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**Strategic Management, Competitive Advantage and
the Balanced Scorecard in the New Zealand kiwifruit
industry: A Co-operative group case study.**

**A thesis presented in partial fulfilment of the requirements
for the degree of Master of Applied Science in Agribusiness**

At Massey University, Palmerton North, New Zealand

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ABSTRACT

Kiwifruit is New Zealand's biggest horticultural industry. The industry, which is lead by Zespri Group Limited, the statutory monopoly for the country's kiwifruit export, is the second most important producer of kiwifruit in the world. In a relative stable world kiwifruit industry, New Zealand has enjoyed buoyant returns in the last seasons. However, it is starting to feel the pressures for consolidation and globalisation, as well as other opportunities and threats. This situation is forcing kiwifruit service providers to plan strategically for the future and change. In this context, Satara Co-operative Group Limited came to life in June 2002, as one of the biggest post harvest operators in the industry, controlling 16.5% and 10% of kiwifruit and avocado volumes, respectively. However, although the hybrid cooperative started after a merger with a new strong corporate identity, it had neither a complete strategic analysis nor a written strategic plan to follow. Separately, a strategic management implementation tool called the Balanced Scorecard (BSC) has had worldwide acceptance and success in the last 10 years. In light of Satara's current strategic circumstances, the tool arises as a feasible and timely strategic solution for the organization.

This research investigated whether Satara Co-op Ltd has a competitive advantage in the New Zealand kiwifruit industry through a complete strategic analysis. The research also studied whether the organization's competitive strategies could be implemented through the Balanced Scorecard framework. The research was based on the case study methodology that used extensive secondary data research, personal interviews and visits to relevant industry stakeholders, including: Zespri Group Ltd, Seeka Kiwifruit Industries, New Zealand Fruit Growers Federation, Aongatete Packhouses, Trevelyans Packhouses, and New Zealand Avocado Industry Council, amongst others, as well as in depth interviews to Satara Co-op Ltd executive and managerial positions. The case study data was analysed using pattern matching and explanation building.

The results showed that it was not possible to conclude based on tangible data whether Satara Co-op Ltd had a competitive advantage. However, when available tangible data was added to intangibles and stakeholder's statements about the organization, along with the application of the SELECT framework, it was possible to determine that Satara's competitive advantage was based in its cooperative structure, scale and geographic diversity as well as its future diversification capabilities under different scenarios. The case study results also acknowledged that Satara Co-op Ltd strategies could be implemented through the Balanced Scorecard framework, as its strategies and available information allow the implementation of the framework building blocks, which are objectives, measures, targets and initiatives in four perspectives, namely financial, customer, internal processes and learning and growth. Satara strategies also match in various degrees the BSC extension framework, the strategy map, with its sub categories of revenue growth, productivity strategy, customer value proposition, internal businesses strategic themes and learning and growth drivers. This allowed the construction of a corporate strategy map, which was presented to the organization. Because the BSC and the organization's improvements due to the framework implementation could not be tested during the time allocated to this research, recommendations were drawn in respect to how the organization's competitive advantage and its competitive strategies will deliver to shareholders vision through the implementation of the corporate BSC presented and further score cards development at different levels in the organization.

Keywords: strategic management, competitive advantage, cooperative, kiwifruit, avocado, packhouse, coolstore, Balanced Scorecard and strategy map.

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Palmerston North, New Zealand, 2003.

*To my wife and daughter
Leonor and Catalina*

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ABBREVIATIONS

ABC	: Activity Based Costing.
ADL	: Arthur D. Little life-cycle (matrix).
AGA	: Avocado growers Association.
AIC	: Avocado Industry Council.
AKEG	: Australian Kiwifruit Exporters Group.
ASBV	: Avocado Sunblotch viroid.
BCG	: Boston Consulting Group (matrix).
BOP	: Bay of Plenty
BOPFP	: Bay of Plenty Fruitpackers Ltd (Baypak)
BRC	: British Retail Consortium
BSC	: Balanced Scorecard.
CA	: Controlled Atmosphere
CAPM	: Capital Assets Pricing Model.
CEO	: Chief Executive Officer.
CIF	: Cost, insurance and freight.
COKA	: New Zealand Certified Organic Kiwifruit Growers Association.
Co-op	: Cooperative.
CSF	: Critical Success Factor.
DMS	: Direct Management Services Ltd.
EAN	: European Article Number.
EBIT	: Earnings before interest and taxes.
EBLITA	: Earnings before lease, interest, taxes and abnormals.
ENZA	: New Zealand's Apple and Pear Marketing Board.
EPS	: Earnings per share.
EU	: European Union.
EVA	: EVA®, Economic Value Added.
FAO	: Foreign Agriculture Organization.
FAS	: Foreign Agriculture Service.
FOB	: Free on Board.
FPTG	: Fresh Produce Traceability Guidelines.
GAAP	: General Accepted Accounting Principles.
GAP (EUROGAP)	: Good Agricultural Practices.
GATT	: General Agreement on tariff and Trade.
GE	: Genetic Engineering.
Gold	: Hort16A. Zespri™ Gold kiwifruit; (<i>Actinidia chinensis</i> cv. Hort16A).
Green	: Hayward kiwifruit variety; (<i>Actinidia deliciosa</i> cv Hayward).
GST	: Goods & Service Tax.
HACCP	: Hazard Analysis of Critical Control Points.
Hass	: Hass avocado variety; (<i>Persea americana</i> Mill cv. Hass)
HEA	: Horticultural Export Authority.
IAC	: Industry Advisory Council.
ICA	: International Co-operative Association.
IOF	: Investor Orientated Firms.
KEPC	: Kiwifruit Export Promotion Council.
KF	: Kiwifruit.
KGI	: Kiwifruit Grower Incorporated.
KMLA	: Kiwifruit Marketing Licensing.
KNZ	: Kiwifruit New Zealand.
KPI	: Key Performance Indicator.
KSNZL	: Kiwifruit Supply New Zealand Limited.
KSRL	: Kiwifruit Supply Research Limited.
MAF	: Ministry of Agriculture and Forestry.
Medfly	: Mediterranean fruit fly (<i>Ceratitis capitata</i>).

MFA	: Ministry of Foreign Affairs
MP	: Minister of parliament
MVA	: Market value added.
NGC	: New Generation Cooperative (hybrid).
NOPAT	: Net profit after tax
NPV	: Net present value.
NZ	: NEW ZEALAND
NZKA	: New Zealand Kiwifruit Authority.
NZKGI	: New Zealand Kiwifruit Growers incorporated.
NZKMB	: New Zealand Kiwifruit Marketing Board.
NZSE	: New Zealand Stock Exchange
OGR	: Orchard Gate Return.
OPAC	: Opotiki Packing & Cooling Ltd.
PEST	: Political, economical, social and technological analysis.
PIMS	: Profit Impact of Market Strategy.
PLU code	: Product Look-up code.
PR	: Public Relations.
PWC	: PriceWaterhouseCoopers.
R&D	: Research and Development
RMA	: Recourse Management Act.
ROA	: Return on Assets.
ROCE	: Return on Capital Employed.
ROE	: Return on Equity.
ROI	: Return on Investment.
RONA	: Return on Net Assets.
Satara	: Satara® Cooperative Group Limited.
SBU	: Strategic Business Unit.
SCG	: Supplier Consultative Group (ZGL).
Season	: The period of 12 months commencing on 1 April 200x and ending on 31 March 200x+1.
SEC	: Securities and Exchange Commission.
SGL	: Seeka Growers Limited.
SKSL	: Satara® Kiwifruit Supplies Limited.
SLA	: Service Level Agreement.
Supplier	: All persons with whom ZGL enters into an agreement for the supply of Kiwifruit and Services to ZGL for a season.
SWOT	: Strengths, weaknesses, opportunities and threats analysis.
Tomua	: Tomua kiwifruit variety; (<i>Actinidia deliciosa</i> cv. Tomua)
U.S./U.S.A.	: United States / United States of America.
TQM	: Total quality management.
UPC	: Universal Product code.
USDA	: United States Department of Agriculture.
WACC	: Weighted average cost of capital.
WTO	: World Trade Organization.
ZIL	: Zespri™ International Limited.
ZGL	: Zespri™ Group Limited.