

# [Virtual organization strategy](https://assignbuster.com/virtual-organization-strategy/)

[](https://assignbuster.com/)[Business](https://assignbuster.com/essay-subjects/business/)

Date Instructor Name Virtual Organization Strategy Berry’s Bug Blasters is a privately held business and wants to expand its operations.

The business is considering three options for moving forward with the expansion plan. The first option is going public with an IPO, or Initial Public Offering. The second option is to acquire another similar business within the industry, and finally the third option is merging with another organization.

All three of these options are viable choices and this paper analyzes each option for its viability and suitability to needs of the business. The paper identifies the strengths and weaknesses of the each approach, and well as the opportunities and threats posed by each option. The analysis begins with the strengths of the IPO, merger, and acquisition.

Strengths of an IPO, Merger, or Acquisition Berry’s Bug Blasters could effectively expand its organization very rapidly through an initial public offering (IPO).

An IPO would position the organization, after an underwriting process, to go from a privately owned company with modest annual revenues of $3. 2 million to a public company that could put Berry’s on the Bug map. The strength of an IPO for Berry’s Bug Blasters would be in the cash generated by selling shares to the public. This additional capital could help the organization to expand into new territories; more readily compete within its industry, and even become a household name.

A listing on a major stock exchange such as the NYSE would boost Berry’s exposure giving the company significant strategic advantage.

Mergers and acquisitions are another means by which Berry’s Bug Blasters could expand its organization. The specific strength or advantage of a merger or an acquisition is to reduce the immediate competition. By combining its assets with another organization, Berry’s could expand into new markets that it may not otherwise have been able to alone, thereby doubling, or tripling the client base.

The combined assets, along with diminished competition could strengthen Berry’s strategic position within its industry. Whether growing the company through an IPO’s cash generating processes, a merger or an acquisition’s strategic positioning within the industry, Berry’s Bug Blasters stands to potentially gain new ground and new sales by exposure to new markets and clients.

Weakness of an IPO, Merger, or Acquisition Berry’s Bug Blasters can gain many benefits from introducing an IPO at the same time these are disadvantages. When a company does an IPO, they also add cost and disclosure to the public. Public companies are regulated by the Securities Exchange Act of 1934 in regard to periodic financial reporting, which may be difficult for newer public companies. They must also meet other rules and regulations that are monitored by the Securities and Exchange Commission (SEC). More importantly, especially for smaller companies, is the cost of complying with regulatory requirements can be very high.

These costs have only increased with the advent of the Sarbanes-Oxley Act. ” Investopedia (2011) Berry’s Bug Blasters would be well served to look for Mergers or Acquisitions to grow the business.

The main problem with these ventures is that Bug Blasters must take on added cost of these companies. One must also take the time and effort to change the culture of these companies. At times this can add a great deal of strain on a company.

Plus they will have to deal with any public image issues that the merged or acquired company had. Opportunities of an IPO, Merger, or Acquisition Berry’s must take into consideration not only the strengths and weaknesses of an IPO but also the opportunities that issuing their stock for the first time will afford the company.

The opportunities offered to public companies include market exposure, greater access to capital funds, and appeal to the most-desirable job-seekers and investors. Multiple finance opportunities however may be the greatest benefit of an IPO. Because Berry’s is a growing company seeking expansion, becoming a public company with an initial public offering could prove to be an advantageous option.

As with IPOs, there are strengths, and weaknesses associated with acquisitions. Obviously, those strengths and weaknesses must be evaluated thoroughly prior to making the decision to seek an acquisition.

Opportunities, although mainly positive, are also essential considerations. The opportunities associated with acquisitions are readily apparent and correspond with the strengths of this option for expansion. Acquisitions provide important opportunities for increased shareholder value, brand recognition, and profitability, in addition to certain tax benefits. A merger can reveal numerous opportunities for a smaller company seeking to increase sales without depleting resources or cash flow.

If for example, Berry’s has established a strong customer loyalty and presence in a particular locale, but has not been successful in expanding to others, a merger with a competitor could easily lead to that opportunity. This “ broadening of horizons” is commonly known in the business world as a horizontal merger. A horizontal merger enables two competing companies to collaborate in the interest of maximizing profits. By combining resources, ideas, and proven business techniques and applying them to the operations of both companies, each company ultimately wins.

Mergers also provide companies with the opportunity to reorganize and rectify shortfalls that can be a huge hindrance to success.

Threats of an IPO, Merger, or Acquisition Although all three options: IPO, Merger or Acquisition each have their benefits and weaknesses as previously discussed in this paper there are threats a business assumes when taking any of these positions. An IPO, or initial public offering, can provide sometimes much needed investor cash that a business can use to promote their operations or expansion of their business.

However, this is a “ short-term fix” meaning that the investors are placing their money in the company with the thought that the company will turn profitable dividends. A company who is unable to produce quality dividends will ultimately fail as investors will pull out of their stock. A merger can be a positive choice for a company who is hoping to gain a more positive public image, assets, financial portfolio, or marketable reputation from the other company(s) that they are merging with.

This however can pose a threat within the marketplace as the two or more organizations can have conflicting business practices that negatively affect the overall operations of the company, or confuse the consumer. An acquisition is a commonly sought after option for businesses who are in financial trouble. These are companies who wish to sell their business rather than declaring bankruptcy. There is a huge risk for the buyer within this business practice as they absorb the risk, failed or failing business model, the operational hierarchy and their own risk to their investors if they are unable to create a profit from the move.

Acquisitions as well as mergers can be threatening to a company because a person taking loyal customers and rebranding the business as well as potentially changing the way that the business is done.

This can result in a loss of revenue and associates throughout the company. Conclusion The strategies discussed in this paper outline the strengths, weaknesses, opportunities and threats associated with three expansion avenues; IPO, mergers, and acquisitions. Of all the options discussed, the merger stands out as the best method for Berry’s Bug Blasters to expand.

A merger would reduce the immediate competition to allow Berry’s Bug Blasters to move into new territories. The benefits associated with the merger in this case far outweigh the threats posed.

No matter what decision the business makes new regulatory policies play a role. As long as Berry’s Bug Blasters continues provide the quality of service their clients expect, a merger with another business could only lead to a proliferation of clients and a continuation of an already successful business model.