

## **Evolution of a Strategic Journey: A journey of a poultry company toward a vision of a food conglomerate**

A.H.R.M. Rifkhan

*rikrif@yahoo.com*

*Doctoral Student, University of Kelaniya, Sri Lanka*

### ***Synopsis***

A'saffa Food SAOG's journey gives a simple answer to never ending chicken or egg dilemma while requires a detailed explanation to answer its transformation from a poultry company to a vision of a food conglomerate. If anyone is reading the latest news or the recent annual report of A'saffa Foods S.A.O.G("A'saffa", "the company"), a company quoted in Muscat Securities Market (MSM)in Oman may have difficulties in believing that the same company was struggling just before a decade to manage its poultry only business in the name of A'saffa poultry Farms S.A.O.G. Conversely, for a company analyst or a researcher who followed each foot step of the company for last ten years, listing A'saffa foods S.A.O.G as one of the fastest growing companies of Oman in the United Securities Survey 2015 by Oman Economic Review (OER)<sup>1</sup> and considering as a business that is agile, have an ability to think and respond to setbacks swiftly, generate consistent returns to its shareholders and post good results consistently may not be that surprising. A'saffa's this transformation can be termed as one of the fastest journey from poultry to food conglomerate using its own resources and capabilities. The reality of this journey of the company might appear as fiction. However, as we know sometimes truth is stranger than the fiction.

Firms journeys towards growth come via many approaches such as using internal resources, acquiring competitors, integrating backward and forward or by using combination of one or more of these methods. However, in general the fastest method for a growth of a company is being always portrayed as via acquisition and the slowest is through using internal resources.

---

<sup>1</sup>Oman Economic Review. (2015). <http://oeronline.com/companies/fastest-growing-companies-in-oman-oer-united-securities-survey-2015.html>

Nevertheless, A'saffa's transformation debunk this notion. The company's journey toward growth started with an organic approach to overcome its initial struggle that threatened the company's survival by revamping its internal resources. Subsequently, building on its own competences and expertise in poultry farm and production management system and swiftly moving towards very closely related further processed food and food production areas an excellent example how a firm can grow to a conglomerate purely building on its own resources. The company possessed key ingredient of physical as well as human resources to support this organic growth. The physical resource was primarily its huge farm area with plenty of space for expansion and the human resource of the company included all the employees in general. However, the key resource was its senior management lead by the CEO and CFO whom under the guidance and support from the board members able to manage the ongoing changes in the company effectively and make the right decisions at the right place and time to keep the company growing.

A'saffa journey started when it was setup as the largest integrated poultry farm in Oman in the year 2001. Yet, when the operations were started in the year 2004 the journey did not look that pleasant, within just couple of years the company lost two third of (66%)<sup>2</sup>its shareholder's wealth putting a great pressure on company's performance and cash flows. Due to this initial struggle, the company had to first concentrate on revamping the business by introducing measures such as strict cost control, better resource optimization and optimal cash flow management. As soon as these measures indicated to give the desired results, company started focusing on improving its business via introducing new products and enhancing the productions by expanding the facilities. In the meantime, company also concentrated on the export market and started growing its presence in the gulf region. As the company kept on progressing using its own resources and capabilities the board of directors set a new vision for the company to become a conglomerate. Subsequently, to accommodate the journey toward a conglomerate, name of the company was changed from A'saffa Poultry to A'saffa food S.A.O.G and launched two new brands in the name of Khayrat and Taybat introducing new products and expanding the current products range. Moreover, the company moved backward and forward in its value chain to control most of its value chain, firstly by establishing further processed food plant and a logistic company, then leading the breeder farm

---

<sup>2</sup>Calculation is based on Annual Report 2005 of A'saffa Foods SAOG.

joint project with other partners to ensure not to rely on outside supplies for the ‘hatching eggs’, main input of poultry business.

During this journey from the inception till date the company had to make several crucial timely decisions. The initial decision to optimize the cost of the company by making necessary layoffs in the middle management and taking the risk to go for a direct sourcing of raw materials in bulk was the first turning point of the company towards its successful journey. Then the board’s direction to move towards a food conglomerate to grow the company in line with the newly set Oman government’s strategies resulted in company’s second phase of growth and paved way for the authorities to consider A’saffa as a key strategic partner. In addition, the company’s courage to go for a further processed food plant building on the experiences it has gained so far on the chicken production plant and placing trust on its resources was an important step in the road towards company’s appetite to obtain more control over its business and take more responsibility. Finally, accepting to lead country’s food sustainability and security program was so important to the relationship with the government and to demonstrate a direct role in country’s economy. As this project is focused on the Gulf Corporation Council (GCC)<sup>3</sup> it will also assist the company in spreading its wings to the GCC’s food sector.

Throughout the journey A’saffa has set many examples. Firstly, it has shown the importance of internal capabilities for a company in every stage of a company’s growth including struggles and proven that a firm can build on its own resources to grow and become a conglomerate. Secondly, it has indicated that in the beginning stage of the company it is always better to be lean with few decision makers doing most of the work and when company is in a struggling stage indicating early warning signs, the board of directors has a fiduciary duty to act swiftly to identify the key issues and address them head-on without much delay and damage to the shareholder’s wealth. Thirdly, it has shown that for a company to grow and become a leader in a market it has to assert some of the key control and management measures such as cost control, financial control with optimal cash flow management and managing the human resources. Finally, in order for a company to become successful in its business it has to keep on moving forward without getting stuck to the comfort zones taking calculated risks to grow in many angles such as launching new

---

<sup>3</sup> It’s a political and economic alliance consists of six Middle Eastern countries

products, taking control of its business by moving backward and forward in its value chain while keeping a close eye on its internal and external environment and adjust the business to the changed environment. Moreover, it has signified that for conducting and growing business it is important to build relationship with key stakeholders such as the local authorities and government.