

Great lakes great decisions essay

[Business](#), [Company](#)



\n[[toc title="Table of Contents"](#)]\n

\n \t

1. [Great Lakes: Great Decisions](#) \n \t
2. [Question 1](#) \n \t
3. [Question 2](#) \n \t
4. [Question 3](#) \n \t
5. [Question 4](#) \n \t
6. [References](#) \n

\n[/toc]\n \n

Great Lakes: Great Decisions

Question 1

Great Lakes is faces an increasingly informed society which knows and understands the environmental and health effects of the company's operations in the production of lead additives to gasoline. Increased awareness as well as rising literacy levels both in the united states and the other developing countries in which the use of leaded gasoline is rampant means that the society is more aware of the dangers posed to it by the operations of Great Lakes and this may adversely affect the goodwill currently enjoyed by the company and may ultimately lead to erosion of the company's profits and shareholder value.

Great Lakes Chemical Company is also faced by a society in developing countries which is characterized by a large proportion of children in the population. This is as a result of increased mortality rates that are recorded in developing nations. Children are one of the groups most vulnerable to the

adverse effects of lead pollution in the air, and this means that Great Lakes operations may have a significant health impact on these populations. The company may therefore bear risks of future legal action from these populations and this will not reflect positively on the company profits and growth prospects in the future.

Technologically, Great Lakes Chemical Company faces a global environment which is actively promoting the development of vehicles which do not rely on leaded gasoline. However, the technology currently being employed in developing countries in which the company's lead additives are mostly used is heavily dependent on leaded gasoline. This implies that the market for lead additives produced by the company is still viable for the foreseeable future, and the company's revenues from the sales of lead additives may yet continue to form a substantial part of the overall company earnings.

The Great Lakes chemical company operates in both developed and developing economies. The bulk of the sales of lead additives is in the developing economies which are mainly characterized by expanding markets and economic activities. The growing economies present a potential for the growth of the company's market for lead additives which the company produces. This can only be reflected positively by increased company profits and increased share value in the stock market.

The company's market is spread throughout the globe, with Africa and the Middle East forming the largest segment of its market for lead additives. This company is thus faced by a geographically large environment, and proper adjustments have to be made to ensure that the company fits into the different cultures in different parts of the globe. The company may also

register increased operational costs as a result of this geographical diversification. The company's profits and growth may be negatively affected by the increased costs associated with operations in geographically distributed markets.

The legal environment facing Great Lakes is characterized by an increased number of legislation by governments which seek to limit the usage of leaded gasoline. This scenario means that the company's market for lead additives to gasoline may be stifled by these legislations and the company may presently or in the future suffer from reduced profits as a result of legislation against the use of leaded gasoline.

Question 2

In the lead additives industry in America, the threat of the entry of new competitors is very low. This is mainly because of the barriers to entry and exit existing in the industry. To effectively carry out operations in the industry, large capital investments are required, and this is the main deterrent to new competitors' entry into the industry. The companies that already operate in the industry would suffer unprecedented financial losses if they chose to opt out of the industry since they would abandon the heavy capital investments. This acts as an effective barrier to exit to the firms already operating in the industry. The impact of the threat of competition by entrants into the industry is very small and the competition among the firms operating in the industry is bound to remain at its current level, with very few changes over time.

The threat of substitute products in the lead additive industry in the United States is very high. Technological effort is being made to develop new

models of vehicles which do not use leaded gasoline, and new types of fuels other than gasoline are being developed. This presents a threat to this industry, and greatly diminishes its growth potential. The increasing environmental awareness about the adverse health effects of lead air pollution may also lead to consumers switching to more environmentally friendly products. The threat of substitute products is very high in the industry, and this will impact negatively on the growth prospects of the industry as consumers switch to more friendly fuel additives from other industries.

The intensity of competitive rivalry in the industry is low. The Great Lakes chemical company dominates the market, controlling more than 90 percent of the market. Innovation in the industry is very low due to the negative health effects of lead air pollution and also partly because of the dominance by one company. This implies that competitiveness in the industry is very low, and this has impacted negatively on the levels of innovation and development of competitive strategies by the firms in the industry. This has impacted negatively on the growth of the industry.

The bargaining power of customers in the industry is very limited due to the nature of the product produced by the industry. Buyers are dependent on the existing channels of distribution because lead additives can only be purchased by petroleum companies and oil refineries, firms which are small in number and which usually operate as monopolies in their markets. Buyers have very little bargaining leverage due to the almost oligopolistic nature of the industry, buyer volumes are very high. The lead additive enjoys differential advantage and the high economic cost of switching to unleaded

gasoline makes the bargaining power of customers low. This makes the industry attractive since the pressures of price volatility as a result of consumer action is absent.

Bargaining power of suppliers is very low. This is because the firms in the industry provide the bulk of the raw materials required for the production of lead additives. Only labour unions present considerable supplier pressure in the industry. Low bargaining power of suppliers make the industry attractive since firms in the industry are able to control the costs of raw materials more effectively, and ensure that the profits are not affected by price fluctuations of raw materials.

Although four of the forces make the industry attractive, the threat of substitute products is proportionally higher and it overcomes any benefits that the industry may receive by capitalizing on the benefits presented by the other forces. This makes the industry very unattractive to both existing firms and those firms which may have wished to join the industry.

Question 3

Great Lakes' immediate competitors are those firms that are currently producing lead additives and bromine products. The companies that control about 10 percent of the global market for lead additives are the current main competitors of the firm. Companies producing bromine products also present competition to the Great Lakes chemical company. The challenge that the competitors currently present to Great Lakes is very small, and the size, financial strength and market penetration makes their competitive challenge insignificant.

Companies that produce gasoline additives other than lead additives and

companies producing bromine products in the United States are the impending competitors of Great Lakes. Production of non lead additives to gasoline will erode the market for lead additives and organizations producing bromine products will be competing with the other part of Great Lakes' business. The impending competitors present a formidable challenge to Great Lakes despite its size and financial strength. This is because there is a general and gradual switch from the use of leaded gasoline to unleaded gasoline and other types of non petroleum fuels. The competitive challenge by these impending competitors is significant. It is these companies that will begin the process of eliminating the use of lead additives in gasoline from all the parts of the world, developed and developing.

Invisible competition to Great Lakes is by those companies in the industries that are developing new types of environmentally friendly types of fuels. The competition by these companies represents the greatest challenge to Great Lakes. The development of eco friendly fuels and the start of their use will render the lead additives industry, and its end will imply an end to more than half of Great Lakes business and the associated profits.

Question 4

The financial strength of Great Lakes is one of its major capabilities. The company is able to undertake capital intensive projects which would otherwise be impossible for a company which does not enjoy a good financial position. The company's credit rating is A+, an indication of the confidence that investors and analysts have on the company. It is important since the company is able to obtain financing relatively easily from investors and creditors.

Great Lakes many products is another of its major capabilities. The company has on market a variety of specialty chemical products in addition to the lead additives. This capability is important; it cushions the company against dependability on one product and the company can, despite the financial effects, let go one or several of its products and still remain competitive by producing the remaining products.

The company enjoys the services of a sound management team, an important capability in an increasingly competitive environment. The management of the company should be able to develop strategies which are appropriate to comprehensively deal with the challenges that the company is currently facing or is bound to face in the future. Decisions made by such a management team will be geared towards ensuring that shareholder value is preserved or possibly improved despite the challenges that the company is facing.

References

Mead, J., Wicks, A. C., Werhane, P. H. & Freeman, R. E. (2008). Great Lakes: Great Decisions. Charlottesville, VA: University of Virginia, Darden School Foundation.