

## What makes a great strategy?

### GEA Farm Technologies Road to Smart Farming

Case study on Master level

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#### Abstract

GEA Farm Technologies is a mid-sized world market leader of mechanical equipment and service solutions for milk production and livestock farming. Senior management of the hidden champion gets approval for an accelerated acquisition strategy to boost growth and innovate the business model vis- -vis strong competitors in order to lead and develop the market. However, the existing strategic management of internal technology development would be altered and a significant part of management attention would be shifted towards M&A as well as post-merger integration efforts. The case study invites students to explore the benefits and limits of this business model innovation and requires them to develop judgement about the speed, focus and risk of ambitious business growth.

#### Keywords

Attention-based-view, growth strategy, core competence, core business, business model, innovation, mergers & acquisitions, risk

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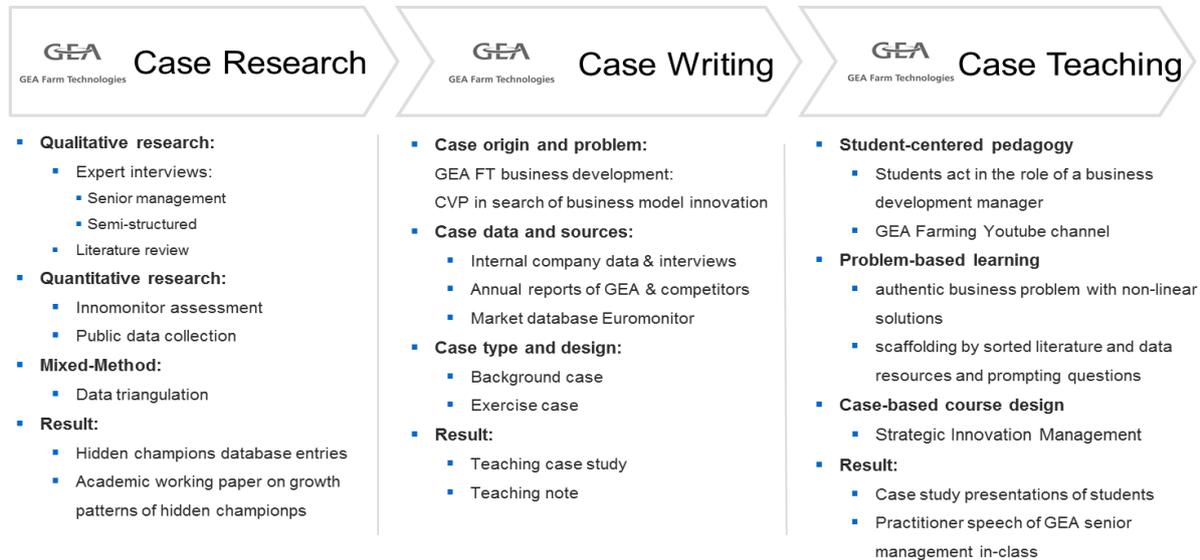
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## Integrated Case Method

The case researchers / writers have conducted primary research by collecting qualitative (interview managing director and marketing manager) and quantitative data from GEA Farm Technologies and developed a student-centred, problem-based teaching case study (cp. figure I).



**Fig. I:** Integrated Case Method GEA.

## Disclaimer

Prof. Dr. Jan-Philipp Büchler is the author of this case study, which is intended solely for teaching purposes in management education at institutions of higher education. The case is designed to be used as the basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.

The contents of the case study are carefully researched based on interviews with company representatives as well as publicly available primary and secondary sources. Nevertheless, mistakes cannot be fully eliminated. The publisher, editor and authors can assume neither legal responsibility nor any liability for incorrect information and its consequences.

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The case study at hand has been developed in cooperation with the company GEA Farm Technologies. All illustrations and trademark rights are – unless explicitly indicated otherwise – corporate property.

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## 1. Too much milk on an empty stomach

For starting a fresh day, Dr. Armin Tietjen loved a cold glass of milk each morning; it was almost a full meal for him in itself. While having his quick breakfast he scrolled through his mails on his tablet. He was responsible for the global business unit “milking & cooling” at GEA Farm Technologies, a mid-sized world market leader in machinery and equipment for dairy farmers. He loved his job and he loved his cold milk. Suddenly Armin stopped drinking when an email from his management board popped up his screen: “strategic acquisition opportunities”. He opened the mail promptly and was energized by the news: additional budget has been approved for his business unit and the management board was now willing to invest strategically in the acquisition targets he proposed for so many times. Additionally, they wanted the M&A program to start immediately in order to accelerate the development and implementation of the business model innovation “farm of the future”.

While reading-on he drank another two glasses of cold milk and did not feel well anymore. It was maybe too much of a good thing. He started thinking of the acquisition appetite of his company and the capabilities of his business unit to digest acquisitions, i.e. the capability to integrate the acquired businesses into his operations. With a mix of feelings, he took the ride to the company headquarters and called his assistant for setting-up a business unit meeting with his senior management the same morning. On his ride, he reflected the development of GEA Group and its business segments in the past and thought about the future perspectives for his company.

## 2. GEA Group: leading technologies and transformation

GEA Farm Technologies (FT) is a globally leading provider of mechanical equipment and service solutions for milk production and livestock farming, which enables dairy farmers around the world to shape the future of their business in terms of sustainability and efficiency. The hidden champion, which is located in the rural area of Bönen (Westphalia, Germany), maintains no. 1 or no. 2 market positions in over 90% of the markets. GEA FT is a business segment of the GEA Group with business activities in over 60 countries.

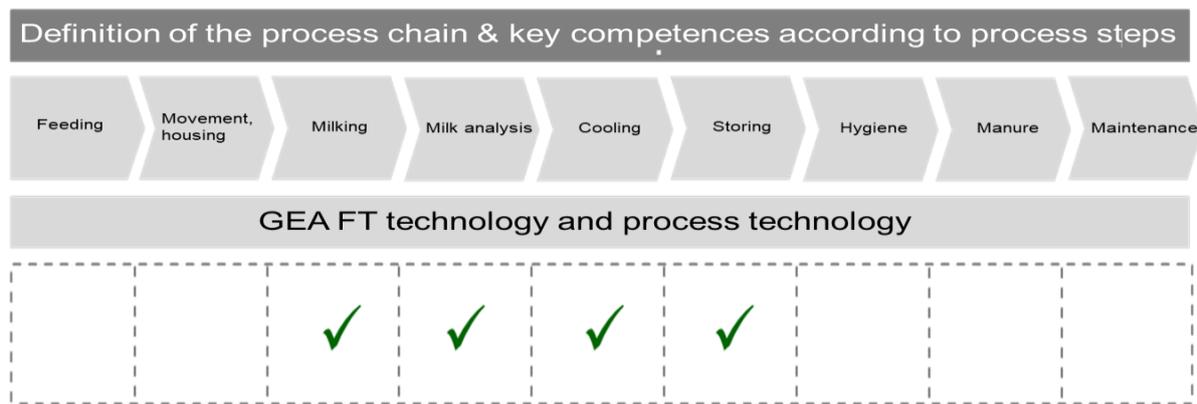
GEA Group AG is a publicly listed group (M-DAX) with a focus on special machinery and plant engineering as well as in process engineering with customers in various end markets. The complex corporate structure, comprising more than 250 affiliated companies and corporations, has emerged in the course of the Group’s history since 1881 through numerous strategic acquisitions, successful transformations and continuous restructurings. The roots of the

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company are in metal trading, metallurgy and plant engineering. Therefore, GEA Group was originally named “Metallgesellschaft” before the year 2000 and renamed “mg technologies” in a transition period from 2000 to 2005.

GEA FT has its origins in the medium-sized company “Westfalia Seperator” in Oelde in Westphalia, which was only integrated into the former “Metallgesellschaft” through acquisition in 1994. Westfalia Seperator has developed expertise in the procedure and process technology of separators for the mechanical clarification and separation of liquids for different customer industries, in particular the food industry, chemistry, pharmacy and biotechnology. The agricultural machinery division was spun-off in 1996 and became a subsidiary in the GEA Group of companies. Today, it is one of five business segments of GEA Group.

GEA FT has always focused on a selected field of process technologies and corresponding applications representing a set of key activities at each and any dairy farm: milking, milk analysis, cooling and storing (see fig. 1).



**Fig. 1** Process chain and technologies according to production stages (source: GEA).

As a technology leader, GEA FT was in control of these process technologies regarding and systematically expanded existing technological competence in its core business “milking and cooling” in a first strategic M&A-phase from 1998 to 2000 and strengthened them through selective acquisitions in the international market environment (see fig. 2).

2000		Acquisition AgroB, Kanada (plant and animal hygiene)
1999		Joint venture with Orion Ltd, Japan (No. 1 in the Japanese market)
1999		Acquisition Babson Brothers Inc., USA (Milking technology)
1998		Acquisition Hugonnet S.A., France (Milk cooling technology)

**Fig. 2** Acquisitions within core business “milking & cooling” (source: GEA).

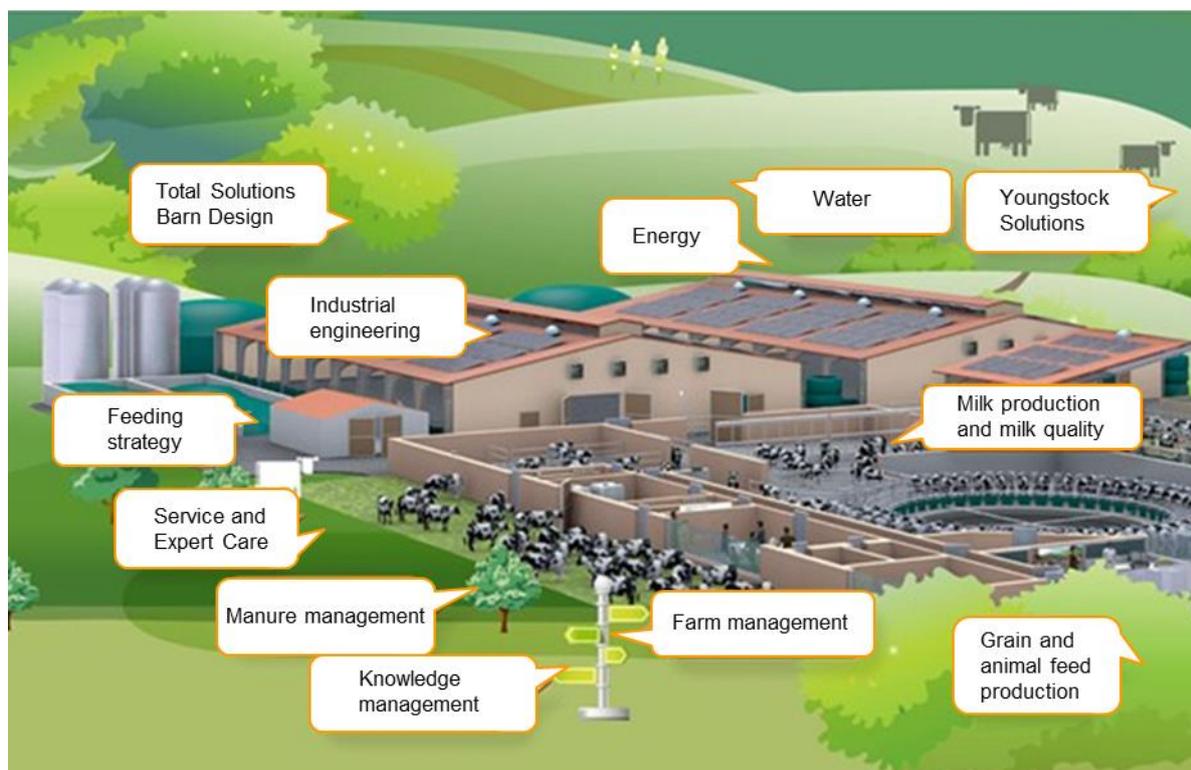
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Thereby, no fundamentally new technologies or applications were acquired, but the geographic coverage was globally expanded. The focus was on the development of relevant foreign dairy markets such as USA and France through the acquisition of local or regional companies with strong market positions and an existing distribution network.

During this time, GEA FT has already begun to push the automation of milking equipment and has started to develop a long-term portfolio strategy based on a detailed analysis of market trends and business opportunities. The result was the straightforward mission “farm of the future” with an excellent idea for business model innovation.

### 3. Great idea for business model innovation

The farm of the future business model covers twelve functional areas that address the key challenges of today’s dairy farming. In this process, such interdependent problem areas have been identified, which could be addressed by an integrated process and technology management. Fig. 3 illustrates the problem areas for a future model farm.



**Fig. 3** Farm of the future (source: GEA).

The problem areas comprise resource management (energy consumption, water usage, feed composition, land consumption), waste management (oversupply of manure), feeding management, milk production and quality management (including hygiene and care) and The ECASA project (2019-1-DE01-KA203-005037) is financed by Union funds (ERASMUS+). But the content of this document only reflects the views of the authors, and the European Commission cannot be held responsible for any use which may be made of the information contained therein.

especially the optimisation of all interfaces through knowledge management, intelligent barn systems and efficient farm management. GEA FT would be the first company in the industry to develop an integrated approach for the dairy industry, optimising interfaces through suitable process technologies, manufacturing equipment and service solutions. GEA FT summarizes this innovative business model concept in its mission statement: “We are the Total Solutions provider empowering dairy farmers around the globe to successfully manage their future.”

### **3.1 Integrated service offer for creation of superior customer benefits**

The unique customer value at GEA FT consists of a compatible range of machinery and equipment, which are tailored individually by the experienced consultants and service technicians to suit the farming practices of the farmer, including design and planning of the barn and farm concept, right up to daily herd and farm management. The machines and systems are designed for an easy usage and maintenance by the farmer as well as to the needs of the cows. GEA FT has conducted a comprehensive study to examine the relationship between milk quality, quantity and cow health: higher “cow comfort” increases milk quality and quantity.

### **3.2 A distinctive value proposition: Cow comfort**

GEA Farm Technologies not only considers the farmer, but above all the cow as a “customer” of milking technology products. To that end, the company has analysed the needs of cows and developed special products that increase the comfort of cows. Cows literally enjoy rubbing up things – it is part of their nature. Clean cows make a significant contribution to general barn hygiene. A clean pelt, especially on the back of the cow, promotes heat dissipation through the skin and blood circulation. GEA Farm Technologies has therefore developed different types of cow brushes with different brush mechanics that are so strong and resilient that cows can push against them without moving the brush beyond their reach. An installation position adapted to the average cows’ height of a herd guarantees optimal functioning, well-being and comfort of the cows (see Fig. 4).



**Fig. 4** Cow comfort (source: GEA FT).

A higher cow comfort also leads to an improved milk yield, as healthy and relaxed cows give more and qualitatively better milk. According to the German Farmers Association, the productivity of German agriculture has almost doubled since 1991. In other words, while the number of farms is steadily declining (around – 10% p.a.), their yields are increasing. For this, the agricultural areas and numbers of kept animals per farm and their performance are growing. In 1995, in average a dairy cow gave about 5,400 kilograms of milk per year. Around 20 years later, the milk yield is just over 7,200 kilograms.

However, these improvements in yield and quality are tied to significant financial investment. Currently, the substantial investments for such systems are a frequent controversial subject at the sales conferences of GEA FT. The service staff and technicians are increasingly being contacted by farmers with inquiries for support in financing the more and more expensive machines. Unfortunately, investment in milk plants cannot usually be shared and used like large harvesters in a group of agricultural producer communities. Flexible and shared forms of financing are not available.

### **3.3 Competitive landscape: Head-on competitor Lely with different focus**

GEA is world-market leader in its segments and faces head-on competition with the dutch hidden champion Lely. The agricultural machinery equipment manufacturer started in 1948 and has a long and deep history of recognizing the needs of modern farmers. Products are developed with the focus on cows as a starting point. Lely supplies products to farmers and contractors ranging from forage harvesting, to feeding, housing, caring, milking and training. Lely Farm Management Support offers dedicated trainings for famers to get the best out of their equipment as well as for veterinarians in cooperation with the faculty of Veterinary Medicine in Utrecht (The Netherlands). The objective is to make them more familiar with the

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technical management systems and data interpretation in order to detect disease earlier or to improve medication and monitor the effects.

Market and competitive intelligence insight suggested that LELY is innovating its business model by offering also energy sourcing solutions for dairy farms in the near future. Rumours in the industry said, that Lely could acquire the German company Aircon GmbH headquartered in Leer near to the Dutch border. Aircon is a well-known specialist in wind turbines for decentral and sustainable wind energy production. Lely could develop an offer of wind turbines specialized for rural farms of smaller scale in order to make them more autonomous and secure energy for the critical infrastructure i.e. milking robots, cooling tanks etc. on modern dairy farms. Would it make sense for Lely to integrate this offer in their distribution and service to farmers? Armin was not sure and thought of the market trend towards sustainability and decentrality in energy supply on the one side and on the complexity and limited distribution on the other side.

#### **4. Developing a focused strategic agenda**

GEA FT initially did not possess all the necessary technologies (e.g. automated access control or feeding systems for cows) and corresponding capabilities (e.g. analytical capabilities for feed composition and feeding routines). They would be required to build these areas of competence through own development as well as through acquisitions and consistent integration over a long-time. Armin Tietjen knew, that the great idea would require an ever-greater strategy with consistency, compatibility, and coherence in attentional focus for implementation. The management board of GEA Group was so much convinced of the farm of the future business model that it gave full support and budget approval. In addition to the current technological development programs, Armin Tietjen needed to focus his attention also on the ambitious business model innovation and acquisition program.

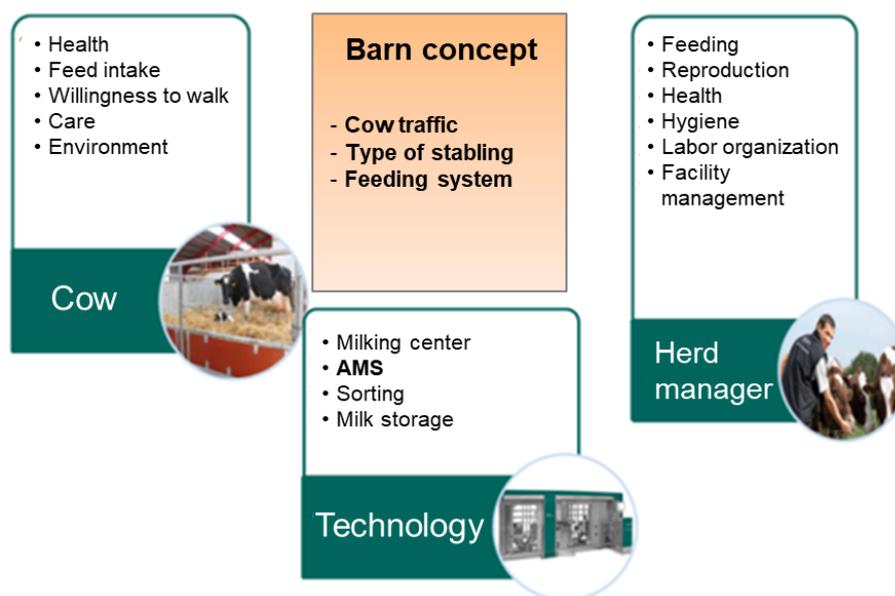
##### **4.1 Existing focus on building technological expertise in the automation of milking**

GEA FT started early with the technological development for the automation of the milking process. The core arguments in favour of this were labour cost reductions for the dairy farms through reduced personnel management while still increasing quality through consistent treatment of the animals and improved hygiene standards. While conventional milking technology limits automation primarily to stimulation, milking, milk transport, removal and teat maintenance, GEA FT strives for perfecting the milking process with automatic milking systems

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(AMS) and fully automated milking parlours with an aim to replace the human factor completely. In the farm of the future, the milking routines will be automated in its entirety as the cows will be recognised individually at the fully automated milking parlour and the milking process can be adapted and individualized to each cow.

In doing so, continuous sensor-based quality monitoring and analysis of the milk through an IT interface will be achieved through connected systems of the receiving dairy cooperatives, the food industry and the retail sector. Other techniques can be added in the milking parlour, for example, the feed mixture can be adapted to the composition of the milk and individualized for each cow. In addition, hygienic standards and medical examinations can be carried out easily and on a regular basis or diseases can be prevented, resulting in fewer milk losses and higher milk quality. In order for these advantages of milking systems to come into effect, the barn concept and herd management must be adjusted, which means that the barn equipment heavily determines the opportunities and limitations for an integrated solution across the different process steps. The higher the level of automation, the stronger the need for linking the various process activities on a smart dairy farm by an integrated barn concept (see fig. 5).



**Fig. 5** Barn concept (source: GEA).

Such a concept requires individual consultation from GEA FT technicians and consultants at the farmer's site. Already today, GEA FT employs more than 2.200 sales representatives and more than 3.000 service technicians for its business with more than 1.700 GEA FT dealers in more than 65 countries. Continuous service is very important and will be ever more important as the more work is automated. GEA FT expects a huge potential in smart services for regular and predictive maintenance as well as for condition monitoring. This requires new digital

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processes and new competencies in big data analytics as well as qualified and interconnected dealer network with 24/7 availability. This service needs to be designed to be proactive. For example, the fully automated milking systems needs to continuously monitored on the basis of key performance indicators so that even small fluctuations or a subtle drop in pressure or temperature are detected so early that no milk loss or even milking breakdown occurs.

#### **4.2 Additional focus on acquiring technological expertise in adjacencies**

As part of the business model innovation, GEA FT management defined an acquisition strategy for gaining fast access to those technologies for the farm of the future, which represented so-called “white-spots” in the process chain from the in-house perspective. GEA FT management defined several criteria that would have to be met by possible acquisition targets (see fig. 6).

##### **Criteria for acquisitions**

- Activities in complementary markets, products or process technologies
- Focus on process technologies for food applications
- Operating income above the expected average of GEA
- Integration capability in existing business segments
- Significant synergy potential
- Purchase price within the market level

**Fig. 6** Acquisition criteria (source: GEA).

By applying these criteria, GEA FT intends to acquire specialised companies that are firmly established in their local or regional markets and to broaden the competence base of GEA FT with new technologies, established brands, customer services and capabilities purposefully.

The business development team screened the global dairy markets in adjacent technologies complementing the current GEA FT portfolio in order to implement a total solutions strategy for the farm of the future. The short list of acquisition targets is shown in figure 7.

	Milfos International Group: automation, stalling	
	Farmers Industries Limited (FIL): hygiene / consumables	
	Skiold Mullerup A/S: automatic feeding systems	
	De Boer Wilaard Holding: barn equipment	
	Norbco Inc.: barn equipment	
	J.Joule & Fils Inc.: manure technology	
	Agrosolve Limited: hygiene products and downstream market articles	

**Fig. 7** Short list of acquisition targets (source: GEA).

In order to deal quickly with targeted acquisitions, owner-managed companies are the preferred target addressed in this context, which help to avoid lengthy negotiation processes and, possibly, less lucrative negotiation results with investors.

## 5. Setting the strategic agenda

Armin started the management meeting by showing the business model innovation “farm of the future” and the “total solutions” concept (see figure 8).



**Fig. 8** Total Solutions (source: GEA).

He addressed his senior management promptly: “We worked together on our mission and we are committed to realize it. We are convinced of our great idea. My question to you: How fast could we realize it?” He looked around the table and waited for answers.

“It depends heavily on the budget“, Carsten, Head of controlling, sidestepped. “That is correct. If we have enough budget, we might accelerate the acquisition process ...,” David, Head of Business Development commented. “However, we decided to put a focus on technology development in our core business first and consequently started to optimize our own innovation process. We committed a significant part of our budget in order to maintain technology leadership in our core business”, Robert, Head of Research and Development, replied. “True. At the same time, business model innovation could enable us to set a new standard in dairy farming. Acquiring and integrating technologies for digital applications that complement our current portfolio and offer a convenient and smart one-stop solution for dairy farmers could be a superior value offering!” the head of sales and marketing expressed his enthusiasm. “Sure. But these technologies are not off-the shelf”, Oscar, Head of Operation, objected and continued: “These technologies are not ready-to-use for us. If we acquire the selected target companies, we need to understand, to learn and to integrate them in our business step-by-step. That will take careful actions and requires a lot of attention and a lot of time as well.

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Otherwise we lose the people and their knowhow and consequently will never master these technologies.”

Listening to the discussion of his management team, Armin flipped through the list of potential acquisition candidates and asked himself how to grow and transform the company’s business model in a consistent and coherent way? What is the adequate speed of acquisition? How could the acquired companies be integrated into GEA? What is the appropriate speed of transformation for the company and the customers? Finally, would all these strategic steps lead them into an age of smart farming? It would be crucial for him to communicate and distribute a focused strategic agenda throughout his organization.

## Teaching Note

### Target group:

Master Students with specialization in:

- Strategic Management
- General Management
- Innovation Management
- Mergers & Acquisitions
- Leadership

### Teaching objective:

The case study invites students to:

1. Understanding the importance of the resource base and competencies of a company for growth in terms of opportunities for growth (enough or even idle resources given) or limitations and barriers for growth (if competencies are insufficient)
2. Realising the impact of shifts in market demand and trends on the requirements for companies to develop or enhance their resource and capability base
3. Realising the impact of resources and capabilities on business models and business model innovation

### Learning outcome:

Students should be able to:

1. apply appropriate management frameworks to analyse company resources and competencies as a source of competitive advantage
2. use instruments for analysing the external environment and develop a system viewpoint in order to evaluate the impact on the strategy of the case company

3. describe the business model of the company in an appropriate framework and pinpoint the opportunities for business model innovation

## Case Type

This case is a complex decision case requiring:

- identification and structure of a complex problem
- judgement and recommendation for strategic action.

## Case Format

The case is a written case that can be supported by infographic, video interviews and photographs.

## Evaluation criteria:

Evaluation shall take place based on the following criteria

Evaluation criteria	Weight
research and analysis	high (30%)
problem solving	high (50%)
communication	moderate (20%)

## Grading:

Grading shall take place according to the following assessment structure:

German Grade	in words	ECTS grade	% of points
1.0	sehr gut / excellent	A	100%
1.0	sehr gut / excellent	A	99%
1.0	sehr gut / excellent	A	≥ 95%
1.3	sehr gut / excellent (-)	A	≥ 90%
1.7	gut / good (+)	A	≥ 85%
2.0	gut / good	B	≥ 80%
2.3	gut / good (-)	B	≥ 75%
2.7	befriedigend / satisfactory (+)	C	≥ 70%
3.0	befriedigend / satisfactory	C	≥ 65%
3.3	befriedigend / satisfactory (-)	D	≥ 60%
3.7	ausreichend / sufficient (+)	D	≥ 55%
4.0	ausreichend / sufficient	E	≥ 50%
4.7	mangelhaft / fail	FX	< 50%
5.0	mangelhaft / fail	F	< 50%

## Preparation

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We recommend that students are familiar with the resource-based view and the (dynamic) capabilities-based view of strategic management. The case study is particularly suitable for introducing the attention-based view of the firm following the seminal work of William Ocasio. Thus, the research paper Attention-Based View of Great Strategies is the key article for the case discussion and should be read by students before class. This will allow students to deep-dive into current developments and advancements in behavioural management research and makes them reflect their perspective on strategy development and execution.

### **Instruments**

The case study is designed to teach and apply the following strategic management theories:

- Resource-based View (Barney 1991; Wernerfelt 1984))
- Dynamic Capabilities-based View (Eisenhart / Martin 2000)
- Attention-based View (Ocasio / Joseph (2018)
- Behavioural Theory of the Firm (Cyert / March 1963)
- Core business analysis (Zook 2004)
- Business model innovation (Wirtz 2011)
- Business Model Generation (Osterwalder / Pigneur 2010)
- Value Proposition Design (Osterwalder / Pigneur 2014)

## Solution Outline: (WORK-IN-PROGRESS)

**Q:** What is at stake? What is the case problem?

Last sentence: “develop, communicate and distribute a focused strategic agenda throughout his organization on how to move into the age of smart farming and maintain technology and market leadership”

**Q:** How could this 1. “focused strategic agenda” and its 2. “communication plan” look like?

1. “focused strategic agenda”

Levels of Analysis:

- **Q:** Why is Armin Tietjen worried? Shouldn't he be happy and grateful for the additional budget? Now he is able to grow faster his business unit...

OK, management board approves additional budget for accelerated acquisition strategy in order to boost business model innovation, which is now in “rivalry” for management attention on “current innovation programme” in “core business” (milking and cooling)

Two problems should be addressed:

=> **trade-off**: existing business vs. new business => a problem of prioritization:

=> **speed** of transformation of business model and M&A might be too fast for the organisation to realize synergies ... achieve objectives and as a consequence a risk of failure

- **Q:** How could Armin solve the trade-off? What would you do? Where would you put your strategic management attention on?

Students shall understand that (according to the attention-based view of the firm by W. Ocasio), the ideas behind a great strategy are less important than the ability of the organization to sustain focused attention in developing, implementing, and elaborating good ideas into a distinctive strategic agenda for value creation. Thus, the two problems trade-off and speed are tied together!

The attention-based view defines the (implicit) strategy as:

- pattern of organizational attention => what is the pattern of attention at GEA?
- distinct focus of time and cognitive effort by the firm on a particular set of:
  - o issues, problems: innovation of business model vs. core business

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- opportunities and threats: digital transformation, competitors, environment
  - organizational activities and initiatives: PMI
- 1. Current innovation programme vs. M&A for business model innovation

**Q:** What is the current innovation programme about?

Maintaining technology and market leadership in core business, i.e. becoming the ever more innovative milking and cooling company ... is that enough in times of transformation? open discussion on keeping strategic path or altering strategy ...

**Q:** What is the essence of the business model innovation?

It is about smart farming ...

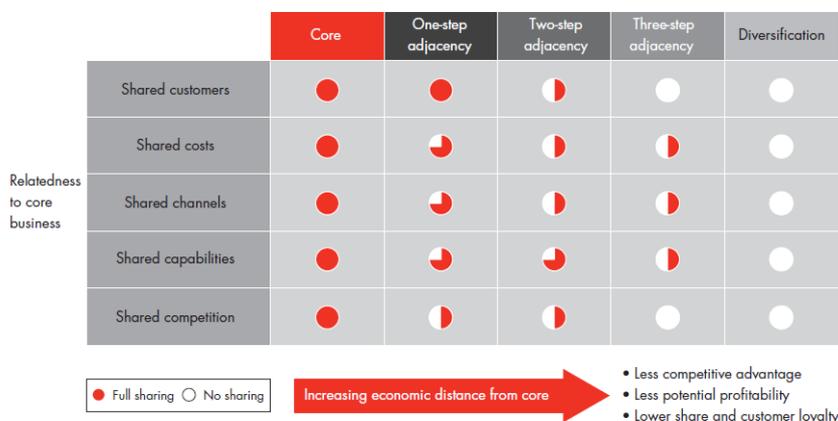
**Q:** Why is smart farming important? For which problems do we need it? Is it an answer to all problems (GEA, customer, society ...)?

Is it intended to speak about 'problem areas': From the perspective of the farmer (and society!) there are a couple of other, more serious problems: oversupply of manure, CO2 and other emissions, diminishing biodiversity, lack of labour, fluctuating milk prices, dominance of big retailers, customer attention for 'authentic and sustainable food' (end of scale economies). It should be very informative for students to have some time to bring in additional information about the bigger scene.

**Q:** In how far are they compatible, consistent, coherent?

Possible instrument to use: Core business assessment by BAIN

*Figure 15:* A business's core shares key characteristics and determines the likelihood of success for adjacency growth



Source: Bain analysis

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An additional discussion could be run on a comparison of LELY business model vs. GEA business model innovation. [optional]

## Cost effective planning

We can provide a cost-effective planning permit service if required. Alternatively, we are happy to facilitate the planning permit process and provide the necessary documentation. We usually offer the following service to our clients:

**KEEP YOUR HANDS FREE**  
Financing provides flexibility and space to grow your business. Your own capital and credit arrangements at your bank remain unaffected and available for other plans!

**TRUST IN US, LOW INTEREST FOR YOU**  
Our knowledge and confidence in our products mean that we can make all the difference when it comes to financing. Unlike a loan or mortgage from a bank, Lely Finance bears the risk. Improved estimates of risks, costs and trade-in values mean lower interest rates for you. We can provide a range of attractive finance solutions to fund your Lely Aircon wind turbine project. If you have additional questions, please do not hesitate to contact us.



- 

1. Feasibility check of client location
- 

2. Estimation of average annual wind speeds
- 

3. Building permit support
- 

4. Grid connection with local grid supplier
- 

5. Installation and service of the turbine
- 

6. Financing

**Craig Johnstone**  
Aberdeenshire, Scotland

"We wanted to utilise the wind resources in the North East of Scotland, but were restricted by the proximity of our neighbours and concerns over noise. The only turbine in the market that complied with the strict planning conditions was the Lely Aircon 10. Since installation in 2012, we have received no complaints from our neighbours, which is testament to the quality of the blade design.

We have found that Lely Aircon can provide very efficient on-site support. The ability to access the turbine via the internet is invaluable, as it enables us to check that it is performing as designed. There has been a lot of scare-mongering in the press regarding the negative impact of wind turbines on wildlife. We have found that our horses are unaffected by the proximity of the turbine and happily graze nearby, while our fields and garden still have an abundance of birds!"

**Ian Greaves**  
FRSA, St Eval Candle Company Wadebridge, United Kingdom

"The Lely Aircon 10 was installed at our candle manufacturing factory in the village of St Eval in Cornwall in November 2011. It has been very reliable and we have made significant savings on our energy bills over the past year. In fact the turbine is so quiet in operation and visually non-intrusive, we sometimes forget it's even there. After more than a year of ownership, I am confident that the Lely Aircon 10 proved to be the correct choice of turbine and will continue to serve our needs well into the future."

**Eamon Lavin**  
Lavin Fruit & Veg Ltd. Castlebar, Ireland

"We installed a Lely Aircon 10 on an exposed site close to our Fruit and Veg processing plant near Castlebar, County Mayo in March 2012. After a somewhat calm initial 3 or 4 months, we are now seeing increasing savings on our electricity bills over the winter period. The turbine is operating reliably and proving resilient to the occasional Atlantic storm, which is reassuring. We can therefore confidently recommend the Lely Aircon10."

**Thomas J. Wineman Principal,**  
Clean Energy Design, USA

"As an Lely Aircon 10 dealer in the United States for the past three years, I continue to believe that this turbine offers by far the best available technology in its size range. I have six of these machines installed and operating. I chose this machine after extensive research because its sophistication is comparable to utility-scale machines. The engineering is superior to other machines in its class, as are its control, production and safety features. The machine is both attractive and quiet, making it particularly neighbour-friendly. Over the past three years, I have found the Aircon organisation responsive to work with. They have been willing to go the extra mile to meet a client's particular needs, and they have shown a complete commitment to their product.

I believe this product has a great future in both the United States and the world market."

**Edmond Murphy,**  
Dunhill, Ireland

"I installed a Lely Aircon wind turbine on my poultry and dairy farm in Dunhill, County Waterford in December 2009. Since installation, the turbine has made me big savings on my electricity bills. It is very quiet in operation and appears to be an extremely strong turbine, operating safely and smoothly and without any incidents in all kinds of wind conditions over the past 4 years. Despite being located in view of the ocean and just 2 km away, there is no sign of corrosion on the turbine or tower. Overall I am very pleased with my Lely Aircon10."

**Nota bene:** The acquisition of AIRCON by LELY (2011) led to a 8 years trial on energy sourcing for farms and ended in 2019 with divesting this company as LELY was not able to scale up the business due to a limited distribution channel to dairy farmers. Opening up new distribution channels was not able with the existing sales force. In addition, strategic management focus is put predominantly on robots, automation and smart solutions (sic!). Thus, the Bain core business analysis framework could be used as well here.

Source: <https://www.topagrar.com/energie/news/lely-trennt-sich-von-kleinwindsparte-11522209.html>

*Der niederländische Landtechnikhersteller Lely will die Produktion von Kleinwindkraftanlagen an das Bettink Service Team verkaufen. Aufgrund seiner strategischen Ausrichtung auf Roboter und Daten innerhalb des Milchviehsegments will der Landtechnikhersteller Lely die Aircon-Windkraftanlagen-Tätigkeit an Bettink Service Team verkaufen. Die Lely Aircon-Aktivitäten werden dadurch Teil der BestWatt, Bettlinks Komplettlösung für nachhaltige Energie. Im Laufe der Jahre hat Lely Aircon Kleinwindanlagen vor allem an Milchviehhalter abgesetzt. Damit dies jedoch eine zukunftssichere Tätigkeit sein kann, müsste Lely sich mehr auf den*

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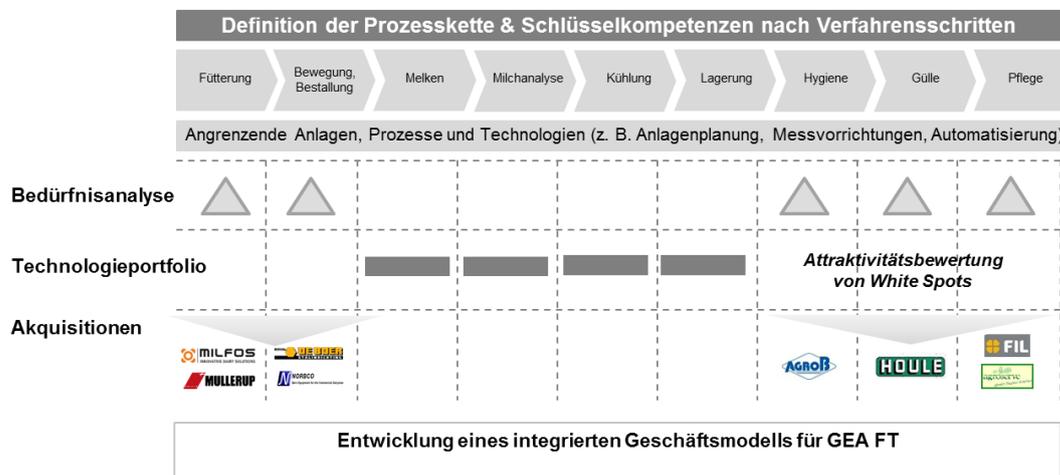
*Verkauf von Windkraftanlagen an Standorten außerhalb seines Milchviehsegments konzentrieren. Lelys Vertriebskanal ist aber nicht auf die Bedienung anderer Segmente eingestellt, und das Unternehmen beabsichtigt nach eigenen Angaben auch nicht, dies in naher Zukunft zu ändern.*

*Lely habe mit Bettink Service Team einen soliden und zuverlässigen Partner gefunden. Bettink hat laut Lely viel Erfahrung mit der Installation, Inbetriebnahme, dem Service und der Wartung von Windkraftanlagen in aller Welt. Vorhandene Lely Aircon-Kunden könnten sich jetzt auf die von Bettink angebotenen spezialisierten Dienstleistungen für Windkraftanlagen verlassen. Alle Mitarbeiter von Lely Aircon werden von Bettink Service Team übernommen.*

- 2. **Q:** If M&A: Which target should GEA acquire first?

Is the list complete? What is the focus of this list? Which areas of the dairy value chain are covered?

Students shall critically think about the proposed acquisition targets and indicate their relevance and contribution in the process / value chain of the dairy industry. A common sketch on the white board could look like this:



**Q:** How do you evaluate the short list of acquisition candidates? (figure 7)

- competencies => strategic fit / technological fit
- ownership => cultural fit
- size => structural fit

Students should notice that the acquisition candidates are mostly in the traditional activities. Student should also discover, that in addition to the proposed companies and respective technologies also digital technologies, capabilities are required for the new business model “farm of the future” in order to create a comfortable platform, dashboard for monitoring and management of interconnected systems and machines on a dairy farm.

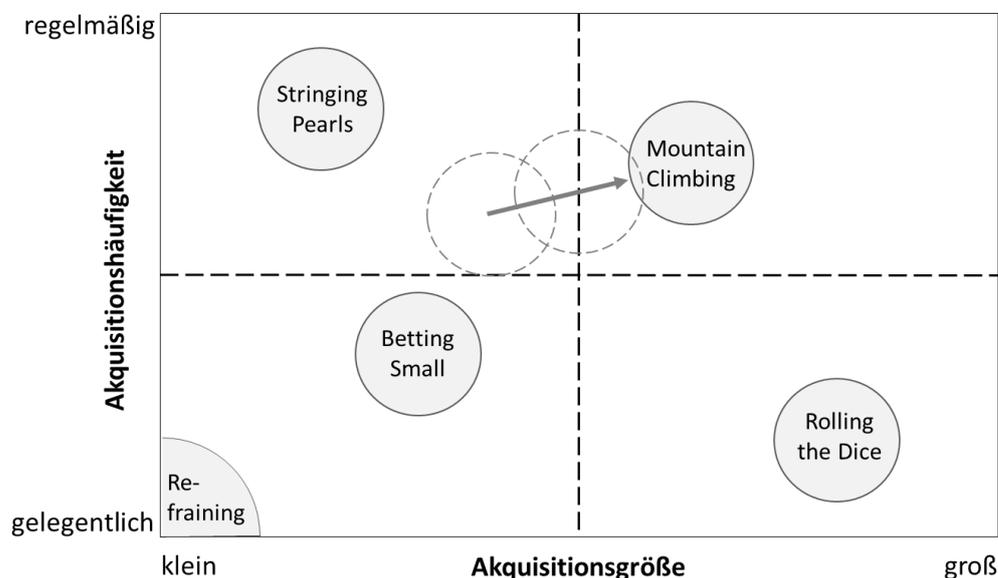
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Should the “digital” competence be developed “inside” GEA or also acquired from the “outside”? In any case, investment in digital infrastructures to guide the sustainable farmer of the future is required. Students should address this open question and conclude that acquisition budget does not contain investment budget in digital competences ... thus, strategic attention / focus on this area might be still a missing link! Digital companies like could really add something new and help to innovate the business model of GEA FT.

- **3.Q:** After a possible first acquisition, what is the required time for
  - next acquisitions ?
  - post-merger integration of each acquisition ?

A first open round of student estimations and opinions should be collected e.g. by using mentimeter or any digital tool to display ideas and opinions. We intend to make students reason about timing of acquisitions. Starting from that point we could ask them if they would propose a specific acquisition strategy?

To this end, students could read the text of ROVIT et al 2004: A simple M&A model for all seasons.



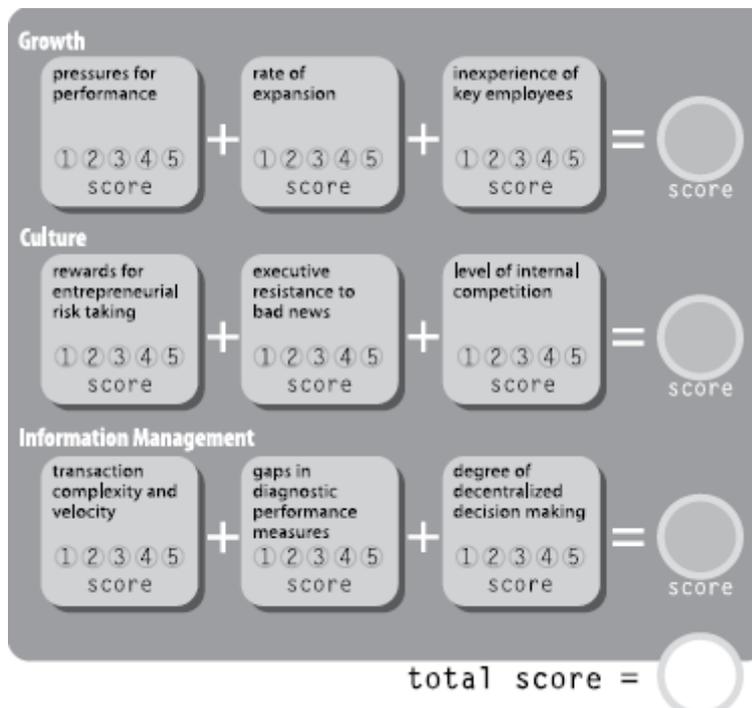
Students could check the history of GEA acquisitions on the website and in the annual reports of GEA. They would find out the following sequence corresponding to a “stringing pearls” strategy:

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2010		Acquisition Farmers Industries Limited; NZ (hygiene/Consumables)
2010		Acquisition SKIOLD MULLERUP A/S; DK (automatic feeding)
2009		Acquisition DB Wilaard Holding BV; NL (barn equipment)
2008		Acquisition Norbco Inc.; USA (barn equipment)
2007		Acquisition J. Joule & Fils, Inc.; Canada (manure technology)
2004		Acquisition of Agrosolve Ltd.; UK (hygiene products and downstream market articles)

In a first step, students could be asked to describe the pattern of organizational attention at GEA FT and take the acquisitions criteria into consideration. In a second step, students should work (in teams) on the strategic agenda to detail the “total solutions strategy.” Students could assess each others proposition by the evaluation of consistency, compatibility and coherence in attentional focus.

To cum up with a decision or judgement students could use an appropriate framework such as the Risk Exposure Calculator by Simons (1999):



## Video Material:

<http://video.gea.com/dairy-farming-insights-folge-1>

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<http://video.gea.com/meet-the-experts-victoria-metaute>

<http://video.gea.com/gea-is-engineering-for-a-better>

## **Additional literature**

- Joseph Ocasio (2018): Attention-based-view of great strategies
- Rovit (2004): Simple M+A Models
- Simons (1999): How risky is your company