

Institutional Arrangements and Competitive Posture: Effects of Company Structures in the Commercial Printing Industry

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Abstract

The research objective of this dissertation is to investigate the impact of institutional arrangements, with respect to vertical integration and cooperation, on competitive advantages within the commercial printing industry, with specific focus on digital printing. This dissertation comprises six research papers, based on four qualitative case studies and a quantitative survey study, all carried out in Sweden in the years 2004–2008.

The results show that vertical integration is a way to achieve competitive advantages in the commercial printing industry and is a widely used strategy in Sweden. Being able to contract full service companies is appreciated by customers to printing houses, especially direct customers, due to their need for a supplier of complete solutions for printed matters. Consequently, a vertically integrated company can provide value added services which makes it possible for customers to minimize their organization regarding production and purchasing of printed matters. Other reasons for vertical integration are the need to ensure fast deliveries to customers and having a steady supply of appropriate jobs. Despite the believed strategic importance by the industry, the results show that the level of vertical integration has no significant impact on profitability. Vertical integration is strategically important for digital printing houses in order to develop their business because digital printing allows for fast deliveries, on-demand printing and variable data printing. Despite the commoditization of printed matter, the findings indicate that the industry, in general, focuses on providing a high service level even though it means having to set higher prices. Furthermore, the results point toward that this strategic positioning is beneficial for digital printing houses because they experience a lower degree of competition and a lower price pressure.

Vertical integration can, however create inflexibility due to ownership and employment. The findings suggest that cooperation can be used to achieve fast access to valuable resources, such as production equipment and knowledge, and, hence, increase printing houses' resource flexibility. Even though internal control of resources is regarded as important to be able to satisfy customers' needs and produce customers' orders on time, cooperation with partners can create similar strategic effects. Furthermore, cooperation can give cost and flexibility advantages compared to vertical integration by reducing internal need for production capacity and allowing access to complementary resources. Nevertheless, it is common to combine vertical integration with cooperation to create competitive advantages and make a company more flexible and dynamic toward market changes.

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