SCALE, SCOPE & DIVERSIFICATION

GLOBAL BUSINESS STRATEGY

PORTER & OTHERS ON GENERIC STRATEGIES

- 3 INTO 2
- COMPETITIVE
  - COST LEADERSHIP
  - DIFFERENTIATION
  - NICHE SPECIAL-IZATION

- 3 INTO 2
- COOPERATIVE
  - POOLING (SHARING ACTIVITIES)
  - EXCHANGE (TRANS FERRING SKILLS)
  - COMPLEMENTARY SPECIALIZATION (PORTFOLIO MGMT & RESTRUCTURNG)
  - WITHDRAWAL

EDITH PENROSE ON FIRM GROWTH

- FIRMS CAN GROW ON THE BASIS OF SLACK OR EXCESS RESOURCES THAT ARISE NATURALLY
- GROWTH RESOURCES ARE AVAIL-ABLE WITHIN THE NATURAL ORDER OF THINGS (EXAMPLES??)
- OTHER RESOURCES MAY BE ADDED, OF COURSE

3 DIMENSIONS OF SCOPE

- VERTICAL INTEGRATION
  - EVERYTHING FROM R&D TO MKTING, DISTRIBUTION, SALES & SERVICE
- GEOGRAPHY
  - SUBREGIONAL & NATIONAL MKTS, IF NECESSARY
- PRODUCT MARKET
  - SINGLE, MULTIPLE & FULL LINE STRATEGIES
  - SINGLE, MULTIPLE & MULTIBUSINESS STRATEGIES

ECONOMIES OF SCALE

- DEFINITION - WHAT ARE THEY?
- VARIATIONS ON A THEME: 4Ss
  - SCALE
  - SCOPE
  - SPECIALIZATION (INDIV, GROUP, DIV, AREA LEARNING)
  - SPEED

LIMITS TO SCALE ECONOMIES

- LEARNING NOT A LINEAR FUNCTION
- COMPETENCY TRAPS
- MINIMUM EFFICIENT SCALE SHIFTS DUE TO CHANING TECH & MKT
  - EXTERNAL FACTORS
- VALUE CHAIN LINKAGES IMPACT PRODUCTION
  - INTERNAL FACTORS

DIVERSIFICATION

- INTERNAL SOURCES
  - RELATED
  - UNRELATED
- EXTERNAL SOURCES
  - MERGER & ACQUISITION
  - CONSOLIDATION VS. NEW VENTURE

MERGERS & ACQUISITIONS

- BENEFITS
  - SPEED
  - GET COMPLE-MENTARY ASSETS (LOW CAUSAL AMBIGUITY)
  - REMOVE COM-PETITOR
  - RESOURCES & CAP-ABILITIES GO UP
- DRAWBACKS
  - COST OF ACQUISITION
  - CULTURAL, ORGANIZATIONAL & OPERATIONAL CLASHES
  - UNWANTED W/ WANTED RSRCS
  - SIZE OF COMMIT-MENT

INTERNAL DEVELOPMENT

- BENEFITS
  - INCREMENTAL
  - CULTURALLY COMPATIBLE
  - PROMOTES INTRA-PRENEURSHIP
  - INTERNAL INVESTMENT
- DRAWBACKS
  - SLOW
  - NEED TO BUILD NEW RESOURCES
  - NEW RESOURCES NOT GO WELL OR AUTOMATICALLY W/EXISTING RSRCS
  - SUBSCALE ENTRY
  - DIFFICULT TO RECOUP ON UN-SUCCESSFUL INV.

ALLIANCES (J.V.s, FRANCHISE, EQUITY PARTICIPATION & RELATIONAL CONTRACTING)

- BENEFITS
  - ACCESS TO COMPLEMENTARY ASSETS & FEWER PROBLEMS OF APPROPRIATION
  - SPEED
  - LOWER COSTS THAN ACQUIRING ASSETS
- DRAWBACKS
  - LACK OF FORMAL (AND INFORMAL) CONTROL
  - AID POTENTIAL COMPETITOR
  - LONGTERM VIABILITY QUESTIONABLE
  - LEARNING DIFFICULTIES