Massey ferguson essay

1. Assess the product market strategy and the financial strategy Massey pursued through 1976. Where possible, compare Massey's strategy with those of its leading competitors. Massey Ferguson has a series of product market strategy and financial strategy problems. The initial issue was Massey's misalignment of its production sites and its markets. The mismatch caused massey to suffer currency risk exposure. Additionally, some of the markets massey sold into were not the most stable, exposing them to political risks that could not be anticipated. Massey had an interest in penetrating the North American markets, however, Massey did not have any research and development presence in the region, making it less able to connect with the needs of its potential North American customers. Massey traditionally ranked third in farm equipment sales behind Deere & Co and International Harvester.

2. What went wrong after 1976? How did Massey respond? How did its competitors respond? What were the consequences for Massey? There were several factors that lead to Massey's troubles. Factors include market interest rates spiking, South American monetary changes including credit and monetary elements, farm prices declining in North America, and poor weather. These factors resulted in Massey's loss of over 260 million dollars in 1978, which caused to respond with several dramatic changes. The North American market demand for farm equipment declined for a variety of reasons as well. Massey began re-adjusting its size through decreasing its operational footprint from 30 million square feet to 20 million. Also, Massey decreased its labor force from 68, 000 to 47, 000. Massey reduced inventory

from 1. 08 billion dollars to 988 million, and divested unprofitable operations for over 300 million dollars.

3. Assess the various alternatives at the current stage of Massey's difficulties. What options are available for alleviating Massey's financial problems? Massey's main issue involves the idea that it had a lot of debt on its balance sheet, and during the times of struggling demand, it has to find a way to avoid default and grow its business. Massey plans to grow its business through raising capital to fund a series of initiatives for growth. Since Massey's cash is thin, it must alleviate its potential default since the way its debt is structured, a single default makes all of its debt callable, resulting in a detrimental and dramatic effect on the company. Massey could find a way to restructure its debt with all of its debt holders. Massey could lean on the governments in its respective areas of operation to provide assistance. Massey could coax an infusion from its largest investor, Argus Corporation.