Integrative problems and virtual organization

Integrative Problems and Virtual Organization LaShell Johnson Lynnette O'Neil Thomas Hernandez University of Phoenix Finance for Business FIN 370 Bruce Fox December 14, 2011 Integrative Problems and Virtual Organization Lafleur Trading Company is a private company that has supplied the world with the finest food and wines over 3 dozen trading partners across the planet. Recently, they have decided to expand their operations. Looking at their options, they may expand by acquiring another organization in the same industry, go public through an IPO, or merge with another organization.

Below are the pros and cons that may come with each approach. One advantage of being a privately held company is the ability to move quickly without having to obtain approval of shareholders or a board of directors. The owners of a privately held company have a greater interest in the success of the business because of the greater risk the owners face. It would be easier and faster to acquire a company in the same industry. The company would obtain a new customer base and potentially be obtaining new technology that would improve overall operational effectiveness.

When an organization decides to expand their business by acquiring another organization in the same industry, there are a few things that need to be considered. An acquisition can be defined as the purchase of one business or company by another company or business entity. One of the strengths of acquiring another company is the fact that they have so many trading partners across a wide range. Lafleur Trading Company only deals with reputable producers and exporters which shows that they are more than capable of handling more responsibility. Their extensive list of products includes seafood, wine, fruit, vegetables, cheese and maple products.

If a friendly acquisition occurs, both companies would work together and negotiate the arrangements. Learning more efficient ways for production can also be discovered during the process of an acquisition. There are weaknesses during this process such as transferring of technologies and capabilities can prove difficult because of acquisition implementation. There is always a risk of losing implicit knowledge during a fast paced acquisition. A lack of adequate record keeping can prove costly and time consuming for the acquiring company. There are always opportunities when a company acquires another.

For one, the company can increase supply-chain pricing power by buying out one of its suppliers. This allows a company to eliminate a level of costs. Another opportunity to be had is eliminating competition in order to gain a larger market share in its product’s market. An example of a threat would be a hostile takeover. This is when one company buys another against its will. Employees of the acquired company may feel threatened thus resulting in a lack of communication which may be beneficial to the acquiring firm. Expanding through acquisition also has hidden risks; there may be potential law suits that are unknown at the time of purchase.

If the acquisition is not structured properly, the acquiring company would have to absorb all the potential liabilities. Another way to expand a privately owned company is to undertake an Initial Public Offering, or a sale of stock by a private company to the public. Companies undertaking IPO may request assistance of an Investment Banking firm to help assess the values of their shares. When the company list their shares to the public exchange, the money paid by investors for those shares goes directly to the company.

IPO enables a company access to money, provided by investors, which they can use as capital for future growth. Of course there are variables that may or may not benefit the expanding company. One of the benefits of an IPO is the media coverage the business receives. When favorable, the company’s reputation of its products and services attract more investors. The company’s activities will also be reflected in the reports of professional financial analysts. Positive public profile not only support liquidity of the shares, but also becomes a desirable and reliable partner.

Banks also become keen on extending loans with lower interest rates (Trust Capital Group, 2003-2011) Going public also provides its challenges. One of the most important challenges is the need for added disclosure for investors. Public companies are also regulated by the Securities Exchange Act in regards to periodic financial reporting’s. These requirements increase legal, accounting and marketing costs. If La Fleur Trading Company would rather not deal with these additional regulations, they may also decide to merge with another organization.

The strengths of merging with another organization, for La Fleur Trading Company can be very beneficial for the company, as its definition says merging is the acquisition of another firm, or merging is the result when two firms unite into one, some of the benefits of emerging with another firm can be economies of scale and a more improved organizational efficiency, it also reduces the staff costs, and general expenses, all this factors have convinced more and more firms to merge with another firm over an IPO.

However there might be some weaknesses when merging with another firm, like in every firm there might be some risks to take when making a business, some of the disadvantages of merging with another firm might be, legal expenses, short term opportunity costs, costs and expenses related with the takeover or the merger, potential devaluation of equity and some possible intangible costs that may affect the firms, as a result merging with another firm can be very beneficial or very risky, it may benefit the firms by creating and saving more money for both, or it can be very devastating for both by the much more greater losses that the companies are going to lose with the merging of both firms. In conclusion, we have determined that Lafleur Trading Company should choose the route of merging with another organization because of the type of business it is. It would be more feasible to merge with another firm and gain additional trading partners through that process.

By going through an acquisition, the company may lose the existing relationships with the trading partners which would be more costly to start over. As a privately held company, there are no concerns with having to obtain approval of shareholders or a board of directors. It would be easier and faster to merge with a company in the same industry. The company would obtain a new customer base and potentially be obtaining new technology that would improve overall operational effectiveness. Reference Trust Capital Group. (2003-2011). IPO Benefits. Retrieved from http://www. trust-capital. com/page. php? id= 73&&PHPSESSID= 798a964978326d6fb0a20625b21ecca6 Keown, A. J. , Martin, J. D. , Petty, J.

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