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Strategic Plan for a Coffee Company– Part 2

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Abstract: *The purpose of this paper was to conduct a strategic plan of a Coffee Company in Durban, South Africa. The strategic plan strategies for growth were determined using the the SAFe criteria. The strategic plan included the McKinsey 7S model, the type of change being proposed and advise on sustainable strategy. The strategic opportunity identified for the Coffee Company was to diversify its products. In this regard, the recommendations to the Coffee Company focussed on product innovation. The recommendations were based on the 4R strategy of product diversification.*

Keywords: strategic, plan, coffee, company

NTRODUCTION

This second paper is a continuation of the strategic analysis paper published in an earlier edition. The significant findings from the strategic analysis revealed that the Coffee Company must focus on market expansion, franchising strategy and acquisition (Chetty, 2025). This paper will focus on developing a strategic plan for the Coffee Company. The priority focus of the plan will be to ensure that the company has a competitive advantage that is sustainable. Consideration will also be given to the challenges of change management and the potential risks that can arise when implementing the plan. One of the opportunities identified was for Coffee Company to diversify its products so that it does not depend only on its existing products for its income. The SAFe criteria are “a framework to give visibility to your decision-making process and compare options using set criteria” (Gallus and Frey, 2016, p. 1699). The three criteria used in SAFe analysis are suitability, acceptability and feasibility (Gallus and Frey, 2016). The SAFe criteria will be used to justify why the above opportunity is the best strategic option for this Coffee Company.

Suitability

Through diversification of its products the Coffee Company can tap into new customer groups which will allow it to penetrate new markets. The diversification of products by the Coffee Company is possible because the company has the financial standing and resources to invest in this strategy. The Coffee Company also has a history of innovation which is a benefit for this strategy.

Acceptability
The diversification of products strategy appears to be moderately acceptable for the Coffee Company because with any diversification of its products the company cannot be certain of the reactions of its regular customers. The acceptability to shareholders is also moderate because not all shareholders may support the Coffee Company's strategy to diversify its product portfolio away from its core product offerings which are profitable. However, if the diversification of products strategy works, then it could yield high returns, which would make this strategy highly acceptable.

Feasibility
The Coffee Company is in a stable financial position and has a history of investing in the researching of emerging market patterns and trends. This information on the market patterns and trends is important for the Coffee Company because it can be used to decide on which market segments, such as demographic, geographic and/or behavioural patterns, to diversify into. This strategy is therefore feasible for the Coffee Company.

METHODOLOGY

This section will include the McKinsey 7S model, the type of change being proposed and advise on sustainable strategy.

McKinsey 7S model
The McKinsey 7S model is defined as "a strategic tool and framework that helps managers and businesses assess their performance" (Alshaher, 2013, p. 1948). Strategy, structure and systems comprise the hard elements, and shared values, skills, style and staff make-up the soft elements of the model (Alshaher, 2013).

Strategy
The Coffee Company clearly communicates its strategic direction to all its employees and stakeholders. This guides the company to act in a way that is transparent which in turn guides the behaviours of employees and stakeholders to act in the best interest of the company. According to Yuan et al., (2020) a clearly communicated business strategy assists employees and stakeholders to achieve their targets and goals which grows the business. The Coffee Company is also aware of the pressures of competition and has actively used strategic tactics such as continuously researching customer demands and trends and aligning its business decisions to the changes in the market. This strategy not only allows the Coffee Company to remain competitive by also relevant to its customers. Furthermore, this strategy ensures that the Coffee Company can recognise the gaps in the market and target its strategy to meet these gaps. Vorhies et al., (2011) advocates that this can be done through focussed marketing campaigns and offering a range of different products to meet customer needs to give the

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company a strategic advantage. According to Gilrein et al., (2021) a strategy that is rigid can lead to a company becoming stagnant and advancement is delayed. With an adaptable and flexible approach, the Coffee Company can respond quickly to changing customer needs globally, while locally ensuring it products remain culturally acceptable.

Structure
The organisational structure of the Coffee Company is not strictly hierarchical and this allows for an easier and quicker process for decision making. The co-ordination between different departments at the Coffee Company is high which ensures that the different departments can work in an organised and effective manner. The Coffee Company operates within a hybrid working structure and is considered a progressive organisation because it mainly supports decision-making that is decentralised. This is achieved through an effective communication structure and understanding of the company's objectives between employees and managers. According to Kapucu (2006) organised systems of communication can lead to organisations achieving their goals and tasks more rapidly.

Systems
The systems at the Coffee Company are clearly in place so that the company functions operationally with minimal disruptions. Each system within the Coffee Company is well sign-posted and has clear methods and tools to evaluate the company's objectives and evaluate performance. At the Coffee Company the systems can be managed both informally through discussions and observations and formally through regular systematic performance review appraisals. The senior management team at the Coffee Company ensures that sufficient resources, such as human resources and finance, are in place so that the company's objectives are adequately monitored and financed.

Shared values
The shared values at the Coffee Company were created to assist towards fostering a supportive and creative environment. According to Dempsey (2015) shared values is a benchmark by which an organisation can demonstrate its commitment towards the integrity of its business. Some of the shared values at the Coffee Company are transparency, honesty, accountability and creativity. The Coffee Company conducts its business activities within moral and ethical standards. The culture at the Coffee Company is one that promotes belonging, equality and diversity. The Coffee Company is an international business and it has policies and procedures in place to reduce any forms of discrimination. The leadership team is focussed on motivating its workforce to be creative and to align their behaviours to the company's shared values.

Skills
The Coffee Company has a workforce that is regularly trained to undertake their role to a high level of competency and skill. The recruitment at the Coffee Company is based on the qualifications and merit of the applicant. The job role and the requirements of the job are clearly articulated in the job specification and job description for each role. In this regard, the skills required for a particular job are clearly outlined. The skills training at the Coffee Company are

offered with a combined advantage of personal and professional development to the workforce and to assist the company maintain a competitive advantage within the coffee industry.

Style

The Coffee Company has an inclusive style of leadership. The company involves its employees in the decision-making process and senior management interacts with employees on a regular basis. These interactions allow senior management to identify any problems early in order to rectify them. According to Etchegaray and Thomas (2015) companies that engage regularly with its employees are more successful in achieving their business aims and objectives. As the Coffee Company begins to expand its coffee business globally a collaborative approach is essential to ensure that both senior management and the wider team function in an effective manner. In this regard, the training team at the Coffee Company encourages it employees to undertake relevant training programmes which are paid for by the company.

Staff

The Coffee Company shops are well staffed with many applicants applying for each vacancy. When a vacancy is available the company considers those employees with the skills and knowledge internally first before sourcing external applicants. The staff recruited to the Coffee Company are those that are seen to be able to contribute to the company's operational aims and objectives. The company is committed to equality and fairness in its recruitment process and employs staff from many different backgrounds. The Coffee Company is also proactive in its recruitment drive by headhunting candidates that are viewed to have the desired knowledge and skills that are not available internally.

The type of change being proposed

Rosenbaum et al., (2018) identified four types of change namely, strategic transitional change, structural/operational change, remedial change and organisational change. The opportunity identified for the Coffee Company is product diversification, therefore, the change being proposed is strategic transitional change. Strategic transitional change involves changing strategy, processes and existing systems (Alqatawenah, 2018). This type of change can be challenging and difficult for a company to implement because it creates feelings of discomfort within the workforce (Alqatawenah, 2018). It is also very difficult to predict the outcome of a strategic transitional change strategy and thus it is risky for the company (Whysall et al., 2019). However, Whysall et al., (2019) pointed out that if the strategic transitional change strategy is successful then then company will have a competitive advantage which will allow it to penetrate more of the market share and expand to even higher levels.

Difficulties of implementing change

Kasim et al., (2018, p.31) reported that a lack of adequate planning can cause the process of implementing change to "fall apart". The Coffee Company must ensure that the introduction of any new system must be compatible with the transition of the old information to prevent loss of information. Pattnaik and Jena (2020) reported that when employee morale is low implementing change can be difficult because employees do not buy into the need for change.

The Coffee Company can implement regular briefing sessions with its employees to address any concerns they may have about the change implementation process. Sarkeshikian et al., (2020) reported that a lack of consensus amongst stakeholders can cause barriers to the change implementation process. The Coffee Company must demonstrate how any implemented changes are going to benefit both the company and employees if it is to deal with stakeholder reservations.

Change management models to assist with the implementation of change

The purpose of any change process is its ability to add value to an organisation, however a process of change can also result in disruption (Bardi and Goodwin, 2011). The strategic opportunity identified for the Coffee Company is to diversify its products and in this regard the Lewin's model of change is considered most appropriate to support the company through this change process. The rationale for choosing Lewin's model is its 3-stage process which includes (a) unfreezing current behaviour; (b) moving to the new behaviour; and (c) refreezing the new behaviour (Burnes, 2020). Unfreezing the current behaviour would require the senior management team and relevant stakeholders at the Coffee Company to set aside their old ways of thinking and practices so that new and innovative ways can emerge. If the senior management team and relevant stakeholders at the Coffee Company are unable to move away from their comfort zone of its current product offerings, then it would be difficult for them to contemplate diversifying its products on its catalogue. To bring about change, which would involve moving to the new behaviour, would require the senior management team and relevant stakeholders at the Coffee Company to start thinking about the different ways their catalogue can be diversified. Hussain et al., (2018) noted that in this stage feelings of despair, confusion, disorientation and overload can emerge. Sarayreh et al., (2013) highlighted the virtue of patience at this point. For progress to be made the concerns of senior management team and relevant stakeholders at the Coffee Company must be addressed so that there is a desire to move into a new development mode which in this case involves diversification of its products. Once the decision is taken by the Coffee Company to diversify its products then this activates the final stage of Lewin's model which is to refreeze the new behaviour. At this point the emphasis of the senior management team and relevant stakeholders at the Coffee Company should be focussed on stabilising the current and futures processes needed to implement this change.

Risks associated with the proposed strategy and/or implementation of the change

There will be risks associated with the Coffee Company diversifying its products and the potential risks of implementation of this strategy. Geringer et al., (2000) reported that when a company wants to diversify its products it can choose to completely change its entire processes. This means that new knowledge and skills will be required. This can result in the current workforce becoming fearful because it threats their current knowledge and skills. Henard and Szymanski (2001) pointed out that the costs of introducing new products to the market could result in high initial costs of which some may not have even been anticipated by the company. Henard and Szymanski (2001) further highlighted that the decision of a company to diversify its products is itself a risk. If the change process is handled and managed incorrectly then the

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entire company could be impacted. Su and Tsang (2015) reported that if a company decides to diversity its products then this could impact on the patterns of shareholders because some may decide not to buy shares in the new products and they could lose those dividend portions. Su and Tsang (2015) further reported on the number of permissions, approvals and licences a company will need to apply for before diversifying a product.

The information strategy which is required

The information strategy for the Coffee Company will focus on strategic, management and information technology (IT):

Strategic: The Coffee Company must strategically align its information strategy to its overarching purpose by ensuring that it envisions and keeps pace with the future technology trends at the highest possible level. In addition, the company's strategic information in relation to communication, research, marketing and administration must be aligned to its change management process. Through regular and formal strategy engagement meetings the Coffee Company can rapidly respond to changing and new opportunities.

Management: The information across systems should be integrated so that managers at the Coffee Company do not have to deal with issues such as data ownership and demarcation barriers. The corporate data of the Coffee Company should be owned by the company and not any individual manager. A data officer should be responsible for resolving disputes. The information at the Coffee Company should not be duplicated. There should be a single version of data and access to this data granted according to need.

IT: Individual and departmental IT projects undertaken at the Coffee Company must form part of the overall IT programme. Any IT project being developed must fit into the intended purpose of the company and existing IT infrastructure. With regards to IT infrastructure, the Coffee Company must ensure adequate funding is allocated within the overall change implementation budget to ensure the upgrading of different IT systems as required.

Advise on sustainable strategy

Corporate social responsibility (CSR) "involves the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive" (Carroll, 1983, p.608). The Coffee Company is committed to CSR through the following initiatives:

Reducing waste through recycling

The Coffee Company's plan is to reduce the amount of waste materials used in its stores by up to 75% by 2025. This includes using colour coding disposable bags to identify materials that can be recycled which would reduce the amount of waste materials sent to landfill sites. The Coffee Company encourages its customers to bring their own cups or use reusable ones by offering a 10% discount to those who do so.

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Conserving energy
The Coffee Company is committed to conserving energy by working with General Electric companies that produce light emitting diodes (LED) lighting to replace in its stores that use halogen lighting. LEDs are five times longer lasting that halogen lighting and 80 more efficient (Soh et al., 2003). The goal of the Coffee Company is to reduce its energy usage by up to 50% by 2030 and is consistently looking for innovative ways to do so.

Water
Water is a very important commodity for the Coffee Company because it is in the beverage business. Since 2019, the Coffee Company has begun to install hand-meter faucets in all its stores. Hand-meter faucets uses less water per cycle and can save significant amounts over a period of time (Amamo, 2014).

Climate
The Coffee Company is a company that cares for the climate. The company sources its coffee beans from countries that are committed to ethical agricultural production systems and reducing its carbon footprint.

CONCLUSION

The strategic opportunity identified for the Coffee Company is to diversify its products. In this regard, the recommendations to the Coffee Company would focus on product innovation. The recommendations will be based on the 4R strategy of product diversification (Sharma, 2021). The 4Rs stands for repackaging products, renaming products, resizing products and repricing products (Sharma, 2021).

Recommendation 1: Repackaging products
Repacking its products is a way the Coffee Company can begin to diversity its products. The way a product is presented can alter the way a customer perceives it. Furthermore, repackaging can attract different customers and different consumer demographics.

Recommendation 2: Renaming products
Renaming its products will make the Coffee Company products more identifiable in the international markets. The Coffee Company can rename its products so that it suits the local norms which will make it easier to sell its products in different and diverse geographical markets.

Recommendation 3: Resizing products
Resizing its products will make the Coffee Company products more attractive to retailers. Larger products can be sold to wholesaler retailers while smaller products can be targeted to smaller retailers.

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Recommendation 4: Repricing products

Repricing its products will allow the Coffee Company to target its products within the market. Products that are sold at high end retailers could be priced higher and lowered in places where there is significant competition with other coffee brands.

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