

# VENTURE SCOPE AND EXPANSION STRATEGY

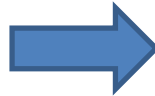
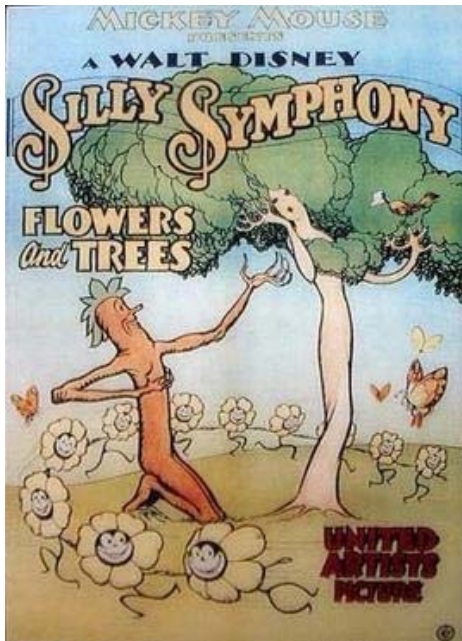
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## The phenomenon



[https://en.wikipedia.org/wiki/The\\_Walt\\_Disney\\_Company#/media/File:Silly\\_symphony.jpg](https://en.wikipedia.org/wiki/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](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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