conclusion

After looking at HOG’s 2013 annual reports, the corporation is trending in the right direction financially. In 2014, HOG’s plans incorporate a steady growth in capital with an emphasis on better quality control, while continuing to make improvements in the manufacturing processes to avoid product recalls that cost HOG millions of dollars in 2013. Competition from rival manufacturers is something the management team must take into consideration during the strategic planning process, and with the reintroduction of the Road Glide model, HOG seems to be on the right path to matching their competitors.

HOG will need to maintain an ethical approach to its manufacturing process, keeping in mind that the company cannot compromise their reputation by rushing new products onto the market that are not safe. As with any change in process, HOG must strategically plan for new initiatives that will continue

to keep them at the forefront of the industry in 2014, while keeping operating costs within company financial limits.

## References

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