

Diversification strategies

Business



First of all, it is important pay additional attention to the diversification notion. Scholars consider the diversification as the form of corporate strategy, which is developed for the profitability increasing, while applying the greater sales volumes and implementing the new products into the new markets. There are two possible variants for the diversification – it may occur in the level of business unit and also on the corporate level. In the case of the business level, the key feature of the diversification is expanding to such segment of business, which is already occupied by the industry, while talking about the corporate level, it is possible to say that it implies entering to such market segment, which is yet not covered by the existing business unit.

There are the following possible strategies of the diversification practical implementation: the new products or new markets may be developed internally; there is a possibility of the firm acquisition or creating the alliance with another complementary company; the last two strategies imply the new technologies licensing or distributing or importing such product line, which is manufactured by another organization.

The final strategy usually implies the combination of the above listed strategies, while taking in account the available objectives and the resources of the company. Diversification may be represented in the following types: conglomerate, horizontal and concentric. In order to support this theoretical background with the evidence, the comparison analysis of CRH and The News Corporation would be carried out. CRH has been established in 1970 as a result of two Irish building materials companies' merger. The company has experienced the 36 years of absolute freedom for the expansion and its development looks the following way: it has started as leader on the local

market and because of the correctly chosen strategy of development, it has become being one of the top 5 building companies in the world scale.

Currently, CRH Corporation operates in 34 countries and nearly 92.

000 of people are employed by the corporation. It is possible to say that the key success factor for the company was its control of the head office, which has managed in such way, that the steady growth has been ensured. While taking in consideration the News Corporation it is important to pay additional attention to the following factors: it has started as the family business in 1923 in Australia and leaded by Keith Murdoch. After the power in the company has been taken by Rupert Murdoch, he son of Keith Murdoch, the following reconfiguration process has taken its place: two national magazines, more than 20 provincial newspapers and one national newspaper in Australia have been established. Even while talking in consideration the fact that the whole process of restructuring has taken approximately 30 years, the above listed achievements has provided the Company with a secure enough financial situations to broaden its business to UK and later to US markets. While taking in consideration the basic information about these companies, it is possible to say that the common feature for them was their start as the local small businesses and later they both have occupied the world leading positions in their industries.

At the same time, there are great differences between the management styles of the companies. It is possible to consider that the top management of the both companies has realised that “ Failure to grow might result in a loss of competitiveness, a decline in demand and eventual closure.”(Hall, 2006). In the case of CRH, which is considered to be more successful, the <https://assignbuster.com/diversification-strategies/>

strategy of development implied the acquisition and in the case of the second company (The News Corporation), the diversification implied developing of the new product and entering to the new foreign markets. In the case of CRH, the carefully planned strategy, which has been oriented for the future development, has been maintained due to the standardised products. The company had the three stages of development, which implied entering and occupation of their organic Irish market in 1970s, expansion of their area of activity to Europe and overseas in the end of 1970s and finally the third stage (late 1990s) implied the larger acquisitions and greater product focus.

In the process of the practical implementation of the above listed stages, company has applied different tools in order to obtain economical growth – the quantity of new products has been expanded and the policy for taking over of mid-sized and occasionally larger companies has been developed. While taking in account the News Corporation, it is obvious that this company had a completely different acquisition strategy for the growth achievement. The core conception of its development was taking over the larger competitors and those companies, which have provided them with an access to the new markets and innovative technologies. The main weak point of their strategy of development and expansion was the fact that the decision-making process has not been based on the long term evaluation and that is why it is possible to consider the process of their decision making as the response to unexpected opportunities. The main negative impact of such approach was the absence of the long term planning in the enterprise and as a result- risk for the company's financial stability. The specialisation

of the News Corporation has been directed to the opportunities recognition and short term decision making due to the fact that “ business situations and business opportunities simply change too quickly for there to be much point in loading ourselves down with piles of strategic speculation.

“(Murdoch, 2008). At the same time, due to the fact that the CRH has operated on the low tech market, it is obvious that the company has got an opportunity of implementing the organised and long-term approach towards the expansion with the help of acquisitions. It is possible to make a conclusion that operating in the construction market while applying the long term strategy is the best way for the company’s development and rapid growth achievement. That is why the CRH was more organised in terms of the long term strategy than the News Corporation, which has applied the short term tactics (Whittington, 2008). Another difference between the strategies of development concerned their management style.

In CRH, the management style has been based on the training programs, monitoring of performance and the additional attention has been paid to the personnel motivation for the collaboration in the team working. In News Corporation the management has taken the form of informal relations – the managers have been provided with a lot of flexibility and at the same time, all the acquisitions have been controlled by Mr. Murdoch. The last difference between the companies was their financial management organisation. In CRH, the careful acquisition policy has been carried out and in The News Corporation the much riskier approach has been applied.

To conclude, it is important to pay additional attention to the possible variants for the News Corporation situation improvement in the light of the diversification process. Two issues should be corrected- implementing of long term planning in order to avoid financial system risks and another suggestion for the company's top management is applying more rigid management style – total control over all the processes, which are carried out in the enterprise and well-grounded motivation for the multicultural personnel of the company.