

# Answer case study question

Business



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BUSTER**

## STONEFIELD FARM - CASE STUDY Stoneyfield Farm - Case Study

Stoneyfield Farm is a company with two purposes to fulfill, that is, ensures environmental conservation in its production process as well as earns profits from its production. They should carry out a proper analysis to see if it would be possible to maintain these purposes even if they went global. If the company realizes that it can maintain its purposes, then it can adopt the idea of going global. The company should also consider its financial capabilities before going global. This ensures that the company has enough capital for start up in other countries as well as enough operational capital to conduct its daily operations. It would also be appropriate for the firm to reserve enough funds for speculative purposes so as to grab any investment opportunities that may come up the countries where they start up their new branches. Funds to cover any calamities that may arise are also vital for the firm.

The company should put into consideration the cost of labour in the countries where they plan to start branches. There are countries where the trade unions and government policies place very high minimum wages for labourers making the cost of labour high. There are also countries where the governments provide some amount of money for the unemployed. In such countries, people tend to only accept jobs that pay beyond certain amounts. These issues make cost of labour relatively high and the company should not invest in such countries. Availability of raw materials required by the firm for its production process is also an important factor. In countries where the raw materials are readily available, production will be much cheaper compared to countries where the raw materials have to be outsourced from elsewhere. In outsourcing raw materials, transportation costs and custom duty are

incurred thereby increasing the cost of production. Where the resources are relatively scarce, the forces of demand and supply tend to raise their prices increasing the cost of production.

The firm should also consider the economic status of the countries where they plan to start new branches. Countries facing recessions have low per capita income translating to lower purchasing power of its citizens. This may bring about low demand for goods and services leading to the company making losses due to poor sales of its products. In countries with stable economies, the chances of making profits are much higher hence more attractive for firms planning to go global. The company should also consider the level of technology in the various countries. In countries with advanced technologies, the company will be able to conduct its production process more easily as compared to those lagging behind technologically. Availability of skilled labour is also a key factor as the firm will require this in its production and management sectors. Political stability should be considered since countries with a stable political platform provide a more conducive environment for business transactions. Countries with unstable political platform are to a threat to businesses as wars and ambushes are prone to occur anytime which may cause businesses a lot of losses.

#### References

Economist Intelligence Unit (Great Britain). (2007). The Growth and Spread of Multinational Companies. Michigan: The University of Michigan.