

Crocs Inc. Business policy and strategy

Student's Name

Institution

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## CROCS INC. BUSINESS POLICY AND STRATEGY

Crocs Inc.

### **Background**

Crocs were founded by Scott Seaman, Lyndon, Hanson, and George with one major aim of producing and distributing clog foams in the market. It is a shoe industry whose brand is built majorly on the boating shoe. It first unveiled its first product in the year 2002 at port Lauderdale boat show where it started to attract the market attention for producing better boating shoes. In its first production, the company started by a boom of selling approximately two hundred pairs of shoes in one day, the day of launch (Metz, 2009). This is an indication that the company has the potential to conquer the market. It expands its operations by merging or acquiring other firms in the industry. For instance, it has acquired Form creations and gain its production, proprietary and operational rights to help in ensuring a competitive advantage. Crocs also employees variety of manufacturing style to help as its strategic way of attracting more customers. It is one the ways that are importantly employed as one of the major strategic components of ensuring that customers are pleased through availing different, shapes, styles, colors and sizes as a trick of ensuring that all users, taste, and preferences are attended to.

Due to the fact that Crocs Inc. in its business operations faces stiff competition from other business enterprises in the shoe industry like sandals, open shoes leather shoes among others, it is important to analyze the strengths and weaknesses of the company to help understand if it is worth it to stand the market forces and competitive environment. This helps in understanding the state of the company's competitive advantage and its strategies in the market. This paper, therefore, analyzes the strategic position of the company in terms of its internal and external analysis and the functional level strategies. In order to achieve this analysis, the paper is divided into two major parts which are, the internal and external analysis which comprises the weaknesses and strengths of the company. The second important part is the analysis of the functional level strategies which. The second part majorly analyzes the company structure and changes. This is to help provide a proper recommendation of what the company should do in its structure to help achieve its goals and competitive advantage. It is therefore important to determine the company's operational state so as to help in deriving a proper conclusion on whether Crocs Inc. company has a competitive advantage over other companies or not. It uses VRIO, which is an acronym of Value, Rareness, Imitability, and Organization of the company.

### **External and Internal Analysis**

It is important to analyze the external and internal factors of the company to help determine its position in the market. This part uses the VRIO model to analyze the competitive advantage of the company (Mahdi, 2015). It also carries out stakeholders' analysis which forms part of the people who affects business in one way or the other. This is to help understand the human factor of the company that affects decision making in one way or the other or directly or indirectly. It is through the external and internal analysis that the company gets to understand its environment in terms of factors which the company has control over and the forces which affect business from external sources, that is the Crocs Inc., shoe company has no control over them.

## **Internal Strengths and Weaknesses**

### **VRIO Model Analysis**

#### **Value**

The value of Crocs Inc. stands at around 26.6 in the market. It has strong sources of revenue in terms of free cash flow that makes it easy to avail the necessary resources required for the better performance of the company (Fleischer, 2007). It has commendable returns on investment that makes more profitable in running its business. However, the company has not invested much of its resources in investing in the research to help determine the challenges affecting the organization, market trends and how these challenges can be overcome to effective operations of the organization. It can also not monitor its financial planning effectively which acts as its major weakness in terms of value. Due to the market trends, and business models of the organization gives it value in expanding its operations to get more market advantage. The company has a lot of opportunities in the economic, legal and physical environment. The lower inflation rate in the country, for example, gives it an opportunity to invest without fears that the money invested might lose its value substantially in the future. Fair taxation scheme for the company also makes it possible to maximize profit by reducing some level of expenses whereas environmental factors and climatic change gives the organization an opportunity to invent more products to cop up with the changing climatic conditions.

#### **Rareness**

The company has reliable suppliers and distributors who are able not only to avail products for the customers but also to train and educate salespeople and other responsible personnel in proper service delivery and improved performance. The strong community developed by the company is very rare to find and indicates that majority of the companies cannot compete for mush with Crocs Inc. Majority of companies engage in looking for experts to help them build their brands and promote their commodities. This is contrary to the community built where it is the role of each and every stakeholder to promote the product and ensure that its performance is superb. It also has successful easy to go to the market strategy which has made it explore new markets and increase its consumer or customer base. The ability of the company to develop a supportive community which can own up to the responsibilities provided and successful implementation of easy to go to the market strategy makes it much more competitive advantage than other companies in the footwear industry. Its products have also been recommended the United States of America recommends its products as the best, safe and healthy. The recognition by the government is a rare opportunity that makes it easier for customers to build strong brand loyalty. It is one of the advantages which the organization enjoys for the fact that consumers trust that the products in this category are safe and healthy. It is a rare opportunity for other companies in the same industry, and this gives it a competitive advantage.

#### **Imitability**

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The company's successful record keeping and integration of complementary firms are very difficult for other companies to embrace. It is because of its successful management record of acquisitions and mergers in the market that makes it have proper record keeping and integration with other companies in the merger. Its choice of Target Company in the merger also relies on not just increasing profitability or customer base but ensuring improved in performance, production and service delivery to its customers. It has also built a strong brand and portfolio which is difficult to imitate. The discovery of floating shoes, different styles, colors, and shapes among others has increased its customer loyalty making it difficult for other organizations to come up with the same product. It also produces safe and healthy products which are not easy for counterfeits or other producers to imitate and produce products with the same safety and health conditions. This is due to its hidden production techniques and materials. Therefore, proper record integration, complimentary mergers, and strong brand and portfolio is one unique operational process that makes it difficult for competitors to embrace the same strategy hence giving it a competitive advantage.

### **Organization**

The company structure makes it possible for every employee or stakeholder to get services and training from any department. Compensation policies are in line with the overall labor laws of grouping employees into job groups. However, it also provides benefits, promotions, and gifts for outstanding employees. This gives the company an opportunity to retain employees by creating a reliable environment for the dispensation of duties through its human resource wing. It is also composed of sales representatives and brand ambassadors that work in close relationship with suppliers, distributors, production and customer care departments in ensuring that products and services are well promoted. The good relationship and integration of these departments make it easier to offer training services for various individuals (Mahdi, 2015). The company is organized in functional units or departments with each department having a departmental head where all junior employees in the department report. The departments also make it easier to monitor employees. The company, however, has overall management that oversees everything going on in the company. The overall management of the organization oversees the planning, control, directing, hiring and leadership roles for all the departments and employees. Each department has a well-defined role and is composed of experts in the services it offers. The division of labor among departments is critical in improving efficiency and effectiveness of service delivery in the organization. The structure of the organization makes it much easier for top management to control the services in the organization. This gives it a competitive advantage in the over other organizations. However, it has a bureaucratic organization considering that it has grown into a multinational company with several branches spread all over the world. Running a large organization like this with numerous departments or functional duties is quite complicated and can bring perennial conflict in the organization. This kind of conflict can result in a case where responsibilities or duties are not well defined for each department. This, therefore, reduces its competitive advantage (Stanford, 2013).

### **Ranks of Internal Stakeholders**

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Internal stakeholders are stakeholders who serve in the organization on a daily basis. The major role of internal stakeholders is to ensure the smooth running of the organization. They are actually people who affect the operations of the organization. Crocs Inc. has various internal stakeholders who ensure that the company operates and dispense its services more effectively and efficiently. Internal stakeholders attached to Crocs Inc. include employees, board members, suppliers, distributors, and managers (Fleischer, 2007). The ranking of the internal stakeholders begins by employees, shareholders, suppliers, and distributors, however, according to the assessment of the organization, Crocs Inc., the following is the order of the importance of the internal stakeholders.

### **1. Employees.**

The most important internal stakeholders are the employees who dispense offer services or engage in daily production. The organization has sales personnel, finance people, customer care people and production team who ensures that products reach customers in good time and effectively. The company is built on expertise as staff members which makes it more efficient to provide services and products to the customers. Employees are the engine of the organization by ensuring that quality products are available in the company.

### **2. Suppliers and distributors**

After employees, the second important stakeholder is the supplier who ensures that materials and resources are available for use in the organization. Suppliers ensure that materials which are available are safe and meets the standard set to ensure that goods produced are of high quality and meets the standards set. Distributors are also important in ensuring that products reach the market promptly. After production of floating shoes, distributors take in response to ensure that products reach the market in good time and safely. They set the market price which is not too low for the company to run into losses nor too high for customers to buy but rather operate on optimal price where the company reaps something, and at the same time consumers are also comfortable, do not feel extorted or overly exploited. The two stakeholders mentioned here are very important because of their role of promoting company brands, carrying out market research and advising the organization on the market trends for adjustment. They also play an important role in training sale and marketing team on the customers' expectations hence making it aware of the relevant strategy to take in order to win customers in the market. This makes them play an important role in the company in ensuring that customers develop brand loyalty and the company also win the hearts of new customers through their promotional services. It is therefore ranked as the second in the list of stakeholders for the role of ensuring that Crocs Inc. expands its market size and also increases its revenue and profit (Pride & Ferrell, 2010).

### **3. Shareholders.**

The last important internal stakeholders are the shareholders who happen to represent the board of management. Though they engage in continuous meetings that affect the decision-making process and the running of the company, they do not take an active part in ensuring that the organization operates well and make appropriate production and sales. The importance of the

shareholders is to provide general guidance and decision making in the company which only affects the direction taken by the top management, after all, they investors who just want to see the value for the money they invest. They are not so much interested in how the company is run as long as they make massive benefits. However, at some points, they provide leadership guidelines relevant to the smooth running of the company through the sober decision-making process (Plunkett & Plunkett Research, Ltd, 2008).

### **Strengths and weaknesses of Crocs Inc. Company**

#### **Strengths**

The organization has a number of strengths which includes communal culture among the distribution, supply and sales personnel to the extent that they can train each other. Second, it has proper record tracking on contemporary acquisition and integration information. Third, the company is capable of employing experts. Forth, it is a multinational company, therefore, enjoys a large customer base and also has proper management which is divided into departments for easier management and control of employees.

#### **Weaknesses**

Due to its large nature, the organization is not able to solve conflict efficiently, and there is also confusion among departments on their responsibilities. The organization is also not capable of making proper financial planning which can make the company improve its profit and at the same time minimize losses and expenses. The organization also does not make good use of the shareholders in making sober decisions which can be used in running the company and increasing the profit of the company.

## **Task2. Analysis of the functional level Strategy.**

### **Structure of the Company**

Crocs use functional structure where the organization is split into finance, operational, legal, merchandising, sales and marketing departments all who are answerable to the chief executive officer. Chief executive officer in the organization is a member of the board of management and has to ensure that proper records are given to the board of management. For a long time, the company has been using a collaborative where no one is much superior to the other due to continuous changes in the fashion industry (Da Pieve, 2016). The organization, therefore, wanted the contribution of each and every employee or member of the company to contribute to the idea generation of the styles and improvements on products to be made. The structure was very important at the beginning due to the fact that the company did not have enough personnel to carry out the market or specialize in performing given tasks in the organization. However, immediately the organization gained momentum in its operations, it did define the level of powers, departments, and their roles and embarked in employing personnel with expertise in the departments which they are involved or hired to serve. This is because of the growing nature of the organization which makes it difficult for the overall management to manage all staff members and stakeholders in one department under the umbrella of Crocs Inc. Company. The structure used by the organization is as shown in the diagram shown below (Plunkett & Plunkett Research, Ltd, 2008).

### **Critics of the company Structure**

The organizational structure of Crocs Inc. The company is appropriate for dispensing services to the customers. This is because it is divided into departments with well-defined roles and leadership. What this means is that there is very little confusion in the dispensation of services and duties. The functional structure employed by the organization is appropriate in controlling, guiding and monitoring staff members in each and every department (Fleischer, 2007). It also encourages efficiency and effectiveness because departments hire staff members with expertise in the line of duties which is being performed in the department. Also, there is a well-defined communication level among departments so that both employees and customers understand where to channel their various complains and concerns in case of any. The structure is also essential in defining different levels of power and communication line in the organization hence making it easier to identify where to seek help in case there is a need. For instance, one with human resource problems will visit the human resource office directly other than managing director's office or Chief Executive Officer's office for help. In this scenario, it is important to note that the structure is effective for service delivery.

However, there are various drawbacks in service delivery as the organization continues to grow and expand its products and branches in different countries. For instance, it is confusing to determine the line of communication of managers from the same departmental heads in different branches. Some activities also overlap in the organization making it difficult to understand which department is mandated to undertake what responsibility in the company — the fact that the organization hires experts in particular fields to make it difficult for employees to engage in

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general activities which do not need any form or level of expertise to undertake (Droege & Dong, 2009). This can paralyze the efficiency of service delivery in case of situations where the responsibility does not fall within the docket of any department. Therefore, even though the structure works perfect for the organization, it is time the organization should look for ways of fixing the loopbacks in the service delivery because they affect the efficiency and effectiveness of service delivery.

### **Recommendations**

The decision making organ of the company should be engaged in ensuring that company financial plans are well undertaken and reflect the overall objectives of the company. This is because shareholders who happen to be part of the board of directors are not well integrated into the system. The fact that their integration is not perfect in the organization, in fact instead of creating guidelines and decisions to run the organization, they are seen as the less important stakeholders in the organization. Their role, therefore, is not well defined to help in the proper running of the company. It is also crucial for the company to change its structure from a functional structure to bureaucratic to take care of the expansions the company is going through (Mahdi, 2015). This will help in defining the roles of each and every department to avoid confusion. The functional structure used though efficient is too simple for a multinational company. Changing the structure changes the line of people and therefore defines a new level of leadership and organization of the company which eventually reflects in the service delivery. Employees, more so from supply, distribution and sale department should be incorporated in a single department to help them share ideas on the trending issues in the footwear industry, and how the organization can improve on its promotional strategies to ensure that customer demand, expectations and tastes are met.

### **Conclusion**

Determining the strengths and weaknesses of the organization is critical in finding out where the organization is doing well and what needs improvement. Crocs Inc. organization being a footwear industry need to understand its strengths, weaknesses and strategic position to act as a starting point for acquiring a competitive advantage in the market. It is important for all internal stakeholders to be taken into consideration and ranked to help determine who is more important in the running the organization and who can be sidelined (Da Pieve, 2016). According to the Crocs Inc. employees are more important with shareholders being the least significant internal stakeholders in running the company. The major transformation required in the organization is the structure of the organization from functional to bureaucratic to help solve the issues of service delivery drawbacks. It is therefore important to determine the position of the company to ensure that the strategic plan is developed for improving the company's competitive advantage.



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