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Per capita beer consumption in the country had been stable for many years. In order to find new opportunities for growth, Courage management decided to expand their product lines into juices. They recognized early on that the juice business was very different from that of beer. In beer, there was little competition and profit margins were high, close to 40 percent. The profit margins for juice would be much lower and there were a number of competitors but they felt they could create a competitive advantage by (1) sousing on " freshness," I. E. All natural ingredients; (2) by leveraging their deep knowledge of their consumers; and (3) by capitalizing on an already strong retail customer base, which would triple as a result of adding juice products. The Organizational Structure The president of Courage is Manuel Preparer. He currently has three key executives reporting to him: Jose Gunman, Felid Razor, and Maria Santiago. Jose is the director of Production; Felid is the vice president of Sales, Marketing and Distribution; and Maria is the director ofFinanceand Administration. Each executive worked closely with Manuel and are involved in all major company decisions. The country is not named to protect the anonymity of the company on which this case is based. At the time of the expansion into juice, a new $50 million production facility was built across the street from the current juice plant. Organizationally, management assumed that the manufacturing, sales, and distribution of the new product lines could be fitted into the existing structure by adding new positions and employees. They added a production manager of juice manufacturing, juice production providers and employees, additional sales supervisors, and over 900 salespeople.

Existing salespeople were trained to sell the new juice products in addition to the beer products that they were used to, and the sales compensation plan was modified so that a higher percentage of the pay would be variable based on total beer and juice revenues. We focus on Grouse's two main divisions: the production division and the sales, marketing, and distribution division. Until a few years ago, the executive team had worked very well together with few major difficulties. The Production Division: Jose Gunman

Jose Gunman, the director of production, has four senior managers reporting to him: Carols Mange, manager, beer manufacturing Dolores Abide, quality control manager; Antonio Ben, the production planning manager; and George Nevada, manager, juice manufacturing. Carols, Dolores, and Antonio have all been with Courage for the past 15 years. George was hired two years ago when Courage moved into the juice business. George isHarvardeducated and had extensive experience in the juice business in North America before accepting Manual's offer to join Courage.

The production division has a strict research with many layers of management. Front-line employees such as assemblers and maintenance staff report to team leaders, who report to plant supervisors. Plant supervisors report to either Carols or George. The jobs in the production division are highly specialized. Formal procedures have been documented and all new employees go through extensive training so that quality standards, safety standards, and efficiencies are maintained. The Sales, Marketing and Distribution Division: Felid Razor Felid Razor, the vice president of Sales, Marketing and Distribution, has been

Manual's second-in-command for many years. He is in charge of four departments, each headed up by a senior manager. These departments are distribution, trade marketing, market research, and sales. The sales department, which has 1400 employees, is further divided into urban sales and rural sales, and there are 13 rural sales managers reporting to the head of rural sales. Each sales representative serves a territory that usually consists of both licensed and non-licensed establishments. They supply retailers with product information and storefront displays.

They also offer discounts and promotions, where appropriate, in an attempt to win limited retailer shelf space. A partial organization chart is shown in Exhibit A. The Current Situation Manuel is very concerned since the forecasted sales and profit targets for the juice business have not been met for the second year in a row. Perceptions in the market are that Courage juice is not of a high quality, and consumers do not appear to be aware of the degree of " freshness" in the products. In addition, the sales force does not seem to fully understand the juice product attributes and tends to focus on selling beer rather than juice products.

Turnover in the sales force has increased dramatically and there has been a great deal of in-fighting between Jose, Felid, and Maria. They always seem to be at opposing ends of an issue and Manuel has to make decisions that inevitably angers one or other of them. The last straw came yesterday when Manuel heard rumors that George Nevada, his Harvard-educated manager Of juice manufacturing, had received another job offer and was planning to resign. Last week, Manuel individually asked Felid and Jose to give him their suggestions for how to improve the juice business.

Joke's response was as follows: " We need to continue to improve efficiencies, keep production and inventory costs to a minimum, and maintain a consistent and high-quality product. Have been doing this successfully for a very long time and I know that the most important success factors are to reduce changeover times on the bottling lines, keep my line capacities to a maximum, my inventory and storage costs down, and the shelf-life of my ingredients up. On the people side, the key to my success has been to have clear rules and work procedures o that we can keep errors and waste to a minimum.

What need to do now is the following: (1) Replace the natural vitamin C extract with artificial ascorbic acid. This will increase the shelf-life of the juices, which will increase its profitability. (2) Eliminate the mill packaging size. This will reduce the changeover times on the line and reduce our costs of production. " Felid's response was as follows: 'We need to create more customer demand and strengthen our competitive advantage. I have been doing this for a very long time and I haven't let you down yet. We do not have enough variety in either our flavors or our bottle sizes.

Juice retailers and consumers are different from Our beer customers. Our competitive advantage in this market is 'freshness. ' That is our niche. What we need to do now is the following: (1) We currently have only two bottle sizes (mill and mill). We need to introduce mill and 1. ALL bottle sizes in order to be able to compete with the other players in the market. While these are unique sizes and packaging formats, they are essential to building the unique image of our brand. (2) We currently have only 12 juice flavors.