Heinz case study

Education

Company made a corporate move that framed the course of their future business model. In order to increase their competitiveness, Heinz had to come up with a business strategy that would rival competitors. According to thecase study, the dominant corporate strategy has been Identified as a directional strategy, which was based on analyzing the company's orientation toward growth. It was noted that the company needed to: 1) cut back on operations by simplifying their business model, 2) diversify the business to increase growth, and 3) grow nationally and globally through a merger which would also reduce debt.

The first step in the strategy included streamlining their product selection which would refocus the company's business model, while also offering more flexibility. Heinz had decided to allow their two mainfoodplatforms to be the highlight of the company: meal enhancers (which included condiments of all types) and meal and snacks (including frozen and shelf-stable goods and the same made for the food service industry). In doing so, they could focus more attention to detail on their successful products such as packaging and quality, Instead of spreading themselves thin by splitting powerless with struggling products and brands.

The second strategy Included Increasing growth by diversifying business. Heinz did so by engaging In concentric diversification with the Del Monte Company. By creating a synergistic relationship with a like-minded food company, Heinz was able to take stock of their product lines, figure out strengths and weakness of each, and identify which of the products would benefit from a strategic fit with Del Mote's input regarding approach and knowledge in production, marketing and/or sales. This allowed both

companies to converge, growing both individually and together, thereby increasing profits and company growth.

In fact, it was expected that as Whine's revenue increased by twenty percent, Del Mote's company would double in size. Lastly, the business merger of Heinz with Del Monte Foods has not only Increased wealth, but It has reduced the debt. By allowing Its shareholders to assume a 0. 45 share of stock In Del Monte for every share that they owned In Heinz, this also allowed Del Monte to acquire twenty percent of Whine's debt. This essentially made those shareholders the majority owners in the new Del Monte. Additionally, more debt was alleviated when Heinz was able to condense dividends by thirty-three recent, which generated extra monetary flow.

By 2004, Heinz was able to change its organizational structure which showcased its horizontal growth. They were able to venture into new markets through their band acquisitions from Del Monte, and created a strong presence in the following markets: North America, U. S. Foddering, Europe, Asia/Pacific, and smaller markets in Latin America, Africa, India, and the Middle East. Across the board, this resulted in profitable diversification In revenue. The appropriateness of this directional strategy seems to have worked In the Heinz Company's favor.

Instead of continuing to be weighed down by debt, and an over-bloated portfolio of products (all of which were not profitable), the merger helped to alleviate most of the problems. If they had chose to only focus on a of debt acquired by Del Monte. Also by not choosing a parenting strategy, they

allowed for more of a partnership between companies instead of a one holding more power than the other. The directional strategy seemed to offer the best combination (portfolio attention and a synergy relationship) of the latter two strategies, which worked best for thegoalsthat Heinz Company had in mind for their own personal growth.