Peer 1

M3A1

Kevin Gudino posted Aug 3, 2018 2:57 PM

Business Policy Discussion

Harley Davidson (H-D) has employed a raft of measures such as mergers, franchising, and market penetration of emerging markets to achieve economies of scale. Still, it could benefit more by using flexible manufacturing and process systems that enable quick, cheaper switching from one product line to another. The strategy enables a business to be more flexible to change since the market changes are present in an evolving economy such as that of the motorbike industry. Again, Linked Supply Chains between suppliers, manufacturers, vendors, distributors, retailers, and consumers usually create economies of scope (Zaharia, Muşetescu& Chira,2015). Integration of a vertical supply chain causes productivity gains, cost improvements, and reduces waste. Harley Davidson would also want to improve market power by negotiating or pooling vertical integration. Vertical integration is the extension or expansion of a company by integrating successive production lines. Harley Davidson achieved vertical integration when it merged production lines and modified bikes to meet the needs of the emerging economies (Zaharia et al., 2015). It incorporated additional processes to meet the demands of the consumer or to use the original materials.

The luxury motorbike maker can obtain market power from a pooled, concentrated, or a negotiated power through the vertical integration. Consequently, it would obtain a synergy through agreement with various managers to use its market power for diversification. The government regulations in North America and Australia—major markets for Harley Davidson—enable the company to gain a large market share. The strategy also has worked for Time Warner merger and the American Online (AOL) in a deal that favored competition. When similar businesses work together they have the advantage of strengthening the bargaining power with regards to suppliers and buyers (Zaharia et al., 2015). In other words, it is the prerogative of the management at H-D to assess how the consolidated business could affect relationships with potential and real competitors, customers, and suppliers.

Reference

Zaharia, V., Muşetescu, A., &Chira, R. (2015). Facing Competition on a Global    Market. *Quality-Access to Success*, *16*.

Peer 2

Wedekind\_M3\_A1

Bradley Wedekind-Flores posted Aug 2, 2018 11:41 AM

**Find economies of scope. Provide examples of specific actions Harley-Davidson's managers could take to reduce expenses or share activities through horizontal relationships across brands.**

Accoding to Dess, Lumpking, Eisner, and McNamara (2013)[economies of scope](https://digitalbookshelf-jigsaw.argosy.edu/books/125971781X/epub/OPS/xhtml/Chapter06.xhtml#ch6key4) is when an organization accomplishes “cost savings from leveraging core competencies or sharing related activities among businesses in the corporation. A firm can also enjoy greater revenues if two businesses attain higher levels of sales growth combined than either company could attain independently” (p. 182).Harley-Davidson may achieve economies of scope due to its merger.  The organization may combine their multiple product lines; by combining product lines the organization may be able to reduce overhead fixed costs (e.g. warehouse and inventory maintenance).  Haley-Davidson also has the ability to link their supply chains; this will also allow them to achieve economies of scope.   By linking their supply chains “through [vertical integration](https://www.investopedia.com/terms/v/verticalintegration.asp). The ownership of a [supply chain](https://www.investopedia.com/terms/s/supplychain.asp), from raw materials to the [point of sale](https://www.investopedia.com/terms/p/point-of-sale.asp), allows many companies to consolidate the logistical process by combining multiple products into one production process, thus reducing costs” (Investopedia, 2018, para. 5).

**Find ways to achieve economies of scope by leveraging assets and capabilities across business units.**

Harley-Davidson has the ability to take advantage of the specific departments or arms of the organization they merged with.  They will be able to leverage specific strategies or departments; for example if the new organization has a marketing, finance, or human resource department, Harley-Davidson may choose to use them in order to cut costs. “factors that make it cheaper to produce a range of products together than to produce each one of them on its own. Such economies can come from businesses sharing centralized functions, such as finance or marketing” (The Economist, 2008, para. 7).

**Find ways to enhance market power by pooling and negotiating or vertical integration.**

Harley-Davidson may incorporate new procedures to develop their own raw materials; a process known as backward integration; the organization may also try to do forward integration and try to develop strategies to become their own suppliers to the consumer. **“**[Vertical integration](https://digitalbookshelf-jigsaw.argosy.edu/books/125971781X/epub/OPS/xhtml/Chapter06.xhtml#ch6key9) occurs when a firm becomes its own supplier or distributor. That is, it represents an expansion or extension of the firm by integrating preceding or successive production processes” (Dess et al, 2013, p. 186).  Because Harley-Davidson has over 1,400 independently owned Harley-Davidson dealerships; these dealerships create costs for the organization.  If Harley-Davidson decided to sell the bikes directly to the consumers they would eliminate some of these costs; essentially they could mirror Dell.

References:

Dess, G., Lumpkin, G., Eisner, A., McNamara, G. (09/2013). *Strategic Management: Text and Cases, 7th Edition*. [Argosy University]. Retrieved from <https://digitalbookshelf.argosy.edu/#/books/125971781X/>.

Investopedia. (2018). *Economies f scope.* Retrieved from: <https://www.investopedia.com/terms/e/economiesofscope.asp>.

The Economist. (2008). *Economies of scale and scope.* Retrieved from: <https://www.economist.com/news/2008/10/20/economies-of-scale-and-scope>.