

Good related and unrelated diversification essay example

[Business](#), [Company](#)



Management

I would choose to do a combination of both related and unrelated diversification, reason being that, for related diversification, if my business is already successful, then I would continue on that trend and realize even more profits by providing other types of products and services that relate to the successful one. I would ride on the successes of my other product (digital camera) and expand that area by offering maybe parts and services, attachments, accessories and other related products, so that my clients would be able to get everything in one place instead of getting them elsewhere.

This would enable me to transfer my core skills to my other companies, and reduce my risk, while at the same time, doing what I know how to do. To break the mentality of “ keeping my eggs in one proverbial basket” on the other hand, choosing unrelated diversification can be a cushion if my other endeavor fails. Going into a different line of business while I still deal with digital cameras can help me to diversify my risks as well. It would give me an insight and added experience in a different line of work.

I would be more efficient at managing my cash and allocating my investment capital by realizing increased profits through cross selling of my diversified products. Even though many companies successfully operate as a single industry, because of new technology, products or dynamic buyer preferences, it can be detrimental to that business, so it is wise for them to diversify into unrelated businesses as well, if possible. This step will work to spread the company’s business risk across varying industries, but if my

company consistently yields high returns then the synergies would be greater than it would be if I had chosen a related diversification strategy.