

# Agrana case study essay sample

[Technology](#), [Future](#)



The story of the Vienna-based company, AGRANA is pretty fascinating when one considers the journey of 19 years and how far the company has come thus far. Also the fact that AGRANA is major participant in the food and beverages industry while supplying the major players is quite impressive. AGRANA realized total gross revenue of US\$4bn by end of 2013 (Annual Report, 2013). The continual growth of AGRANA with current expansion into Australia and South East Asia is also very outstanding. 1. From an industry-based view, how would you characterize competition in this industry?

AGRANA has seen remarkable growth in its expansion and acquisition of new entities although it kept its diversification to a minimum. It still concentrates on its major divisions of Sugar, Starch, Fruit and Bioethanol production as currently. However, AGRANA has become a conglomerate of different entities within the group. The success of integrating these different entities with diverse origins has reduced its inter-firm rivalry to a minimum.

Within its component parts, AGRANA has seen and continues to enjoy great success. As an industry leader, AGRANA has also cemented its lead by having a competitive edge using its “ personnel, experience and financial strength” to the advantage of the company. The base of AGRANA now has almost been solidified in an industry where new and potential entry commands a lot of resources and financial power. AGRANA has over the years strategically positioned itself in first solidifying its market base before expanding into the global scene. Since the concentration of AGRANA production is with agricultural producers, the supply base does not have a strong cohesion to sustain an effective bargaining power.

AGRANA still maintains its production units with the processing of agricultural commodities and largely supplies to processors with a small direct consumer base. The bargaining power of buyers can pose real threats in the coming years. However, AGRANA has presence in all the continents and this can aid in abetting any threat to its customer base. One major threat on the scene is the emergence of substitutes, especially in obesity-minded North America. There has been recent push for use of sugar substitutes for example and the decrease in the high fructose content drinks and confectionary. The bioethanol sector is still an upcoming industry with very few players. Nonetheless, this section forms a small percentage of the whole operation of AGRANA besides its concentration in the CEE countries. 2. From a resource-based view, what is behind AGRANA's impressive growth? AGRANA has enjoyed much success in this phenomenal growth due to many factors that the company took advantage of and others that resulted from the company's internal structure.

Starting from Vienna, AGRANA took advantage of the EU bloc and its integration into the Western Europe. This created an immediate market for AGRANA's products despite also presenting it with challenges from companies already existing in larger markets. It was about this same time that Iron Curtain also came crushing further opening new frontiers for AGRANA. AGRANA, according to company documents also had had presence in the US since 1976. At the onset, AGRANA was more concentrated on the Sugar and Starch productions by investing heavily in the CEE countries. When that was exhausted, AGRANA resort to a new product, fruit preparation. The expertise that AGRANA has garnered in this field has made

it the world leader. All in all, the four main pillars that have lent strength to AGRANA's phenomenal growth include

1. Ethical standards endorsed and upheld by all employees and officers,
2. Innovation of tailor-made products at the cutting edge of international market trends,
3. Strong cost competitiveness and,
4. Quality and safety of food products from the farm to the end product.

3. From an institution – based view, what opportunities and challenges have been brought by the integration of EU markets in both Western Europe and CEE? One of the opportunities that AGRANA took advantage of was the expansion into a larger market different from its original sheltered Austrian economy. This provided expanded market opportunities as well as the ability to draw employees and employers as well as suppliers from a wider target area. The CEE countries provided similar opportunities. And AGRANA capitalized on these opportunities quickly to seek the purchase of new factories while building new ones. It then expanded into Czech Republic, Slovakia, Hungary, and Romania. The general growth of the EU and its member countries presented similar opportunities.

However, when the EU laws and quota began to limit its expansion, AGRANA sought other markets outside the Western Europe and the CEEs. The acquisition of France's Atys Group, Germany's Wink group and Chinese Xianyang Andrew Juice Co. The ability to quickly integrate this foreign subsidiaries and diverse cultures at AGRANA is one of the institutions strength. As of 2013, AGRANA is represented in all the continents including South East Asia. AGRANA's quick addition of the fruit processing division and

the diversification into bioethanol, have added advantage to the company's already strong base. 4. From an international perspective, what challenges do you foresee AGRANA facing as it continues its expansion into other regions, such as East Asia? One major problem from an international perspective is the foreign exchange impact on their business.

Most economies, especially in East Asia continue to struggle with both growth and stability of their financial sectors. With AGRANA in so many countries, fluctuating exchange rates will become difficult to effectively compute therefore forecast production and sales in the these countries. AGRANA will also be dealing with quality issues as standards of crop cultivation in countries may vary greatly. Since quality is one of the bedrocks of AGRANA's success, the challenge will be to maintain this benchmark for its products throughout the world. In East Asia, another real threat will be with competition from government-backed conglomerates that may become rivals to AGRANA's partners. An ageing population in for example Japan will also be a challenge as AGRANA expand to those areas. Conclusion:

AGRANA group as a company has had many impressive developments in its history. To continue to foot this path into the 21st century amidst all the hardships in business and the recession that has swept economies is really impressive. More, so AGRANA continues to grow and have greater plans to stay on this path well into the future. Continuous acquisitions and expansion has been the stumbling block of many companies. Beyond that to be able to retain quality personnel and navigate the complex world of globalization in business is what many companies have not mastered to do. But for AGRANA,

the future still looks beautiful and for a company with such humble beginnings attain heights in such a short time is indeed legendary.

Definitely into the future, there will be new challenges and new frontiers to explore. But if we can judge the future from the past, it looks like AGRANA is poised for greater heights into the future and more than well positioned to dominate the sugar, starch and fruit processing industry for a very long time to come. As a multinational corporation, AGRANA's philosophy is stated on their website for 2014 as: " We focus our efforts on attaining constant, sustained growth, generating profits for our stockholders through a method based on continuous improvement. We also strive to maintain our clients' full satisfaction by providing products that are innovative, trendsetting and cost effective" (2014, AGRANA Company Website).

From the industry view to internal (firm) view to even resource and international/globalization point of view AGRANA is making waves and that for a very long time to come. Right now AGRANA originating in Europe has an obvious presence also on the continents of Africa, Asia the Americas and Australia and Fiji. Now this is a truly global corporation. In my opinion, to stay true to the above qualities is to spell success for longest foreseeable future. And truly Johan Marihart is poised to do nothing less than that.

#### References:

1. <http://www.wikiwealth.com/research: agrana>
2. <http://www.agrana.com/en/investor-relations/publications/>