

VENTURE SCOPE AND EXPANSION STRATEGY

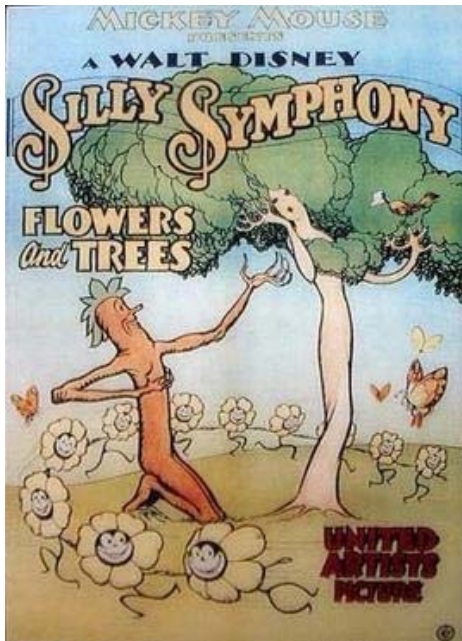
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The phenomenon



https://en.wikipedia.org/wiki/The_Walt_Disney_Company#/media/File:Silly_symphony.jpg

https://en.wikipedia.org/wiki/Walt_Disney_World#/media/File:Cinderella_Castle_at_Magic_Kingdom.jpg

Deep versus broad expansion path?

- Vertical expansion
 - Same product, different geographies?
 - Backward or forward integration in the same vertical industry?
- Horizontal expansion
 - Diversification benefits?
 - Brand extensions?

(Evolving) core capabilities

- What are the distinctive and hard to replicate skills of the enterprise?
- How is the “fit” or consistency between organizational activities?

The *WALT DISNEY* Company

Vertical expansion

- Core capabilities development and brand/reputation expansion
- Scale economies?
- Prioritization and sequencing expansion path
- But be mindful of differences!
 - In geographic locations
 - In product/service positioning to your target consumer

Horizontal expansion: three considerations

- Leverage (evolving) core capabilities? Scope economies? Overall notion of synergy
- The “better off” test: do the combined activities enable the venture to create and capture more value than if the activities were housed under different organizational roofs? How and why?
- The “best alternative” test: is common ownership by a single entity the best way to capture value, as compared to possible alternatives such as strategic alliances, licensing, and arm’s length transactions?
 - Example: Disneyworld expansion vs. character licensing for fast food



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