

Scotts miracle-gro's – management policy and strategy

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Unit Seven Scotts Miracle-Gro Case Study Analysis XXX Kaplan University MT
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Unit Seven Scotts Miracle-Gro Case Study Analysis Introduction The submitted report identifies Scotts Miracle-Gro's strengths, weaknesses, opportunities, and threats (SWOT) (Pearce & Robinson, 2011, p. 140). Key issues will be explored concerning Scotts Miracle-Gro's external environment and solutions developed to maximize its opportunities or minimize its biggest threats. This comprehensive analysis will be used to add value to the company and its consumers.

Synopsis (Background) of the Situation The Scotts Miracle-Gro Company (Scotts), based in Marysville, Ohio, was formed by a 1995 merger of Miracle-Gro and the Scotts Company (Pearce & Robinson, 2011, p. 26-1). The merger made Scotts the largest company in the North American lawn and garden industry as well as the world's leading supplier and marketer of consumer products for do-it-yourself lawn and garden care (Pearce & Robinson, 2011, p. 26-1). The Scotts Company was founded in 1868 by Orlando McLean Scott as a purveyor of weed-free seeds.

By 1879, Scotts had diversified into distribution of horse-drawn farm equipment and also started a mail-order farm seed distribution channel. Scotts began offering grass seeds for lawns in 1907, distributing through retail channels beginning in 1924 (Pearce & Robinson, 2011, p. 26-1). In 1928, Scotts introduced Turf Builder, the first fertilizer specifically designed for grass and started its spreader business with the introduction of drop spreaders in 1930; broadcast spreaders were rolled out in 1983 (Pearce &

Robinson, 2011, p. 6-1). Scotts acquired Republic Tool & Manufacturing Company in 1992 and gained competencies in total quality control over spreader manufacturing (Pearce & Robinson, 2011, p. 26-1). Ownership of the firm changed hands several times, beginning in 1971 when ITT bought Scotts from the Scotts family. In 1986, a leveraged buy-out (LBO) made Scotts a private company again for a time, until 1992, when its stock started trading on the NASDAQ (Pearce & Robinson, 2011, p. 26-2).

Miracle-Gro was founded in 1951 by Horace Hagedorn (Pearce & Robinson, 2011, p. 26-2). Unlike Scotts, Miracle-Gro had no internal production; all production was outsourced to contract manufacturers. Before the 1995 merger with Scotts, Miracle Gro was already a leading brand in the lawn care chemical industry (Pearce & Robinson, 2011, p. 26-2). By early 2000, Scotts Miracle-Gro products were No. 1 in every major category and in virtually every major market in which they competed (Pearce & Robinson, 2011, p. 26-2). Key Issues

The three key issues facing Scott's are increased domestic production costs, dependence on large scaled customers, and profitability below market average. The comparatively high plant and labor costs of the Temecula plant continues to be an issue to the growth of Scott's Miracle-Gro. The key issues revolve around the idea that that is has become expensive to produce fertilizer spreaders and lawn seed by Scott's Temecula plant. Another weakness that has been identified is Scott's over dependent to customers, such as Home Depot and Wal-Mart, which account for 61% of the company's sales (Mays, 2012).

These large consumers have demanded a change in policy and production by “leaner inventories to end their fiscal years as well as to move shipments closer to the start of the lawn and garden season (Mays, 2012). Scott's also has experienced lower sales in the international segment, tumbling 21 percent, while also missing revenue targets in 2011 due to sales declining by -2%, an 8% miss (Mays, 2012). Define the Problem The main problem to Scott's survivability and health is the increasing cost of production for the Temecula plant, which manufactures products for Scott's Miracle-Gro.

These increasing costs are driven by the higher labor costs. These increased costs are also in conjunction with higher prices for raw materials, energy costs, and higher state taxes. Alternative Solutions The three possible solutions to alleviating this issue is outsourcing, hiring lower waged workers, or slightly lower wages and offer bonuses for meeting certain milestones. Outsourcing to China may not be the best solution because it would raise costs in the distribution channel, which is not a desirable outcome for the long-term.

Also hiring an outside work-force willing to accept a lower wage could jeopardize quality but the new employees can be instructed on how to provide quality when manufacturing the products which would generate a short term increase in costs for training. The other alternative is to move the plan to more friendly manufacturing state and slightly lower current employees' wages if it is considered that they are higher, and also to identify areas where money can be saved.

This would retain human capital which has led to productivity improvements which have averaged six per cent per year (Pearce & Robinson, 2011, p. 26-4). In this section, you demonstrate your expertise by identifying a couple of different ways to solve the problem you identified in the previous section!

Selected Solution to the Problem The most economical and viable solution would be to move production outside of California. Areas where costs can be saved are in the distribution of the products and in the procurement of raw materials.

Scott's should search for areas where expenses can be lowered and costs cut but that does not diminish employee morale and job satisfaction which can negatively impact productivity. The state that has been selected is Utah which has right-to-work law on the books which means lower labor costs, Utah also has a favorable regulatory climate and Utah's 5% flat corporate tax rate is one of the lowest in the country (Badenhausen, 2012).

Implementation

- Internal Stakeholders** | **External Stakeholders** | **Accounting-** Assess budget | **Customers-** e. . Wal-Mart, Lowes, Home Depot | **Operations-** Calculate costs of operational processes | **Suppliers -** Local and current raw material suppliers | **Procurement-** Calculate the costs of purchasing material | **Regulatory agencies-** Local government agency | **Human Resources-** Calculate wages and benefits of current employees, management, and executives. Identify training for new plant. Create benefit package to retain current employees. | **Natives-** Local community | **Legal Department-** Develop and review contracts for new facilities and suppliers. | **InformationTechnology-** Develop network for supply chain, operations and sales. Maintain integrity of database | **Initiating Process Group-** Time

frame- Within one month * Project Integration Management * Reason- Develop Project Charter * Project Communications Management * Reason- Identify Stakeholders Planning Process Group Time frame- Within one month (to run concurrent to the initiation process) * Project Scope Management: (Within two weeks) Reason- Define Scope (Moving plant operations and distribution) and Create a work breakdown structure (WBS) * Project Procurement: (Within two weeks after project is defined) * Reason- Plan Procurements (Where, who, and how much raw materials will cost if plant is moved) * Project Risk Management: (Within two weeks after project is defined) * Reason- Plan Risk Management, Identify Risks, Plan Risk Responses, and Perform Qualitative Risk Analysis * Project Human Resources Management: (Within two weeks after project is defined) * Reason- Develop Human Resource Plan- (Calculate wages and benefits of current employees, management, and executives. Identify training for new plant. Create benefit package to retain current employees.) * Project Quality Management: (Within two weeks after project is defined) * Reason- Plan Quality- Ensure the effective design of processes that verify customer needs, plan product life cycle and design, produce and deliver the product or service. Project Cost Management: (Within one month of project scope) * Reason- Estimate Costs and Determine Budget * Project Time Management: (Within two weeks after project is defined) * Reason- Define Activities, Sequence Activities, Develop Schedule, Estimate Activity Durations, and Estimate Activity Resources * Project Integration: (Within one month of project scope) * Reason- Develop Project Management Plan Executing Process Group Time frame- Within six months of completing the planning phase * Project Quality Management: *

Reason- Perform Quality Assurance (5% improvement from previous year) *
Project Procurement Management: * Reason- Conduct Procurements (10%
reduction in procurement) * Project Human Resource Management: Reason-
Acquire Project Team, Develop Project Team, and Manage Project Team *
Project Communications Management: * Reason- Distribute Information and
Manage Stakeholder Expectations (30% reduction in labor costs and 20%
increase in distribution speed) * Project Integration Management: * Reason-
Direct & Manage Project Execution Monitoring and Controlling Process Group
Time frame- Within six months * Project Scope Management * Reason- Verify
Scope, Control Scope * Project Procurement Management * Reason-
Administer Procurements * Project Risk Management * Reason- Monitor &
Control Risks * Project Communications Management * Reason- Report
Performance * Project Quality Management Reason- Perform Quality Control
* Project Cost Management * Reason- Control Costs * Project Time
Management * Reason- Control Schedule * Project Integration * Reason-
Monitor & Control Project Work and Perform Integrated Change Control
Closing Process Group Time frame- Within nine months of completing the
planning phase * Project Scope Management * Reason- Verify Scope, Control
Scope * Project Procurement Management * Reason- Administer
Procurements * Project Risk Management: * Reason- Monitor & Control Risks
* Project Communications Management * Reason- Report Performance *
Project Quality Management * Reason- Perform Quality Control * Project Cost
Management Reason- Control Costs * Project Time Management * Reason-
Control Schedule * Project Integration * Reason- Monitor & Control Project
Work and Perform Integrated Change Control * Project Integration

Management * Reason- Close Project or Phase * Project Procurement Management * Reason- Close Procurements Recommendations The biggest threat facing Scotts Miracle-Gro is “ high plant and labor costs of the Temecula plant” (Pearce & Robinson, 2011, p. 26-4). This has led to lower sales both domestically and internally diminishing their market share and global standing. Conclusion This concludes an in-depth analysis of Scotts Miracle-Gro.

The major issue that has been identified and addressed is high internal costs of production at Scotts Temecula plant. A solution has been developed and implemented to alleviate above market expenses and to cut costs by moving production outside of California. China and other overseas markets have been excluded because quality issues would be raised and decreasing cost with just labor wages will not provide the solution to the problem, but will create other problems. A short term project plan has been identified in the report to be presented to executives and implemented by functional management. The implementation portion includes developing a project charter and identifying stakeholders within one month.

A tepid budget will be created using figures submitted from the operations, procurement, human resources, and information technology departments during this process. The planning phase will also be concluded within one month developing a project scope and creating a WBS while also conducting a risk assessment of the move versus remaining in California. In addition this process will require the creating of a human resources and procurement plan. In three months Scott's should be able to execute the plan provided

which includes quality management of improvements of five percent above last year , procurement management reduce costs of raw material purchases, and human resource management to help reduce labor costs by ten percent.

Information technology should have a network set up in this timeframe to protect integrity and integrate services between operations, sales, and distribution. The objectives should be established for the short-term and they will be monitored to determine if they are followed accordingly. This key issue is important and moving operations should not be the end-all-solution but the beginning of a continuous solution to achieve maximum consumer satisfaction and profitability. When appropriate measures are taken and if the corporate officers communicate and discuss the issue considering all the details, the best solutions will be reached to obtain long term objectives.

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Formulation, implementation, and control (12th ed.). New York, NY: McGraw-Hill/Irwin. Appendix A SWOT Analysis Template for Scotts Miracle-Gro

<https://assignbuster.com/scotts-miracle-gros-management-policy-and-strategy/>

Strengths * Large market share * Consumerloyalty| Weaknesses * Increased overhead costs * Greater dependence on large consumers| Opportunities * Lawn services * Increasing online consumer spending *Globalization| Threats * Competition * Government Regulation * Increasing prices of energy| Project Grading Criteria | Grade| Content, Focus, Use of Text/Research| Analysis andCritical Thinking| Writing Style, Grammar, APA Format (when assigned)| %| 50%| 30%| 20%| 90-100%| Response successfully answers the assignment question(s); thoroughly uses the text and other literature. | Response exhibits strong higher-order critical thinking and analysis (e. g. , evaluation). Sentences are clear, concise, and direct; tone is appropriate. Grammatical skills are strong with almost no errors per page. Correct use of APA format when assigned. | 80-89%| Response answers the assignment question(s) with only minor digressions; sufficiently uses the text and other literature. | Response generally exhibits higher-order critical thinking and analysis (e. g. true analysis). | Sentences are generally clear, concise, and direct; tone is appropriate. Grammatical skills are competent with very few errors per page. Correct use of APA format when assigned. | 70-79%| Response answers the project assignment(s) with some digression; sufficiently uses the text and other literature. Response exhibits limited higher-order critical thinking and analysis (e. g. application of information). | Sentences are occasionally wordy or ambiguous; tone is too informal. Grammatical skills are adequate with few errors per page. Adequate use of APA format when assigned. | 60-69%| Response answers the assignment question(s) but digresses significantly; insufficiently uses the text and other literature. | Response exhibits simplistic or reductive thinking and analysis

but does demonstrate comprehension. | Sentences are generally wordy and/or ambiguous; tone is too informal. Grammatical skills are inadequate, clarity and meaning are impaired, numerous errors per page. Inadequate use