

# Developing an effective management and leadership commerce essay



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Leadership and management efforts are crucial to the development of business strategies of companies. Basically, a lot of companies turned to bankruptcy not only because of the environmental factors but because they neglected leadership and management efforts (Hormozi, Hostetler, & Middleton, 2003). With this, OSIM was chosen due to the steady growth of the company from humble beginnings as a kitchen appliance trading company to its global footprint-having a wide point of sales network (OSIM Ltd., 2011). This made the company an exciting and interesting case study. Furthermore, in view of the current economic climate where businesses are failing and where competitors are aggressive, it is important to understand from the business trend whether OSIM is capable to meet to the future challenges. As the industry expects more competition and the entry of more players, it would be interesting to see how well prepared the company is both financially and strategically to reinforce its global presence and continue to be the market leader in this industry.

### **Corporate Profile, Mission, Vision and Goals of OSIM[1]**

OSIM International Ltd was believed a global leader in healthy lifestyle products. The company was originally founded by Ron Sim in Singapore in 1980 (OSIM Ltd., 2011). During that time OSIM was under the name of R Sim Trading, an electrical and household appliance company (OSIM Ltd., 2011). Using their small start-up capital, the company engages with the promotion of household products such as knife sharpeners, knife and mobile clothes drying rods. Apparently, in 1989, the company listed with the name “ Health Check and Care”, and later on shifted their main focus to healthy lifestyle products. The time following this created great development for the

company, and it manages to produce outlets in Indonesia, Malaysia and in Hong Kong (AsiaPulse News, 2002).

The company's vision was to become the global leader in healthy life style products whereas their mission was to challenge the spirit of their clients. The goal of the company was to bring the healthy lifestyle to their consumers (Business Times-Malaysia, 2003 and New Straits Times, 2003).

## **Financial Standing[2]**

In Figure 1, the OSIM International Ltd's 2009 revenues grew by 1% from 62% in 2008 to 63% in 2009. This is also created significant increase in terms of selling, general and administrative costs resulting to the decline of the net income from a gain of 21% in 2008 to a gain of 5% in 2009. From the record of OSIM's balance sheet (see Appendix), the company actually suffers from profit decline due to the effect of global recession (Offers Style: New OSIM Store Now Open, 2004).

## **Figure 1. OSIM's Profit and Turnover**

Source: Osim International Ltd., 2009

As seen in Figure 1, the 2007 and 2009 performance is expressive compared in 2008. From these results, we can deviate that OSIM was not performing well in 2008 as compared to their expressive 2007 and 2009. Despite of some downturns in 2008 due to the global business crisis, the year 2010 shows interesting trend. From the gathered information, it is expected that in 2010 both the revenue and net income of OSIM will be constantly moving upward (See Appendix for complete details).

## **OSIM's PESTLE Analysis**

Political Conditions – political influences include government stability, taxation policy, foreign trade regulations and social welfare policies (Davies, & Lam, 2001). The political situation of Hong Kong is very stable now or even in the knowing future, all of these are provided by its stable and high visibility law (CIA Worldfact 2011). This will assure OSIM and other foreign businesses that the political condition of Hong Kong will help them to have a stable operation in area. Actually, the corruption-free government with score 8.4 in transparency index, excellent political condition and highly developed and competent infrastructure of Hong Kong have caught the attention of investments from more than 7,000 multinational corporations from the United States, Japan, and Europe (Transparency International, 2010).

Economics- Hong Kong is an attractive market for medical home care technology makers and the newest trends. The opening of OSIM and the growth of medical home care technologies is supporting the demand for health services in Hong Kong. OSIM does not worry that the legislation could severely set back their most effective marketing (New Straits Times, 2003). Actually, Hong Kong is a highly developed and successful free-market economy. As of 2010 Economic Indicators, the CPI or the consumer price index of Hong Kong is 128 with Annual Inflation Rate of 0.45 (CIA Worldfact, 2011). Hong Kong has also 4.3% (2010 est.) unemployment rate with the GDP of \$224.1 billion (2010 est.) (CIA Worldfact, 2011). Actually, Hong Kong enjoys an outstandingly open and corruption-free background, stable prices, and a per capita GDP higher than that of most developed countries. The economy depends heavily on exports, particularly in consumer electronics,

information technology products, pharmaceuticals, and on a growing financial services sector (CIA Worldfact, 2011). Real GDP growth averaged 2.3% in 2008, but contracted -2.7% in 2009 as a result of the global financial crisis but in 2010 an expressive 6.8% was computed (CIA Worldfact, 2011). As seen, there are lot of foreign businesses found in almost all sectors of the economy of Hong Kong. Basically, more than two-thirds of manufacturing contribution and direct export sales are provided by foreign business, although there are services sectors that remain ruled by government-linked businesses (CIA Worldfact, 2011).

Social cultural - In terms of social aspect, OSIM is quite in advantage in Hong Kong considering that the standards of living of people in destinations served by OSIM is good and most of them have the capacity to pay for their home healthcare technology needs. However, OSIM still needs to consider the tastes and lifestyles of people especially, their willingness to buy technology-based home care products (New Straits Times, 2004) since Hong Kong consumers could prefer traditional medicine or Chinese physician rather than high tech equipment. But because of the advent of new technologies in any setting, this is a good timing for OSIM to grab the opportunity (Barton, Newell, & Wilson, 2002). The nature of its workforce is also part of external environment of OSIM whereas the Hong Kong citizen are able to cope with the changes implemented in OSIM.

Technological - Today, e-business has become an integral part of operations in any business industry, with ultimate objectives of not only achieving cost saving but also generating additional revenue (Hormozi, Hostetler, & Middleton, 2003). Beyond to enhance their current product line, their further <https://assignbuster.com/developing-an-effective-management-and-leadership-commerce-essay/>

investment should be focus on improving and incorporating appropriate new technology. In Hong Kong, OSIM implemented and ambitious to become Asia's leading Home Health-care products manufacturer and distributor.

Legal – As with any other business industry of the world, there are rules and regulations that restrict or support the facilitation of the business in the Home Health-care products market in the areas where OSIM operates (New Straits Times, 2004).

Environmental – There are currently no major environmental issues faced by the OSIM in Hong Kong considering that Home Health-care products are not only good for people but also to our environment (New Straits Times, 2004).

### **OSIM's SWOT Analysis**

With respect to the given information in the company website, the following presentation will show the SWOT analysis of OSIM. Actually, SWOT analysis can provide a framework for identifying and analyzing strengths, weaknesses, opportunities, and threat (Feist, Heely, Lu, & Nersesian, 1999).

Adapted from: <http://marketingteacher.com/lesson-store/lesson-swot.html>

### **TOWS Matrix**

From the SWOT presented the TOWS matrix for OSIM's operation in Hong Kong is made.

## **External Opportunities**

**(O)**

## **External Threats**

**(T)**

- 1. Improve and increase the market of the business**
  - 2. Growth of the company's subsidiaries.**
  - 3. Increased customer loyalty.**
  - 4. International consumer reach through the use of e-commerce or internet marketing**
- 1. Emergence of highly competitive company.**
  - 2. Economic downturn.**
  - 3. Escalating prices of main materials and products.**

## **Internal Strengths**

**(S)**

**SO**

Focus on various promotion strategies to improve market.

Offering excellent products to achieve customer loyalty and excellent customer association

**ST**

Strong reputation and resources of OSIM to draw industrial knowledge which can perk up customers' confidence in considering product.

Consideration of joint venture and sustainable merger and acquisition to improve and expand market portfolio in other parts of the globe.

Enhancing home healthcare products and services to meet the need of the target market.

## **1. Good Customer relationship**

## **2. Diversified products and services offered to different customers in the international contexts**

### **Internal Weaknesses (W)**

#### **WO**

Managing financial resource effectively to minimise weaknesses

Improving customer reach by joining various business ventures.

#### **WT**

Applying strategic management structure to gain shareholders and stakeholders' trusts

Investing in information technology infrastructure

Enhancing brand loyalty through customer satisfaction.



## **1. Inability to manage financing sources**

## **2. Limited access to international markets.**

**Adopted from: [http://www.mindtools.com/pages/article/newSTR\\_89.htm](http://www.mindtools.com/pages/article/newSTR_89.htm)**

### **Porter's Five Forces of OSIM**

A Five-Force model (Ali, 1993) was conducted in the context of the global home health care industry. Despite being a market leader, OSIM is not yet resting on its laurels of success, but instead, continuously innovating and developing their company in order to maintain what it has managed to achieve up to this time. The following identifies the five forces of OSIM:

**Industry Competitors-** In the global business industry, regulatory and technological changes are the major factors, making ingrained reasonable strategies outdated and controls the creation and progress of new products, strategies, processes, and public policies in the industry (Leuz, Pfaff, & Hopwood, 2004). Basically, there are numerous home health care players in the industry, included in the list is OSIM, who strive for market leadership in all their business aspects. As such, the level of industry competition is very stiff and very aggressive.

**Potential Entrants-** Natural barriers to entry in the global home health care industry include the need for capital investment, human resources, and technology and the importance of economies of scale. It also includes the role of contracting costs avoided by a close relationship between the vendor and its client, which in turn is related to the avoidance of opportunistic behaviour by either party.

Buyers - Home health-care products have a long history—a history rich in product diversity, international scope, and, above all, continuous change and adaptation. These competitive changes have forced adaptations, and in general have improved the level and efficiency offer to clients, thereby increasing transactional volume. Coupled with these, the customers have become informed concerning home-health care products that OSIM-like companies offer.

Suppliers- The suppliers to this industry are mainly the providers of technology and materials in home health-care firms use in the conduct of their businesses.

Substitutes -There is a high level of substitutes for the healthy and lifestyle products industry, evidenced by the numerous numbers of major players in the global market. The cost to transfer to another beauty firm is also relatively low, so the substitution rate is pretty high.

## **Grand Strategy Matrix**

Adapted from: <http://www.slideshare.net/suresh.singh/grand-strategy-presentation-805769>

In terms of grand differentiation strategy of the company, OSIM belong to the market in which the growth was slow. However, the company was the leading business in this industry that defines their strong competitive position.

## **Differentiation Strategy**

In order to place OSIM as a leader in Home Healthcare Products, there should be a so-called differentiation strategy that clearly identifies why OSIM is different from other brands. The differentiation strategy of OSIM was based on their:

Wide experience in home health care market - as they have been in the business for almost 42 years now, their directors can consider their experience in operating venture as strength (OSIM Ltd., 2011).

Reasonable price offerings of products and services- since they able to keep their overheads low, this allows them to have better control of their prices. This is considered strength because naturally, people would look for a reasonably-priced place to stay in that equally do not sacrifice service and product quality (OSIM Ltd., 2011).

Already has developed a good reputation for value for money - since they have been operating for great number of years, they already have built a name for themselves, attracting a number of loyal customers along the way (OSIM Ltd., 2010).

Good industry skills - the directors of different divisions of OSIM are natural for the business that they ventured into, both being outgoing and friendly, the most important public relation skills that clients look for (OSIM Ltd., 2011).

## **The Boston Consulting Group Approach (BCG Matrix)**

There are 9 important business units for the OSIM, which are grouped according to the city or country that their operation is located: Singapore, China, Hong Kong, Indonesia, Malaysia, Taiwan, Canada, UAE and USA.

Figure 1 BCG Matrix

Adapted from: <http://www.netmba.com/strategy/matrix/bcg/>

Cash Cow - a business element that has a great market share in a fully grown and slow growing industry. Thus, it requires a small investment and produces cash that can be used in other business (QuickMBA 2007). Malaysia is the only business unit that was included in the said category. This is because OSIM is considered as one of the most prominent and famous home health-care products distributor. Above all, one of the most important aspects to be considered is the number of competitors in the country.

Star - a business element that has a huge market share in a swift rising business. This business unit generates cash, however, due to the rapid growth of the market, they require investment in order maintain the lead of a specific company (QuickMBA 2007). Hong Kong and Singapore are the two business units which included in the said category. OSIM is considered as one of the first home health care products manufacturer and distributor in the world, particularly in Hong Kong and Singapore. Because of that, OSIM had been able to gain competitive advantage, in terms of image towards the Chinese, Singaporeans and foreign visitors. However, because of the growing economy of the said cities, it had resulted to the growing number of players in the industry, thus pushed OSIM Hong Kong and Singapore to focus on <https://assignbuster.com/developing-an-effective-management-and-leadership-commerce-essay/>

different strategic plan and implementation that will maintain their competitive advantage.

Question Mark or Problem Child – a business component that has a little market share in a lofty increasing market. A problem child requires resources in order to grow market share, however, the fact if they will be successful and become stars is not sure (QuickMBA 2007). Canada, China and Indonesia are the three business units that were included in the said category. In China, OSIM has a small share in the market because of the extensive competition, primarily from the local players in the area. The said situation is the same in Canada. On the other hand, the OSIM was included in the said category because; the hotel was one of the newly developed hotels of the group.

Dog – a business component that has a little market share in a grown-up industry. UAE, Taiwan and USA are three of business units that belong to the said category. The reason behind the said analysis is because of the fact that UAE, Taiwan and USA are considered as three of the most prominent cities in the world. Thus, there are different huge companies that have already started their operations in there. Although it is important to consider that a dog may not required substantial cast, it is connected to the capital that could be better be deployed elsewhere, however in the case of the OSIM UAE, Taiwan and USA, it is considered as strategic purpose of the group in order to introduce their brand in the West and some parts of Asia.

## **OSIM's Leadership: Competitive Profile Matrix (CPM)**

**OSIM**

**OMRON**

**SANYO**

**Critical Success Factors**

**Weight**

**Rating**

**Weighted Score**

**Rating**

**Weighted Score**

**Rating**

**Weighted Score**

**Market share**

0.30

3

0.90

2

0.60

2

0.60

## **Price Competitiveness**

0.25

4

1.00

3

0.75

3

0.75

## **Financial position**

0.20

3

0.60

3

0.60

2

0.40

## **Product quality**

0.10

2

0. 20

2

0. 20

3

0. 30

**Consumer loyalty**

0. 15

3

0. 45

2

0. 30

3

0. 45

**Total**

1. 00

3. 15

2. 45



2. 50

Adapted from: <http://www.soopertutorials.com/business/strategic-management/1031-competitive-profile-matrix-harleyhonda-and-yamaha.html>

With regards to competitive profile matrix, OSIM became a leader and surpasses their top competitors OMRON and Sanyo. Actually, OSIM leads the victory in terms of market share and price competitiveness. The said key factors are OSIM's edge against their competitors considering that their primary markets are located in Singapore, Hong Kong and currently no company poses a significant threat to them as a major competitor (Osim International Ltd. 2009). The company believed that they have the have a competitive edge over their competitors in their primary markets as their extensive distribution network of outlets is dedicated to home health-care products. As part of the business development of the company, they currently exercise the full power over their point-of-sales system and utter to the distribution chain ' how' to sell and not only ' what' to sell (Osim International Ltd. 2009). Furthermore, OSIM also control their supply chain, from the design of the products up to the distribution and marketing of the products. In general, the company considers Sanyo and Omron as their competitors.

### **Overall Recommendation for Future Development**

For the success and future development of OSIM, it is recommended that internal condition must be considered. Basically, the most important to consider was the human factor as it is the heart that's drive the company.

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Having the right culture and people to create conducive environment, and be lead by strong visionary leaders and champion management that capable to manage its people and process. The external condition on the other hand, as shown in the PESTLE analysis must be also considered. With strong and stable external environment will contribute for the need to change strategic option. Furthermore, the full support from our Group and re-alignment with our other Hub is important without it it's impossible to achieve the vision and mission. In terms of financial aspect all strategic option should involve financial investment that in term will bring cost benefit and growth. Especially in its market development by acquisition potential BPO that is more desirable and can bring in capital and value to OSIM. Apparently, in order to cope with the change the organization structure also need to realign and change. Especially in its organic growth, where having the right type of people and culture is the key to success. It structure management is important to execute the strategic option. Moreover, external market trend is more into technology with faster and reliable system. With high speed connectivity the market had been more competing and broaden it market widely. As seen each strategic option has very own risk but with stern control and better risk management can mitigate any potential risk and minimize the impact.

**For continues success of the company, OSIM must also consider change management that will be the potential barrier since OSIM is still in it comfort zone. By doing an organisational development and learning it can identify the risk and overcome the barrier of change.**

OSIM is passionate with customer importance and makes every effort to be an “ all-weather umbrella” to its clients, by considering diverse strategies for varying situations. It had to branch out in order to equate revenue and expenditure, reduce risk and stay profitable, with an equal importance in its ability to anticipate change. The business of OSIM has begun a strategy of major expansion and growth with one clear objective, which is to establish themselves as one of the world’s top distributor of Home Health care products, and these strategies are based around a philosophy of organic growth and a transition towards becoming a client-oriented business.

With this detail, the business must go on to find innovative software programs and relate effectively to other companies that produce these software programs to become updated with the latest improvement in the World Wide Web. The business must economically and efficiently generate a good connection with their clientele and shareholders, to incessantly operate. OSIM must constantly conceptualise and execute good projects to be able to set trends in the industry. Apart from developing business strategies, the business have to focus on building employee and customer associations, in harmony to strategic management concepts, for it is necessary to establish and focus on the needs of the clientele, as clientele are the motive for being alive in the business.

In the end, businesses engaged so much in technology has its share of good and bad impacts, socially, economically and even environmentally. In addition, it has to be noted that retailing of home health care products is not one industry but many. Hence, the achievement of sustainable special intention business or its continual development for the collective benefits of the world, may therefore depend on a change in strategy and planning of the industry in order to identify common ground more easily, and to exploit further returns without sacrificing the one that lays the golden egg, in manner of speaking. All said, future research may have to focus on participatory planning involving business, governments, host communities and campaigners with a greater view to common ground.

### **OSIM's Leadership and Management: An Evaluation**

In this project, I learned a lot of things when it comes to leadership, management and handling a business. I learned that to sustain the development of a certain business, they should not only frequently review the value of portfolio but also the overall business practices and movement in the global market. To become a global leader, businesses should position themselves on fast-growing chances, whether geographically or through market segment by selecting and investment in businesses with long-term tail-wind profiles.

In reflecting OSIM's case, there are numerous business management and leadership strategies that can be used in order to maintain business progress and development. All these efforts are conducted to ensure that the welfare of the business organization is preserved along with aims and goals toward sustainable organizational success and development. The fact remains that <https://assignbuster.com/developing-an-effective-management-and-leadership-commerce-essay/>

there are always unexpected as well as unintended risk environments that cannot be controlled by the members of the management executives and staff of business organizations. As such it is important to consider the faculty, benefits as well as advantages of implementing and utilizing strategic management, tools and techniques. At the level and global hazards present in the current business market environments, it is wise to ensure that the image and overall well-being of the business organization is constantly protected. These are possible through strategic use and application of company policies from which the company will benefit.

I also learned in this project that the business process and practice in terms of business management strategies clearly indicated the importance of management in averting and entirely preventing detrimental business chaos that economies may bring to business organizations. In the case of OSIM, it is evident that strategic management are highly influential in the formulation of business strategies. It was taken into account that any business and financial endeavour that will be implemented by business organizations should be assessed and evaluated using the existing company policies that are greatly influenced by the precautionary management.

## **Conclusion**

The strategies of OSIM focus more on the management and access of information rather the creation of irrelevant services and products. For this reason, OSIM has developed a unique set of guiding principles – simplicity, cost-efficiency and effectiveness. Total commitment to these principles makes the products of OSIM very user-friendly to its customers. OSIM was able to attain and extensive market leadership through various acquisition

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deals over the years even there is a stiff competition in the market. The strategies of OSIM are focused mostly on powerful growth of its home health care products and services and getting better the company's financial feat. These innovations have also helped protected major acquisitions and partnerships. Significantly, these innovations have guided to the discharge of the potentials of the company's workforce, thus creating an excellence performance-based background.

On the other hand, OSIM's strategies in the home health care and technology industry enhanced at the beginning of the new millennium and commenced on trailing and inventing products differentiation. With this, the differentiated home health care products of OSIM were able to please the customers and sustain their needs in accordance to the context of sustainable competitive advantage. This also justified that the bargaining power of their customer is high while the treat of their substitute and new entrant is low because of their extensive efforts in maintaining the quality of their products. Moreover, this allowed OSIM to review and decrease the prices of their products and as an alternative focused on the values that produced not only a moderately higher price but also a improved margin since these things could help to avoid business downfall.