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XICE BUSINESS ANALYSIS

Applied Global Business Learning - India

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Acknowledgement

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Introduction

The following report was produced by members of the AGBL team for XICE after returning from their trip to Ahmedabad in January 2014. The goal of this report is to expand upon our preliminary recommendations presented to XICE at St. Xavier's. We hope that by following these recommendations, XICE will continue to grow and operate as a successful business. We want to commend XICE for the excellent job they have done so far in following many of our recommendations from last year. A significant improvement is in your choice of a new name for the company. It is of utmost importance that you continue your dedication and enthusiasm to XICE in order to keep improving the enterprise.

SWOT Analysis

We have chosen to utilize a SWOT analysis to identify areas of strength and weakness within XICE, as well as to communicate our recommendations. A SWOT analysis is a method commonly used to analyze businesses. The analysis identifies areas of strength, weakness, opportunities for improvement, and threats to the business. We will also include further recommendations as to how to best address areas of concern and take advantage of current opportunities.

Strengths

INNOVATION AND CREATIVITY

In a world where globalization is becoming more and more common every day, companies need to constantly find ways to remain competitive. XICE has done a great job in areas of innovation and creativity by developing products that are current and appealing. This can be attributed to the current batch of students working for XICE who have built upon the excellent tradition of innovation and creativity in its available products. Research and Development has created new and attractive products to be sold annually, increasing the competitiveness of XICE's product line. Also, XICE creates value for its product through its use of unique skill in handcrafting, as well as its dedication to quality in production. The customization capability allows XICE to enhance customer satisfaction. This is a strength that has continued from batch to batch, and is a vital step in the transition process among batches.

FIRST YEAR START DATE

It is a great advantage for XICE to be able to have first year students join the company and start working on products right away. First, learning through hands on practice is one of the most valuable skills that can be derived from any work experience; it reduces error and increases productivity. Also, a larger and stronger workforce has important advantages for a company, particularly in production, which has been a concern for XICE in previous years. The solid workforce, resulting from the large incoming class places the company on solid ground for longevity and provides potential for growth in the future.

SIMPLICITY OF PRODUCTION

XICE's greatest asset is its product line. Both the candles and industrial soap are products that require simple production processes, can be mass produced in order to fulfill bulk orders, and can help to create a substantial on-site buffer inventory. A buffer inventory will allow you to fulfill orders even when production is halted. The products not only showcase employees' skills as industrial chemistry students but, they are also marketable to a broad spectrum of consumers.

ASSET ACQUISITION

Every company has the responsibility to maintain its current assets, ensuring their longevity. It must also acquire new assets whenever necessary or whenever it enhances productivity. The recent acquisition of a new mixer is a great example of a productivity enhancing acquisition. This mixer will improve the production processes of Industrial (PH Neutral) Soap, one of your most important products.

COMMUNICATION

Communication within a company is key! Smooth exchange of information needs to be constantly and consistently flowing between departments and through the hierarchy to ensure productivity. In XICE, consistent communication is facilitated by meetings that occur every Saturday. These meetings are open to all members of the company, including department heads and department members. This open forum allows for proactive problem-solving, and it provides an opportunity for every member of the company to have their voice and their ideas heard.

Weaknesses

NO BASE PRODUCT AND EXCESSIVE CUSTOMIZATION

Although XICE has done a good job providing an array of products that cater to different types of customers, it has failed to identify a base product. A base product is one that is produced, marketed, and sold most frequently and one that could be a great candidate for bulk orders. These can come from your candle and your soap lines of products. A related issue is that there are too many customized candle products. While it is beneficial for the company to have some customized product to increase their market reach, a large line of customized products is time and cost prohibitive. And even though customized products may be sold at a higher price, you will need to carefully review your financial statements to determine whether a handful of high-priced customized products will be more profitable than mass produced, moderately priced products. XICE currently lacks consistent and accurate financial records to justify its production decisions (we will separately address financial record keeping later in the report).

The lack of access to financial information such as cost of materials, as well as inconsistent reporting of work hours per product produced, prohibits XICE from accurately computing the total cost of producing each item. XICE needs to reinvent the processes of production to allow for standardization of their customized products, protecting the company from devoting extensive resources to produce products that may seem profitable, but which are in fact detrimental to your profits once all costs (especially the cost of your time) are considered.

LACK OF STUDENT LEADERSHIP AND COMPANY OVERSIGHT

While we understand that this company is operating in a university environment under the supervision of faculty members, there are parallels to real world companies. Indeed, that is a primary goal of the ITU program; to develop real world business experience. In a large corporation, an external board of directors oversee operations but have limited say in the day to day operations of the company. Smaller companies may have an advisory board. In either case these boards are most often composed of people with high levels of well-rounded experience in business practices who can offer insight into a firm's operations and decisions. We believe that this is how you should treat your faculty advisors. However, having faculty members making important decisions for XICE is not an efficient use of your advisor's time. In addition, this limits the level of exposure to entrepreneurial skills that students are trying to achieve, and it also deprives the heads of the departments from using their own firsthand knowledge of their firm's affairs to make logical and strategic decisions that would lead their company forward.

PROBLEMS WITH LEADERSHIP STRUCTURE

Although the decision to operate XICE without a CEO and COO may have been based on good intentions (i.e., to limit the problem of "power highs" or egoism) it has become clear that this has created an unproductive leadership structure, giving way to unorganized discussion and lack of direction for XICE. These two positions are vital to an organization because whoever holds these positions will be in charge of making tough decisions that will eventually lead the firm forward. In addition, the short amount of time each student spends as a head of a department does not allow for the creation and implementation of long-term strategic plans for each department, slowing down the company's growth and productivity. Currently each department head is dealing with day to day issues instead of making strategic decisions that foster growth.

It is our understanding the goal of the ITU is to provide students with entrepreneurial skills by running a realistic company. In order for this experience to be of the greatest benefit to students, it is important that XICE's leadership structure mirror that of a real-world company. This means that it is critical that XICE re-introduce the student-held positions of CEO and COO to both provide strong leadership, as well as provide a more realistic business experience.

It is also important that the CEO and COO and department heads have appointments that are of adequate tenure to permit them to truly serve as leaders for the company.

LACK OF FINANCIAL REPORTING

Finances play a key role in a company, not only for making decisions but also for documenting growth and tracking expenditures. XICE lacks a Finance Department that is dedicated to reporting any expenses and investments as well as long term changes in profit, growth, and expenditures. Earlier we touched on the topic of customization vs. base products where we said that accurate financial records would help. First, XICE needs a report that calculates the costs of production (i.e., the cost to produce one unit includes things such as material costs, labor costs, and any other relevant costs necessary to produce a product). In the absence of such a report, it is impossible to determine profits and profit margins. Second, there needs to be records that indicate daily, weekly, monthly, quarterly, and annual sales and revenues. Which report works best for XICE is up to the Finance Department, but quarterly and annual sales are very important to track when determining the health and growth of a company. Finally, there needs to be a report that reports Net Income (e.g., Income Statements are routinely generated in real-world companies for a period of time). The Income Statement would sum up the revenues, costs and resulting profits or losses for a period of time such as a month, quarter, or year.

LACK OF RESERVE INVENTORY

If you had a base produce, it would be the product that is easiest to sell, as we mentioned before, but it is also one which you could mass produce and use as buffer inventory to fulfill bulk orders during times when production has been halted. As a result of the current approach of customization of all orders, most products need to be made when ordered. This may impede the ability of the firm to fill large orders because it takes too much time to produce these. In order to prevent problems fulfilling bulk orders, inventories of your base products should always remain in stock. Thus, you focus on the best-selling products, if not all products.

LACK OF SHIPPING CAPABILITIES

An inability to ship products is severely limiting to the growth of XICE. If the company wants to expand sales in the future and grow outside of the greater Ahmedabad area, shipping of all products is an absolute necessity. Note that you will need to experiment with various packaging and you will want to test your packaging to make certain that the product arrives undamaged.

PROBLEMS WITH LAB SAFETY AND PROCEDURAL STANDARDS

One of the defining features of XICE is that it provides Industrial Chemistry students with the opportunity to learn entrepreneurship skills within the context of their course of study. To that end, it is important that XICE maintain a business setting that mirrors that of a real-world business. Another critical part of experiential job training is that the lab setting in which students are working, are similar to those in which Industrial Chemistry Professionals work. It is key that certain professional lab safety procedures be included in the manufacturing processes to ensure that a realistic lab setting is achieved in order to further prepare students for post-graduation work. Currently, there is a lack of lab safety equipment, such as goggles and gloves, as well as a lack of proper ventilation in the candle-making room. We feel very strongly about the importance of lab safety procedures and we invite XICE to revisit reports from prior AGBL visits, which also highlight the need for these safety measures.

In addition to this, accuracy and precise measurement procedures and standards are not being followed. In a proper laboratory setting, there are tools which allow chemists to make accurate measurement of ingredients. This helps in standardizing and streamlining production processes by offering accurate measurements each time a product is made. It also prevents variation in product contents from batch to batch.

Opportunities

CREATION OF A FINANCE DEPARTMENT

The purpose of XICE is to provide Industrial Chemistry students with practical business experience and entrepreneurial skills through the management and maintenance of a real company. In order for students to get the most out of such an opportunity, it is important that XICE run like a realistic private business venture in as many ways as possible. One critical part of business is understanding cost structures, including costs of materials, cost of labor, revenues, profits, investments, equity and liquidity. XICE members will be able to better understand this part of a business by creating a Finance Department, whose sole responsibility is to keep track of all financial endeavors that happen internally and externally in XICE. This strategic move will ensure that all members, but especially the leadership of XICE, are well-informed in all aspects of company finances. This will allow you to make better decisions as to product selection, manufacturing procedures, sales, marketing and all other functional areas of the company.

SOCIAL MEDIA

A very important way of creating value for a company is through branding and advertising. XICE needs to get more proactively involved in social media to enhance the presence and position the company as a prestigious, high quality firm. If there is a concern of overexposure, a disclaimer can be added to the Facebook and Twitter pages indicating geographic areas of service (e.g., you may initially just focus on Ahmedabad, and then expand your sales region gradually over time). Maintaining XICE's commitment to excellent customer service, it would be to XICE's advantage to advertise products on these social media outlets as "subject to availability". This way, XICE can expand their marketing reach and expose a new customer base to their product without providing false information about the availability of products, which is subject to stock, overall demand, and production capabilities.

BRANDING

Equipped with the new and improved name of XICE, the new brand should not be quietly introduced to the market. The newly coined name is indeed more appealing than that of the former (XOIC), and should be celebrated in a way that promotes and establishes XICE as the premier venture of its kind. In other words, we recommend a re-launch of your brand. Brand equity is the value of having a brand that is recognized by potential buyers and you will need to invest time in creating this for XICE. You want to make sure that past buyers of the product know that you have rebranded XOIC as XICE, and of course you want present and future buyers to remember the XICE brand. This can be accomplished through the efforts of the Marketing Department. Equating things like quality and dependability will create and embed in your brand an intangible value for your products. This helps to secure and grow your customer base.

BUILDING STRATEGIC ALLIANCES

There is a degree of competition between XICE and X-Plant and to some degree, that can be healthy. However, you should never ignore opportunities for collaboration and we suggest that you consider one such opportunity. X-Plant sells a product that while innovative, has a limited shelf life. We have suggested to them that they consider including an XICE candle in a vial for inclusion in their stands when the X-Plant eventually uses all of its media and dies. Both X-Plant and XICE represent impressive student run ventures and a collaboration between the companies can enhance the profitability of both firms.

Threats

ACADEMIC CALENDAR

It is clear that the academic calendar poses some restrictions on member's ability to produce products. During exam periods, students are not able to devote as much time to the day-to-day operations at XICE as they focus on their studies. As XICE currently depends solely on face-to-face marketing strategies, which can be very labor-intensive and time consuming, XICE's viability during exams is at risk due to low sales.

Recommendations

Implementation of CEO and COO

In any business organization you will find clearly defined positions of leadership. In the case of XICE, what would be considered as two of the most relevant and important leadership positions in a business, are missing. These are the positions for CEO and COO. We need to explore this option from two different perspectives. First, as mentioned before, the purpose of XICE is to provide Industrial Chemistry students with entrepreneurial skills. This means that the organization has to mimic a fully developed business. Second, all business, large or small, have a CEO (a person that overlooks all executive decisions including overall corporate resources management, high-level strategic plans, and general corporate operations) and COO (a senior manager who is responsible for all day to day operations of the company, reporting its results to the CEO). The current absence of these positions is clearly reflected in the current corporate atmosphere of XICE where there seems to be a certain amount of lack of order and direction. Every company needs a voice, one that unifies the ideas of the company as well as the direction in which it will be moving, and creating the CEO and COO positions will provide that voice.

Department Head Tenure

We commend XICE on their commitment to ensuring that all members have the ability to experience multiple aspects of the company, as well as their proactive approach to avoiding interpersonal conflicts brought on by egoism. However, it is our suggestion that the tenure of the department heads be extended from 2 months to an entire semester. This extended rotation schedule will still allow students to experience what encompasses being both a department member and a department head, which brings added stability and leadership to XICE. By allowing department heads to stay in place for an entire semester, the department heads' abilities to plan strategically will be enhanced. They will have additional time to oversee any long term projects they may want to implement, as any manager in a real world setting would. Additionally, an integral part of managerial experience is learning how to resolve conflicts and develop self-awareness pertaining to their leadership skills. While some interpersonal conflicts may arise during the extended tenure, some as a result of unmanaged ego, it is important that department heads learn how to deal with these issues in a proactive and beneficial manner, while keeping the company's welfare in mind. These are skills that take more than 2 months. Managers in the business world have had to come up with ways to suppress their ego in order to enhance healthy leadership skills.

Labeling

XICE's recent name change has necessitated new marketing materials, as well as product labels. We encourage XICE to create and implement new product labels and place this task as a top priority for the upcoming semester. New labels will help with brand identification and serve as an additional marketing mechanism. For example, a major selling point for the industrial soap is that the formula is pH neutral. Including this information, as well as all of the added benefits of a pH neutral soap, will draw in new customers and encourage repeat purchases.

Lab Safety

We believe that it is critically important that XICE maintains professional lab safety procedures, so as to best mimic the lab procedures that students will encounter upon graduation. Our first recommendation is to immediately begin using protective eyewear, lab coats and gloves when mixing the soap. While the chemicals may not be overtly dangerous, the use of this equipment is common and required in professional labs and students should become accustomed to working under these standards. In short, XICE should be using the best practices in the industry, not the worst practices. Additionally, we recommend that an exact formula for the soap be recorded and posted in the soap-making area so that every member, regardless of how well they know the formula, can refer to the proportions to ensure that the batches of soap are being made consistently. And, to ensure consistency and accuracy, members should utilize laboratory tools of measurement and procedures. Space permitting, we also recommend that ventilation be added to the candle-making room in order to ensure that all XICE members are able to work in a safe environment without the risk of injury.

Marketing Strategies

XICE has established itself as a firm with continued success from batch to batch, proving that company planning can be taken on a longer term basis than just a single school year. XICE is now at the point where it is critical to have a company website. A website is an inexpensive and efficient tool that helps companies present their message to the market in a way that places them in the best possible light. The story of XICE and the students that comprise its workforce is indeed a compelling one, and should be shared through this media. This website can also be beneficial by serving as an information center to all those who visit. Detailed information can be shared about the process, products, and customization in a simple and efficient manner. Even if XICE is not in a position to make sales over the internet, a website, free of a third party domain needs to be purchased.

Furthermore, the usage of social media should be examined and implemented on a trial basis by the Marketing Department. With understanding of the current lack of social media due to hesitation to grow rapidly, an online presence can be established without throwing the company into uncontrollable situations and growth. Facebook, Twitter, Pinterest, Etsy, and all other practically applicable social media should be investigated as tools to improve the brand of XICE.

It is to the detriment of XICE to ignore the value of the internet and social media. Action must be taken in this direction. Finally, consider other marketing opportunities to further enhance XICE profitability. This may mean exploring things like workshops as well as alliances with X-Plant.

Finance Department

In order to further develop the business experience attained from time with XICE, a Finance Department should be created. Understanding the financial circumstances of all aspects of a business is a vital component of any modern company, and it is very important experience for XICE members as a whole. A dedicated Finance Department would allow students to become more knowledgeable about the intricacies of business accounting, furthering the ITU's goal of equipping students with business skills. Additionally, having a department that is solely focused on finances will make it easier to transition leadership between school years, as both the outgoing and incoming leadership will have a comprehensive understanding the financial condition of XICE. The creation of a Finance Department also offers another opportunity for another leadership position, helping extend the leadership tenure for all.

Bulk Ordering

One of XICE's advantages is its ability to customize its products, but this creates a challenge for the company when it is filling bulk orders. In order to ensure that XICE is able to fulfill all bulk orders, especially during exam times when members have less time to commit to making customized candles, customization options should be limited. When placing a bulk order, customers should be able to select a few basic features for the candles, such as size, color, shape, and limited accent choices. Bulk orders should also be limited to one type of candle per order. By limiting the options that a customer has when placing a bulk order, XICE will be able to mass produce a large quantity of candles without spending copious amounts of time customizing dozens of candles for each bulk order. Streamlining the bulk ordering options will reduce stress during peak-ordering periods and create a more predictable production schedule.

Professional Laboratory Shadowing

In order to gain valuable job preparation skills, we think it would be advantageous for XICE students to visit a well-run commercial lab outside of St. Xavier's to observe best practices in an industrial chemistry lab. This experience would be able to provide students with an idea of what to expect in a post-graduation job in terms of lab procedures, as well as gain first-hand knowledge of the business skills used in commercial labs.

Consider Other Revenue Options

Once lab practices & safety is established and streamlined, XICE may want to consider introducing candle-making workshops as an additional revenue stream. This is an approach that has worked well for X-Plant. The timing of these workshops can be flexible and can target high school students who might be considering St. Xavier's Industrial Chemistry programs.

Also consider forming an alliance with X-Plant to produce candles in vials to be sold in conjunction with the X-Plant. You will of course need to consider the pricing of those vials, and you will want to make certain that XICE is recognized when the product is sold. However, if carefully designed, this venture can increase the profitability of both XICE and X-Plant.

Create an Advisory Board

The ability to benefit from the experience and wisdom of previous St. Xavier's students and XICE employees is an invaluable asset. By creating an advisory board of past XOIC/XICE students and other St. Xavier's alumni, XICE will be able to draw upon and utilize the industry knowledge that these individuals have gained upon entering either post-graduate programs or the professional work force. An advisory board will also help smooth leadership transitions in between school years by providing an additional resource for incoming students to rely on, in addition to faculty advisors and current XICE employees.

Conclusion

The AGBL team is committed to providing you with the best business consulting services possible. We would like to reiterate that these are suggestions and observations based on our interpretation of your company's business structure. It falls on the hands of XICE's leadership team to decide which recommendations to implement. It is imperative that you document any changes made as a result of our business suggestions in order for the next AGBL team to assess progress.

In summation, we want to offer you strategic options that will be beneficial in achieving XICE's ultimate goal to provide students with entrepreneurial skills. Having said this, there are changes that would need to take place in order for students to maximize their exposure to real life business settings. XICE has grown significantly from last year. Its creative and innovative products have strong market appeal, and they highlight the talents that exist at St. Xavier's. Also, corporate communications have been consistent and helpful in providing an environment for the free flow of ideas and commendations.

Nonetheless, there are several areas in operations that need to be reevaluated to help streamline processes across the company. First, products need to be evaluated based on their profitability. Profits are the driving goal of modern companies and XICE needs to embrace that goal. This includes considering the base products that XICE can produce to build reserve inventory to better facilitate bulk ordering. While XICE should not abandon product customization, it should maintain limits on those orders.

It is important for the students learning experience to be able to participate in major leadership roles that challenge them to think strategically and work with their interpersonal relationships (such as problems with ego). Having said this, we highly recommend the creation of CEO and COO positions to transfer some leadership responsibilities from faculty members to students. Another aspect that will help in crafting a successful business is creating a Finance Department that will overlook all financial endeavors that the company performs.

Another strategic move that the company should pursue is investing in lab safety standards as well as tools that will allow for accurate and sustainable chemical procedures. This will accustom students to a laboratory atmosphere that more closely resembles one in which the students might find themselves working for in a near future.

And finally, it is the Marketing Department's responsibility to provide ways in which the company can positively and efficiently grow within the industry as desired. This means there is a necessity in constantly updating the company's online presence, explore new products and strategic alliances.