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Integration Methods and Strategies to Expand a Physician's Practice

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Introduction

In recent times, there has been a substantial rise in healthcare costs, which has brought about transformations in the medical sector. Many companies are focusing on establishing strategies that will help mitigate the medical care costs and ensure there are chances of profitability in the industry. Particularly, physician's practices across the nation are considering different strategic frameworks that can help reduce healthcare expenses and other operational costs. For this reason, most independent physician practices find it necessary to acquire other firms in the sector and apply appropriate strategic methods and models. Similarly, I also find it essential and strategic to explore different tactical approaches to help maintain my physician's practice business growth. In this sense, I focus on other integration methods and diversification approaches to expand my business scope.

Horizontal Integration

Horizontal integration entails the competitive technique where business organizations that carry out activities at the value chain and within one sector merge to expand the scope of service and goods production. In other words, horizontal integration increases firms' power in the market and reduces losses of non-integration. Holden (2011) **[1]** explains that firms that engage in horizontal integration involve strategic business consolidation and expansion of company scope to larger markets and economies of scale. If I engage in horizontal integration, I will have to acquire a direct competitor with a significant reach to consumers. Receiving a direct rival with a fair market share provides an opportunity to expand the business scope and gain larger market shares. However, I will have to ensure that I avoid acquiring my largest competitor in the physician's practice because it may lead to a monopoly.

Generally, horizontal integration is the most desirable strategic technique in the long run based on its associated benefits. For example, if successful, horizontal integration will allow the physician's practice business to present more revenue than compete separately. Secondly, horizontal integration is beneficial because it helps with cutting down costs **[1]**. Merging firms in a competitive sector like healthcare leads to technology, distribution, production, and marketing sharing, contributing to cost mitigation. Thus, I find horizontal integration the best for the physician's practice in the long run.

Vertical Integration

Organizations that engage in vertical integration usually acquire a firm that carries out activities in the same sector's production field. According to Stengel (2012) **[2]**, many companies explore vertical integration for several reasons, including enhancing the supply chain, analyzing new channels of distribution, and mitigating transaction costs and other production costs. In a physician's practice business, the application of strategic frameworks usually seeks to enhance service provision and bring in more revenue for the company. Acquiring resources in such a business requires the application of backward or forward vertical integration. These two vertical integration methods present different aspects of creating value in a company.

First, backward integration happens when a firm purchases another organization that manufactures a product input required by the acquiring firm's product. Engaging in backward integration ensures that a specific good producer has a steady supply of product input. On the other hand, forward integration occurs when a company opts to manage the post-production process **[3]**. Forward integration is significant because it entails acquiring a firm ahead of my business in the supply chain. For this reason, I can use forward vertical integration instead of backward integration because it can help the physician practice business acquire medicine and other products quickly and affordably, which guarantees more revenues and a closer engagement with consumers in the market.

Diversification/Conglomerate Strategy

The diversification/conglomerate strategy entails developing new products and presenting them in various markets as a strategy for growth. Most companies focus on diversification as an expansion technique in markets and industries that the business has never explored. Ketchen and Short (2012) **[3]** present that diversification is crucial to businesses because it helps firms achieve significant business profitability. Diversification comes in two forms, including related and unrelated diversification. Related diversification refers to the entry of a business into a new sector with similarities with the firm's present industry. On the contrary, unrelated diversification entails exploring new sectors utterly different from the firm's current sector.

In the physician's practice business, a diversification/conglomerate strategy can be beneficial. However, the most appropriate method is the related diversification strategy because it will allow the industry to share capabilities, skills, and assets. The company can engage in selling drugs and other relevant medication to consumers to increase revenue. Diversifying the business comes with several advantages, including increasing profitability, minimizing industry downturn risk, and boosting the brand image.

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