

McLaren group of companies

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



Executive Summary

The McLaren Group of Companies is often regarded as a “ small conglomerate” as the company has several subsidiaries in related areas related to car business such as McLaren Applied Technologies, McLaren Electronics, and McLaren Marketing. However, one of the subsidiaries of the company is Absolute Taste which is a catering company and is one of the diverse businesses of the group separate from their car manufacturing business.

McLaren Group caters to a niche market segment which is how it attempts to conquer the obstacles and market barriers prevalent in the mass car market. Moreover, the company adopts a medium level of diversification in its product portfolio as most of its businesses are interlinked or synergized while Absolute Taste and McLaren Automotives are slightly diverse. However, while operating in the contemporary business environment, McLaren Group operates on the historical perspective of diversification as it can be considered to be anti-competitive.

Introduction and Background:

The McLaren Group was created by Rob Dennis and is based at McLarenTechnologyCentre in Surrey, England. The company is now referred to as a “ small conglomerate” and was initially established by a New Zealander by the name of Bruce McLaren in 1963. The company’s main focus is on the Vodafone McLaren Mercedes Formula One Racing Team. The McLaren Group now hopes to expand into manufacturing cars rather than just focusing on Formula One and has planned the launch of the McLaren P1, <https://assignbuster.com/mclaren-group-of-companies/>

which is the successor to the McLaren F1. Recently, the group has diversified into other areas such as wind devices and other vehicles (McLaren, 2011).

The McLaren group has several subsidiaries as it has recently diversified its operations into different areas. The subsidiaries include McLaren Racing which is one of the most successful teams prevalent and ranks second after Ferrari as the oldest active team, winning 182 races, 12 drivers' championships, and 8 constructor's championships. The second subsidiary is McLaren Electronic Systems which is also a member of the McLaren family and is a supplier to Vodafone McLaren Mercedes. McLaren Electronics is responsible for supplying the powertrain control system, software, sensors, components, and ECU's for the Formula One car as well as other cars present in the Formula One group. McLaren Applied Technologies is responsible for creating technical applications for the McLaren group and also provides services to other teams involved in sports activities, defence, other automotive sectors, and health and wellness sectors.. McLaren Marketing is another subsidiary of the McLaren group and is primarily responsible for the marketing and promotional activities of McLaren Racing. Another subsidiary of the McLaren group is Absolute Taste which caters to a different business segment than the other businesses of the McLaren group. Absolute Taste is based in London and is a catering company which caters to the needs of numerous private parties including parties of celebrities (McLaren, 2011).

McLaren Automotive is not a subsidiary of the McLaren group but is a separate company altogether. The company is a high-end manufacturer of

high performance vehicles. The company is in close collaboration with McLaren Racing and basically functions as a primary producer of the Formula One car. The new McLaren Production Centre has been opened near Woking in 2012 and is estimated to value at ? 40 million. The production of the MP4-12 C sports car is due to reach a grand 4000 by 2015 (McLaren, 2011).

As the company has diversified into various markets, there were various obstacles and strategies that the company had to conquer and implement. This report will focus upon the strategy the McLaren group implemented in order to enter the mass car market, define the level of diversification that the McLaren group implements, and discuss the McLaren Group's approach to diversification compared to the historical perspective discussed by Guld and Luchs (1993).

Market Entry Barriers in Mass Car Market:

There are several market entry barriers in the mass car market as competition is high and there are many highly renowned firms competing for market share. However, as the McLaren Group has attempted to penetrate the car manufacturing market, they had to conquer many obstacles and market entry barriers.

The McLaren Group was already rather popular in related market segments to car manufacturing such as the production of the Formula One racing car and McLaren Racing team. Thus, the company had relevant market experience as well as a market reputation to enable the company to gain consumer confidence. This was one of the methods in which the company

was able to conquer the market entry barriers prevalent in the mass car market (Melvin, 2006).

However, the fact also remains that the McLaren Group is manufacturing cars catering to a niche market segment and are not focusing on catering to the mass market. McLaren Group has produced a highly expensive premium vehicle which is not for ordinary use but is used by racers, collectors, and/or the elite class who are interested in buying a premium vehicle. Thus, the target market that McLaren Group is focusing upon is not interested in options such as Ford, General Motors, Honda, Toyota, or other alternatives. Hence, these brands are not substitutes for the vehicles made by the McLaren group. The McLaren Group is more focused upon producing street cars and competing with brands such as Lamborghini, Ferrari, and others. The McLaren Group's main point of focus is performance and quality and thus they are able to charge a premium price (Melvin, 2006).

Accordingly, the McLaren group is catering to a niche market segment instead of catering to the mass market. Thus, they are better able to deal with the pressure from competitors and attract a certain segment of customers towards their cars. This significantly reduces the level of competition that the McLaren Group has to deal with (Melvin, 2006).

Level of Diversification:

The McLaren Group has a number of businesses in various market segments which have all been mentioned above. Some of the businesses are operating as subsidiaries of the main company while others are completely separate

companies. However, when analyzing the level of diversification that the McLaren group incorporates into its portfolio mix, there are a number of considerations that must be made.

First of all, it is important to note that previously large companies with many unrelated businesses were a source of high scrutiny in the past. Such businesses were highly criticized for being anti-competitive as they would expand into many areas of expertise and aim to force other competitors out of business. However, in recent times, such firms are accused of being uncompetitive as they do not add value across all of their businesses and are operating at a loss. Hence, in current times it is generally considered that diversified companies are not necessarily successful but may be highly unsuccessful if a high level of diversification is employed in the business (Goold & Luchs, 1993).

When considering the McLaren Group, it is evident that the company does have a portfolio mix which is diversified into various market segments such as electronics, technology, racing, catering, and car manufacturing.

However, it is not completely evident that the McLaren Group has over-diversified into completely unrelated businesses and is not adding value to their business (Goold & Luchs, 1993).

The description of the subsidiary businesses mentions that businesses such as McLaren Applied Technologies, McLaren Electronics, and McLaren Marketing are all catering to the core business of McLaren Racing. While these businesses also apply their expertise in catering to the core business of McLaren Group, they have additional clients in the industry to which they

cater to. Thus, they are benefitting their own business and gaining revenue from catering to other clients as well (Guuld & Luchs, 1993).

However, the McLaren Group is also diversified in a few markets such as in the catering market with their subsidiary Absolute Taste. While this business caters to the private catering needs of celebrities and serves food on private jets, this business is rather unrelated to the other subsidiaries of the McLaren Group which all cater to the electronic and technological needs of McLaren Racing. Hence, while all of the other subsidiaries of the group are related to cars and solutions related to the cars that the McLaren Group focuses upon, the business of Absolute Taste is not related to cars and is catering to a completely different area of business (Johnson et al, 2011).

Accordingly, the level of diversification of the McLaren Group is complex as they are not completely catering to unrelated market segments but have some businesses which are not as closely linked or inter-linked with one another. The McLaren Group is regarded as a “small conglomerate” as a “conglomerate” refers to a company that operates in many unrelated businesses. Hence, it can be said that the McLaren Group does incorporate a medium level of diversification in their product portfolio (Johnson et al, 2007).

Upon closer inspection, it can be concluded that the McLaren Group has opted to “stick to the knitting” as they have not diversified widely but have stuck to businesses they know best and where their expertise lies. However, the McLaren Group does operate in different markets and requires different areas of expertise in its various businesses such as marketing, technical

expertise, electronic expertise, and others. The expertise required in most of its businesses is related to cars although there are various types of skills required in each business. Nevertheless, most of the businesses in McLaren's Group can be said to have stuck to the knitting and are not highly diversified as all are catering to the particular needs of cars. All of these businesses are interlinked except for Absolute Taste which is diverse from the other businesses of the McLaren Group (Johnson et al, 2011).

It can also be said that the businesses of McLaren Group provide synergy with one another as they are all interrelated and provide skills and benefits to one another. McLaren Electronics works on finding electrical solutions to McLaren Racing, while McLaren Marketing seeks to perform the marketing and promotion activities of McLaren Racing. Hence, all of the businesses add value to one another and provide a combination of skills and benefits to one another. While this is a difficult model to implement, the McLaren Group seems to be implementing it quite effectively as the subsidiary companies perform tasks for the core company and also for other clients. Moreover, in this manner, the company is focusing upon its core competencies and strengthening them by horizontally integrating with other related businesses in order to strengthen and provide for the core business (Johnson et al, 2007).

Hence, in conclusion, McLaren Group's level of diversification can be labeled as medium as they are diversified into business which are mainly related to cars and provide synergy with one another. Their separate business which is

not directly linked with their core business is Absolute Taste which is a catering company.

McLaren's Approach to Diversification:

Previously, large diverse firms were regarded as “ conglomerates” and it was considered that these firms were up to” no good” as they branched out into different markets and sought to drive out competition by catering to several different market needs themselves. Such firms were considered to be too big for their own good and were not seen as socially responsible or healthy firms as they were anti-competitive. They were termed as anti-competitive because they did not give other businesses a chance to compete with them and monopolized the market themselves. As monopolies are not considered healthy for consumers, such firms were previously perceived negatively (Karlsen, 2011).

However, the contemporary perspective towards such firms is completely the opposite of the historical perspective as these firms are regarded as being up to “ no good” because they are not adding value to themselves or to their other businesses. Hence, such firms are now regarded as uncompetitive (Karlsen, 2011).

Accordingly, McLaren Group's strategy toward diversification is in line with the historical perspective of diversification as the diversification strategy seems to be anti-competitive. The group seeks economies of scale and other benefits by providing all additional services in line with their core business themselves. Hence, they do not seem to be allowing other businesses to

provide services for them and seem to be attempting to cover all aspects regarding their car-related business themselves. They provide technical applications, marketing solutions, and electrical solutions for their racing team and the cars they produce. Hence, while catering to other clients as well, they use their own company to perform the tasks related to the car-related business (Karlsen, 2011).

Conclusion:

From the analysis conducted, it is evident that the McLaren Group is not as diverse as some other companies are but is operating in a synergized environment which has many interlinked businesses providing benefits to one another. Hence, the McLaren Group can be termed as a “ small conglomerate” and is operating according to the historical perspective of diversification.

References

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