

Integrative problems and virtual organization strategy



**ASSIGN
BUSTER**

Running head: INTEGRATIVE PROBLEMS AND VIRTUAL ORGANIZATION

Integrative Problems and Virtual Organization Strategy Paper Integrative

Problems and Virtual Organization Strategy Paper Currently, many upcoming

organizations are considering changing their ownership structure from

private to public via Initial Public Offering (IPO). Although, it may seem like a

simple process it is quite complicated and time consuming. Therefore,

organizations should take their time to study and weigh this option before

engaging in it. With the aim of outlining a thumbnail sketch of the process

this paper will discuss the strengths, weaknesses, opportunities and threats

of IPO by comparing and addressing the process of going public in LaFleur

Trading Co. IPO. An initial public offering provides an opportunity for

organizations to raise more capital which can be used to accomplish a

myriad of business related activities such as doing market research and

development, acquisitions, expansions, marketing or use it as working

capital. In addition, organizations are able to gain access to a larger pool of

customers and market. As a result, the public trading of the organizational

shares automatically sets the value for the company's share through the

stock market (Bragg, 2009). This is advantageous to organizations as they

can easily form mergers and acquisitions than when they are privately

owned. Through an IPO organizations are able to attract talented, competent

and dedicated employees by offering them stock incentive packages.

Conversely, the IPO enables organizations to garner investors' confidence

thereby their shares can readily trade in the stock market (Bragg, 2009).

Therefore, a private company will manage to increase its wealth, scope of

customers and investors by going public through an IPO. However, the

process of offering an IPO is time consuming and quite expensive. The

<https://assignbuster.com/integrative-problems-and-virtual-organization-strategy/>

process may even take years to be completed and it demands use of a great of money to pay accountants, underwriters, printers and attorneys.

Underwriters' fees range between 3% and 10% of the value of the actual offer. Also organizations have to abide by the disclosure clause where they publicize most of the information they considered private such as lawsuits, regulatory review and financial statements. On the other hand, the management of the organization may be adversely affected by the stock price as the organization aims at getting market recognition for the stock (Bragg, 2009). IPO offers private equity investors a perfect opportunity to exit which is partially at a profit unlike earlier where acquisition by a larger firm would have been the only viable option to offload their shares held in the organization. Moreover, the market environment is more stable and ready for IPOs as compared with the previous year's thus providing a perfect IPO opportunity to private organizations. Shares are also able to attract higher values in case the company is a performer (Bragg, 2009). The detrimental side of the availed opportunity is that the owners lose control of their companies and that they will always be answerable to the shareholders. Moreover, they will be subject to SOX and SEC regulations as the law states. In addition, the organization may severely suffer from huge losses due to market volatility leading to lower than expected market value of their shares (Bragg, 2009). Almost all the money, time and efforts utilized for initiating an IPO goes to waste as organization starts to face a plethora of financial and management constraints among others. Therefore, before a private company initiates the IPO process it should do a SWOT analysis to ensure it makes the right decision. References Bragg, M. S. (2009). Running a Public Company:

From IPO to SEC Reporting. San Francisco, CA: John Wiley and Sons.

<https://assignbuster.com/integrative-problems-and-virtual-organization-strategy/>