Health care strategy

Student’s Name

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Statements of financial position are a measure of business performance. A good performing business will have attractive financial statements. Income statement and statement financial form a good basis for the business to raise funds. If they look not appealing, the investors may object to investing. Therefore, the business has task of ensuring the business undertakings are worth the investment. The question here is how do we ensure high returns and manage the risk? Businesses take this as critical and require closes attention.

Responding to the prior question, diversification is the ultimate solution. Here, the business has responsible persons such as investment managers responsible for investing investors’ money for high returns. Diversification has two forms, that is, relatedness or non-relatedness (Moseley III, 2017). Relatedness means that the business diversifies into new lines in the same industry. Nevertheless, measuring the degree of relatedness will fall in the classes below:

1. What are the products or services the business produces?
2. What are the sources of raw materials?
3. Who are the target market and the customers?
4. What are the production and supply chains?

The questions above will assist in measuring the degree of relatedness of a diversification a company wants to make.

**Why related diversification works than unrelated**

Related diversification contributes positive results to performance of the business in that: the business has a ready market, the products or services produced are not new to the business, and the business understands the activities of production and services such as sourcing suppliers and other production needs (Markides, & Williamson, 1994).

**Synergies**

1. Developing combined employee programs become easier since they handle similar tasks.
2. Solutions and problems can be shared hence, will have synergistic effects on the performance of the business.
3. Similar activities will utilise on any slack capacity available and maximize on production.
4. Combining the business will lead to huge discounts and increase the negotiating power with suppliers (Ye, Priem, & Alshwer, 2012).
5. Related business can combined to have effective systems and most efficient to conduct businesses.

References

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