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RESEARCH ARTICLE

INFORMATION TECHNOLOGY HAS MADE BUSINESS INTEGRATION STRATEGIES EASIER TO IMPLEMENT

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Abstract

Introduction:-

Business integration is a strategy which is used to synchronize information technology (IT) to achieve immediate goals and objectives aligning with business culture. Business integration reflects how IT is being riveted as a function of business. Business integration helps growth of companies; any company which wants to grow needs healthy practices in terms of adding new vibrant functions which are easy and practical to implement. Information technology (IT) plays a fundamental role in automating complex problems by introducing user friendly solutions.

Business integration is driving the modern organizations and is a key medium for growth. It allows organizations to control their existing processes, people, technology, and information in order to stay ahead of the competition.

Often organizations that are not integrated nitpick about significant cost increase and resource consumption. When they are well-integrated system will not only reduce the energy consumption of the organization but will also allow for drilling down into valuable customer data. Therefore, today's organizations are integrating with different platforms to bridge the gap between multiple business functions. It has several benefits such as follows:

Helps improve value chain:

By integrating a robust tool with your CRM, organizations can easily enhance the power of their value chain systems to streamline business processes and operations. With the help of powerful systems integration, accessing data becomes easier for people in organizations and it leads to better decision making at different levels, which often results in accelerated business growth.

It improves internal as well as external communication:

It's been observed that when businesses are well-integrated, it helps improved connectivity with suppliers, marketing channels and retail sales too. It also helps streamline communication internally among different departments and between participants of different functions. As a result of this, organizations can easily share more information that was previously difficult, costly and/or time-consuming to access.

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Improved Productivity:
Productivity describes various measures of the efficiency of production. Often, a productivity measure is expressed as the ratio of an aggregate output to a single input or an aggregate input used in a production process i.e. output per unit of input, typically over a specific period of time. Rather than having to duplicate data from one place to another and wait for information to be received from other departments, employees can now spend more time on crucial tasks that will help the business grow. There are two types of integration strategies: Horizontal and Vertical.

Horizontal integration:
When a company wishes to grow through a horizontal integration, it looks out to acquire a similar companies in the same industry in which it operates. The acquisition or merger helps the main acquiring company to increase its size, diversify its product offerings or services, achieve economies of scale, help in gaining access in a new market, and of course reduce competition.One of the biggest examples of horizontal integration is of Facebook's acquisition of Instagram in 2012 for about $1 billion. Both Facebook and Instagram work in the same sector of social media and were in similar business such as photo-sharing services. Facebook was looking to strengthen its position in the social sharing space; it saw the acquisition of Instagram as a brilliant opportunity to grow its market share by accessing new audiences. The acquisition resulted into a high level of synergy.

Another horizontal integration is example is of Tata Steel's acquisition of Corus in 2007, which made Tata Steel a new steel giant in the world. The acquisition helped Tata Steel to tap European mature market; and the cost of acquisition was lower than setting up of green field plant and marketing and distribution channel. TATA manufactures low value, long and flat steel products while Corus produced high value stripped products.

Vertical Integration:
Vertical integration is a business strategy used to expand a firm by gaining ownership of a company that operates in the production process of the same industry. It can be a supplier, a distributer, packaging firm any of these. Through a vertical integration a company tries to strengthen its supply chain, reduce production costs, and also access new distribution channels.

There are two types of vertical integration: the first is forward integration, a method of vertical integration in which a firm will gain ownership of its distributor. The second is backward integration, a method of vertical integration in which a firm will gain ownership of its supplier. Forward and backward integrations are two integration strategies which are adopted by organizations to gain competitive advantages in the market and to gain control over the value chain of the industry under which they are operating.

Forward integration is a business strategy that involves a form of vertical integration whereby business activities are expanded to include control of the direct distribution of a company's products. This type of vertical integration is conducted by a company moving down the supply chain. Example of forward integration: The US retailing giant Amazon made key investments in 2017 of buying the Whole Foods Market organic grocery chain at $42 per share, or a total of $13.7 billion. With this acquisition Amazon gained its investment in brick & mortars retail and laid its hands on a large data of customers' grocery buying habits and patterns and preferences. Also, it helped Amazon in correlating between purchases of different products and even different categories in making grand strategies.

Backward Integration is a strategy in which a company acquires supplier of its raw materials, or sets up its own facilities to ensure a more reliable or cost-effective supply of inputs. Example of a backward integration is in 2014, the Ferrero Group, one of the market leaders of the chocolate confectionery industry acquired Otlan group for $ 500 million. Otlan is the global leader for supplying hazelnuts. By acquiring Otlan, Ferrero improved quality of its product the hazelnut chocolate that gives a unique taste to many of its popular products, such as Nutella, Ferrero Rocher and Kinder Bueno. Another example of backward integration is Ikea furniture buying an entire Romanian forest to help to secure its timber supplies. The purchase of the 83,000-acre woodland in north-eastern Romania is the first time that the furniture company will manage its own forest operations. It is thought to have cost €100 million. Ikea said the deal would allow it to manage wood sustainably at affordable prices. Romanian Government welcomed the Ikea deal but conservationists are concerned that it may pave the way for encroachment into areas such as the foothills of the Carpathian Mountains.

Conclusion:-

Information technology (IT) has become vital and integral part of every business integration strategy because of the multiple usages of it. In numerous companies, email is the principal means of communication between employees, suppliers and customers. Inventory is managed by IT to track the quantity of each item a company maintains, triggering an order of additional stock when the quantities fall below a pre-determined amount. Today, most companies store digital versions of documents on servers and storage devices. These documents become instantly available to everyone in the company, regardless of their geographical location. Progressive companies use that data as part of their strategic planning process as well as the planned execution of that strategy. IT enables companies to track sales data, expenses and productivity levels. Even in customer relationship management. It helps capture every interaction a company has with a customer, so that a more enriching experience is possible.

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