

Failure of Excellent Corporate Story: Case Learning Experience in Plantation Sector

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Synopsis

The founders of Austin Plantation opted to do many things different from others, and strong tradition of looking outwards to the plantation community they serve. Having a heritage of 174 years, the company were known to follow the best practices and core values throughout. Thus, the company has been established a reputation for generations.

Further, it was noted that until 2011 the financial position of the company was very healthy and the company had a strong asset base. Further Austin Plantation had been earning over 200Mn profits every year. However, when carefully analyzes the financials since 2012; it was noted that the performance of the company had started to decline. Further, it was evident that the company has been making continuous losses since 2012 and the recorded net loss after tax in 2014 was Rs. 225.0 Mn. This was mainly attributed to reduced gross profit margin and high financing cost. In 2015, the operating loss was Rs. 230.2 Mn and resulted a net loss of Rs 449 Mn. after tax. Accumulated losses as at 31 December 2015 stood at Rs. 804.7 Mn. Thus, net of revaluation reserves of the company had recorded a negative net worth position in the referred period.

Austin Plantations boasts of long standing heritage of its mother company Sheerwoods and following best practices. However, if the company has actually been able to withstand the crisis faced by the tea industry in general, thanks to the reputation and heritage of its mother company otherwise, are there any unrevealed factors affecting the performance of the company. In that case, have the company effectively made use of value chain and the competencies to overcome current situation of Austin Plantation. Have the company properly aligned the strategy to value chain seem to be very pertinent questions to be raised. This case attempt to explore and ascertain the answers for above questions via this case study.

With a manifested vision “to be the benchmark among plantation companies”, Austin Plantations Ltd was established in 1992 as a fully state - owned plantation company managed by Sheerwoods