

Organizational Design Change and Transformation
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Module - 04
Lecture - 19
Organizational Design and Strategy in a changing Global environment

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The image shows a banner for an NPTEL Online Certification Course. At the top, there are two logos: the IIT Kharagpur logo on the left and the Vinod Gupta School of Management logo on the right. Below the logos, the text reads "NPTEL ONLINE CERTIFICATION COURSES". The main title of the course is "ORGANIZATIONAL DESIGN, CHANGE AND TRANSFORMATION" by "DR. SANGEETA SAHNEY, PROFESSOR, VGSOM, IIT KHARAGPUR". The current slide is identified as "Module 4" and "Lecture 4". A small image on the right shows a hand holding a globe. The bottom section of the banner lists the topics: "Strategic direction and organization design; Frameworks for selecting strategy and design; Designing organizations for the international environment; Building global capabilities; Organizational design and strategy in a changing global environment."

[FL]. We will be continuing with our discussion on Organizational Design and Strategy in changing Global Environments. This is module 4 and lecture 4. In the previous lecture, we have spoken about strategic direction and organizational design, frameworks for selecting strategy and design, designing organizations for the international environment, building global capabilities and we had begun our discussion on organizational design and strategy in the changing global environment.

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**ORGANIZATIONAL DESIGN,
CHANGE AND TRANSFORMATION**

**Organizational Design and Strategy in a
changing Global environment**

- **Organizational Design and Strategy in Changing Global
Environment**

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Now, we will be moving on to discussing this further in this lecture as well as in the next lecture.

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ORGANIZATIONAL DESIGN AND STRATEGY IN A CHANGING GLOBAL ENVIRONMENT

► Levels of strategy

- An organization formulates strategies at four organizational levels, viz., functional, business, corporate, and global.
- The ability of the organization to generate value at a level indicates its ability to manage the entire value creation process at other levels.


- I Functional-level strategy
- II Business-level strategy
- III Corporate-level strategy
- IV Global expansion strategy

The slide features a red header, a green sub-header, and a yellow content area. A small graphic with the word 'STRATEGY' and various icons is in the top right. A video inset shows a woman in a red top. Logos for IIT Kharagpur and NPTEL are at the bottom.

So, we will first start with the levels of strategy. Then an organization formulate strategies at four organizational levels, at four levels ok, it formulate strategies at four levels, the functional level, the business level, the corporate level and the global level. The ability of the organization to generate value at a particular level is indicative of its ability to manage the entire value creation process at other levels as well.

So, the organization formulate strategies at four organizational levels, the functional level, the business level, the corporate level and the global level and the ability of the organization to generate value at a particular level is reflective of its ability to manage the value creation process at other levels as well.

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I Functional-level strategy:

- The functional level strategy aims at strengthening a firm's functional and organizational resources, and its coordination capabilities, so that core competences can be developed.
- The various functional managers in a company must closely observe the environments in which they operate so that their functional resources and abilities can be nurtured and developed; this would help them manage environmental uncertainty.

II Business-level strategy:

- The business level strategy is a plan which aims at combining a firm's functional core competences, so that it can gain an advantage over its competitors in the industry.
- The top management in charge of the various functions teams is responsible for the business level strategy.

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Now, what is a functional level strategy? Now, the functional level strategy aims at strengthening of firms, functional and organizational resources. We spoke about what functional resources and organizational resources were in the previous lecture, you know and we also spoke about the coordination capabilities.

So, the functional strategy here aims at strengthening the firms functional and organizational resources as well as its coordinating capabilities. So, that core competencies can be developed. The various functional managers in an organization must closely examine their environment in which they operate.

So, that the functional resources and abilities can be nurtured and can be developed and this would help them manage the environmental uncertainty in a better way. So, the functional

level strategy aims at strengthening the functional resources, the organizational resources and the coordination capabilities.

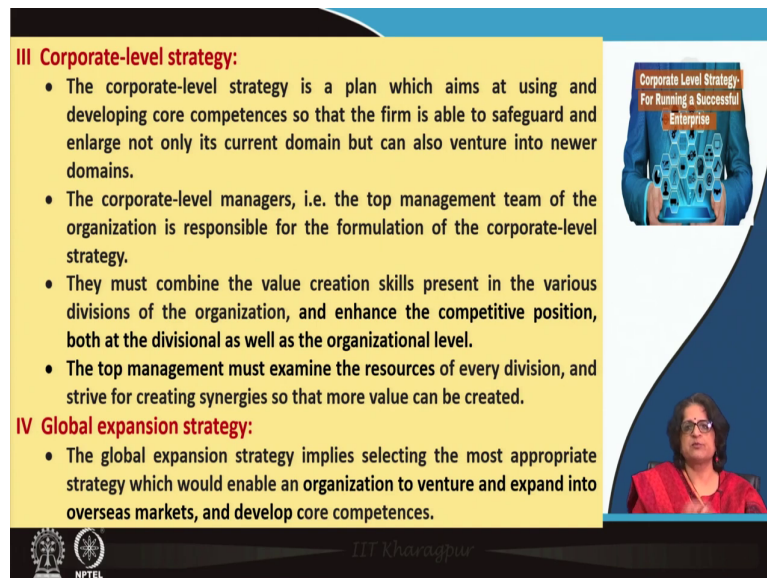
So, that core competencies can be developed and the way the functional managers must closely examine the environment so that the resources and abilities, the functional resources and abilities can be nurtured, can be developed so that they can manage the environment in a better manner.

And, I have discussed in my previous lecture with you what functional resources are, they pertain to the skills of people, we spoke about the organizational resources, we speak about the vision, the top management, the leadership, the infrastructure and so forth and also spoke about how coordination capabilities are very essential and so the functional level strategy helps strengthen each of these.

So, that core competencies can be developed. The second is the business level strategy, now the business level strategy is a plan which aims at combining the functional core competencies. So, that it can gain advantage over the competitors in the industry. So, the top management in charge of the various function functions teams is responsible for the business level strategy and the objective is to combine the functional core competencies.

So, that a company can gain or the organization can gain advantage over the competitors in the industry.

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III Corporate-level strategy:

- The corporate-level strategy is a plan which aims at using and developing core competences so that the firm is able to safeguard and enlarge not only its current domain but can also venture into newer domains.
- The corporate-level managers, i.e. the top management team of the organization is responsible for the formulation of the corporate-level strategy.
- They must combine the value creation skills present in the various divisions of the organization, and enhance the competitive position, both at the divisional as well as the organizational level.
- The top management must examine the resources of every division, and strive for creating synergies so that more value can be created.

IV Global expansion strategy:

- The global expansion strategy implies selecting the most appropriate strategy which would enable an organization to venture and expand into overseas markets, and develop core competences.

The slide also features a book cover titled 'Corporate Level Strategy For Running a Successful Enterprise' and a small video inset of a woman in a red top.

The third is the corporate level strategy which is a plan which aims at using and developing the core competencies. So, that the firm is able to safeguard you know and enlarge not only its current domain, but also venture into newer domains. So, the corporate level managers which is the top management team is responsible for the formulation of the corporate strategy.

And, you know this is the responsibility of the corporate level managers to combine the value creation skills which is present in the various divisions in the organization and enhance the competitive position both at the divisional as well as the organizational level and the top managements must examine its resources of every division and strive for creating you know synergies so that the more value can be created.

The fourth is a global expansion strategy which implies selecting the most appropriate strategy which would enable an organization to venture into and expand into overseas markets and develop core competencies so that is what the global expansion strategy is. So, to start with you know we have the four different levels, the functional level which aims at strengthening the firm's functional and organizational resources and coordinating capabilities.

So, that the our core competencies can be developed. The second is the business level strategy which where the aim is to combine the firm's functional core competencies so that you know advantage over competitors in industry can be gained. The third is the corporate level strategy, which aims at using the and developing the core competencies so that the firm not only is able to safeguard and expand in its current domain, but also ventures into newer domains.

And the fourth is a global strategy where the objective is to select the most appropriate strategy which would enable an organization to venture into and expand into overseas markets and develop their core competencies even further.

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I Functional-Level Strategy

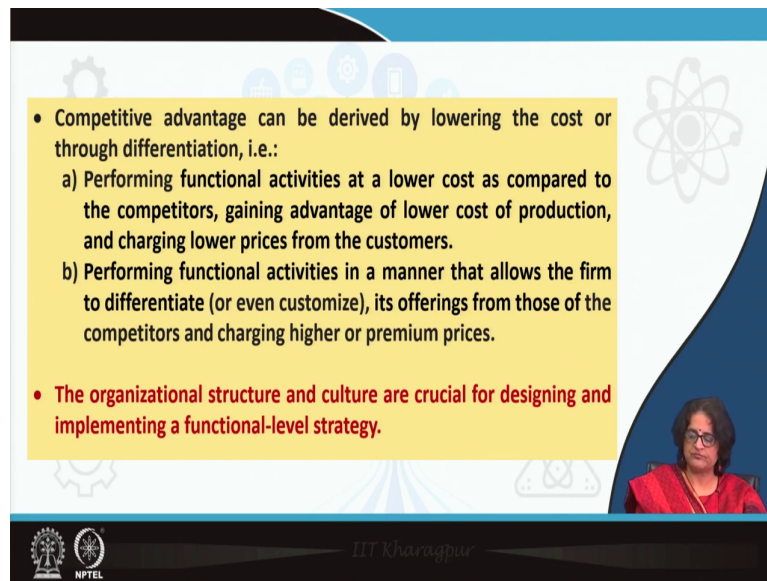
- The aim of a functional-level strategy is to develop in every function a low-cost or differentiation competence to result in a competitive advantage for the organization.
- Each function must aim at creating a core competence that provides a competitive advantage to an organization.
- Value is created by applying functional knowledge, skills and abilities to convert inputs to outputs i.e., goods and services.

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So, the so, we will elaborate a little more on these and relate them to the structure and to the culture. So, the coming you know coming to the first strategy which is the functional level strategy. Now, the aim of a functional level strategy is to develop in every function you know either a low cost or a differentiation competence.

So, that it results in a competitive advantage and each function must aim at creating a core competence that provides competitive advantage to the organization. So, value can be created by applying functional knowledge, skills and abilities, which would convert the inputs into outputs; that means, the inputs into the final goods or services.

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• Competitive advantage can be derived by lowering the cost or through differentiation, i.e.:

- a) Performing functional activities at a lower cost as compared to the competitors, gaining advantage of lower cost of production, and charging lower prices from the customers.
- b) Performing functional activities in a manner that allows the firm to differentiate (or even customize), its offerings from those of the competitors and charging higher or premium prices.

• **The organizational structure and culture are crucial for designing and implementing a functional-level strategy.**

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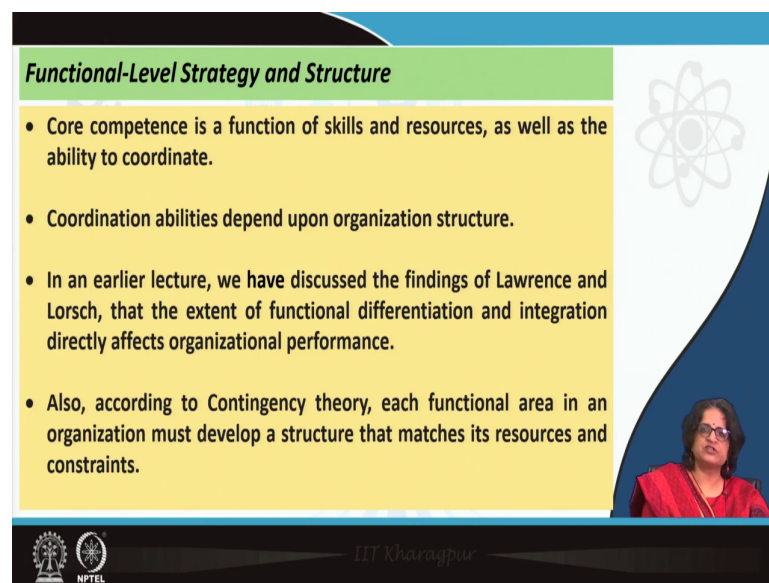
So, when we talk of the competitive advantage here you know that can be derived by lowering the cost or through differentiation, which is you know when we are performing functional activities at a lower cost as compared to the competitors it is gaining advantage of lower cost of production and charging lower prices from the customers.

And when we are talking about when we are actually performing functional activities in a manner that allows the firm to differentiate its offering from those of competitors, we are actually implying that the firm is in a position to charge higher or premium prices. So, competitive advantage can be derived by lowering the cost or through differentiation. So, it is either through performing activities at a lower cost as compared to the competitors.

So, gaining advantage of lower cost of production and charging lower prices from the customers or it is about performing functional activities in a manner which allows the

organization to differentiate its offering from those of the competitors you know not differentiation here were here would also mean even customizing and charging higher or premium prices for the customization or for the differentiation. So, the organizational structure and culture are very crucial for designing and implementing a functional-level strategy.

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Functional-Level Strategy and Structure

- Core competence is a function of skills and resources, as well as the ability to coordinate.
- Coordination abilities depend upon organization structure.
- In an earlier lecture, we have discussed the findings of Lawrence and Lorsch, that the extent of functional differentiation and integration directly affects organizational performance.
- Also, according to Contingency theory, each functional area in an organization must develop a structure that matches its resources and constraints.

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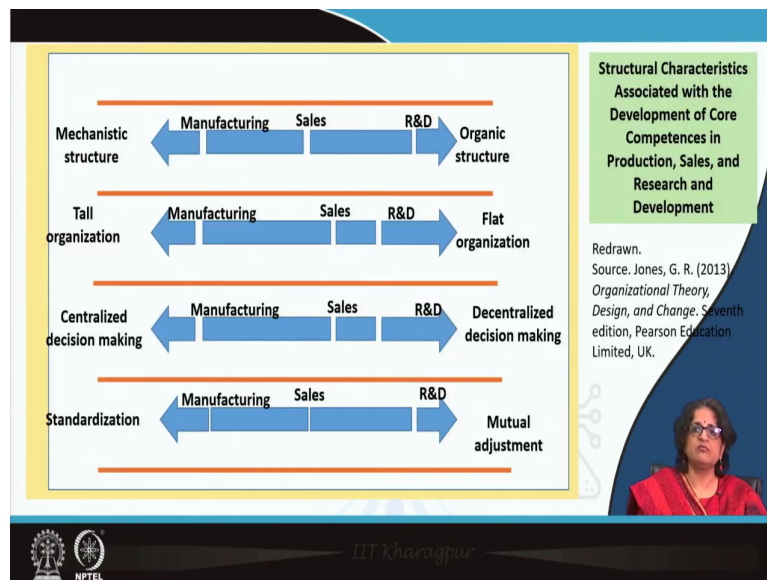
So, when we talk of the structure the core competence here is a function of the skills and resources as well as the ability to coordinate. Coordination abilities will depend upon the organization structure. In an earlier lecture, we have discussed the findings of Lawrence and Lorsch.

And we discussed that the extent of functional differentiation and integration directly affects organizational performance and also according to the contingency theory each functional area

is you know each functional area in an organization must develop a structural a structure that matches its resources and its constraints.

So, you know when we talk of functional level strategy and structure you know coordination abilities depend huge hugely on the organization structure and the extent of functional differentiation and integration affects organizational performance also you know as per the contingency theory each functional area in an organization must develop a structure which matches its resources and its constraints.

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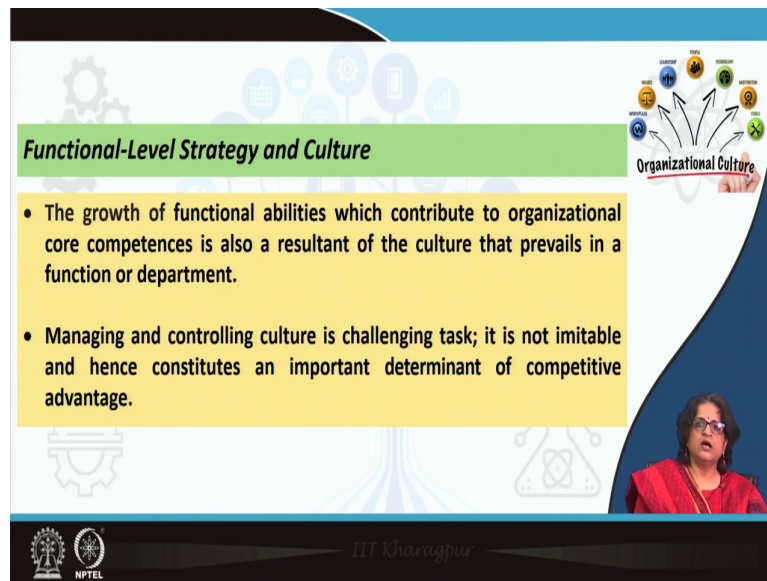
So, you have here you know the structural characteristics associated with development of core competence in departments like production, sales and R and D and if you see the you know that the R and D you know has must have more orientation towards an organic structure because R and D involves creativity, it involves innovation and it would also you know on

the other hand manufacturing is more tilted towards the mechanistic structure because it talks more about efficiency.

Similarly, a manufacturing the because you know the tasks the you know the hierarchy could be such that there could be many levels and there could be a tall organization, but in R and D its preferred structure is a flat one in manufacturing the decision making is more centralized because it is orders coming from the top and the workers are merely supposed to act as per orders.

In the case of R and D it is decentralized and in the case of you know if you come if you take a standardization and mutual adjustment in the case of manufacturing again it is more to do with standardized operating procedures. So, there is huge amount of standardization as compared to R and D where a lot of coordination and lot of coordination and lot of communication is through and across formal and informal networks and free flowing information exchange.

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Functional-Level Strategy and Culture

- The growth of functional abilities which contribute to organizational core competences is also a resultant of the culture that prevails in a function or department.
- Managing and controlling culture is challenging task; it is not imitable and hence constitutes an important determinant of competitive advantage.

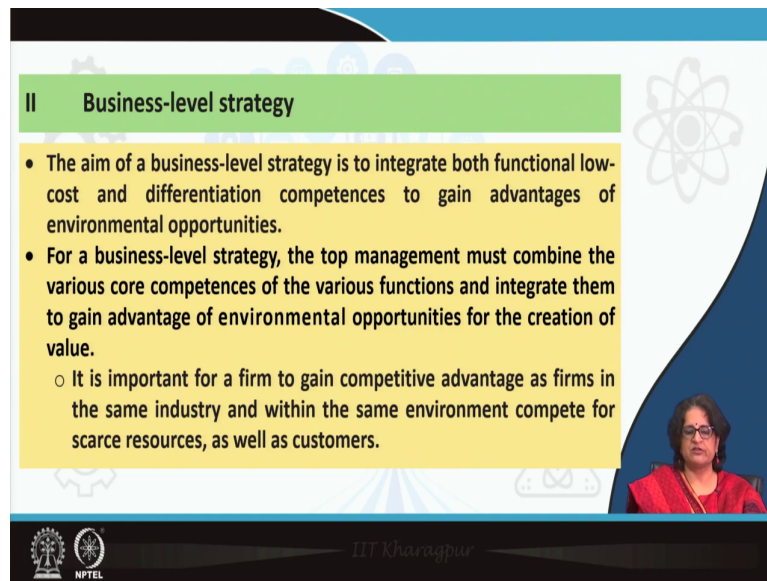
Organizational Culture

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The slide features a green header with the title 'Functional-Level Strategy and Culture'. Below the title is a yellow box containing two bullet points. To the right of the text is a diagram showing 'Organizational Culture' at the bottom with arrows pointing upwards to various icons representing different organizational aspects. At the bottom right of the slide, there is a small inset video of a woman in a red top. The footer contains the IIT Kharagpur and NPTEL logos.

Now, coming to functional level strategy and culture. So, the growth of functional abilities which contribute to organizational core competencies is also a resultant of the culture that prevails in the function or in the department and managing and controlling culture is a very challenging task. It is not a imitable and hence constitutes an important element of competitive advantage so, managing and controlling culture is very very important.

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II Business-level strategy

- The aim of a business-level strategy is to integrate both functional low-cost and differentiation competences to gain advantages of environmental opportunities.
- For a business-level strategy, the top management must combine the various core competences of the various functions and integrate them to gain advantage of environmental opportunities for the creation of value.
 - It is important for a firm to gain competitive advantage as firms in the same industry and within the same environment compete for scarce resources, as well as customers.

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Second, we come to the business level strategy. Now, the aim of the business level strategy is to integrate both functional low cost and differentiation competencies to gain advantages of the environmental opportunities. And for a business level strategy the top management must combine the various core competencies of the various functions and integrate them to gain advantage of environmental opportunities for creation of value.

So, it is important for a firm to gain competitive advantage as firms in the same industry and within the same environment compete for the same resources they compete for the same customers.

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- In the absence of a business-level strategy, they would fail in the long run.
- Through a business-level strategy, a firm must select which domain it would compete in, and must position the firm so it can use its strengths to manage the environment, and safeguard and broaden the domain.
- An organizational domain is the range and assortment of goods and services that a firm produces.
 - The top management must focus on selecting a domain wherein the functional-level core competences can be exploited to gain maximum advantage.

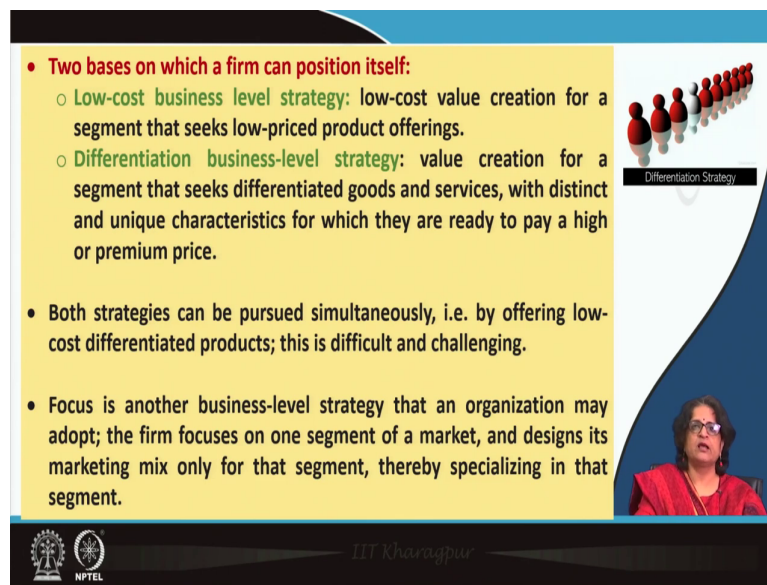
So, in the absence of a you know for business level strategy they would fail in the wrong run and so, it is very very important that organizations have a very you know very specific and distinctive business level strategies. It is through a business level strategy that the firm will select which domain it would compete in and it must position the firm it would decide on which domain to compete and how to position.

So, that it can use its strengths to manage the environment and safeguard and broaden the domain. So, through a business level strategy a firm must select which domain it would compete in and must position itself in so, that the firm would be able to you know use its strengths to manage the environment and broaden the domain.

And an organizational domain of course, as we have discussed earlier is the range and assortment of goods and services that the market or the that the firm produces for the market.

So, it is the it is the range and assortment of goods and services that a firm produces and the top management must focus on selecting a domain where the functional level core competencies can be exploited to gain maximum advantage.

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• **Two bases on which a firm can position itself:**

- **Low-cost business level strategy:** low-cost value creation for a segment that seeks low-priced product offerings.
- **Differentiation business-level strategy:** value creation for a segment that seeks differentiated goods and services, with distinct and unique characteristics for which they are ready to pay a high or premium price.

• Both strategies can be pursued simultaneously, i.e. by offering low-cost differentiated products; this is difficult and challenging.

• Focus is another business-level strategy that an organization may adopt; the firm focuses on one segment of a market, and designs its marketing mix only for that segment, thereby specializing in that segment.

Differentiation Strategy

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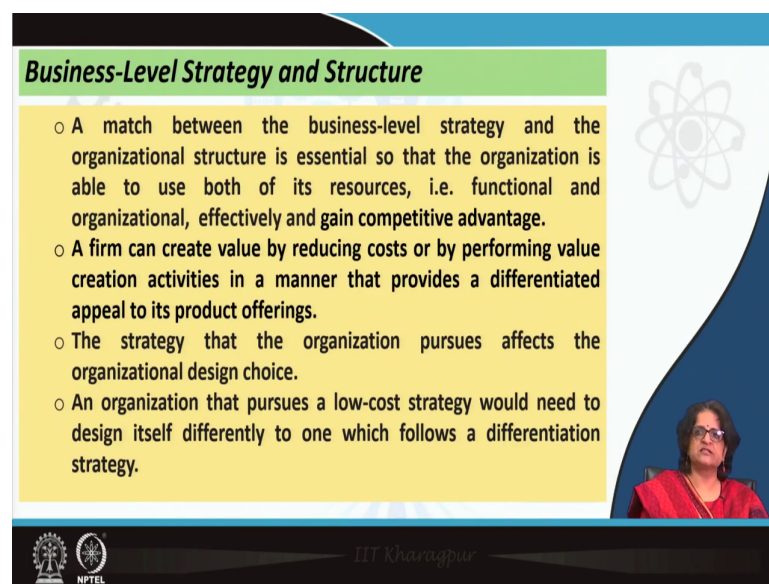
So, two bases on which a firm can position itself is either is a low cost business level strategy or as a differentiation business level strategy. So, in a low cost business level strategy it is a low cost value creation for a segment that seeks low priced product offerings.

And in the case of a differentiation business level strategies, it is a value creation for a segment which looks for differentiated goods and services even customized goods and services, with you know distinct and unique characteristics for which the people are ready to pay higher or they are ready to pay a premium price.

So, both the strategies can be pursued simultaneously, that is, you know by offering low cost differentiated products this of course, can be difficult and challenging. So, while the company or the firm can position itself on either of the two bases either is a low cost business level strategy or as a differentiated business level strategy it can also combine both it can offer a low cost differentiated product, but this is a difficult task and it can be challenging.

A focus is another business level strategy that the organization may adopt where the firm may focus on one segment of a market and then design its marketing mix for only for that specific segment which is specializing in that segment.

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Business-Level Strategy and Structure

- A match between the business-level strategy and the organizational structure is essential so that the organization is able to use both of its resources, i.e. functional and organizational, effectively and gain competitive advantage.
- A firm can create value by reducing costs or by performing value creation activities in a manner that provides a differentiated appeal to its product offerings.
- The strategy that the organization pursues affects the organizational design choice.
- An organization that pursues a low-cost strategy would need to design itself differently to one which follows a differentiation strategy.

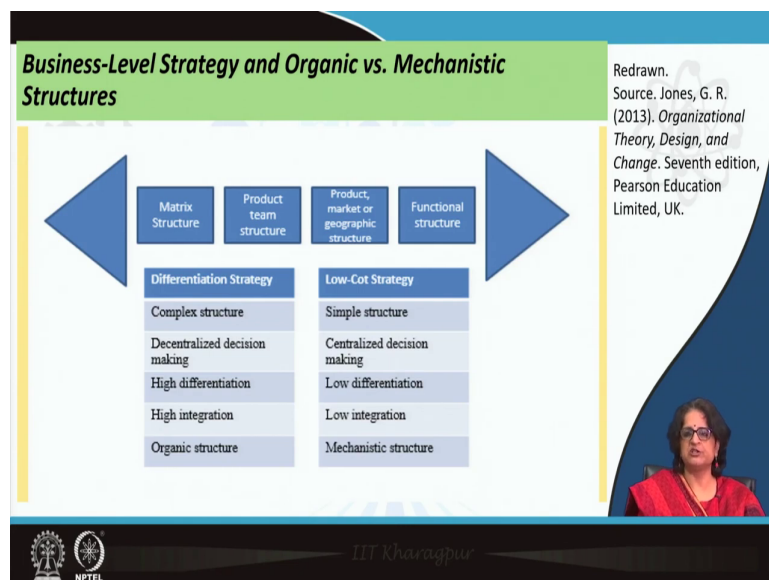
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Now, coming to the business level strategy and structure: So, a match between the business level strategy and structure is essential, so that the organization is able to use its functional resources and its organizational resources effectively and gain competitive advantage. So, a

firm can create value by reducing the costs by or by performing value creation activities in a manner which provides differentiated appeal to the product offering.

So, the strategy that the government pursues that organization pursues either as a low cost strategy or as a differentiation strategy affects the organizational design choice and an organization, which pursues a low cost strategy, would need to design itself very differently to one that pursues a differentiation strategy.

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And this is something which we have been speaking of in the past few lectures as well where we spoke about how a low cost strategy and a differentiation strategy you know can be pursued and would require different kinds of structures. We discussed it in module 3 that how a low cost strategy would require a functional structure or a product market or geographic

structure, but a differentiation strategy would require a metric structure or a product team structure. So, we have discussed this in the previous week.

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- Also, the connect between the differentiation strategy and organic structure, and the connect between the low-cost strategy and mechanistic structure are derived from the Contingency theory.
- According to the Contingency theory, firms that operate in uncertain and fast changing environments need a higher level of differentiation and integration as compared to firms that operate in more stable environments.
- Also, low-cost companies must use simple structures, as complex structures are expensive to maintain.

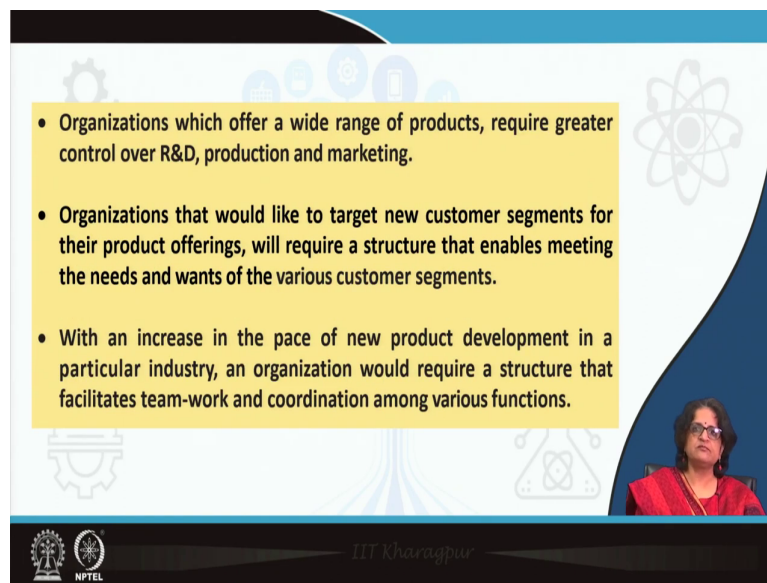
So, or so the connect between the differentiation strategy and the organic structure and the connect between the low cost strategy and the mechanistic structure are derived from the contingency theory and we have discussed this earlier as well that there is a huge link connection between the differentiation strategy and an organic structure and the low cost strategy and a mechanistic structure.

And according to the contingency theory a firm that operates in uncertain and fast changing environments needs a higher level of differentiation and integration as compared to those which operate in most stable environments. And so, firms which operate in uncertain and

dynamic environments need a greater level of differentiation integration when compared to those which operate in more certain environments or more stable environments.

Also, low cost companies must use the simple structure you know as complex structures are difficult to maintain.

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The slide features a yellow text box with three bullet points. To the right of the text box is a small video inset showing a woman with glasses and a red top. The slide background is light blue with faint icons of gears and a molecular structure. At the bottom, there are logos for IIT Kharagpur and NPTEL.


- Organizations which offer a wide range of products, require greater control over R&D, production and marketing.
- Organizations that would like to target new customer segments for their product offerings, will require a structure that enables meeting the needs and wants of the various customer segments.
- With an increase in the pace of new product development in a particular industry, an organization would require a structure that facilitates team-work and coordination among various functions.

So, so moving further on the on this organizations which offer wide range of products require greater control over R and D production and marketing organizations that would like to target new customer segments for their product offerings will require a structure that enables you know meeting the needs and wants of different customer segments.

And so, this would require organizations to offer different kinds of products you know and with an increase in the pace of new product development in a particular industry then

organization would require a structure which is more of a team based structure cost functional teams and coordination amongst various functions.

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The slide features a yellow background with two bullet points. The first bullet point is titled 'Low-cost strategy' and describes organizations that focus on reducing costs, are imitators, and lack strong product development. The second bullet point is titled 'Differentiation strategy' and describes organizations that offer a wide range of goods and services, cater to multiple customer segments, and compete through innovation. To the right of the text, there is an image of a hand holding blocks that spell 'LOW COST!' and a small inset photo of a woman in a red sari. At the bottom left, there are logos for IIT Kharagpur and NPTEL.

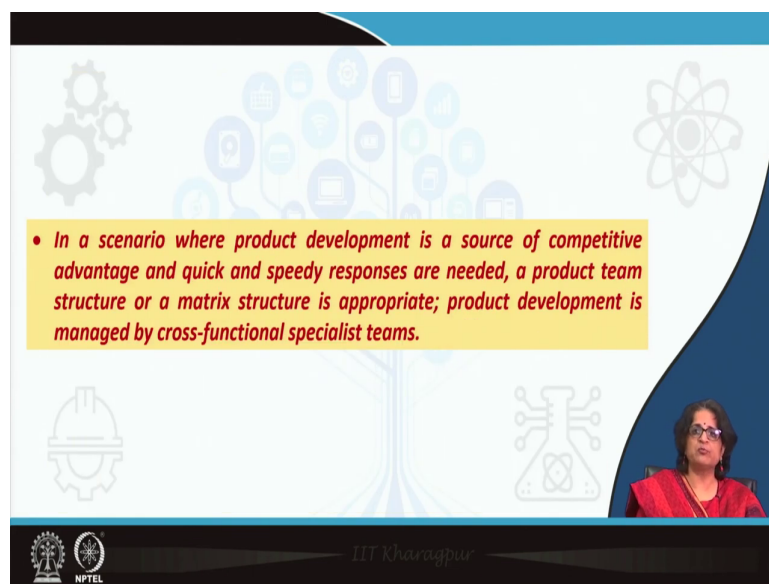
- **Low-cost strategy:** When organizations deal with one or few products to reduce cost; do not cater to many segments; are imitators and not strong in product development; do not face challenges of coordination the activities of different functional groups.
 - Appropriate structure: Simple structure; functional structure.
- **Differentiation strategy:** When organizations produce a wide assortment of goods and services; cater to several customer segments; competition with others is based on new product development, and innovation; and coordination of activities of different functional groups is crucial.
 - Appropriate structure: Complex structure; product structure (if handling a wide range of products); a market structure or a geographic structure (if handling different customer segments).

So, if you look at a low cost strategy when organizations deal with one of your products to reduce cost do not cater to many segments are imitators and not strong in product development and they do not face challenges of coordination coordinating the activities of different functional groups. The appropriate structure would be a simple structure a functional structure as we also saw in the one of the slides above here ok.

On the other hand, if it is a differentiation strategy when organizations produce a wide assortment of goods and services you know and cater to several customer segments compete with others and this competition with others is based on new product development, innovation, and coordination of activities of different functional areas is crucial.

In such cases, the appropriate structure would be a complex product complex structure it would be a complex structure, a product structure if its handling with a number of products and a geographic structure if it is handling with different geographical areas or different you know customer segments.

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- *In a scenario where product development is a source of competitive advantage and quick and speedy responses are needed, a product team structure or a matrix structure is appropriate; product development is managed by cross-functional specialist teams.*

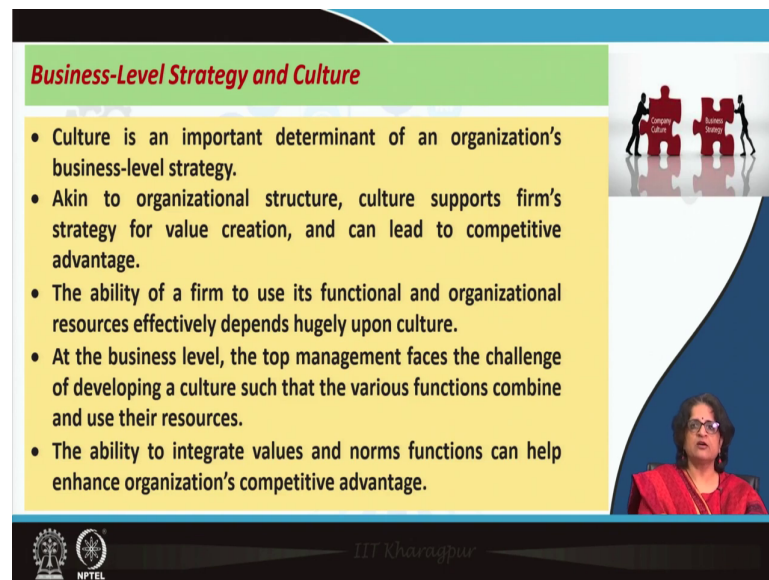
In the bottom right corner, there is a small video inset showing a woman with glasses wearing a red garment. The bottom of the slide includes the IIT Kharagpur logo and the NPTEL logo.

So, in such a scenario where product development is a source of competitive advantage and quick speedy responses are needed, a product team structure or a metric structure is appropriate and product development is managed by cross functional specialist team.

So, if you see here that when it is a differentiation strategy the choice is between a product team structure or a metric structure and in scenarios where product development is a source of competitive advantage quick responses are needed a metric structure and a product team

structure is very very appropriate and such teams are actually you know cross functional specialist teams.

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Business-Level Strategy and Culture

- Culture is an important determinant of an organization's business-level strategy.
- Akin to organizational structure, culture supports firm's strategy for value creation, and can lead to competitive advantage.
- The ability of a firm to use its functional and organizational resources effectively depends hugely upon culture.
- At the business level, the top management faces the challenge of developing a culture such that the various functions combine and use their resources.
- The ability to integrate values and norms functions can help enhance organization's competitive advantage.

The slide features a green header with the title, a yellow background for the text, and a small image of two people holding puzzle pieces labeled 'Company Culture' and 'Business Strategy'. The bottom of the slide includes logos for IIT Kharagpur and NPTEL, and a small video inset of a woman in a red jacket.

Now, coming to business level strategy and culture you know culture is an important determinant of the organizations business level strategy we discussed this in the previous lecture as well you know and akin to organizational structure culture supports the firm strategy for value creation and it can lead to a competitive advantage. The ability of a firm to use its functional resources or to use its organization resources also depends hugely on culture.

So, at the business level, top management often faces the challenge of developing culture such that various functions get together and you know to use their resources and the ability to

integrate values and norms functions can help enhance organizations you know competitive advantage. So, so that is very very important.

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Does culture vary across low-cost business-level strategy and differentiation business level strategy?

Yes.

- **Low-cost strategy:** Values of economy, efficiency and conservatism predominate; Mechanistic structures.
- **Differentiator strategy:** Values of uniqueness and distinctiveness, innovation, quality, excellence, responsiveness predominate; Organic structures.

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Does culture vary across low business level strategy and differentiation business level strategy? Yes. So, yes culture varies across low cost business level strategy and differentiation business level strategy. In low cost strategy values of economy efficiency and conservatism predominant predominate and this preferred structure is a mechanistic structure.

On the other hand, in case of a differentiator strategy values of uniqueness and distinctiveness innovation quality excellence responsiveness predominate and the structure which is appropriate for such a strategy and for such a culture is an organic structure.

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III Corporate-Level Strategy

- The corporate-level strategy involves either protecting and/or exploring and expanding into new domains, which can be exploited to defend a firm's ability to create value either through its low-cost or differentiation core competences.
- The environment must be analyzed, and managers must be able to differentiate between value creation and value losing opportunities; cost-benefit analysis associated with entering a new domain is essential.
 - This is regarded as an extension of the business-level strategy as the firm applies its existing core competences in newer domains.
- *Corporate-level strategies manifest as vertical integration and diversification.*

CORPORATE STRATEGY

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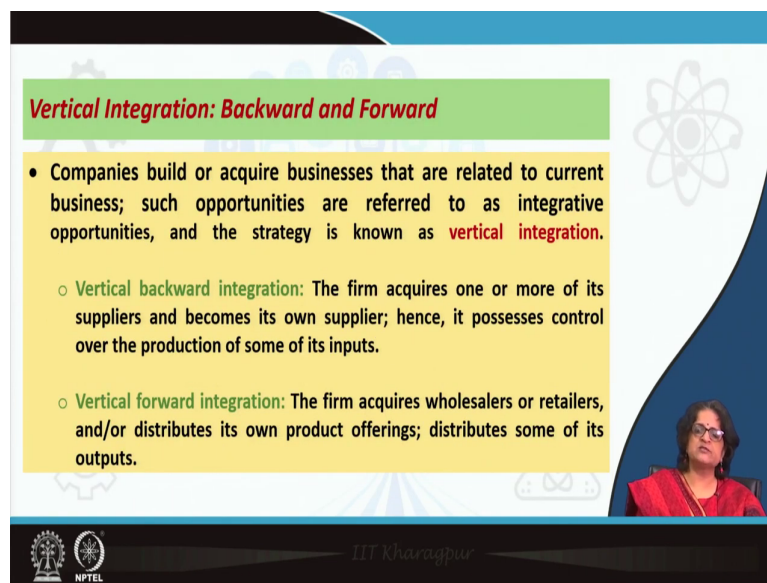
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Third, we come to corporate level strategy. Now, the corporate level strategy involves either protecting and safeguarding or exploring and expanding into newer domains which can be exploited to defend the firm's ability to create value either through low cost or through differentiation core competencies.

So, the environment must be analyzed and the managers must be able to differentiate between value creating and value losing opportunities. So, a cost benefit analysis associated with entering a new domain is very very crucial. So, what I am trying to say here is that the corporate strategy involves either safeguarding and or exploring you know into new you know domains which can be exploited to defend a firm's ability to create value either through the low cost or differentiation core competencies.

And the environment must be analyzed and a cost benefit analysis must be done before entering a new domain where the managers must be able to differentiate between value creation and value losing opportunities. So, in fact, this is regarded as an extension of the business level strategy as the firm applies its existing core competencies in newer domains. So, in that way it is an extension of the business level strategy and corporate level strategies manifest as vertical integration and differentiation.

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Vertical Integration: Backward and Forward

- Companies build or acquire businesses that are related to current business; such opportunities are referred to as integrative opportunities, and the strategy is known as **vertical integration**.
 - **Vertical backward integration:** The firm acquires one or more of its suppliers and becomes its own supplier; hence, it possesses control over the production of some of its inputs.
 - **Vertical forward integration:** The firm acquires wholesalers or retailers, and/or distributes its own product offerings; distributes some of its outputs.

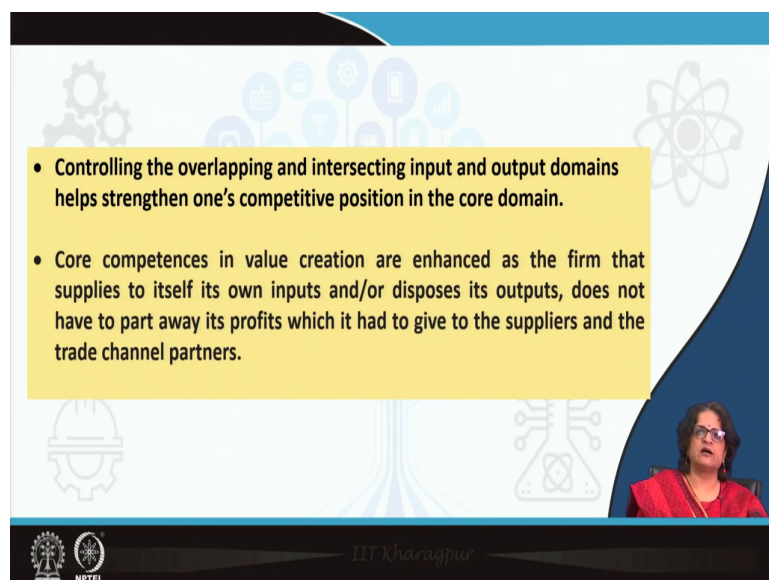
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Now, what is vertical integration? Now, companies may build or acquire businesses that are related to current businesses and such opportunities are referred to as integrative opportunities and the strategy is known as vertical integration. So, sometimes companies build or acquire businesses which are related to their current business and such opportunities are referred to as vertical opportunities and the strategy is referred to as vertical integration.

Vertical integration can be backward and forward. Vertical backward integration is that the firm acquires one or more of its suppliers and it becomes its own supplier. Hence, it possesses control over the production of some of its input ok; that is a vertical backward integration.

You know, integration can also be forward and we call it vertical forward integration whether firm acquires its wholesalers or retailers or you know distributors or it decides to distributes its own product offerings you know and so it distributes some of its own outputs.

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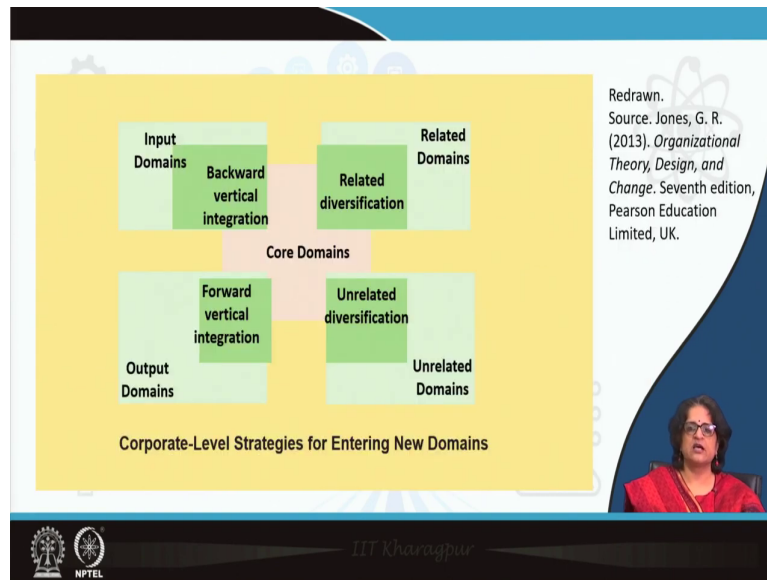


- Controlling the overlapping and intersecting input and output domains helps strengthen one's competitive position in the core domain.
- Core competences in value creation are enhanced as the firm that supplies to itself its own inputs and/or disposes its outputs, does not have to part away its profits which it had to give to the suppliers and the trade channel partners.

So, controlling the overlapping and interesting input and output domains helps strengthen one's competitive position in the core domain. And core competencies and value creation are enhanced as the firm that is a you know that is a firm that supplies to itself its own input or

disposes its own output does not have to part away with some of its profits which had it had to give to the suppliers or it had to give to the channel partners or the trade channel partners.

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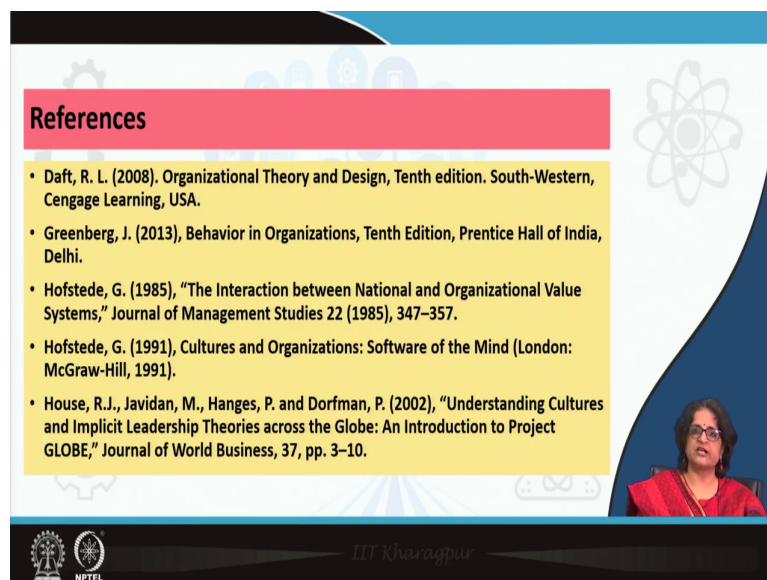
So, here if you see in this model it is in this diagram in this figure here. You have the corporate level strategies for entering new domains, you have a core domain and then you have input domains, related domains, unrelated domains and output domains. So, in a core domain in related domains you have related diversification where you have the organization entering into the domain of the supplier or the vendor. So, that is backward vertical integration.

So, the he so, the in this in when in this scenario the organization is able to gain control over its inputs. And the other hand in the when if the organization decides to you know enter into the domain of the retailer or the dealer or the distributor and or decides to sell directly to the

customers. So, this is called a vertical integration forward vertical integration where the company has control over its the sale of its output as well.

And does not have took part away with some of its profits which you could have to otherwise give to the channel partners. And of course, when companies decide to you know enter into absolutely new domains it is unrelated diversification and we will be speaking about that subsequently.

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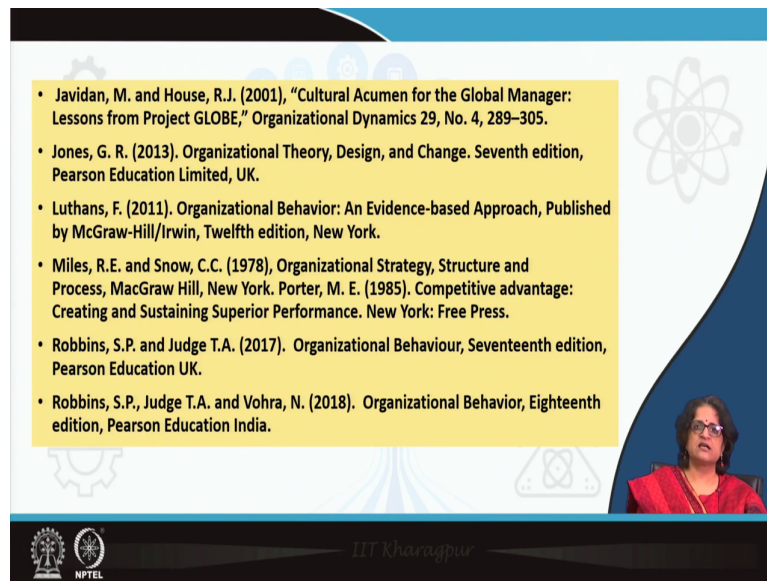
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CONCLUSION

This brings us to the end of this lecture.

We shall continue with the topic in the next lecture.

The slide features a background with various icons including gears, a tree with nodes, an atom, a hard hat, and a circuit board. At the bottom, there are logos for IIT Kharagpur and NPTEL.

So, this brings us to an end of this lecture the references and.

Thank you.