Example of sunflower incorporated case study

Business, Company

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Sunflower Incorporated

Overview

Sunflower Incorporated is a company that purchases and distributes liquor and salty snacks in the United States and Canada. The company operates 32 regions, which run independently with their own salespeople, warehouses, finance, and purchasing departments. The company acquired a financial reporting system, which revealed great anomalies in the profitability of the regions. The system, which compared operational costs, sales, and profits, found huge differences in profitability from one operation to the next.

On closer investigation, management discovered that the most profitable regions often used low quality materials in order to save on the cost of inputs and boost profit margins. The less profitable regions faced stiff competition and intense price wars in their markets. Mr. Steelman the owner of Sunflower Inc. created a new department under the finance to regulate all the procedures related to purchases and pricing. Agnes Albanese was hired to the new position where she would be reporting to Mr. Mobley the Finance vice president. Albanese standardized purchasing and required more reportage of all purchases above $5000. Another move to expedite the implementation of this procedure failed because it coincided with the season for the company. Albanese also failed to follow up the email memo sent to the regional managers with a physical visit to assess the actual situation on the ground.

Causes

Top company executives failed to adequately prepare the regions for the new changes. The regional managers who were used to operating independently were required to change their mode of operation within a very short time. The timing of the implementation was flawed because it coincided with the highest selling period. The new purchasing and pricing procedures should have been implemented during the low season. Albanese should have visited the regional operations to meet the managers before preparing the new policies.

The main problems of the company were disparity in profitability and poor implementation of new policies. The first problem was caused by lack of overall supervision of all the operations of the company. Despite each serving different markets with varying needs, it was important for the headquarters to maintain overall assessment and quality assurance for all operations to ensure overall profitability and protect company image.

The second problem was caused by poor preparation for the new policies. Ms. Albanese was too eager to implement the changes. Instead of visiting the regions to talk to their managers, she chose to stay at the headquarters and concentrate on other responsibilities. By doing this, she missed an opportunity to gather important information that would have helped her to create better procedural manuals for the policies. The period given for the implementation of the new purchasing procedures was too short. The regional managers did not have adequate time to adopt the changes.

Solutions

The first solution for Sunflower Inc. would be to conduct a thorough assessment of the operations of the 32 regions across USA and Canada. This assessment would reveal all the errors in procurement and pricing as they are currently being conducted. These findings would then be used to develop a better, more comprehensive and inclusive pricing and purchasing policy. The regional managers would also be more willing to implement the adjustments because they were involved during the development stage. The new policies should be rolled out for implementation during the low season to avoid affecting the operations of the business.

The pricing and purchases department should ensure implementation of the new policies demanding regular purchasing reports from the regional offices. The reports should be delivered regularly such as weekly, monthly or quarterly. Similar reports should also be prepared annually together with financial reports at the end of the fiscal year. The reports should be accompanied by quarterly visits to the regional operations to conduct an independent survey purchasing and other procedures. This will eliminate substandard purchases and other unwanted procedures in the regional stations.

Finally, the company should acquire other management information systems to help in monitoring overall business operations. The financial reporting system should be complimented by ERP (Enterprise Resource Planning) which enables proper planning and management of all resources available to a company for the creation and supply of its products and services. Other resources are supply chain management systems and customer relationship management systems. These systems will simplify the decision making process for the management and improve accuracy in resource management. Management information systems are also designed to produce regular reports, which can be used by management to support decisions.

The main challenges that could be faced by the company while trying to implement the solutions are cost implications. Management information system software can be expensive. They also require employee training on how to use the systems. Quarterly visits to the regional stations by the purchasing and pricing officials will require additional expenditure on travel, accommodation, and logistics for the officials. The managers will also have to deal with resistance to change which is usually a problem in many organizations. The solutions sought by the company were made without prior consultation with the regional executives. The new policies also coincided with the peak season making them difficult to implement. These two factors increased the possibility of the solutions failing.

Recommendations

Sunflower Incorporated should find a balance between its autonomous operations and central control by the company headquarters. This is because both styles of operation are necessary for the success of the large liquor and snacks distributor. The company should also ensure that it updates its management systems in order to maintain full control and awareness of all its business activities across the 32 stations. This will ensure that the company is able to protect itself from predictable business problems in the future thereby remaining operational and operational.