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ADOPTION OF VERTICAL INTEGRATION TOWARDS BUSINESS PERFORMANCE EXCELLENCE: A CASE STUDY

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ABSTRACT

This study examines the case study organization's achievement of business excellence or success through vertical integration, which is considered an outdated strategy by recent scholars. This study examines the case study organization's business excellence or success through vertical integration, which is considered an outdated strategy by recent scholars. Using a single case study strategy, this study investigates why the case study organization moved to vertical integration as a key strategic initiative and explores how vertical integration drives performance excellence in the case study organization. This explores vertical integration in a Sri Lankan retail company, focusing on the motivations and rationale behind its adoption as a strategic practice for business excellence, using a qualitative approach to explore an organizational strategy of vertical integration into the company's operations. Data collection methods include in-depth interviews and focus group discussions and This study's data analysis is based on thematic analysis. This study mainly applies institutional theory as the theoretical framework to investigate the phenomenon under investigation. The research site of this study, which is called Evergreen Mart to preserve its anonymity, is a leading retail operator's subsidiary in Sri Lanka. Through the research findings, the purpose of the study is to discuss how this case study can adopt vertical integration as a successful business strategy. Evergreen Mart collectively covers the major aspects of business performance excellence, including operational efficiency, financial performance, supply chain reliability, and customer satisfaction according to interviews and focus group discussions. By linking these areas with the strategic initiative of vertical integration, this study can finally say that vertical integration contributes to a successful strategy in pursuit of business performance excellence for sustainable success in the competitive market environment of Evergreen Mart.

Keywords: Business Excellence, Case Study, Forward Integration

1. Introduction

At present, every company worldwide is directing its efforts toward enhancing various facets of its operations during the economic crisis. This includes a primary focus on improving product quality, reducing production costs, increasing productivity, maximizing customer satisfaction, inventory management, and marketing strategies. Worldwide companies implement various strategies, including vertical integration, to achieve overarching objectives and sustain a competitive edge in their markets.

Vertical integration is a strategy that enables a corporation to streamline its operations by taking direct ownership of various stages of its manufacturing process rather than depending on external contractors or suppliers (Kim, 2019). Vertical integration enables a corporation to manage and control multiple areas of its production, distribution, and sales operations (Khartit, 2021). Just as outsourcing formerly posed difficulties to global management, the revival of vertical integration provides benefits as well as new challenges (Zhang, 2013).

Vertical integration can be achieved through various means, with two prevalent approaches being backward and forward integration, each offering distinct advantages and challenges for companies seeking to streamline their operations and enhance their market positions. Backward integration is the process of integrating any operation or service that was offered before the specific primary operation or service (Amin, 2021). Forward integration is a business strategy that entails a type of downstream vertical integration in which the firm controls and owns commercial operations that are ahead in the value chain of its industry, such as direct distribution or supply of the company's products. This type of vertical integration is conducted by a company advancing along the supply chain (Kenton, 2021). Literary research on vertical integration has been conducted in a variety of industries. Such as the technology industry (Zhang, 2013), healthcare (Hogan et al., 2018), construction (Lehtinen, 2010), oil, cement, Information Technology (IT), food (Prasertwattanaku and Ongkunaruk, 2018), and textile and apparel industry (Gunathilake and De Mel, 2016).

Some researchers have argued that vertical integration is a successful strategy and enhances the development and implementation of systemic innovations (Lehtinen, 2010). Over the past few years, some major corporations have taken steps to establish more control over their supply chains by staying away from the famous trend of outsourcing and they prefer to return to obtain a higher level of vertical integration (Zhang, 2013). Corporations may use vertical integration to gain a competitive advantage, raise the possibility of being able to collect economic rents and protect uncommon, difficult-to-replicate, and costly

resources (Fernández-Olmos et al., 2016).

However, some other researchers have argued that vertical integration has a negative impact and outdated strategy. Vertical integration has a higher social cost in innovative and competitive industries (Zanchettin and Mukherjee, 2017). Vertical integration may not be an acceptable strategy for many organizations (Wan and Sanders, 2017). The current study focuses on Evergreen Mart, which is one of the leading companies in the retail industry, has been practicing vertical integration strategy for over several years and now this company has achieved business performance excellence with vertical integration. Therefore, this study shows how implementation and institutionalization of vertical integration on business performance excellence during economic crisis, by considering all the contradictory findings on this topic.

The problem statement of this study is that past literature mentions that vertical integration was widely used as a successful strategy, but recent literature suggests that vertical integration is outdated. This study aims to consider all these contradictory findings and examine how "Evergreen Mart" achieves business excellence or success through vertical integration during economic crisis, despite it being considered an outdated strategy by recent scholars. This study collected information from both primary and secondary sources. It mostly collected information from primary sources, including interviews, and focus groups. Additionally, analysis of secondary data sources such as company documentaries, internal documents, and industry reports.

The following research questions will be addressed in this study; Why did the case study organizations move to vertical integration as a key strategic initiative, and how did vertical integration drive the performance excellence of the case study organizations? Correspondingly the research objectives are to explore why the case study organization moved to vertical integration as a key strategic initiative and to explore how vertical integration drives the performance excellence of the case study organization.

1.1. Research Problem Statement

In a capitalist economy where businesses aim for substantial profits, theories concerning vertical integration can be understood as theories about how merging various stages of production or distribution within a single company can lead to increased profitability. Early research primarily examined vertical integration as a tactic to diminish competition, as evidenced by the mandated divestiture of movie theatres by major film studios in 1948, enforced by American antitrust authorities. In the early 1970s, Williamson introduced a significant paper utilizing Coase's concept of transaction costs, asserting that

vertical integration could enhance efficiency, particularly in situations involving investments specific to particular relationships. Similar notions were articulated by Klein et al. (1978), who viewed vertical integration as a means to circumvent potential issues like the hold-up problem.

Nugent and Hamblin (1996) have provided valuable insights, leading researchers to emphasize the utility of vertical integration as a viable business strategy. While past literature has emphasized the strategic significance of vertical integration, contemporary developments suggest a shift away from its conventional wisdom. The rise of deglobalization, propelled by technological advancements and geopolitical tensions, has led to a resurgence of interest in vertical integration as a means of navigating uncertain economic landscapes. However, this renewed focus overlooks critical considerations surrounding the efficacy of vertical integration in modern business contexts. High levels of behavioral and environmental uncertainty, often exacerbated by external shocks such as the COVID-19 pandemic, can undermine the performance of integrated operations.

The latest researchers Osegowitsch, and Madhok (2003) suggest that while vertical integration has historically been a widely used strategy in a variety of industries, there is ongoing debate about its relevance and effectiveness in today's business landscape.

This research delves into the dynamics of vertical integration through the lens of a large-scale business organization, each embodying contrasting outcomes. To maintain anonymity, the term 'Evergreen Mart' is used throughout this research to refer to the subject of investigation, ensuring confidentiality while discussing the vertical integration strategies employed within the retail sector. Evergreen Mart, a prominent retail chain, strategically pursued vertical integration by establishing its transport service. This move was a calculated response to streamline its supply chain operations. Evergreen Mart aimed to reduce reliance on third-party transportation providers, mitigate risks associated with disruptions in the supply chain, and enhance overall efficiency and responsiveness. This strategic shift allowed Evergreen Mart to optimize delivery schedules, minimize transportation costs, and ensure timely and reliable product deliveries to its stores nationwide.

Furthermore, vertical integration empowered Evergreen Mart to maintain rigorous quality standards throughout the distribution process, thereby enhancing customer satisfaction and loyalty. Overall, by embracing vertical integration in Transportation, Evergreen Mart secured a competitive edge in the retail industry while reaping the benefits of improved operational efficiency and enhanced supply chain management.

Considering all factors, while vertical integration has often been depicted as an outdated strategy in today's dynamic market landscape,

this research delves into how Evergreen Mart has defied such perceptions by effectively leveraging vertical integration within its operations. By closely examining Evergreen Mart's strategic implementation of vertical integration, this study aims to shed light on how the company has modernized this traditional approach, turning it into a formidable tool for enhancing efficiency, ensuring quality control, and maintaining competitiveness in the retail sector. This initiative aims to address a challenge of unprecedented magnitude.

2. Literature Review

2.1. Theoretical Framework

This study mainly applied institutional theory as the theoretical framework to investigate the phenomenon under investigation. Organizations are affected by other organizations or institutions. Institutional theory is based on that assumption and can be applied to investigate how organizations respond to external pressure from other organizations or professional associations (DiMaggio and Powell, 1983). The institutional theory highlights the role of institutions, rules, and regulations that impact economic activities and outcomes (Dragomir et al., 2023). The most powerful argument of institutional theory is that the institution, not the market, determines how an organization behaves and functions within the same industry (Krajnović, 2018).

Within the framework of institutional theory, past scholars have investigated issues of isomorphism (DiMaggio and Powell, 1983), and loose coupling (Meyer and Rowan, 1977). Edwards et al. (2009) argue that new institutional theory addresses new explanations created in legitimacy and social structure for the inexplicable isomorphism that characterizes organizations, resulting in the rapid development of institutional theory as a research area.

One of the primary concepts of institutional theory is institutional isomorphism, which explains the organizational similarities. Isomorphism describes an organization's degree of adherence to established standards and practices in a specific organizational field (Johnston, 2013). DiMaggio and Powell (1983) identified three types of isomorphism. Coercive isomorphism, normative isomorphism, and mimetic isomorphism.

Coercive isomorphism is highlighted, in a situation where leading organizations influence other followers in a way that compels desirable behavior to obtain legitimacy and further benefits (Edwards et al., 2009). Mimetic isomorphism is a result of ambiguous organizational goals and an unpredictable environment (Krajnović, 2018). Normative isomorphism is the outcome of professionalization within a certain organizational field (Johnston, 2013).

Institutional theory guides the research objectives, research questions, and analysis, providing insights into broader social and

regulatory variables. By drawing on this theoretical framework, this study aims to provide a comprehensive understanding of how the role of institutions, rules, and regulations influence the operational system changes within the organizations. Institutional theory is used to explain the impact of institutional frameworks on the adoption of vertical integration to achieve business performance excellence during economic crises as well as how Evergreen Mart implements vertical integration as a response to institutional constraints such as industry norms, regulatory requirements, or market expectations during economic crises.

2.2. Overview of Vertical Integration

In response to the research theme, this paper focuses on reviewing and commenting on the following literature: the current state of research on vertical integration. Many researchers have studied the concept of vertical integration of companies which is a prevalent subject of discussion in the fields of economics and management. However, different researchers offer different opinions on this concept.

Vertical integration is generally defined as the process where a company extends its control over multiple stages of its production or distribution chain, either through backward integration about control over suppliers or forward integration about control over distribution channels. According to Harrigan (1985) Vertical integration, in a traditional definition focused on its application to major corporations, is defined as various decisions by corporations through their business units about whether to provide certain goods or services in-house or to purchase them from outsiders (Harrigan, 1985). Scholars like Mahoney (1992) argue that vertical integration is a fundamental corporate strategy of interest in the fields of strategic management and corporate economics. This is based on the finding that vertical financial ownership removes firm constraints through mergers and acquisitions and offers a viable alternative to vertical financial ownership (Mahoney, 1992).

But there have also been many who question the usefulness of vertical integration strategies. Lafontaine and Slade (2007) define vertical integration as a firm's decision to extend control over multiple stages of the production or distribution process, often driven by the need to manage specific investments, mitigate uncertainty, or avoid opportunistic behavior. However, they also warn that vertical integration may reduce transaction costs and increase control but may decrease flexibility and efficiency. While economic outcomes, especially prices and profits, depend on industry and context, vertical integration is a strategic decision shaped by various economic forces. Vertically integrated firms can lower upstream costs by supplying downstream competitors, but these competitors may not purchase from the integrated firm unless the price for intermediate goods is significantly

lower than alternative suppliers (Chen, 2005).

The literature on vertical integration reflects both its potential advantages and disadvantages. While more recent study disputes its relevance in light of the rapid changes in technology and the market, earlier studies highlighted its usefulness in attaining economies of scale and enhancing supply chain control. The divergent views on vertical integration highlight the need for additional in-depth studies that concentrate on market dynamics and industry-specific elements. Future studies will be better able to advise companies on whether vertical integration may be used as a strategic tool by filling these gaps.

2.3. Forward Integration Strategy

This part consists of a brief discussion regarding the forward integration strategy. Lin et al, (2014) have taken part in exploring how a firm's competitive advantages and market performance are impacted by forward integration, backward integration, or without integration. The result found that forward integration can damage a manufacturer's profitability.

Bering (2021) used primary and secondary data from companies in the European truck manufacturing industry to examine under different market conditions how forward-integrated manufacturing firms successfully manage their integrated distribution activities under different market conditions. This study found that when management tools are effectively adjusted to the given distribution context, forward integration can create long-term competitive benefits.

Nikogosian and Weigand (2012) have taken part in examining how forward integration affects the market entry decision in Germany. The result found that Forward integration may create significant barriers to market entrance for new rivals, especially in regions having dominant importers.

Research on forward integration has been conducted in the past, however past studies have mostly focused on a few industries and most of them are in European and Asian nations. Future studies are required to look into the effects of forward integration on additional industries and regions.

2.4. Vertical Integration and Business Performance

This part of the chapter reviews past studies to provide an understanding and an overview of Vertical integration. From a component of it analyses for the business performance.

In a study by Li et al. (2021) from China, the authors explored how vertical integration strategies vary under different business modes, such as reseller and platform modes, within the retail sector. Through equilibrium analysis using dynamic noncooperative game theory, the study revealed that forward integration under the platform mode

positively influenced service levels and demand, whereas backward integration under the reseller mode was more advantageous when the marginal cost of service improvements was high. This indicates a context-dependent relationship where the effectiveness of vertical integration strategies is significantly influenced by the business mode and cost structures. Those findings explore the importance of tailoring vertical integration strategies to specific operational contexts to maximize business performance.

Frenda and D'Ottavi (2023) have attended to test in Italy examining the impact of vertical integration on the supply chain performance of multinational enterprises, with a focus on comparing domestic and foreign branches. Using Principal Components Analysis (PCA), they found that vertical integration led to reduced intermediate costs and increased added value in domestic operations, indicating a positive relationship between integration and business performance within the country. However, this positive effect was not mirrored in foreign branches, where vertical integration showed a weaker negative correlation with intermediate costs and no significant impact on added value. The result found that the benefits of vertical integration may be more context-specific, offering greater advantages in domestic rather than international settings.

Researchers provide valuable insights into the effects of vertical integration on business performance, but the limitations highlight the need for further research across diverse industries and regions to gain a more comprehensive understanding of its impact.

2.5. Vertical Integration and Economic Crisis

The retail industry is highly sensitive to the economic ups and downs, as well as facing different challenges during the economic crisis. According to Grewal & Tansuhaj, (2001) state that recent cases in Eastern Europe, Asia, and South America have testified to this point. Because of expanding globalization and the Development of the organized economy (Grewal & Tansuhaj, 2001). As soon as possible or afterward economic crisis will affect every firm directly or indirectly.

As per Block, (1979) an economic crisis can be changed due to the nature of consumer demand. Further, most firms may follow different strategies to improve their business performance and maintain their long-term success. Cost reduction and efficiency, focus on liquidity, Inventory Management Supply Chain Optimization, and vertical integration are some of the main strategies they have used. Vertical integration terminates the Adverse effect of double marginalization. Further, Forward integration permits a producer to better control their retail cost, empowering them to respond to changes in the request more successfully (Lin et al., 2014).

3. Methodology

This study explores the phenomenon of vertical integration within the context of a Sri Lankan retail company, aiming to uncover the underlying motivations and rationale behind the company's decision to adopt vertical integration as a core strategic practice. The research investigates how this strategy contributes to the pursuit of business excellence. To explore these issues, a qualitative research approach has been adopted, allowing for an in-depth examination of the case study of the company's strategic approach to vertical integration.

The research is grounded in a critical realism philosophy, which acknowledges the existence of an external reality but questions the ability to fully measure it objectively (Saunders et al., 2019). Critical realism posits that while researchers aim to approximate the truth, there is always an inherent uncertainty in understanding the world due to the subjective nature of human interpretation. In this study, critical realism is employed to explore the company's vertical integration strategy, recognizing the complexity of subjective experiences and organizational dynamics. Researchers triangulated multiple data sources to mitigate potential biases and enhance the robustness of the findings (Sekaran & Bougie, 2016).

An inductive approach has been used in this study, facilitating the development of new theories based on the collected data rather than testing predefined hypotheses (Saunders et al., 2012). By analyzing qualitative data, the research identifies patterns, themes, and relationships that emerge from the participants' experiences. This inductive process provides rich, context-specific insights into the company's vertical integration strategy and its impact on business performance. The aim is to develop a theoretical framework that not only contributes to academic knowledge but also has practical implications for similar organizations (Thomas, 2006).

This research uses a single-case study methodology, focusing on a retail company in Sri Lanka called Evergreen Mart to preserve anonymity. A case study approach is appropriate for exploring complex phenomena within their real-life context, as it allows for an in-depth investigation of vertical integration's strategic adoption. This approach is aligned with Yin's (2014) guidelines, which emphasize the value of single-case studies in exploring phenomena that are under-researched and context-specific. In this case, the focus is on understanding why and how Evergreen Mart adopted vertical integration as a strategic initiative, and what outcomes have resulted from this decision.

The research site of this study, which is called Evergreen Mart to preserve its anonymity, is a leading retail operator's subsidiary in Sri Lanka. The retail industry in Sri Lanka is a dynamic and competitive sector that contributes significantly to the country's economy. Evergreen Mart, a leading supermarket chain with over 116 outlets,

operates as a subsidiary of the larger Evergreen Mart Group. The company has implemented forward vertical integration to gain control over its supply chain, particularly in managing its transportation logistics, which were previously outsourced. This research delves into the motivations behind this strategic decision and examines its implications for business performance, including operational efficiency, financial outcomes, and customer satisfaction.

This study gathered data from both primary and secondary sources. Primary data came from interviews and focus group discussions, while newspapers and industry magazines provided secondary data. The study used purposive sampling to intentionally select participants with relevant insights on vertical integration, rather than relying on random selection. Discussions were held with executive-level employees at Evergreen Mart, focusing on those with over five years of experience in operations and supply chain management. This targeted approach aimed to capture in-depth perspectives on vertical integration within the organization.

4. Data Analysis

A technique for finding, evaluating, and deciphering patterns of meaning in qualitative data is called thematic analysis. This study's research approach is based on thematic analysis and this analysis allowed for a wide range of data to be gathered while assisting in the inductive examination of the entire data set. In 2013, Braun and Clarke highlighted seven steps involved with thematic analysis and this study followed the same steps in conducting the data analysis. The seven steps include transcribing, reading, and familiarization, coding, searching themes, reviewing themes, defining themes, and finalizing the analysis.

As the transcribing step, transcribed all the interviews to eliminate the chance of missing any important information. After that, all transcriptions are marked with the names of the relevant individuals and saved securely in softcopy format. Familiarization is the step that needs to be done to get to know data. According to the familiarization step, read through the transcripts several times while listening to the interview audio.

Next up, the data must be coded. Based on the existing understanding of past literature, research questions, and theory, created a set of initial codes that indicate the meanings and patterns identified in data. Under the searching themes step, grouped the code into potential themes. The fifth step is reviewing themes. At this stage, we reviewed the coded data to confirm that the themes appropriately represented the patterns in the data and any themes that did not match well were removed. In the sixth step, give each of them a name and a definition. Defining themes involves identifying exactly what each theme means and how it contributes to an understanding of the dataset. As the

final step, verify that all themes are properly related to the research questions.

This study used Nvivo software to analyze the data. Nvivo software enables excellent categorization, classification, and analysis of various quantitative data types including written documents and audio recordings.

5. Results and Discussion

This study involved nine interviews with individuals above the executive level and one focus group discussion with frontline employees from the case study company. While past research supports vertical integration as a successful business strategy, more recent studies suggest it may be outdated in certain industries. However, the findings of this research show that the company continues to benefit from vertical integration, enhancing operational control, streamlining supply chains, and improving communication across departments. These outcomes contribute to the company's sustained business performance excellence, affirming vertical integration's relevance in this specific context.

Vertical Integration Strategy

Using thematic analysis this study identified why the case study organization moved to vertical integration as a key strategic initiative. The table below illustrates it with the quotes of Evergreen Mart's COO, CEO, SCM.

Table 1: Results and Discussion Based on Vertical Integration Strategy.

Designation	Quotes	Code	Theme
COO	"Outsourcing was cost-effective initially, but it quickly became clear that to maintain the quality we promise our customers, we needed greater control over our supply chain. Vertical integration, despite its upfront costs, was the only way to achieve that."	Outsourcing Limitations	Supply Chain Control and Quality Assurance
CEO	"The decision was driven by a long-term view. We knew the initial investment would be substantial, but the projected ROI and the control we'd gain over logistics made it a strategic necessity."	Cost-Benefit Justification	Long-Term Investment for Greater ROI and Control

SCM	"The transition wasn't without its challenges. Integrating new technology for route optimization and ensuring compliance with regulations were major hurdles, but our focus on cross-departmental communication was key to overcoming them."	Technology and Regulatory Barriers	Addressing Integration Challenges with Cross-Functional Collaboration
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According to the thematic analysis, Quotes, Codes, and Themes, Evergreen Mart's move towards vertical integration is a calculated strategic initiative aimed at improving quality control, ensuring long-term financial returns, and adapting to operational challenges.

Business Performance Excellence

Using thematic analysis this study identified how vertical integration drives the performance excellence of the case study organization. The table below illustrates it with the quotes of Evergreen Mart's Senior Procurement Manager, Mid-Level Managers (Focus Group), COO, Director of Operations, Frontline Employees (Focus Group), CFO, and Quality Assurance Manager.

Table 2: Results and Discussion Based on Business Performance Excellence.

Designation	Quotes	Code	Theme
Senior Procurement Manager	"With in-house logistics, we have achieved more reliable inventory management, minimizing stockouts and ensuring consistent stock availability in our retail outlets."	Inventory Stability	Improved Operational Efficiency Through In-House Logistics
Mid-Level Managers (Focus Group)	"Integrating transportation into our operations has streamlined workflows, reduced bottlenecks, and improved the efficiency of delivering parts to retail locations."	Workflow Efficiency	Enhanced Productivity and Workflow Streamlining
COO	"While the original plan was expensive, supply chain efficiency and delivery times have improved significantly. Thanks to our supply chain changes we are now much closer to our quality levels."	Supply Chain Efficiency Gains	Improved Delivery Performance and Quality Levels
Director of Operations	"By controlling transportation, we have improved the resiliency of our supply chain, ensuring uninterrupted stock reaches our retail outlets and improving overall business reliability."	Supply Chain Reliability	Increased Supply Chain Resilience and Business Continuity
Frontline Employees (Focus Group)	"Managing our logistics has increased our productivity by providing better tools and training, leading to more effective stock	Employee Productivity	Boosted Workforce Efficiency and Distribution

	handling and distribution to retail outlets."		Effectiveness
CFO	"Investing in our transportation infrastructure is proving beneficial. We see improved profitability and lower costs associated with component delivery, positively impacting our overall business performance."	Cost Reduction	Increased Profit Margins Through Lower Transportation Costs
Quality Assurance Manager	"Better product quality upon delivery, fewer customer complaints, and increased overall satisfaction and brand reputation are the results of this improved control."	Product Quality Improvements	Enhanced Customer Satisfaction and Brand Reputation

According to the thematic analysis, Quotes, Codes, and Themes, Evergreen Mart collectively cover the major aspects of business performance excellence, including operational efficiency, supply chain reliability, and customer satisfaction.

By linking these areas with the strategic initiative of vertical integration, this study can finally say that vertical integration contributes to a successful strategy in pursuit of business performance excellence for sustainable success in the competitive market environment of Evergreen Mart.

Supply Chain Control and Quality Assurance

Evergreen Mart faced coercive pressures from regulatory standards, leading to vertical integration for better control over product quality. Outsourcing risked compromising quality, which could affect customer trust and regulatory compliance. Vertical integration allowed Evergreen Mart to meet these standards and maintain customer confidence.

Long-Term Investment for ROI and Control

Normative pressures pushed Evergreen Mart to invest in vertical integration for better operational control and long-term returns. This aligns with industry standards that emphasize sustainability, financial stability, and efficient supply chain management, ensuring competitiveness.

Cross-Functional Collaboration for Integration Challenges

Technology and regulatory pressures required cross-functional cooperation at Evergreen Mart. Internal collaboration, especially in logistics, enabled the company to meet regulatory standards, optimize routes, and legitimize its vertically integrated model.

Improved Operational Efficiency

Responding to normative demands, Evergreen Mart moved to in-house logistics, improving inventory management and reducing stockouts. This aligns with industry practices, fostering efficiency and institutional legitimacy, and building customer trust.

Enhanced Productivity and Streamlined Workflows

Evergreen Mart optimized internal workflows, reacting to normative pressures. Vertical integration improved operational efficiency and reinforced the company's credibility with stakeholders, enhancing productivity and workflow.

Improved Delivery and Quality

Coercive and normative pressures led Evergreen Mart to vertically integrate its supply chain, improving delivery speed and product quality. This not only ensures compliance with regulations but also strengthens competitiveness by mirroring successful industry practices.

Increased Supply Chain Resilience

Evergreen Mart responded to coercive pressures from global disruptions by internalizing logistics, enhancing supply chain resilience, and ensuring business continuity, meeting market demands for reliability.

Boosted Workforce Efficiency and Distribution

Mimetic pressures influenced Evergreen Mart's focus on worker productivity by adopting industry-successful logistics strategies. This improved efficiency and competitiveness in the retail market.

Higher Profit Margins

Driven by normative and mimetic pressures, Evergreen Mart integrated its supply chain, reducing transportation costs and increasing profitability, adhering to industry expectations for cost efficiency and operational effectiveness.

Enhanced Customer Satisfaction and Brand Reputation

Normative pressures on quality led Evergreen Mart to vertically integrate, resulting in better product control, fewer complaints, and improved customer satisfaction. This bolstered their brand reputation and institutional legitimacy.

6. Conclusion

The study highlights vertical integration as a powerful strategy for business performance, particularly in the retail industry, exemplified by Evergreen Mart. It demonstrates that contrary to some recent views,

vertical integration can enhance operational efficiency, improve supply chain reliability, and strengthen financial performance. Evergreen Mart's integration of its logistics system allowed it to control its supply chain, resulting in better product quality, cost reduction, and improved customer satisfaction, contributing to its competitive advantage and long-term sustainability.

The positive outcomes at Evergreen Mart might be tied to specific factors in the Sri Lankan retail sector, indicating that context matters. Vertical integration may not yield the same benefits in other industries or market conditions. The study challenges the belief that vertical integration is outdated, offering practical insights for retail managers. It emphasizes the strategic application of vertical integration to optimize business performance. Future research should explore its long-term financial impacts across various industries and assess its effectiveness in different economic conditions to better understand when it can be most effective.

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