

Free critical thinking on advantages of vertical integration

[Business](#), [Management](#)



Introduction

Business operations emanate from the inculcation of plausible strategies in performance. Accordingly, through the inculcation of business level or functional level strategies, profitable outcomes are bound to prevail. Thus, this paper will evaluate the case questions regarding the diverse strategies that organizations inculcate.

- Horizontal integration, vertical integration, outsourcing and diversification strategies e. g. acquisition, mergers, internal new venturing joint ventures become recognized corporate strategies

Explain the difference between horizontal and vertical including both forward and backward integration

Horizontal integration denotes a company acquiring its competitors within the industry. As such, the company purchases numerous of its competitors towards sustaining commanding role within the sector of operation. Through acquisition of its rivals, an organization incorporates monopoly pricing within the market of operation. On the other hand, vertical integration denotes the inculcation of mergers or partnerships by companies within the different stages of production. As such, vertical integration may denote the acquisition of the input supplier thus regarded as backward integration. On the other hand, acquisition of an organization within the distribution chain is termed as forward integration.

Discuss any combination of five advantages and disadvantages with vertical integration. You need an example for helping the reader understand your explanation

- Enhances production efficiency within the organization

Through vertical integration, the company sustains plausible operations since it acquires its suppliers or a facet of the operation thus managing it within the organizational performance mandate.

- Reduces the costs of operation

Vertical integration focuses on incorporating a facet of the operation within the performance aspects of the organization. Through vertical integration, the company manages to cut costs such as transportation, distribution and so forth.

- Vertical integration boosts productivity

The inculcation of vertical integration is pivotal towards ensuring that the company can operate facets of operation in-house. In-house production is bound to sustain a highly productive organization through the extra operational aspect in incorporated.

Disadvantages

Vertical integration is expensive to undertake

Vertical integration requires extensive financial investment by the organization. The inculcation of the financial investment may be detrimental on the organizational performance.

Maintenance of operations is highly complex through vertical integration

Sustaining operations through vertical integration is highly daunting. As such, a novel operational mandate is evident that the company may find daunting in sustaining it.

- Competitive advantage is the key to creating customer value and superior profitability

- Construct a model of competitive advantage. Be sure to use the following terms properly; resources, capabilities, superior quality, superior innovation superior customer service. Management skills, distinctive competencies value creation, functional level strategies, tangible and intangible assets business level strategies and superior profitability

A competitive advantage entails a set of qualities that allows a business organization to outdo or outperform its competitors. The model below shows how best different attributes at different levels can be employed to achieve competitive advantage for a firm.

- What is the relationship between resources and assets

Resources denote the various aspects that are imperative towards necessitating operations within the organization. Resources can denote employees, equipment's machinery and buildings. As such, resources denote a more holistic view of the prevailing organizational requirements. Assets, on the other hand, denote both current and non-current aspects such as machinery and buildings required by the organization. Assets are part and parcel of the organizational resources.

- Considering Imbed or SABMiller how would you describe their business level strategy

- List five benefits and drawbacks of strategic outsourcing. You may use any mix of benefits and drawbacks in your answer.

Outsourcing is significant towards the operational facet of an organization emanating from the significant benefits evident. As such, strategic

outsourcing denotes the inculcation of third party partnership in regards to sustaining proper performance and profitability within the business. Thus, the various benefits and drawbacks of strategic outsourcing include;

- Organization manages to focus on core activities

Strategic outsourcing ensures that the organization can focus on the most fundamental operational aspects of performance. The non-core functions are detrimental on organizational performance since they increase the organizational workload.

- Increased organizational efficiency

Investment into strategic outsourcing is beneficial to the organization since after allocating the non-important functions, the prospect of reduced workload is evident. A minimization of workload results into its employees working within a more efficient mandate.

- Enhanced risk management

Risk management emanates from proper measures towards managing the operations of the organization. Thus, the investment into strategic outsourcing results into a reduction in organizational functions thus a more intense evaluation of the diverse functions.

- Access to expertise services

The investment into strategic outsourcing is pivotal towards sustenance of an exceptional expertise service delivery. As such, companies that maintain core competency in their specific field of operation exude expertise service delivery. Hence inculcating strategic outsourcing results into a high quality and expertise operational mandate.

- Possible reduction in quality in the production facet through outsourcing

Investment into strategic outsourcing is bound to result into a reduction of the goods or services that are outsourced to a third party. The production quality emphasis within the outsourcing company is bound to diminish hence impacting significantly on the organization.

- How is a unique competency different than a core competency

Unique competency denotes a highly individualized capability within the organizational, operational facets. As such, unique competency entails a distinctive capability that cannot be imitated by other organizations. On the other hand, core competency denotes a specific ability within an organization in the delivery of value to the customers. As such, the organization has a core capability within their operational facet that is highly different from other organization. Core competency denotes competitive advantage in the performance prospects of the organization.

- Competitive advantage is the key to creating customer value and superior profitability. Construct a model of the roots of competitive advantage.

Competitive advantage emanates from the inculcation of various approaches towards sustenance of good or service delivery to the prospective customers. Thus, a plausible model of the roots of competitive advantage should emanate from the use of porter's competitive advantage model.

Hence, the model is as follows;

Competitive focus

The performance approach from the above reveals four aspects that are dependent on both broad and narrow market. As such, through investment into the narrow and broad market is bound to sustain a proper performance aspect within the organization.

- If firms like Nordstrom, Apple and BMW wished to pursue differentiation business level strategy as opposed to a low-cost business level strategy.

Which functional level strategies might they likely to choose/ which functional level strategy would they likely not to choose for differentiation purposes

Differentiation approach mainly focuses on the generation of highly distinctive goods and services within the market of operation. Thus, from the evaluation of Nordstrom and BMW, in the inculcation of the differentiation business level strategy, the companies will have to invest highly in their functional units of human resource and research and development departments. As such, the investment into the human resource department will entail inculcation of discrete targets that the employees will have to meet within the differentiation approach. Additionally, investment into research and development will focus on the development of unique products that focus on sustenance of competitive edge over the various competitors. Thus, the investment into research and development will generate distinctive capabilities within the organization thus sustenance of plausible outcomes.

Within the operative aspects of the organization, the business level strategy is more about the development and coordination of the operational units within the organization. As such, sustenance of competitive advantage is a plausible approach towards the focused business level strategy. Thus, from the evaluation of the various advantages of focused business level strategy include;

- Ensuring that the organization can position itself within a distinctive

mandate as compared to their rivals

- Ensures that the organization can anticipate changes prevailing in demand and technologies and sustaining the most plausible approach to accommodate the evident changes.
- Significant influence of the competitive environment through the inculcation of strategic actions as evident from vertical integration
- Ensuring organizational adaptability to the dynamics in the performance prospects within the market of operation
- Sustaining distinctive capability based on the core competency of the organization through the investment into proper business level operational growth
- The meaning of the a fragmented industry/ what does it mean to term the industry as consolidated. Why are industries fragmented? How do industries evolve from being labeled fragmented to consolidated how can an industry regress into fragmented industry? An example of such an event back in the 1980s.

An industry that is fragmented entails that there is no one enterprise which has a significant share in the market. As such, a fragmented industry has numerous organizations with no clear market leader. On the other hand, a consolidated industry represents a market design which has fewer organizations controlling share in the market. There prevail high levels of barriers for other organizations to venture into the market. An industry can evolve from being termed as fragmented into consolidated through mergers and plausible extensive acquisitions. Collusion among organizations is bound to generate significant control within the market resulting into fewer

businesses. Mergers result into the growth of highly formidable organizations. On the other hand, through extensive regulations by the government, the industry can regress into a fragmented industry. Regulations focused on sustaining a more competitive market; the government can regulate the mergers and the performance aspects within the industry. The fitness industry was highly consolidated with few industries controlling the market share. As such, the small companies dictated the operational facet within the market. However, the increase in demand for fitness products coupled with significant regulation led to the fragmentation of the market. Numerous organizations emerged construed

- What evidence is there that PVPL's business level strategy evolved from a focused mid-western low-cost medical distributor to a much less focused fully differentiated distributor?

PVPL has been a sector player within the medical industry. However, in sustaining plausible operations, the company had inculcated the low-cost approach in their first years of operation. However, the increase in competition resulted into the company to invest highly into a differentiated approach in service delivery. Maintaining a low-cost approach was highly daunting as evident from the costs of operations evident in US.

- Choose and industry of your choice identify their overall business level strategy and apparent superior functional level strategies

Extensive investment evidences the beverage industry into the differentiation approach as a business level strategy. As such, the various significant players such as coca cola and Pepsi produce highly unique beverages thus ensuring that customers can purchase diverse brands. On

the other hand, the functional level strategies emanate from innovation.

Innovation is pivotal within the beverage industry as evident from the various products and extensive investment into research and development.

Conclusion

Business operations emanate from proper strategy and performance manatee. From the above evaluation, there are diverse approaches that organizations use towards profitable outcomes. Through strategic management, proper performance mandate is bound to prevail.