

Horizontal integration for the ansoff matrix

Business



The Ansoff Matrix is an effective tool for organizations gearing-up for growth strategies. I am going to skip the first three strategies as M/s. McBride Financial Services is seeking the “ Horizontal Integration” – one of the kinds of diversification.

Horizontal Integration: The acquisition of additional business activities at the same level is referred to as horizontal integration. It could be both related and unrelated. Horizontal expansion can be achieved through mergers and acquisitions of firms offering similar products or services, e. g. merger of many pharmaceutical companies; banks, etc.

Strengths/Opportunities: (1) Achieve geographic expansion by means of selling more of the same product; (2) Use joint resources to a different product. Commonly referred to as “ synergies”; (3) Increased market power (no competitor in the market); (4) Benefit by using the same brand name to promote multiple products.

Weaknesses/Threats: (1) Risk of anticipated economic gains; (2)

Management to make sure (before acquisition) that imagined benefits are real, For instance, Siemens Pakistan’s technical partnership with Karachi Electric Supply Corporation (KESC) failed and finally, Siemens had to discontinue KESC.

Recommendations: Nowadays “ Horizontal Integration” is the most common growth strategy taking place all over the world. We have tens of examples where horizontal integration has effectively & successfully taken place.

In the recent past, Unilever Pakistan bought-out the Polka ice cream and launched a new ice cream in the name of Walls. Although it was an unrelated business integration – i. e. Unilever was not in the ice cream business before, it has been very successful in this strategic move and doing well in Pakistan.

<https://assignbuster.com/horizontal-integration-for-the-ansoff-matrix/>

Likewise, mergers/acquisitions of pharmaceutical firms and banks, etc. have also proved to be successful. The philosophy behind horizontal integration is: If you can't beat, buy it.

This way intensity of rivalry (competitor) would get diminished and the firm could smoothly advance with the business acquired. However, two basic questions need to be addressed before acquisition:

How well will a particular movie?

What are the chances of making it a success?

Furthermore, the firm's market power can be increased through partnerships. The firm can relocate factories in foreign countries to lower labor and operating cost; thus increasing its profitability and reach to the consumers."