

Business simulation game

[Business](#)



Introduction

This report details the strategies that I employed in my five-year tenure as a Business Development Manager at Eco-Resource Biotech, an organic waste management company dealing in the remediation of organic agricultural and animal wastes from industrial farms and their repurposing into saleable commodities such as soil enhancers and fertilizer alternatives. Established in 2003, Eco-Resource Biotech is an alternative fertilizer and soil amendment business that devotes itself to the provision of specialized waste management services as a solution for the achievement of environmental sustainability. The primary objective is the biological remediation of agricultural and animal (organic) waste into soil and crop enhancing products for reuse in agriculture and farm use.

Strategic shift

In 2007, Eco-Resource was by all means quite a successful company, as evidenced by data presented in appendices A and B, making annual sales of over a billion Pounds and a gross profit of 800 million Pounds. This it achieved through unique, innovative and cost-effective solutions meeting current global need for sustainability in agriculture and waste management. Also contributory to this success was its hugely successful marketing campaigns targeting key consumers and lobby groups.

The initial strategic direction chosen by management was a mixed strategy which had a greater bias towards cost and intended to transition towards differentiation. It sought to employ the most cost effective methods of production so as to enable competitive pricing in order to compete with the <https://assignbuster.com/business-simulation-game/>

small farm-based fertilizer and the organic compost manufacturers. This was necessary at start-up as this was the only available market for fertilizers and soil enhancers with widespread consumer awareness. To create a foothold, the company needed to first eke itself recognition from which it would then be able to follow through with a differentiation strategy.

Generic strategy

Despite evident success, there was a huge potential for more growth and development in the provision of on-farm waste management services and in the revamping of differentiation strategies clearly putting the company in its own niche aside from the organic fertilizer market in which it initially competed. For this to be achieved, management developed a mixed strategy to guide the next growth phase, seeking to enhance the successful cost strategy, as well as initiating a differentiation strategy which included diversification of operations to include hitherto untapped areas.

Industry overview

In aggregate, the specialized organic compost businesses globally generate more than 100 billion Pounds a year and provide employment for hundreds of thousands (U. S. Government Bureau of Statistics: Fertilizer Manufacturing). The industry's growth rate which is on average more than 7% per annum is enhanced by the commutations of the internet and the development of international commerce that have allowed operations on a global scale (U. S. Government Bureau of Statistics: Chemical Consulting). These have enabled connection with far flung businesses and farmers

leading to the skyrocketing of demand for fertilizers and soil enhancing products.

Direct competition in the agricultural waste recycling and reuse, and especially the biological remediation and soil amendment sectors is, however, minimal and far dispersed globally. In its early years, the company faced competition from the organic compost-based manufacturers and the smaller farm-based fertilizer, despite their products being substantially different from Eco-Resource Biotech's offerings.

For this reason, the company's choice of a vibrant differentiation strategy had its basis on creating a niche market specific for its particular line of products. Consumers needed to be made aware of the distinct and substantial differences of Eco-Resource's product offerings with those of the compost and farm-based fertilizer sector. There are only 123 suppliers of specialized organic fertilizers in the UK with the industry generating gross earnings of approximately 15.8 billion Pounds a year (U. S. Government Bureau of Statistics: Chemical Manufacturing). There has, however, been a resurgence of popularity though the entry of new players has seen slow growth barred by issues and difficulties in dealing with animal and biological wastes (Kimbrell, 2002).

Critical risks and issues

Feed for livestock and humans have to be produced in adequate amounts regardless of economic conditions. This creates a foundation on which the company derives its sustenance, immunity to economic challenges.

Economic insulation is thus considered a major strength. Despite this

<https://assignbuster.com/business-simulation-game/>

insulation, uncertainties and risks such as the economic recession and spikes in international oil prices cannot be avoided. The company endeavours to forge on forward as the potential for growth in the international fertilizer and soil amendment market is immense. Its safe, low-cost alternatives is its greatest strength, appealing to current need and providing high margin recurrent streams of revenue.

Very high operating costs from the collection and transport of organic wastes, and the high pay demanded by specialized personnel, is the company's major weakness. The company forges on as, despite the costs, opportunities can still be profitably exploited. Another weakness obtains from the widespread availability of bioremediation technologies with the only barrier to entry being high capitalization. The company through its strategic direction seeks to exploit its differentiation strategy and other unique and novel channels to beat its competition and sustain its growth.

Opportunities available for Eco-Resource's venture include the enhancement of distribution and expansion into the international market, supplying commercial farms across the globe and tapping into multiple income streams. The shift in demand from traditional inorganic fertilizers to organically-based fertilizers and soil enhancers due to concerns over climate change is considered to be a significant opportunity, enhancing confidence and the assurance of success.

With no effective barrier to entry, there is a threat in the possible entry of competitors impacting the company's cost driver prices and causing significant changes in profit margins. There is the potential for infringement

of operating systems by major competitors since the company's business strategies lack patent protection. Another threat is the venture's reliance and subjectivity to the implementation of new technologies which have not yet reached maturation.

Company overview

With the adoption of the strategy proposals, the company has seen immense success and growth as evidenced in the increase in profitability to 5.6 billion pounds as at 2011 (see Appendix C), as well as in shareholder value and overall company size. This is enabled by growth in sales volumes and the diversification (see appendix C). The company has been able to obtain its projected market value and enhance its market share especially with the international drive and outsourced services.

The company's strength lay in its acquired market share, its offer of value-added services and its cash position also giving it leverage in the competitive environment. These enable the company to build loyalty which would result in the stability of market share. A weakness in the outsourced initiative obtains from the lack of patented technologies with the possibility of farms forgoing venture agreements and depriving the company of its revenue. The company seeks to provide quality and timely service, as well as having employees based on the farm facilities for follow-through to counter this.

Decisions

Qualitative objectives in the competitive position such as product quality, customer service and competitive position are the strategic means through which the growth can be realized (Cornelissen and Clarke, 2010). These are the main focus areas in the strategic shift and growth drive which encompasses: expansion of conversion facilities owned and operated; successful marketing and growth of various solutions; expansion of the outsourcing lines; and, increasing quality and productivity.

A primary concern was the ability of the company to continue to price its services at affordable rates given the turbulent economic environment in times of recession and instability. Since competition in the industry was likely to focus on product development and pricing, it was deemed prudent to pursue strategies that would out-compete their strategies including diversification strategies, offering novel and specialized services, and the initiation of an international drive to enhance sales.

Initial success was based on the sustenance of good relations with farmers and distributors. At this stage (2007), the company operated a single conversion facility with capacity for nationwide distribution. Within the year, the company management sought to streamline operations and develop plans for ventures to the rest of Europe and the international market, mapping distribution programmes and logistics. Plans were also developed for diversification into outsourcing services and marketing to solidify differentiation.

In the diversification strategy decision, the company developed an agricultural waste management service to manage biodegradable animal

and biological waste as an outsourced service provider. At the beginning of 2008, the company invested in an initial pilot project at a farm owned by a cooperative. In the desire to trade-off costs and productivity, management aimed to minimize the high wage costs, enabled by outsourced facilities. This was also intended to serve for marketing, reaching out to farmer cooperatives and groups whose uptake of the company's products was low due to variant loyalties.

The success of the strategy was impressive and growth was exponential with high demand. Earnings from the pilot rose from an initial 42 million pounds from the single outsource facility in 2008 to 4.9 billion from a hundred facilities in 2011. The remediation of toxic soils and water by the company for clients did not, however, receive similar impressive success and notable demand. With this success of the pilot and the necessity for the international drive, management, in the last quarter of 2008, deemed it necessary to acquire a loan of 200 million pounds to further enhance research and development capabilities, as well as to finance a global marketing campaign, establishing distribution channels and contracting external firms with required capabilities.

Early 2009, the company ventured out seeking commercial farms, farmer unions and cooperatives to replicate the success of the pilot facility. This was not a major challenge backed by the evident success of the pilot and the widespread need of solutions for waste management and enhancement of productivity. By the end of 2010, the company's venture into the international market had achieved success gaining entry and presence in 3 regions of the globe including North and Latin America, and Africa with the <https://assignbuster.com/business-simulation-game/>

development of regional sales offices. Sales were very impressive despite missing projections by small margins, with over 100 per cent growth in 2009 and 2010 and a total of 2.3 billion in 2011 (see appendix C).

With these achievements, management in 2011 and 2012 decided to institute measures to consolidate these gains and improve on the various ventures and services. The uptake of the outsourcing service line was quite impressive with a total of 134 miniature facilities in 120 farms by the end of the second quarter of 2012. In monitoring the results of the new strategic direction, management constantly monitored performance and took deliberate actions to boost competitiveness, adding value to performance indices.

Remaining with the initial strategic direction

The strategic direction taken was not radically different from the initial strategic direction and received little resistance overall as it, in many ways, matched initial objectives. This choice of strategy intended to build up on the successes of earlier decisions, tapping into inherent potential and enhancing the sustainability of the company's operations into the future. There was need in light of goings on in the competitive global business environment and the bioremediation and organic waste management industry. The strategic shift enabled the realization of company's exponential growth in size and earnings and the diversification into longer-term competitiveness in outsourced services and international presence.

The final results

These decisions targeted at achieving strategic and financial objectives enabled the company to deliver consistently impressive bottom line results pitted against rivals in the bioremediation and organic waste management industry. These strategic decisions, as part of the long-term corporate direction, also enhanced shareholder value and enabled the company to adapt to competitive conditions in the rapidly growing and changing industry. Despite the take-off failure of the toxic water and soil remediation service, the other components of the strategic shift were hugely successful.

My performance in developing and implementing this strategic shift was quite impressive given the smooth transition and acceptance by the team, as well as the success this strategic shift brought for the overall company and industry. I avoided resistance by developing strategy proposals in line with the initial strategic direction and avoided radically different paths. The engagement of several teams of management in the implementation of the various tasks was also beneficial in acquiring acceptance and enhancing overall efficiency.

Underlying strategic principles

The success of a crafted and executed strategy is its consistent delivery of good bottom-line results pitted against rival company strategies. They enable the charting of a long-term corporate direction towards realization of strategic and financial objectives (Amabile, et al., 1996).

Key learning points about strategy

A key lesson learnt is that there is no singular miraculous combination of decisions that management discover to realise their objectives and goals in the competitive business environment. Decisions require widespread consensus and must be consistent and compatible to ensure success (Cornelissen and Clarke, 2010). The strength of interplay of strategies when better than those of the competition ensures that the venture achieves success pitted against its rivals in the competitive environment. These results are to a large extent dependent on the analysis, planning and decision-making process of management and the capacity to follow through them (Cornelissen and Clarke, 2010). The development of best strategies is heavily dependent upon knowledge and grasp of the system and the business environment, as well as creativity and initiative.

Conclusion

To achieve sustainable growth and the enhancement of its performance ratios, Eco-resource sought to strengthen the success of its initial strategic direction, as well as chart out a new direction aligned to the former. In this new direction, the company was successful in maintaining process costs through the streamlining of operations, and increasing product sales and revenues through enhanced marketing and differentiation programmes. The company successfully diversified its operations to include specialized outsourced services achieving projected outcomes.

Into the New Year, there is need to consolidate these ventures and strategies, aligning the various components and enhancing growth in international markets, with ventures into the remaining regions. Despite

surging popularity and entry of more players, continued growth in demand fortified by effective marketing, and output of new technologies and ways to employ them will enable the success and sustenance of the venture in the long term.

References

- Amabile, T., R., Conti, H., Coon, J., Lazenby, and M., Herron, 1996. “Assessing the work environment for creativity.” In: *The Academy of Management Journal*, 39(5), 1154-1184.
- Cornelissen, J., & J., Clarke, 2010. “Imagining and Rationalizing Opportunities: Inductive Reasoning, and the Creation and Justification of New Ventures.” In: *Academy of Management Review*, 35(4): 539-557.
- Kimbrell, A., (ed.), 2002. *Fatal Harvest: The Tragedy of Industrial Agriculture*. Washington DC: Island Press.
- S. Government Bureau of Statistics: Fertilizer Manufacturing – NAICS Code – 325314; Chemical Manufacturing – NAICS Code – 325; Chemical Consulting – NAICS Code – 541690.