**Operations Management; Case Study of Aurora Cannabis Inc.**

Aurora Cannabis Inc. is a Canadian owned and operated organization located in Alberta Canada within the Rockies Mountains. The company is a licensed producer and seller of medical marijuana in line with the Access to Cannabis for Medical Purposes Regulations (ACMPR). However, as of 17 October 2018, the Country legalized recreational use throughout the whole Nation and all of its provinces. It was incorporated under the Business Corporations Act of British Columbia and it trades in the Toronto Stocks Exchange (Aurora, 2015). Currently, the stock trades on the “Over the Counter” (OTC) market at around $12.00 per share. But, Aurora has made it known, and has recently received approval to list on the New York Stock Exchange (NYSE), like many other major Canadian Pot Stocks. The company has invested heavily in the production of the cannabis plant. It has also set up a 55,200 square foot facility, and sources its water from the neighboring Canadian Rockies that ensures the production of high quality, clean and safe cannabis products (Aurora, 2015).

**Evaluation of Key Elements of Operational Efficiency and Strategy**

Aurora Cannabis business performance has been on the rise and in the fourth quarter which ended in June 2018, there was a 19 percent increase in the revenues, a staggering 223 percent increase in the same time the previous year. The 2018 financial year was considered a pivotal period for Aurora. The company transitioned and transformed its activities through both horizontal and vertical integration through the acquisition of various companies with the aim to increase its size in the Northern Hemisphere and gain economies of scale, get better access to new customers and markets in parts of Europe and at the same time reduce competition.

The vertical and horizontal integration strategies allowed the company to have full control of the entire production as well as the trade processes that is from the farm to the market. The company also diversified its operations and grew its market share in Europe. Aurora acquired Pedanios GmbH, a wholesale company that deals with the import, export, and distribution of medical cannabis within the European Union and has its base in Berlin Germany. The company is also the largest and leading distributor of cannabis based on the volume of product sold, and as of 2018, it was among three companies that distributed cannabis flowers that were sourced from Canada and the Netherlands. To further enhance its competitiveness, Aurora Cannabis reached a deal to acquire MedReleaf at the cost of $3.2 billion which is portended to be the deal that will catapult the organization to the top as the leading producer of Cannabis in Canada (Kolm, 2018).

With the new acquisition, it is projected that the organization will have a larger market share than Canopy Growth, who are the leading licensed producer in Canada. Aurora will have 3.1 million square feet of production capacity compared to Canopy Growth’s 2.4 million square feet (Kolm, 2018). Aurora Cannabis aims to be efficient; however, tasks such as competition with other leading producers such as Canopy Growth, mergers and acquisitions, and hostile takeovers do not align with the operational strategies. By competing with Canopy Growth for market share, they will lead a trade war which eventually lead to the sale of products at losses or wasting resources while trying to stay ahead of the other organization. Mergers and acquisitions can also prove to be very expensive for this organization; it introduces more challenges for management thus shifting focus from the core activities, which leads to a lack of focus and failure in management (Möhlmann, 2012). Hostile takeovers can lower overall goodwill of the organization and lead to loss of customers by both companies which could lead to poor performance (Möhlmann, 2012). With that said, here are three (3) tasks that clearly do not align with the company’s operational strategy:

1. World Restrictions – Cannabis Production, Use, and Distribution is still illegal in six of the seven G-7 Industrialized Nations
2. Banking – Heavy penalties remain against banks that cater to cannabis business
3. Safety – Product is in such high demand, security companies are stretched too thin

**Operations Strategy Based On Competitive Priorities; Cost, Quality, Time, and Flexibility**

Strategy formulation is a critical process for any organization; it helps the entities choose the best course of action needed to achieve specific organizational goals (Saylor, n.d). For any organization, the step is essential in helping the organization carry out an evaluation of where it stands, allocate and determine the most effective means that it could maximize on the ROI (Saylor, n.d). In focusing on cost, the organization will ensure that it offers high-quality products to its customer at the most affordable price and be the leader in providing low prices. By also ensuring that it cuts down on the production expenses through such strategies as improved technology, automation of processes like in the supply chain, such approaches will ensure that production processes are done effectively and efficiently thus leading to production at the least rates which translates to a cheaper product. Offering good quality is a priority for Aurora Cannabis, the company needs to invest in smart technologies that ensure the best quality cannabis plants are produced, best processes are employed in the production, and the organization invests in innovative solutions that continuously enhance the quality of the products.

Timely production and delivery of products to the market or customers means better service to the customer. In fact, as we saw on the day of legalization, many customers were standing in lines for hours, only to find out that their store ran out of product. This is unsatisfactory. The company should ensure that it is responsive. They can do this by reducing the time between purchase and delivery to customers, responding to any concerns on quality and services offered in the shortest time possible, and also ensure that new products are available. Concerning flexibility, the organization should be able to raise its production within the shortest time possible when demand goes up and vice versa. It should also be able to respond fast to changes in the marketplace by developing innovative solutions to the various challenges that arise. Aurora has tried to meet this customer demand by building more and more production facilities. Finally, one new operations strategy, based upon the aforementioned competitive priorities, would be to lobby the members of the G-7 to follow Canada’s lead to legalize recreational use globally. This would significantly increase operations and sales.

**Analysis of Structure of Competitive Priorities and Infrastructure in Production**

Through horizontal integration strategy, Aurora Cannabis aims to raise its production and further expand its market share by investing in facilities, having strategic partnerships, and in acquisitions which are all aimed at meeting the consumer demand while positioning itself as a leader in the new industry. Another major acquisition by Aurora was the deal it reached with CanniMed Therapeutics. The company has also made forays into the recreational segment by targeting customers in that subsector by forging a connection with recreational consumers. With the acquisition of MedReleaf which was one of the earliest entities to target and launch new consumer-facing brands, Aurora aims to increase its market share in that subsector. With its new portfolio which includes MedReleaf and CanniMed brands within the American market, the company aims to continue targeting the customers of medical cannabis and maintain a lead in its production and marketing. Finally, one of Aurora’s primary competitive priorities is listing its shares on the New York Stock Exchange (NYSE). Yesterday, they were approved by the Securities and Exchange Commission (SEC) to do just that. So, on October 23rd, 2018, this company will advance its goals and forge ahead with its agenda by listing its Initial Public Offering (IPO) in an area that so few of its competitors are in.

The company under a strategic partnership agreement with a particular focus on supply, partnered with Alcanna, SAQ, and Pharmasave and Shoppers Drug Mart in various parts of Canada (Kolm, 2018). For the foreign market, mergers and acquisitions may not be the ideal arrangement considering that the entity making such a move is bound to be faced with difficult challenges which include laws and regulations in the foreign markets which would in turn make it more difficult and expensive as opposed to a joint venture or another partnership agreement (PWC, 2017). Aurora Cannabis looked overseas to cement its position further and find a new market by entering into supply and licensing agreement with countries in Europe which includes Italy, Germany, and in other parts of the world specifically Australia and Brazil.

**Production Infrastructure**

Aurora Cannabis main productions sites are in three main facilities which include Aurora Mountain, Aurora Sky, and Aurora Vie, on top of those are two new facilities with more being developed in Denmark. Aurora Mountain was the first facility sitting on approximately 55,000 square feet of production. Aurora Vie is a 40,000 square foot indoor production facility in Quebec and construction has been ongoing for another 800,000 square-foot of plants which will further raise its production. The production sites when combined with the other takeovers of CanniMed and MedReleaf, Aurora will be ahead of the pack and at a comfortable position with such a huge market share.

**Enablers and the Long-Term Plan**

The long-term plan of Aurora Cannabis is that the organization is committed to providing the best quality of medicinal cannabis at an affordable price. The company aims to grow its sales by providing incentives to its buyers such as free shipment to any parts within Canada. It is also committed to influence the future strains and products. To achieve that vision one of the main enablers the company pursuing efficient production strategies such as by introducing technology that will help in the automation of key processes in the production cycles. Technology can assist the organization to improve their services and enhance their productivity and so provide better services to the customers (Thompson, 2016). That approach will ensure that the company maintains a competitive edge by being able to provide the products with greater efficiency and consistency, while also providing the best quality of the products.

Another enabler will be developing a customer-focused strategy which will ensure that only the best products are produced and delivered to the customers. A customer-oriented approach will also help ensure that the best rates can be provided to the customers and that is achieved by ensuring an efficient production process that ensures the best quality is provided with the least production cost possible. The leadership of any organization who include the top leadership and other executives has a mandate of ensuring that organizations can run in a way that they maintain profitability, and so maximize the shareholder value (Stout, 2012). The other enabler is by increasing market share. Increased share means that the organization will have more control of the market, production, and supply chain; it will be the leader in the industry. Such an approach will enable the company to be in a position of influence and be a market leader.

**Pros and Cons of the Enablers**

A customer-oriented approach is advantageous in that it builds customer loyalty; customers are more inclined to purchase products from organizations that consider their needs. In fact, this past week proved that when customers waited in lines for hours outside of Aurora’s stores just to be the first to obtain their product. The benefit of an increased market share is that the organization will have a bigger market for the products resulting in better sales. It will have more control over the supply of the product and so be able to provide the products at the most affordable rates and be responsive. An efficient production process will help the organization streamline its activities, avoid wastage, ensure production is done optimally and therefore achieve a bigger profit margin (Thompson, 2016). The disadvantages with the customer-focused approach are that it may lead to a lack of innovation since all the decisions and plans are guided by the needs of the customer, and it can have a negative impact on creativity and growth of the company. The other disadvantage is that the needs of the customers are ever changing and so the organization would need to have resources like finances, and staff at all times to keep up with the customers' ever-changing needs. Enhancing efficiency by using approaches such as improved technology requires a lot of financial investment in training of staff to keep up with the changes, purchase of equipment that aids automation, and it requires expert interventions which are also expensive to maintain.

In short, Aurora Cannabis has intentions to become the global leader in this market of production and distribution. At the rate that they are moving, they most likely will be, especially when the rest of the world is stifled by their own nonsensical laws. Recall that during the era of prohibition in America during the 1920s, Canada carved out its niche in the wine cooler market, and Canadian “Seagram’s” remains the global leader to this day. Aurora plans to leverage the current cannabis global restrictions in the same manner, and it appears that they will succeed, unless Trump fires the current Attorney General, Jeff Sessions, who believes that cannabis is bad and should remain on the schedule one list of “dangerous” narcotics.

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