

Methods of integration as leadership tools

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



al Affiliation Methods of integration as leadership tools This paper will discuss the methods of integration as leadership tools and how each method can be implemented effectively in a Multinational Corporation (MNC) environment. There are three types of integration namely: forward/downstream vertical integration, backward/upstream vertical integration, and balanced vertical integration which incorporates upstream and downstream integration. The focus of the paper shall be on upstream and downstream vertical integration.

Vertical integration is a situation whereby a company dominates a market by controlling the steps in the production. This is usually from the initial stage of extraction of raw materials, the manufacturing process to the sale of the final product. Vertical integration is best conceptualized through use of the value chain. For instance; an assembly company may practice backward integration by venturing into manufacturing or forward integration by venturing into distribution.

Vertical integration implies that there is a proper communication channel that links the whole corporation with the headquarters. This ensures that each subsidiary can be constantly monitored to enhance efficiency. Vertical integration is often seen as a way to exercise effective leadership and proper control in a company. It enables the company to significantly reduce the uncertainties that are usually encountered with the supply chain.

Upstream (backward) vertical integration is exhibited when a company has control over subsidiaries that produce inputs used to produce its products. For example, a steel company that owns steel mines where the ore is extracted, coal mines to supply coal and the railroads to transport the raw

materials to the factory may be said to practice backward integration.

Downstream (forward) vertical integration is exhibited when a company controls the distribution centers and retail outlets where its products are sold. Taking an example of McDonald's, forward integration would be by way of owning multiple distribution centers and fast food retail outlets.

It is prudent to note that companies can integrate these two methods together in order to achieved best desired results. This is notable especially in the oil industry. Multinationals such as BP locate crude oil reserves, drill and extract the crude oil. They then transport it to refineries to produce oil products. The same company distributes the finished products through their own retail stations. Through vertical integration, they are able to minimize cost while maximizing on profits.

References

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