

4-3) Identify five situations when forward integration is a particularly good strategy. Forward integration involves gaining ownership or increased control over distributors or retailers. Increasing numbers of manufacturers (suppliers) are pursuing a forward integration strategy by establishing websites to sell their products directly to consumers.

1. When an organization's present distributors are especially expensive, unreliable, or incapable of meeting the firm's distribution needs.
2. The availability of quality distributors is so limited as to offer a competitive advantage to those firms that promote forward integration.
3. An organization competes in an industry that is growing and is expected to continue to grow markedly; this is a factor because forward integration reduces an organization's ability to diversify if its basic industry falters.
4. An organization has both the capital and human resources needed to manage the new business of distributing its own products.
5. The advantages of stable production are particularly high; this is a consideration because an organization can increase the predictability of the demand for its output through forward integration.

4-5) Should non-profit organizations post their strategic plan on their website? What about corporations? Why?

Non-profit organization should post their strategic plan on their website because they are just like for profit companies except for two major differences:

nonprofit organization do not pay taxes and they do not have shareholder to provide capital

4-6. Give some guidelines of when divestiture is a particularly effective strategy. Selling a division or part of an organization is called divestiture. It is often used to raise capital for further strategic acquisitions or investments.

1. An organization has pursued a retrenchment strategy and failed to accomplish needed improvements.
2. To be competitive, a division needs more resources than the company can provide.

3. A division is responsible for an organization's overall poor performance.
4. A division is a misfit with the rest of an organization; this can result from radically different markets, customers, managers, employees, values, or needs.
5. A large amount of cash is needed quickly and cannot be obtained reasonably from other sources.
6. Government antitrust action threatens an organization (David & David, 2017).

4-8. Give some examples of Type 4 and Type 5 focus strategies according to Porter's generic strategy approach.

Type 4: generic strategy, Low cost focus strategy that offer products or services to a small ranges (niche group) of customer at lower prices available on the market, ex Pizza hut, local used car dealers

Type5: best value focus strategy that offer product and services to small range of customers at the best price value available at the market. Ex. Bed and breakfast inns and local retail boutiques

4-9. List three industries where cooperation among competitors is most likely and explain why?

- Some of the industries are the **aviation** industry, the **internet**, and **online** industry and the **telecommunication** industry

4-12 List four important reasons why many mergers and acquisitions fail.

1. Integration difficulties 2. Inadequate evaluation of target 3. Large or extraordinary debt 4. Inability to achieve synergy 5. Too much diversification 6. Managers overly focused on acquisitions 7. Too large an acquisition 8. Difficult to integrate different organizational cultures 9. Reduced employee morale due to layoffs and relocations

4-15 List six characteristics of objectives and an example of each.

1. Quantitative (clear figures and facts can be extrapolated)
2. Measurable (figures can be clearly compared, before and after to illustrate net effects)
3. Realistic (they need to be achievable and reachable and not unobtainable)
4. Understandable (can be appreciated and recognized by all individuals involved)
5. Challenging (should be aspirational and require effort and application)
6. Hierarchical (organizations use different names for different levels of objective and the type of the objective, they incorporate policies, strategic, operational)
7. Obtainable (reachable objective that helps ensure a sense of achievement)
8. Congruent (key drivers are task, people, structure, and culture)

4-16. In order of importance, rank six major benefits of a firm having objectives.

1. Provide direction by revealing expectations
2. Allow synergy
3. Assist in evaluation by serving as standards
4. Establish priorities
5. Reduce uncertainty
6. Minimize conflicts
7. Stimulate exertion
8. Aid in allocation of resources
9. Aid in design of jobs
10. Provide basis for consistent decision making

4-17. Give a hypothetical example of forward integration, backward integration, and horizontal integration for Volkswagen.

Forward integration: purchasing or developing a distributor for a product, **ex** Volkswagen setting up its own dealers to sell cars to customers.

backward integration: owning a supply source for production, **ex** Volkswagen buying over its suppliers to be part of the company

horizontal integration: means acquiring like operation, **ex** look at Volkswagen either buying over its competitors or merging with its competitors

4-21 When would market development generally be the preferred strategy over backward or forward integration?

1. New channels of distribution are available that are reliable, inexpensive, and of good quality.
2. An organization is successful at what it does. 3. New untapped or unsaturated markets exist.
4. An organization has the needed capital and human resources to manage expanded operations.
5. An organization has excess production capacity. 6. An organization's basic industry is rapidly becoming global in scope

4-22. Why is it not advisable to pursue too many strategies at once? (Answer correct)

Organizational resources are spread too thin when more than a few strategies are pursued at the same time. All organizations have limited resources. No organization can pursue all the strategies that may benefit the firm. Similarly, no individual can take on an unlimited amount of debt to obtain goods and services. No more than a few strategies can be financed, marketed, and managed effectively at the same time. Some practitioners say only a single strategy should be pursued at a given time by a single organization

4-23. What conditions, externally and internally, would be desired/necessary for a firm to diversify? (correct)

Externally: Industry is an attractive

Internally, it has to be strong financially (MONEY)

4-26 Explain the difference between joint ventures and partnerships as a means for achieving various strategies.

joint venture: A strategy that occurs when two or more companies form a temporary partnership/consortium/business for the purpose of capitalizing on some opportunity.

Often, they form a separate org and they have shared equity ownership in the new entity. Joint ventures are used to pursue an opportunity that is too complex, uneconomical or risky for a single firm to pursue alone

4-27. List the pros and cons of a hostile versus friendly takeover of another firm. PG140 (MCQ)

The cons:

The pros :

- | | |
|--|--|
| - provide improved capacity utilization | 1. Integration difficulties |
| - to make better use of the existing sales force | 2. Inadequate evaluation of target |
| - reduce managerial staff | 3. Large or extraordinary debt |
| - to gain economies of scale | 4. Inability to achieve synergy |
| - to smooth out seasonal trends in sales | 5. Too much diversification |
| | 6. Managers overly focused on acquisitions |
| | 7. Too large an acquisition |

4-28. In order of importance, list six reasons why many mergers and acquisitions fail.

- | | |
|------------------------------------|---|
| 1. Integration difficulties | 6. Managers overly focused on acquisitions |
| 2. Inadequate evaluation of target | 7. Too large an acquisition |
| 3. Large or extraordinary debt | 8. Difficult to integrate different organizational cultures |
| 4. Inability to achieve synergy | |
| 5. Too much diversification | |

4-29. In order of importance, list six potential benefits of two firms merging.

1. To provide improved capacity utilization
2. To make better use of the existing sales force
3. To reduce managerial staff
4. To gain economies of scale
5. To smooth out seasonal trends in sales
6. To gain access to new suppliers, distributors, customers, products, and creditors

7. To gain new technology
8. To gain market share
9. To enter global markets
10. To gain pricing power
11. To reduce tax obligations

4-30. What are the major advantages and disadvantages of diversification?

ADV:

- spread risks and resources more than one area
- pursue special opportunities in diverse area
- allow a firm to balance counter seasonal sales yearly

Dis:

- it's risky
- it's costly
- it requires excellent management skills
- it requires an elaborate control system

4-31. List three ways a country could prevent its companies from outsourcing jobs to other countries.

Answer: Some ways include the home country imposing a levy or taxation on goods being produced from other countries, limiting the quantity of goods being imported from other countries into the home country by the government, and the government being more liberal in granting work permits of low income countries to work in production facilities of home countries.

4-34 With different types of strategies, how can firms best cope with the turbulent, high-velocity markets or uncertainty in the business environment?

- **React the market.**
- **Anticipate it**
- **Led the market.**

4-37 Identify three companies that use outsourcing effectively. Explain how and why those firms utilize this management approach.

- **J.P. Morgan**
- **Chase & Co.**
- **3M Corp**

4-38 What are the pros and cons of a firm merging with a rival firm? PG table 4-6 PG141

Pros of a firm merging with a rival firm:

- **To provide improved capacity utilization**
- **To make better use of an exiting sales force**
 - 1- Reduce the cost of product
 - 2- More profit enables more research and development

Such as Apple and IBM

Cons of a firm merging with a rival firm:

Overpay for the rival comp

Decide who will be the top , ex coo

Different cultures

4-42 Are international alliances more effective with competitors or non-competitors?

Recent research reveals that the answer is “**with non-competitors,**” especially for small and medium size firms. Alliances with competitors that need a lot of **price** then **effects on budget** of companies. Also, provide redundant knowledge and resources.