

The Congruence Model for Organizational Behavior – Jakks Company

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### **The JAKKS Organizational Strategy**

The JAKKS Company is a multi-brand Toy Company first established in 1995. The company specializes in the design, manufacturing, and distribution of various Toy and consumer products. JAKKS operates through two major business segments: the traditional toys and electronics and seasonal and novelty toys. The company's major outputs include: fashion dolls, video games, ride-on toys, pre-school, and infant toys. Jakks further specializes in playsets, action figures, vehicles, and Nintendo franchises. Porter's generic strategies towards competitive advantage are segmented into three major domains; differentiation, cost leadership, and focus. This analysis reveals that Jakks has primarily leverage on differentiation to build a competitive advantage in different sectors. For instance, Jakks Company specializes in consumer goods, gaming, and toys industries. Under the personal goods industry, Jakks has a specialty in clothing, apparel, sunglasses, wrist watches, and footwear and cosmetics. The company further deals with gaming products including Nintendo, video games, gamer machines and related smart devices. Its toy segment deals exclusively in the design and manufacturing of play-on toys, dolls, board games, playing cards, stuffed dolls and animals. A key generic strategy by Jakks is to tap into multiple industries and to pioneer in the design and distribution of consumer goods, gaming, and toys. For instance, the company was ranked third in the gaming and toy industry in terms of sales and revenues. In 2016, it closed \$776 million in games and toys falling shortly after Hasbro and Mattel which had \$5 billion and \$5.5 billion respectively. Hence, it is evident that Jakks relies exclusively on differentiation as the sole operating strategy.

### **The Most Critical Inputs in Different Categories**

The major inputs for Jakks company include consumer supplies like plastics, paper, hardware materials, and software programs. The manufacture of gaming products requires programmed controls and hardware plastic for the design and processing of toy products and supplies. Another key critical input is the strategy leveraged by Jakks. For instance, differentiation as a business strategy has enabled Jakks pioneer in major fields. The company runs compelling brands in outdoor toys, dolls, games, playsets, vehicles, and remote controls. Jakks is also a leading hand in other diversified brands such as wheeled goods, costumes, and collectibles. An analysis of the company's inputs shows that they affect or are in congruence with three major categories: environmental, resource, and historical. For instance, Jakks plastics and hardware are the most critical inputs since they determine the design and the overall approach that the company takes in its manufacturing and processing efforts. Strategy as an input affects the company's resourcefulness in terms of marketing, sales, and overall distribution. For instance, the ability to leverage different brands makes it possible for Jakks to venture into different sectors; consumer, gaming, and toys industries. Another major historical input is the market experience and expertise. Since inception in 1995, Jakks has obtained a rigorous market understanding that informs its corporate strategies. This analysis establishes that the ability to stick in the toy and consumer sectors for over two decades has informed Jakks corporate strategies. Such a historical input significantly affects and improves its overall business approach.

### **The Congruence of the Inputs with the Overall Strategy**

There are three key input metrics in Jakks line of business operation. The first set of input is environmental, organizational factors which capture consumers, competitors, regulators, strategic partners, and suppliers. The second set of inputs represents the internal resource factors such as assets [machines], talent and skill in product design, and operating revenues and capital. The third set of inputs represents the historical tradition factors including the changing consumer perspectives, Jakks mission, values, and vision, and the overall organizational behavior. This analysis reveals that the organizational environmental factors are not congruent with the overall strategy while the other two inputs, historical tradition, and the internal resource factors are partially and highly congruent to the organizational strategy respectively. For instance, changing laws on environmental pollution through plastics will affect the sales of toys and consequently shrink sales at Jakks. On the other hand, new software improvements and changing parental roles are likely to alter the consumption and sale of video game and tech gaming products. Hence, from an organizational environmental perspective, Jakks inputs are minimally congruent with its differentiation strategy.

The internal resource inputs are highly congruent with its strategy. Jakks employs a team of highly talented product developers, engineers, and specialists. The ability to deploy skilled manpower bolsters its design and strategic teams and small groups. In the long-term, the company enjoys higher sales from toys and gaming products, and hence this particular set of inputs is congruent or aligns perfectly with the company's overall strategy. The historical tradition factors are partly congruent to its strategy. Shifting consumer perspectives, changing cultures, and ever-shifting gaming traditions from consumers are likely to affect toy sales. Hence, although Jakks has historically remained as a market leader in multiple toy segments,

shifting cultures and gaming traditions will definitely affect its differentiation into various brands. Children are likely to use different gaming strategies, and with ever-evolving technologies, smartphone devices and computers are likely to replace plastic, fashion dolls, and outdoor toys. Hence, this analysis reveals that this particular set of inputs [historical tradition] is not congruent or is partly aligned to Jakks corporate strategy.

### **The Outputs at Three Different Levels**

#### **Organizational Level**

Jakks Company is a toy manufacturing company operating through two major business segments; the traditional toys and electronics and seasonal and novelty toys. The company's major outputs include; fashion dolls, video games, ride-on toys, pre-school and infant toys. Jakks further specializes in playsets, action figures, vehicles, and Nintendo franchises. Jakks has a specialty in clothing, apparel, sunglasses, wrist watches, and footwear and cosmetics. The company further deals with gaming products including Nintendo, video games, gamer machines and related smart devices. The company aspires to be a leading brand for its target market both locally and internationally. It hopes to achieve this by partnering with other international franchises such as Nintendo to build its brand recognition across the field.

The target market for the organization is primarily growing children, however, the products may appeal across all age groups and are not specifically limited to that. The company was ranked third in the gaming and toy industry regarding overall sales and revenues. In 2016, it closed \$776 million in games and toys falling shortly after Hasbro and Mattel which had \$5 million and \$5.5 million respectively. This shows that the company has managed to carve out a niche for itself in the toy industry and has established itself as a strong presence in the field.

### **Group Level**

The company is splitted into different divisions each with their own specified targets to ensure the congruence of the organization as a whole. To begin with, the company started out as a traditional toy manufacturer before branching out into different spheres. The toy manufacturing arm of the company is still the largest division and the largest single source of revenue for the organization. Headquartered in California, toy manufacturing is further split into design, manufacturing, and marketing. The team is responsible for the popularization of popular proprietary brands under the organization such as *BIG-FIGS*, *Funnoodle*, *Maui*, *Kids Only XPV*, *Max Tow*, *Disguise*, *Moose Mountain*. To further supplement this Jakks has developed licensed properties around the world quite similar to Disney World locations to resonate with its target market. Aside from this Jakks boasts of having within its retinue a youth-focused Cosmetics Company with skincare products and a makeup line.

### **Individual Level**

At the highest level of the corporate governance structure of Jakks is the board of directors selected from amongst the company's shareholders annually voted in at the company's annual general meeting. The board primarily consists of 8 members though this is subject to review should the prevailing business situation require a larger or smaller board. Part of the board's duty to the organization is the selection of the company CEO and the Chairman in a manner that would be deemed to be in the best interests of the shareholders. The board is also responsible for CEO evaluation and determining the criteria to be used for the said evaluation. Aside from planning for the succession of the CEO in the event of an impending vacancy, the board acts as the final decision-making body within the organization.

### **Congruence**

The model applied is based on the underlying idea that a company's performance levels and overall effectiveness can be accurately derived from the three levels analyzed above; organizational, group and individual. From the analysis, it is easy to see that Jakks is highly congruent with a smooth interaction between different levels within the organization. This has allowed the company to be able to align itself with its goals. A situation that has led to the company realizing the overall improvement in its financial position throughout the years.

### **Jakks Performance Data**

The financial performance of Jakks points to an interesting trend. The company posted a decline in net sales from \$167 million in mid-2017 to \$136.6 million in the final quarter of 2017. The gross profit margin was also down 22.1% from 31.2%. The attributable net loss was \$30.4 million, and the adjusted EBITDA was at a negative of \$6.8 million as compared to a positive of \$4 million the previous year (Business Wire, 2018). It is important to note that the retail inventories and stock ended in the year 2017 allowing Jakks to enter a new financial year with clean shelves. The above financial performance is partly attributed to changing shopping habits since more consumers bought toys online and less in stores. Also, there were fewer interests in the company's film licenses which plummeted the annual financial returns. However, Jakks noted improvements in various private labels including fashion dolls, outdoor toys, and in the gaming machines. A report by the CEO notes that Jakks will continue to expand its private retail labels to diversify its brands and target different markets.

### **Individual Functions and Outputs**

Jakks employs are primarily involved in product design and development. Hence, key roles include radical planning, design development, sourcing, and development. A unique function of the company is to process raw materials, to develop powerful graphics, and to conduct programming for its various specialty toys. The above key inputs enable the company to develop customized toys and machines including responsive fashion dolls and outdoor toys. Often, Jakks measures employee performance based on the quality of designed products, annual sales, and the success of specialty toys (Business Wire, 2018). More clearly, performance measurement and evaluation are conducted based on the quality, response, and effectiveness of the designed toy products. Its long-term strategic approaches include developing a portfolio of privately owned intellectual properties and expanding its geographic reach.

Further, Jakks has a strategic outlook in diversifying into new segments, increasing online sales portfolios, and enhancing the quality and scale of toy design (Business Wire, 2018). This analysis hence supports that there is a high congruence of both the inputs and the outputs. The company has a well-talented pool of developers which represents a strong internal resource for the company to meet diverse design needs. Also, the company's assets, revenues, and financial flows make it possible to address environmental, organizational aspects like; competition, regulations, supplier demands, and changes in consumption trends (Business Wire, 2018). This analysis hence supports that Jakks Company is highly congruent and such an alignment has enabled the company to close sales and to remain as a market leader in various segments it operates.



References

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