

MASTER

Strategisch plan "De Golfhorst"

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Joost Van De Veld

Management summary

**NIET
UITLEENBAAR**

Problem and assignment

The organisation is a commercial 27 holes golfcourse situated in the south of the Netherlands, which started its activities in 1997. Last year, the founder and director of the golfcourse suddenly deceased. From that moment the remaining shareholders were faced with several problems. The most prying problem was the lack of information about the current financial situation. The other problem was that nobody knew how to manage the organisation into the future.

After having gained information about the current financial position the **problem** was clear:

The organisation is structurally suffering losses. Together with a low solvability and liquidity, this situation could lead to a bankruptcy in the short term.

The **assignment** of the project was:

Develop a strategic plan that gives insight into the major causes of the problems and generate long term solutions to create a profitable situation together with short term solutions to improve the current financial position.

Method of research

First the organisation and the (competitive) environment were analysed through desk research. By reviewing the current academic literature a conceptual framework was constructed. This model was used for a strategic and internal analysis of the organisation. The analysis generated the problems and causes of the problems. After this analysis, options were given to attack the problems. Finally, a feasibility study of the most suitable option was made.

Analysis of the organisation and environment

The following findings of the organisation and environment were reported:

- The golf market is very attractive
- The (competitive) environment is relatively stable

Conceptual model

Derived from the literature the conceptual model mentioned below has been constructed as a base for the strategic plan. This conceptual model is based on the tools of the classic model of strategic management. These tools have proved their value in the past. However, because the model lacks a particular philosophy, the danger exists that each tool generates a subconclusion and the holistic view is forgotten. The core competence theory was found to be a good philosophy to select the particular tools and to act as a red line through the tools. Figure 1 shows the conceptual model.

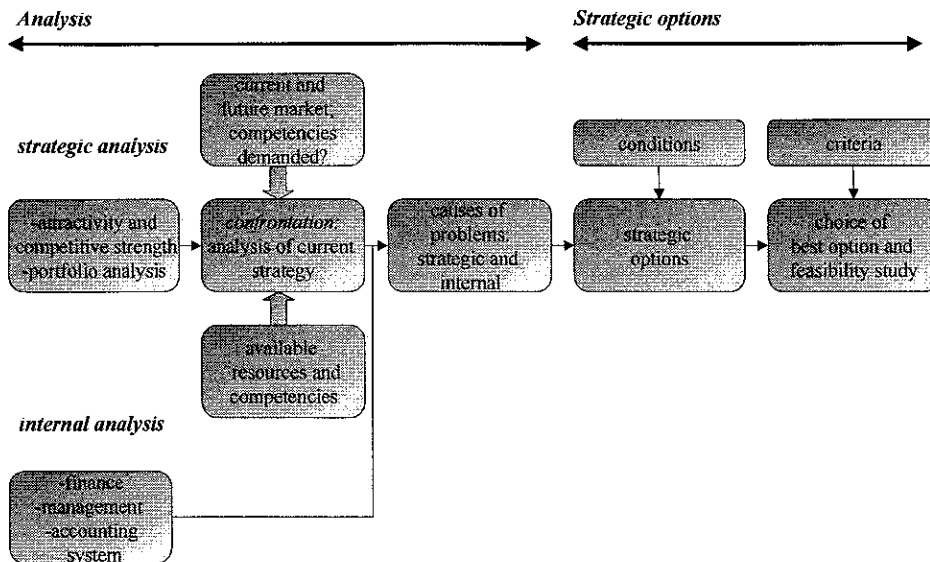


figure 1 the conceptual model

This model has been used to conduct a strategic analysis to get knowledge of two aspects:

1. What market segments do exist and which resources and competences do these particular market segments demand?
2. What resources and competences are available?

These two aspects were confronted and an analysis of the current strategy was made: is there a correct match between the resources and competencies demanded by the current strategy and the resources and competences available? After this, an internal analysis was made, to get knowledge of internal causes of the problems. These two analyses led to the major causes of the problems, which were divided into strategic and internal causes. After that, strategic options were generated. These options consider which core competences the organisation will need to develop to position itself on a particular market segment. The choice for a particular option is based on several criteria, such as returns on short and long term and feasibility. Finally, a feasibility study was conducted and recommendations were given to implement the strategy.

Internal, external and strategic analysis

From the strategic and internal analysis, the major problems were derived.

Strategic

- the organisation pursues a low price strategy, which is not based on any sustainable cost benefit. In other words, the low price strategy is not supported by resources and competencies that allow low prices.
- the organisation is stuck-in-the-middle: the organisation has positioned itself between the low and middle segment. This results in an unbalanced portfolio of product market combinations
- the organisation has insufficient focus on the most attractive part of the business, that is the golf course itself. A lot of effort is done to improve the most unattractive parts, like the restaurant and the shop.

Internal

- the current management structure is insufficient

- the organisation is inefficient, because tasks and responsibilities are not structurally divided (organisation structure).
- the accounting system does not generate any useful management information

The most important problem is the strategic problem. The organisation does not have the core competences to operate at lower costs. The stuck-in-the-middle position results in an unbalanced portfolio of served product market combinations. Different positionings and matching core competences are dealt with in the strategic options.

Strategic options

Four strategic options are generated:

1. Positioning on the low segment
2. Positioning on the middle segment
3. Positioning on the high segment
4. Execution of the organisation

Option four only counts if all ways of improving the financial position on the short term fail.

Each position represents are certain core business of the organisation. Although for each option the core business in its broad definition is practically the same namely "offering golf to clients", the core competences to perform well in a particular market segment are different. It was examined for each position which core competences the organisation will need to develop to strenghten its position. From this analysis was concluded which gap exists between the resources and competences demanded by a certain market segment and the existing resources and competences. Together with other criteria like return on short and long term, a choice was made of which position suits the organisation best. It is concluded that positioning on the middle segment offers the best fit with existing resources and competences together with a very good return on long and short term.

Explanation best option

The next analysis gives better insight in how to develop the core competence to optimally perform in the middle segment. The figure mentioned below gives a view of what resources and competences build up the core competence

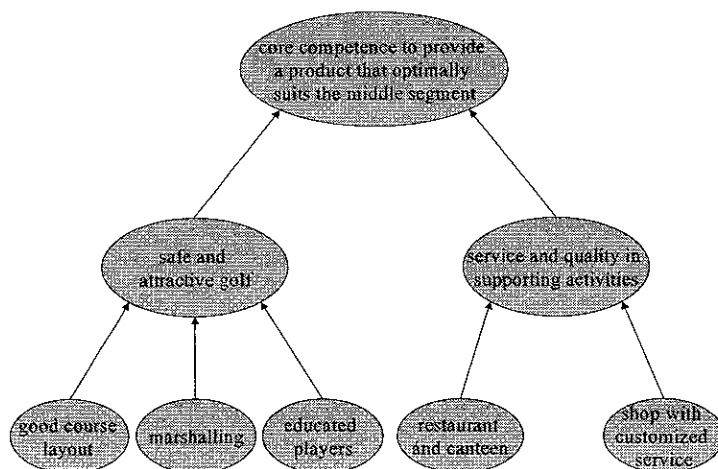


figure 2 elements of core competence

The first aspect is to offer safe and attractive golf. To offer this, an excellent course lay out is needed. The course layout is an element that has great impact on the safety and the flow of golfers. Another element is marshalling. Marshalling means supervising the compliance of the golf etiquette. The golf etiquette has been developed to increase safety and flow and if golfers comply with the rules set out in the etiquette, safety and flow will increase. The players themselves are the third element. These players will have to be trained golfers that know the etiquette and obey the rules. Not only will the client be more satisfied with a good layout, marshalling and good players, but also will the course capacity be larger. This means that the maximum of sales can increase. In the current golfmarket with more demand than offer, this is a very important competence

The second aspect is to provide service and quality in the supporting activities. The restaurant has to be divided into a canteen and separate restaurant. The canteen is meant to have a drink and a quick snack. In here, there will be more rumour. The restaurant will be a quiet place where golfers and company golfers can have lunch or dinner. This division will have a positive impact on the effectivity (the client is more satisfied), but also on efficiency (for example the kitchen can close one day a week and less experienced employees can work in the canteen). To further improve efficiency, it was found that a clear division of tasks and responsibilities will have to be developed.

The shop has to provide clients with customized products. By doing this, the shop can differentiate from competitors like Golfplaza, that compete on low prices. The shop knows the clients and can offer a customized product. This customization is a good way to compete against low prices of competitors.

These actions are all aimed at long term goals. In the short term, enough money has to be generated to enhance the solvability and liquidity. The feasibility study will analyse the financial aspects of the new strategy.

Feasibility study

These changes in strategy are a great challenge for the organisation. As a direct result of positioning on the middle segment, prices of memberships will increase significantly. This will have a negative impact on the number of existing clients. Two scenarios are given: a worst case and best case scenario. The below mentioned figures represent the results of the study.

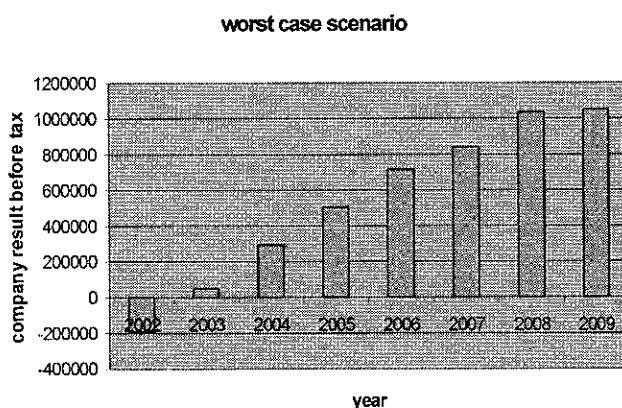


figure 2 worst case scenario

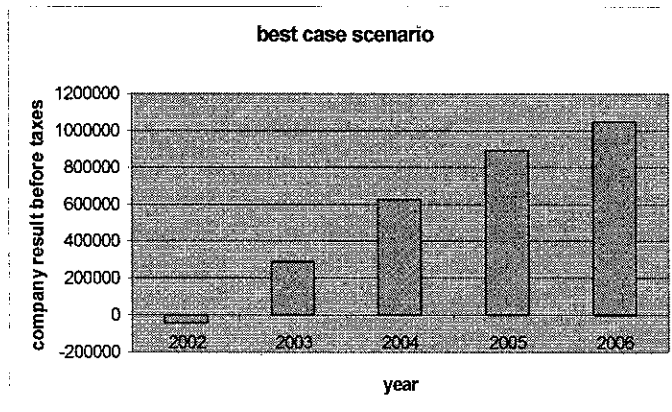


figure 3 best case scenario

The results show that in the worst case, company losses will raise up to fl 200.000 in 2002. After that, the results will be positive and gradually improve up to fl 1.000.000 in 2009. In the best case, no significant losses will be made from 2002 and result before tax will improve up to fl 1.000.000 in 2006.

short term

In both cases, money is needed in the short term to survive the year 2002. Several ways to improve solvability and liquidity exist. For reasons of confidentiality, these ways are not given in this summary. In the worst case, solvability will be 0,23 at the end of 2001 and 0,19 at the end of 2002. In the best case, solvability will be 0,66 at the end of 2001. Both solvability ratios open ways to get new outside capital, needed to survive and to invest in improvements.

Conclusion

The new strategy opens possibilities to improve performance significantly and will enlarge shareholder value. By implementing the strategy, the Golfhorst has the opportunity to become one of the largest golf courses in the south of Holland. The classic tools in combination with the core competence theory have proven its value. The findings during the research agree with the existing literature about strategy. To enhance their competitive position, businesses have to think about their future and about which core competences they will need to develop to improve their competitive position. Also, businesses have to stick to their core businesses. Otherwise, there will be too little focus on the core competences that improve the competitive position.