

Discuss if the product diversification of the walt disney corporation has gone to...

[Business](#)



Diversification as a strategy requires addition of new products in order to expand the overall organizational scope or reduce the risk. Both purposes serve the overall strategic objective of ensuring that organization can actually sustain itself against the competition while at the same time, also, create a competitive advantage for itself. Many organizations, over the period of time, have been able to use diversification as an effective competitive advantage source to dominate their target market.

Diversification primarily occurs either through rolling out new products or entering into new markets. Diversification however, can also be deployed either at the business unit level or corporate wide level with both types of diversifications having different consequences for the organization.

Diversification at the corporate wide level involves entry into new business ventures on the hope that the new businesses will add more synergy and diversify the risk of failure. Diversification as a business strategy however, requires the acquisition of new skills, techniques and facilities in order to successful benefit from such strategic efforts. Diversification can be of different types however, concentric, horizontal as well as lateral diversification is different types of diversifications which organizations pursue in order to achieve their strategic objectives. (Rijamampianina, Abratt, & February, 2003) Diversification at Disney Walt Disney Company is the largest conglomerate of Media and entertainment network with presence in different segments of the market. Walt Disney has its assets in media networks, parks and resorts, entertainment as well as other consumer products. Such a diversified range of products and services therefore outlines that the company is a well diversified firm with presence in different

markets. (Hitt, Ireland, & Hoskisson, 2010)The overall efforts of diversification at Disney started very early and since 1928- when first cartoon of Disney was released, company started to diversify itself. In 1932, it opened Mickey Mouse Club which was used to actually sell out Disney's products. Above all, this effort was actually directed at creating a cohesive whole for the organization to develop a platform which can attract and retain more customers with the firm. (Kirkman, 2001)Over the period of time it has entered into markets like Music, feature films, educational films as well as other inter-connected products. What is important to understand that Disney realized the importance of inter-related industries and went on to diversify into industries which were inter-related and also provided an opportunity to the firm to use its core competencies. Most of the product diversification which took place in Disney therefore was a direct result of joining together different inter-related businesses to develop a cohesive whole which can cater same customers in different segments of the business. Capitalizing on its strengths, Disney therefore has entered into four different segments of the business i. e. parks and resorts business, studio entertainment, Media Networks and other consumer products. Disney however, has been able to achieve a relational diversification wherein it has been able to leverage its businesses through each other. Diversifying in known and related areas of business therefore has been the major strategic focus of Disney since it started to diversify into related business segments. Diversification gone too far? The question of whether the diversification efforts by Disney have gone too far however, has to be based upon understanding whether this strategy has remained successful or not for Disney. It has been argued that the

diversification efforts by Disney have been backed up by financial and strategic goals of the organization. For example, its decision to enter France through its Theme park was largely a result of achieving economies of scale and exposure to an entirely different market. (Trigg & Trigg, 1995) Apparently, it seems that the diversification by the firm has gone too far however, the ability of Disney to actually leverage its businesses with each other while at the same time use its internal resources and brand image to achieve sustainability has remained successful. Disney operates into a business where entry and exit barriers are high therefore the threat of new entrants is relatively less. In such an environment, Disney can only continue to expand and grow if it can diversify its business and relate different businesses with each. Disney has been able to leverage its core competencies with its businesses to better manage its overall diversification efforts. (Porter, 1987) The overall nature of Disney's business model therefore is such that it requires diversification and firm does not seem to have gone too far in this regard. Disney however, need to ensure that it diversify into related areas and do not fare into businesses which have not remained its core competencies. Disney has developed core competencies in its related business areas and as such overall diversification seems justified.

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