Exercise 3

[Name of the Writer]

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**Best Product**

It is a crucial demand of time for the Biotech to expand its business by offering new products of infant formula in the new market. The main focus of the Biotech administration is to enhance the business domain in the form of infant formula with the main focus on the natural products in the new market. It is utmost crucial for the department to critically analyze the Chinese market in order to select the best products for the initial launch. Biotech Infant formula products have the option of grass fed cow milk, liquid, soy, and non-GMO, etc. Selection of best product requires extensive market analysis by keeping in view various critical aspects as well. Proper assessment of the economic and reasonable product according to the needs of Biotech is a crucial task for the group leader from Experts Foods Consultants at the moment. It is crucial for the management to extensively examine the market value of certain products under consideration to attain better knowledge regarding the potential product. First of all, it is essential to examine each product separately to get an overview of their potential in the Chinese market.

China is currently the most important market to grass fed cow's milk. Rapid developing is occurring in the Dairy industry of China, and it has a potential for remarkable increment in grass fed cow milk's production through minimal improvement. Market analysis of China shows that its people prefer such infant products for their kids. They are not into processed diet fed milk products. Grass fed cow milk is a better source of healthy fat. It contains more omega-3 fats, which are considered healthier for children. Chinese rely on dairy products to provide critical nutrients for their children. Therefore, the Chinese prefer such products to ensure that their children grow healthy and strong. Biotech has a significant opportunity to launch grass fed cow's milk due to the perceived demand of Chinese. It is obvious that the dairy industry is an integral part of Chinese lives. Demand for the grass fed cow’s milk grew after the scandal of melamine in 2008 which led to further consolidation of the industry.

On the other hand, Non-GMO products are pure natural products without any scientific and genetic involvement. According to a report, it is stated that the non-GMO processed food market in China has the potential to grow at a compound annual growth rate of 17.31%. Chinese are very concerned about the health and safety of their infants. Researches have shown the negative consequences of genetically modified foods. Transparency in labeling is the latest trend gaining momentum in the Chinese market. People are becoming aware of the products they consume. In recent years, the Chinese pay attention to the ingredients and nutritional values that are presented on the product labeling. Biotech has a specific objective of encouraging the idea of opting natural ingredients to provide sustainable products to the customers. Consequently, launching non-GMO infant formula products will be advantageous for Biotech to manage new business operation in the Chinese market.

China's population accounts for one-fifth of the global total; however, it is significant to mention that the total dairy product accounts for only 4 percent of world production. Recently, the Chinese dairy industry has been rapidly growing which means that Biotech has a remarkable opportunity to launch their grass fed cow’s milk in that area, in order to maximize their profit. The production of grass fed cow milk jumped exponentially up to 45.5 million tons in 2018. Due to this efficient development of the dairy industry, Biotech has the chance to fill the increasing domestic consumption demands. The per capita consumption of the dairy products is jumped up to 23 kg by 2017. The total production of the milk is $1,062, while grass fed cow milk has a cost profit rate of nearly 27 percent, leaving a net annual profit of 273 dollars. Comparing the net profit of grass fed cow milk with maize and potatoes show that the profit margin of grass fed cow milk is greater than them.

On the other hand, the non-GMO product is another possible option for Biotech to launch it in the opening year. The major task for the leader of the consultant group is to figure out the net profit of non-GMO infant formula products in the Chinese market. As Chinese people of becoming health conscious, there are willing to adopt products that comes with proper labeling regarding nutritional values and ingredients. In China, the price margin for Aptamil Pro Futura (non-GMO infant formula product) costs 55 USD for 900g which is way cheaper than the USA. In China, the non-GMO infant formula products cost around 15 percent of the average monthly salary. China is the fastest growing formula market, having 46 percent of the total share in 2017. This demonstrates that the net profit margin of non-GMO products in China is worth double than those in the United States. Biotech can effectively promote its product through advertising as China has relatively low breastfeeding rates. It is estimated that the market for non-GMO infant formula products is projected to reach over 80 billion dollars up till 2020.

Now it is a critical phase for the leader of the consultant group to select one best product for the initial launch in China planning by the company of Biotech. Critical assessment of the potential usefulness and profit margin of all the products for both consumers and Biotech make it easy for the leader of the consultant group to select the most appropriate product. Grass fed cow milk will be economically suitable for Biotech for the initial launch in China due to the high profit margin. Chinese are concerned about the health of their infants; therefore, they tend to rely on grass fed cow milk due to its natural and healthy ingredients. Due to the immense demand for grass fed cow milk, Biotech can effectively fill the increasing domestic consumption demand.

Nestle is a leading brand that provides infant formula products in China with a significant profit margin. Nestle saw its net sales rise by 1.4% due to the performance of its infant formula brands. Nestle is one of the leading food and beverage producers in China. It recently launched its high end milk powder in order to earn more Chinese market share. In 2018, Nestle dominated the Chinese market for infant formula products with 27 percent sales than other companies. Nestle established awareness in the Chinese population where none existed. It convinced consumers that it provides sustainable and organic products. Despite China, Abbott is also a leading infant formula products seller in the Chinese market. It provides infant formula brands such as Pediasure and Similac at a reasonable price. Its economical pricing strategy attracts many consumers. In order to meet the evolving needs for the healthcare of local consumers, it opens new China R&D center. Abbott accounts for 13 percent of the total sales regarding infant formula products in China in 2018. Recently, China's National Development Commission is investigating Abbott for potential monopolistic practices in China. That is why Abbott has to reduce the prices of some of the products by 4 to 12 percent.

**Best Location to Source Organic Materials**

Selection of the most suitable location for sourcing organic materials is one major aspect of attaining the desired organizational objectives in the short run and long run. It is also essential to determine the cost-profit margin of the product. It is essential to cautiously assess the right environment to source raw materials by keeping in mind the political, economic, and environmental factors. The leader of the consultant group needs to determine various demographic characteristics of a location before making a decision about a suitable location. It is critical to investigate the sourcing location of other companies that are also providing infant formula products to get an idea of a preferable location. Nestle source its agricultural raw materials either through trade channels or directly from farmers. Nestle works directly with more than 700,000 farmers from different locations including Mongolia, China, Colombia, and Pakistan. In China, Nestle often sources its organic products in Shuangcheng milk factory. However, Abbott is an American health care company, and it mostly sources its organic materials in the United States. As seen the circumstances, it is viable for Biotech to source its organic materials in China to avoid any import tax. Moreover, China is more concerned about environmental protocols. It supports companies like Biotech that provide sustainable products.

**Cultural consideration of doing business in China**

China has become an attractive market for foreign investors due to the globalization of the business world. Biotech is interested to launch its infant formula products in the Chinese market. It must need to understand the cultural differences between Chinese and western world (Adler, & Jelinek, 1986). It is critical for an organization to make progress in other country’s market, by keeping in view the cultural aspects. Undoubtedly, Biotech is willing to hire local personnel in the Chinese market in order to understand the current market of infant formula product in Chinese industry. To be successful, it is crucial for Biotech to respect the cultural values and rituals of Chinese people. It is significant for them to respect China’s long history and culture. It is noteworthy to mention that China is a relationship oriented society. Interaction among people is essential and important for business. The risks can easily be minimized in the Chinese market by building network and interactive (Nawaz et al., 2017). It also helps in combating failures and setbacks as build-up network will help in keeping things as normal. In China, consumers mostly tend to deal with companies they trust. Therefore, it is essential for Biotech to establish an interpersonal relationship to prosper in the Chinese market.

Chinese are concerned about the health of their infants, so by effective advertisement Biotech can build its trust among people. It is notable to mention that Confucianism affects business practice a lot. Biotech needs to understand the value of each person in the Chinese society. Chinese tend to develop a relationship with those, who show respect to age. Consequently, Biotech need to show respect to age, educational background, and seniority to reflect Confucian. Confucianism does not mean that questioning or raising concern on superior's decision is disrespectful. It means that people will ethically respect each other (Nawaz et al., 2017). Use of abusive language is against Confucianism which can destroy the relationship of a company in the area. Therefore, Biotech needs to respect and value the seniority, age, and education background in China to avoid any deterioration of the relationship between management and staff.

The concept of ‘Face' is critical for the purpose of business interaction in the Chinese market. It comprises of pride, dignity, and public reputation. Biotech should understand public reputation and pride. Choices must be clear and effective to avoid any slight mistake. Biotech needs to welcome everyone and appreciate their efforts and work in the company. Insulting someone is an easy way to lose face which can damage the public reputation. Insulting a junior in the organization, just because of higher official status is considered as ethically wrong in Chinese society (Nawaz et al., 2017). If someone is at fault, then management must consult with them in utmost sincerity and honor. Another significant aspect of Chinese culture is its collectivist orientation. People are willing to honor the whole group, instead of an individual which promotes appreciation and helps in maintaining efficiency in the working process. It is a remarkable facet of tighter teamwork as it promotes obedience, decision making, and spread information sharing. Biotech's management needs to involve employees in the decision making process in order to promote obedience and ownership. If staff feel the ownership to any working process, then they will definitely adopt that process without any hesitation and will work with full efficiency. Biotech also needs to share rewards equally among all members of the team to follow the Chinese culture of collectivist orientation.

**Sourcing Leaders**

Selection of the personnel as the worker referring to the nature and requirement of the job position is a critical part for the organization to attain the desired organizational objectives. Hiring local personnel or overseas is a major point of concern for the management of the Biotech. Management should need to hire local personnel as they have a better understanding of the culture in which they live. It is notable to mention that local personnel can navigate potential problem with greater ease (Oyer & Schaefer, 2010). This capability of local candidates is beneficial for Biotech to decrease their financial loss and increase productivity. Market analysis has shown that HR professionals often hung up on the person speaking the language native to the company. HR professional prefers those who can speak English fluency. It does not matter for them whether the local candidate is leaps and bounds ahead of expat or not. However, the Biotech needs to keep language aside and hire local personnel who are best for the job. Another significant facet to hire locals is that they are two to three times cheaper than an expat. Expats cost include relocation costs, cultural and language training cost along with normal salary. Moreover, hiring local personnel means diversifying the workforce. It provides beneficial support to the company in order to expand their business abroad. Running a new business in foreign countries is an exhausting and demanding exercise. Expats can suffer from severe fatigue and stress by working in foreign work culture. Locals can focus their energy on doing assigned tasks instead of rehabilitating from all the distractions of relocation.

**Organizational structure**

An effective organizational structure is critical to achieve the mission and goals of an organization. It demonstrates the ways to organize teams and different departments. It also demonstrates the way in which folks communicate in an organization. Organization structure is the glue and blueprint for growth in the competitive environment. An effective business structure impedes the ability of a business to keep the best ideas bubbling up. Biotech should need to adopt a mechanistic organizational approach to keep this in proper command. The mechanistic structure provides a very clear chain of command with an extremely hierarchical approach (Courses.lumenlearning.com, 2019). It is crucial for the leadership to determine various facet of the organizational structure such as how people will be organized, roles and responsibilities, lines of communication and accountability, and hierarchy of ownership and opinions (Adler, & Jelinek, 1986). There are certain ways to organize and differentiate teams. The best option that Biotech should consider is organizing teams and people by Function. It means that people and teams must be organized by skillsets or abilities such as accounting and marketing. Moreover, the hierarchical approach helps in determining a clear chain of command with clear roles and responsibilities (Common Organizational Structures). It provides a centralized structure that demonstrates who has the authority to make important decisions.

A hierarchical approach is remarkable for an organization as people feel more secure. It is notable to mention that the hierarchical approach provides quick approvals for high level decisions as there are fewer people at the top to make decisions (Dai, 2016). Moreover, it assists in making a clear sense of leadership across the company which helps Biotech to initiate their initial product effectively. Regardless of this, there should be a clear line of communication in the organization. Employees must be encouraged to participate in the decision making process as it will ensure their ownership with any specific system. Employees should be encouraged to share their perspective but through the proper hierarchical channel. As every group in the organization is different, so it is vital to provide them with different roles. Biotech needs to establish a coordinating council that modifies a broad, organizational-wide objective for the company. The executive director or program director will be responsible to manage, coordinate, supervise, inspire, and support the working process along with employees to ensure maximum profit with increased efficiency. Leadership needs to decide the steps of the accounting cycle to make proper improvement in the demographics and structure of an organization (Courses.lumenlearning.com, 2019). Accounting cycle includes identifying the transaction from source documents such as invoices, and loan agreements. It is crucial for the accounting cycle to record the transaction as a journal entry. Local personnel having knowledge about the accounting cycle must be hired to manage the accounts of Biotech effectively.

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