New Venture Expansion

Strategies and issues

Expansion Strategies

- **Strategy:** Strategy refers to how a firm plans to achieve a given objective.
- **Corporate Strategies:** Corporate strategy is essentially a blueprint for the growth of the firm.
- **Competitive Strategies:** Strategies that determine how the firm will compete in a specific business or industry.
- **Functional Strategies:** Also called operational strategies, these are the short-term, goal-directed decisions and actions of the organization's various functional departments.

Expansion Strategies

- An expansion strategy is synonymous with a growth strategy.
- The Expansion Strategy is adopted by an organization when it attempts to achieve high growth as compared to its past achievements.
- In other words,
  - when a firm aims to grow considerably
  - by broadening the scope of one of its business operations in the perspective of
  - customer groups, customer functions and technology alternatives,
  - either individually or jointly, then it follows the Expansion Strategy.

Expansion Strategies

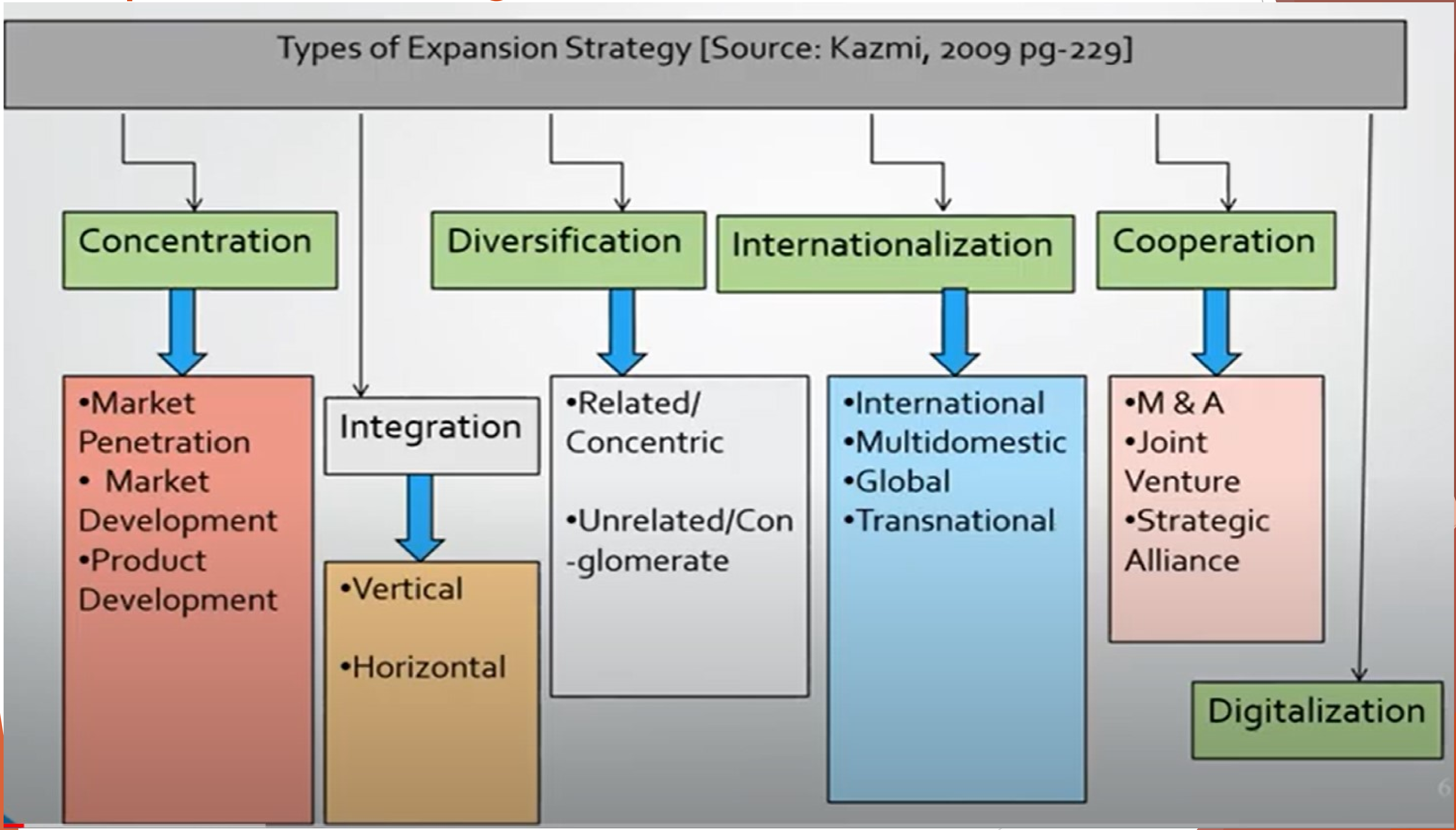
- A firm seeks
  - to achieve faster growth,
  - compete,
  - achieve higher profits,
  - grow a brand,
  - capitalize on economies of scale,
  - have greater impact, or occupy a larger market share.

Expansion Strategies

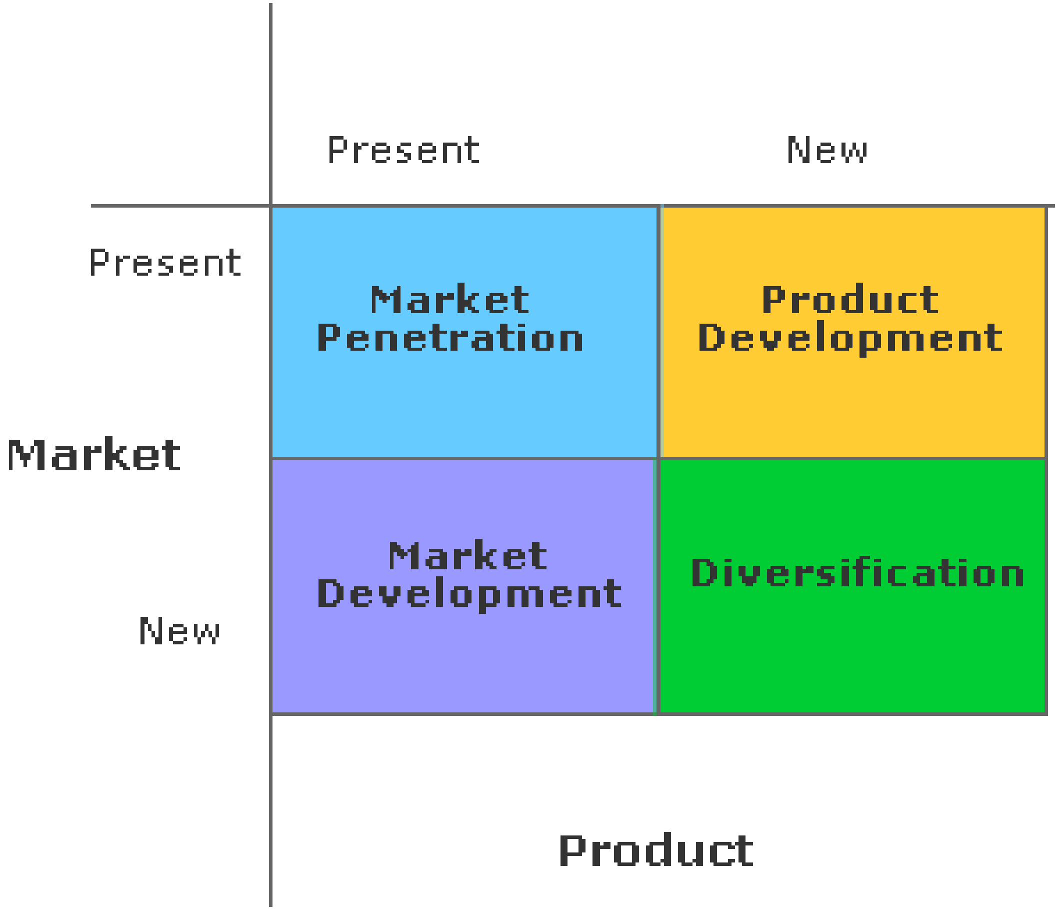
- This may involve
  - acquiring more market share through traditional competitive strategies,
  - entering new markets,
  - targeting new market segments,
  - offering new produce or services,
  - expanding or improving current operations.

Expansion Strategies

Expansion Strategies



Expansion Strategies - Concentration



Ansoff identified four courses of action.

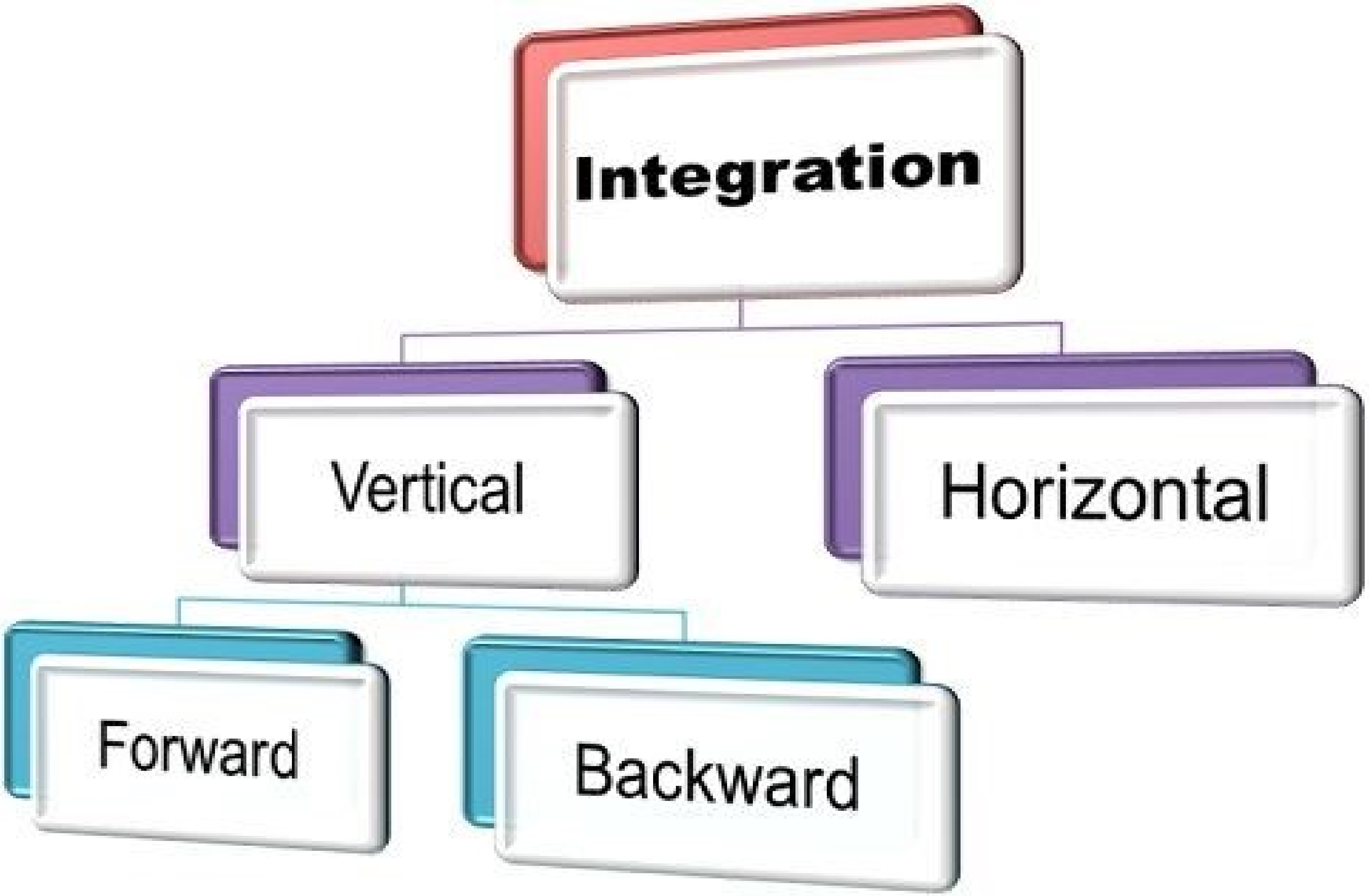
Market Penetration
Selling existing products to existing markets. Increase quality, productivity, marketing. Consider collaboration.

Market Development
Extending existing products to new markets New sales areas, segments, uses. Consider exporting, buying competitors, or licensing

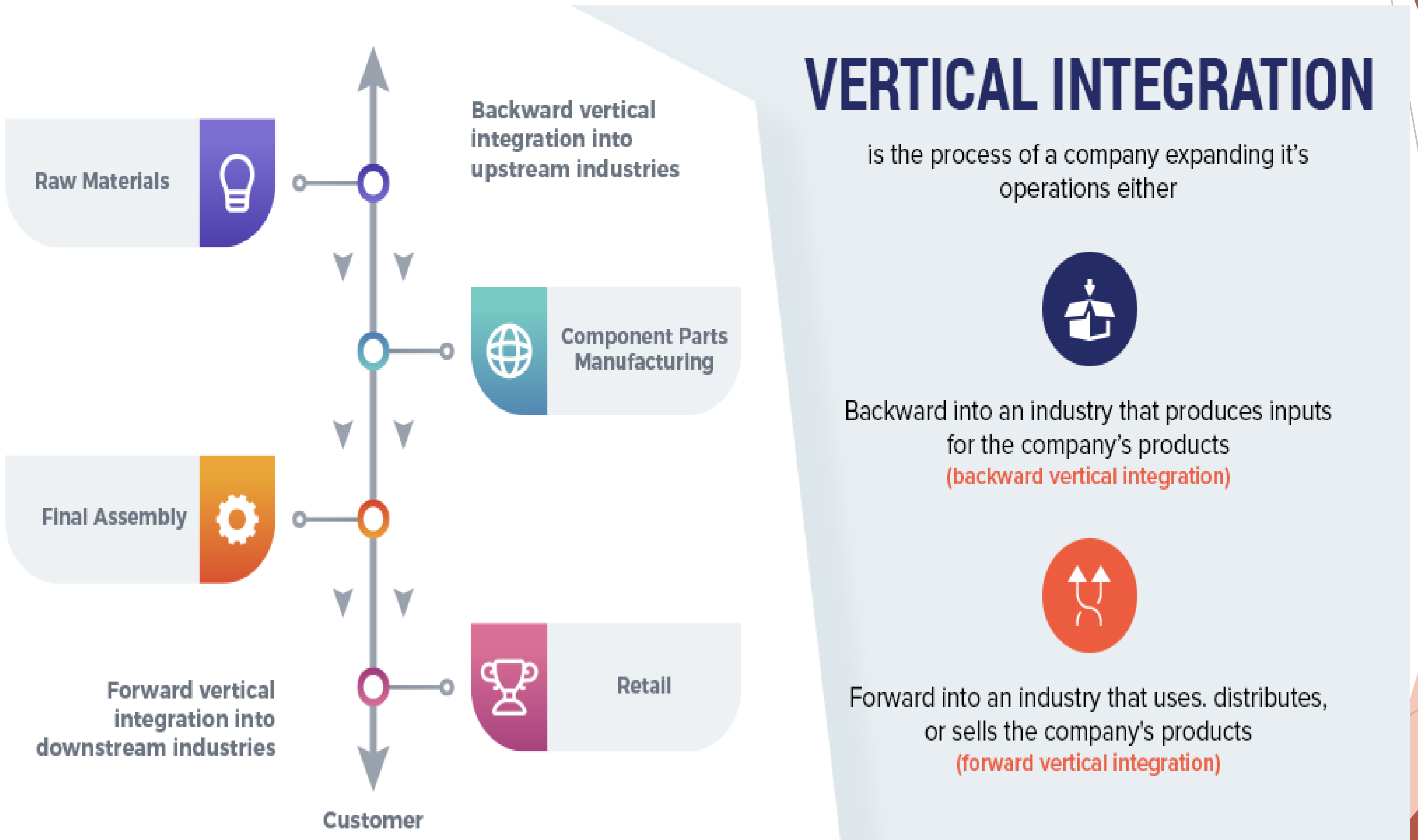
Product development
Developing new products for existing markets. Invest in R&D, Modifications or extensions. Buy-in products.

Diversification
Developing new products for new markets Switch internal focus. Create new business units. Buy subsidiaries. Technology share. Consortiums.

Expansion Strategies - Integration



Expansion Strategies - Integration



Expansion Strategies - Integration

Expansion Strategies - Integration

Horizontal Integration

Expansion Strategies - Integration

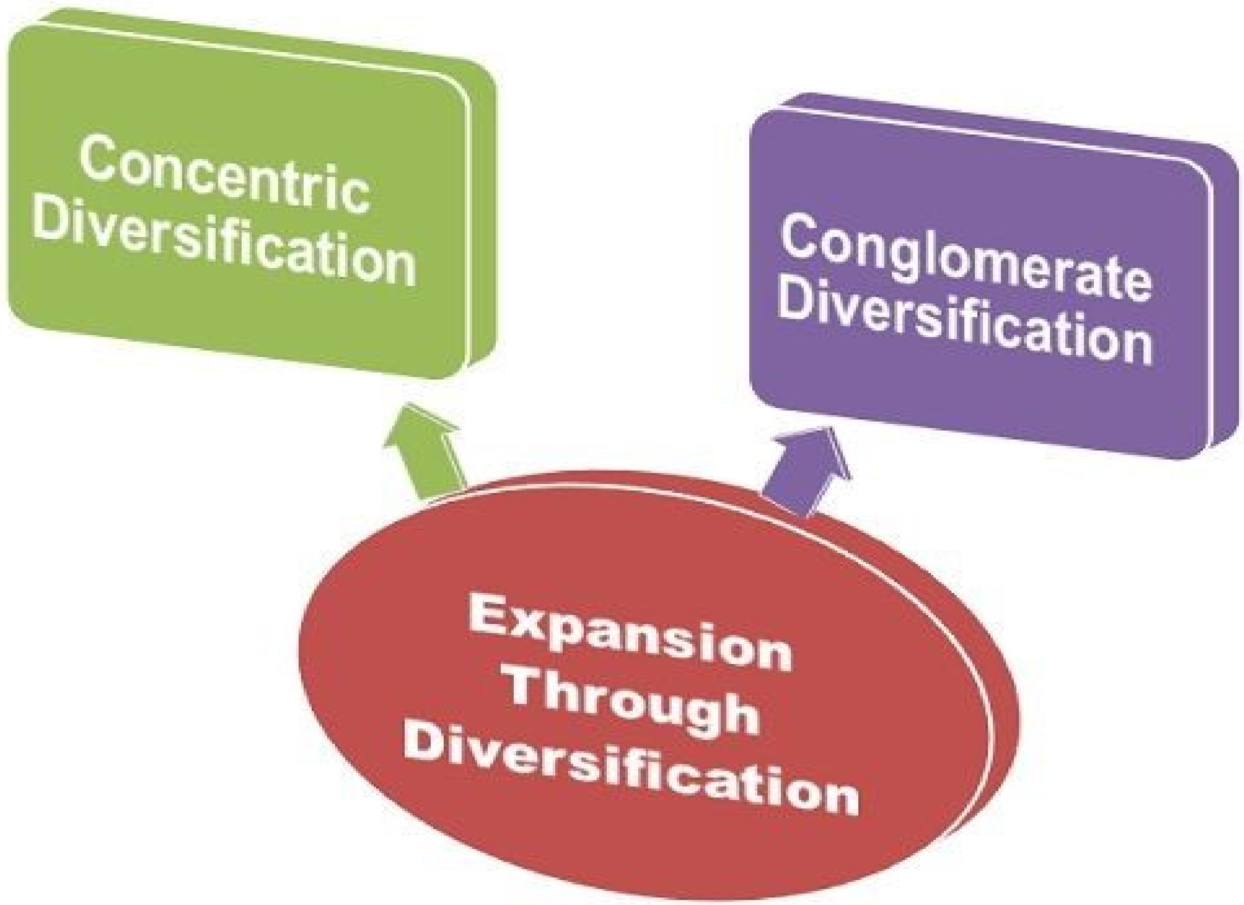
Horizontal Integration Examples

Vodafone-Idea	Vodafone & Idea had a nominal market share over clients with some pricing power in India.
Marriott-Starwood	Marriott and Starwood have been two worldwide-known hotel chains.
Arcelor-Mittal	Arcelor-Mittal is the biggest steel manufacturer in the world.
Exxon-Mobil	Exxon and Mobil in the oil industry were two distinct giants.
JP Morgan Chase	A merger between Chase Manhattan Bank & JP Morgan Company resulted in JP Morgan and Chase Bank.

Expansion Strategies - Integration

Horizontal Integration	Vertical Integration
It is a business expansion strategy wherein an organization merges with the same product line of its rival.	It is a firm's ownership of vertical related activities meaning the firm takes complete control of more than one stage of the supply chain.
The purpose of horizontal integration is to take control of rival's business with a view to grow the company and expand geographically.	The purpose of vertical integration is to gain better access to the ultimate consumers of its rival's products.
Horizontal integration refers to combinations between rivals.	Vertical integration involves companies that have a buy-sell or upstream-downstream relationship.
Capital requirement is significantly higher in horizontal integration.	Capital requirement is relatively lower in vertical integration.

Expansion Strategies - Diversification



Expansion Strategies - Diversification

Types of Corporate Diversification

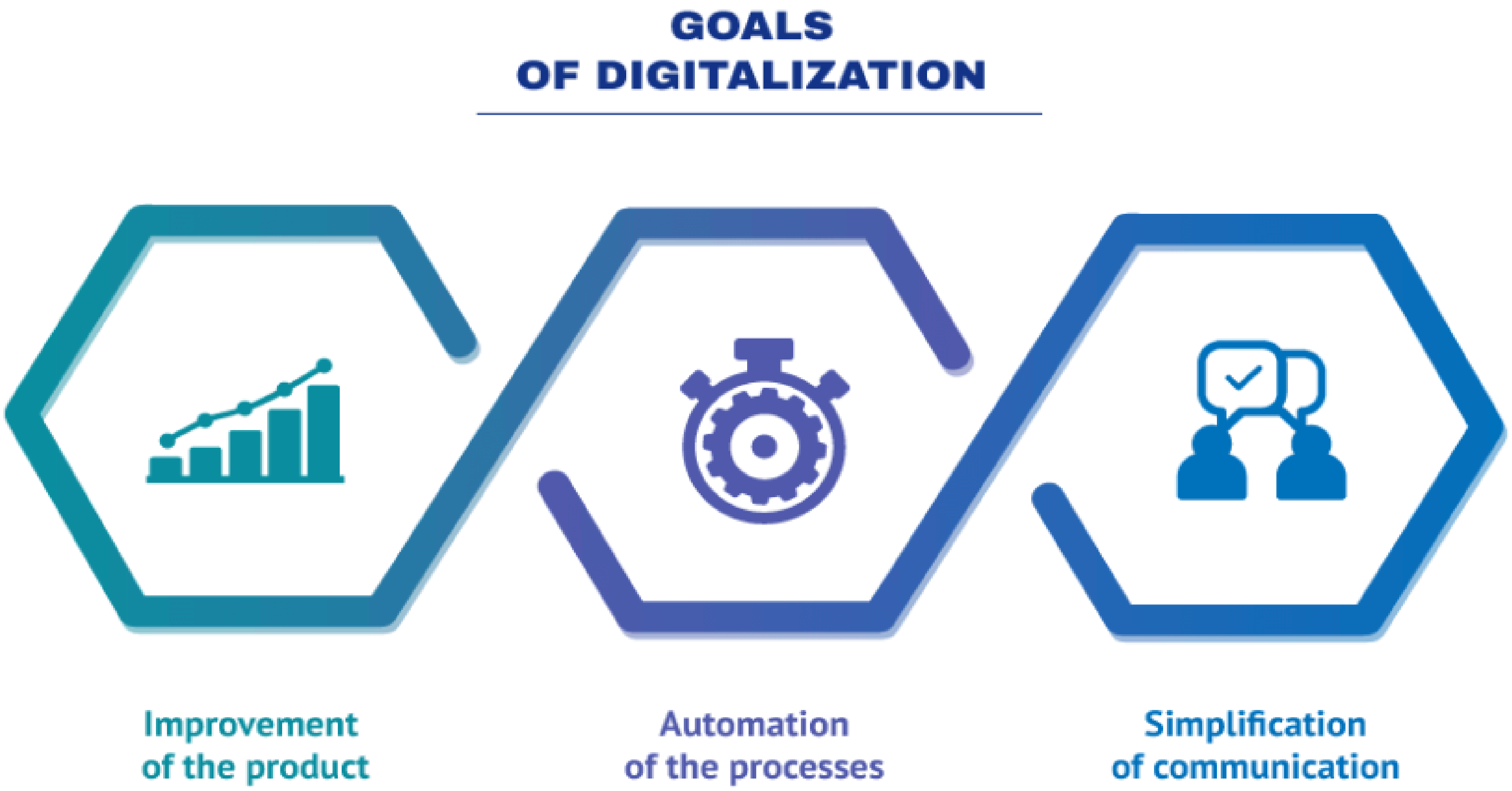
- *Single-business firm* derives >95% from one business
    - ✓ Google revenues from online search
- *Dominant-business firm* 70% to 95% from one business
    - ✓ Harley-Davidson yields 10% revenues from clothing
- Related diversification strategy <70% from one business
    - *Related-constrained* – leverage current competencies
        - ✓ ExxonMobil strategic move into natural gas
    - *Related-linked* – share only limited links to current business
        - ✓ Amazon move into cloud computing, Kindle tablets, & video streaming
- *Unrelated diversification* <70% and few if any links among businesses (a conglomerate)
    - ✓ GE, LG, Tata

Expansion Strategies - Internationalization

Expansion Strategies - Internationalization

Expansion Strategies - Cooperation

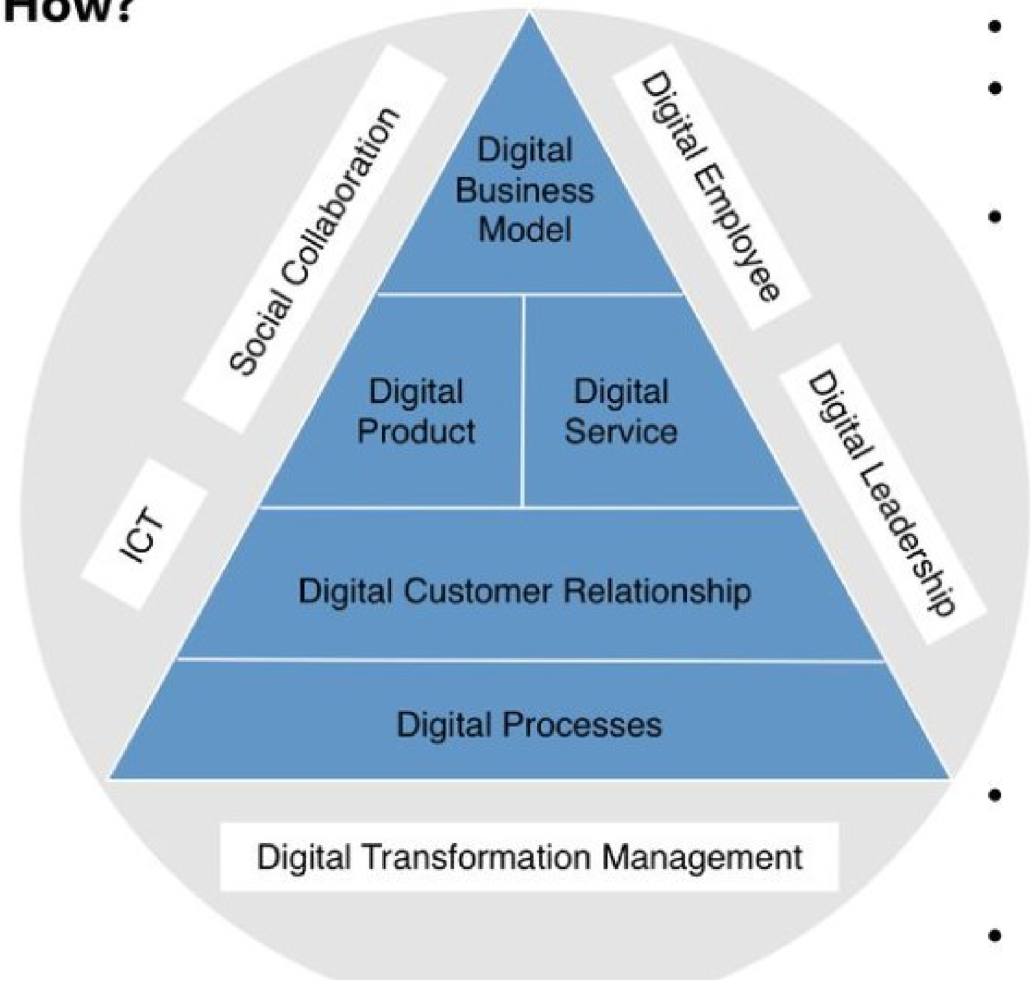
Expansion Strategies - Digitalization



Expansion Strategies - Digitalization

DIGITALIZATION STRATEGY

How?



- Who is leading?
- How it is organized?
  - Every function is involved
- Focus on **customer**
  - Not back office or suppliers
- New business models
  - Out of the comfort zone
- Existent business models

Issues / Challenges faced by the Organization

- Keeping up with the market
- Planning ahead
- Cash flow and financial management
- Problem-solving
- The right systems
- Skills and attitudes
- Welcoming change