

Quick lube corporation

Business



As Herget struggled to enforce company contractual policies and regulations franchisees became increasingly dissatisfied and began revolting. Further distress to the company was exhibited as “royalties became difficult to justify” (397). The independence of franchisees and employees can be demonstrated through the adverse selection theory. Quick Lube expanded at a quick rate leaving less time for supervisors to find appropriate employees to perform the jobs needed.

Although franchises demonstrated rapid-growth the profit margin was instable. The 1990 budget analysis revealed that the most successful month was July which produced \$193, 214. However, profit margins in February of 1991 the company produced a net income of \$-6873. 00. The instability of net income led the founder Frank Herget continuously defaulting on loans. Unfortunately, the company failed to produce enough revenues for Herget to pay debts in the company’s formation and make a profit. In order to pay said debts, Herget was forced to sell parts of the company to Huston Oil. Huston Oil had different conflicting ideas on how the franchise should be run. Huston’s business strategies further frustrated franchisees. The focus of the Quick Lube Corporation was to increase the productive opportunity set through the sales of oil. This strategy allowed the company to bring in additional revenue allowing for an increase in profit margins. Boosting profit margins would allow for the debit occurred (financing) at a quicker pace causing a boost in profits for company executives and shareholders. The main goal was to boost the firm’s year-round profitability and decrease interest on debts that occurred to begin the business.

However, founder of the company Frank Herget did not readily agree with the changes associated with Huston’s bailout of Quick Lube. The prospective <https://assignbuster.com/quick-lube-corporation/>

futures of the Quick Lubes discussion lead to strained business relations between Herget and Huston Oil. Herget viewed the Quick Lube Corporation as a growth-orientated vision. However, Huston Oil intended to implement a commitment to growth; thus providing higher profit margins. Huston Oil believed that Herget should be grateful for the bailout provided. This discussion led Herget to retain litigation against the Huston Oil Company. Critical issues in the Quick Lube Corporation led to the company's financial bailout but Huston Oil. The rapid rate of growth associated with the Quick Lube Company left the company with increasing debit with the inability to pay for it. The Quick Lube Corporation lacked an effective business plan that allowed for financial growth and the ability to manage franchises effectively. These issues cost the company the ability to maintain independence. The Huston Oil company buyout further complicated these issues as franchisees and the original owners did not agree with the business growth plan instilled.