

EUROCENTRES

Language Learning Worldwide

Strategies for growth and the change management process

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Session Aims

1. To consider strategies for success in difficult market conditions
2. To examine and compare two influential ideas on strategy
3. To provide a bridge between theory and practice



First, some questions

- What industries exist today that didn't exist 100 years ago?
- What about 50 years ago?
- What about 20 years ago?
- What industries will there be in 20 years that don't exist today?



What makes you think your company will survive?

- Q: What did Nokia originally do and what does it do now?
- A: Paper (pulp).
- A: Nothing!
- Q: What was the average lifespan of an S&P500 company in the 1920s?
- A: 67 years
- Q: What is the average lifespan of an S&P500 company now?
- A: 15 years



Ansoff's Matrix

EXHIBIT I. PRODUCT-MARKET STRATEGIES FOR BUSINESS GROWTH ALTERNATIVES

MARKETS PRODUCT LINE	μ_0	μ_1	$\mu_2 \dots \mu_m$		
π_0	MARKET <i>Penetration</i>	MARKET	DEVELOPMENT		
π_1	PRODUCT DEVELOPMENT				
π_2		DIVERSIFICATION			
\dots					
π_n					

(Ansoff, 1957:114)



Market penetration

MARKETS \ PRODUCT LINE	μ_0	μ_1	$\mu_2 \dots \dots \mu_m$	
π_0	MARKET Penetration	MARKET DEVELOPMENT		
π_1	PRODUCT DEVELOPMENT			
π_2		DIVERSIFICATION		
\dots				
π_n				

‘An effort to increase company sales without departing from an original product-market strategy. The company seeks to improve business performance either by increasing the volume of sales to its present customers or by finding new customers for present products’ (Ansoff, 1957:114).

The same products in the same markets



Market development

MARKETS PRODUCT LINE	μ_0	μ_1	μ_2 μ_m	
π_0	MARKET <i>Penetration</i>	MARKET DEVELOPMENT		
π_1	PRODUCT DEVELOPMENT	DIVERSIFICATION		
π_2				
...				
π_n				

‘The company attempts to adapt its present product line (generally with some modification in the product characteristics) to new missions’ (Ansoff, 1957:114).

The same (or similar) products in new markets



Product development

MARKETS PRODUCT LINE	μ_0	μ_1	μ_2	μ_m
π_0	MARKET <i>Penetration</i>	MARKET	DEVELOPMENT	
π_1	PRODUCT DEVELOPMENT			
π_2		DIVERSIFICATION		
.....				
π_n				

‘Retains the present mission and develops products that have new and different characteristics such as will improve the performance of the mission’ (Ansoff, 1957:114).

New products in the same markets



So, what are you doing at the moment?

Hopefully this:

- ‘A simultaneous pursuit of market penetration, market development and product development is usually a sign of a progressive, well-run business and may be essential to survival in the face of economic competition’ (Ansoff, 1957:114).

But what about this:

- ‘The diversification strategy stands apart from the other three. While they are usually followed with the same technical, financial and merchandising resources which are used for the original product line, diversification generally requires new skills, new techniques and new facilities. As a result, it almost invariably leads to physical and organisational changes in the structure of the business which represent a distinct break with past business experience’ (Ansoff, 1957:114).



Diversification

MARKETS PRODUCT LINE	μ_0	μ_1	$\mu_2 \dots \dots \mu_m$	
π_0	MARKET <i>Penetration</i>	MARKET	DEVELOPMENT	
π_1	PRODUCT DEVELOPMENT			
π_2				
\dots				
π_n				

‘Calls for a simultaneous departure from the present product line and the present market structure’ (Ansoff, 1957:114).

New products in new markets



Why do companies diversify?

- To compensate for technological obsolescence
- To distribute risk
- To utilise excess capacity
- To reinvest earnings
- To obtain top management
- To exploit economies of scope
- To stretch corporate management competencies
- To exploit superior internal processes
- To increase market power
- To respond to market decline
- Managerial ambition
- And so on...



How to diversify

Diversification	Growing industry	Contracting industry
Vertical (components, parts, materials)	✓	✗
Horizontal (new products within the company's know-how and experience)	✓	✗
Lateral (moving beyond the confines of the industry to which the company belongs)	✓	✓



Case Study: Zodiac Group (Johnson et al., 2014:231)

- 1896 Airships (until the Hindenburg crash in 1937)
- 1937 Inflatable boats
- 1978 Parachutes, life vests and inflatable rafts
- 1981 Swimming pools
- 1987 Aeroplane escape slides
- 1987 Aeroplane seats
- 1999 Aeroplane fuel circulation, hydraulics, electrics, controls, etc
- 2004 More than one million inflatable boats sold worldwide
- 2007 40% market share in many aircraft products accounting for over 80% of group turnover
- 2007 Sale of the marine and leisure businesses
- 2008 Purchases of aircraft cabin equipment companies
- 2014 A world leader in aerospace equipment and installed systems for commercial aircraft and helicopters



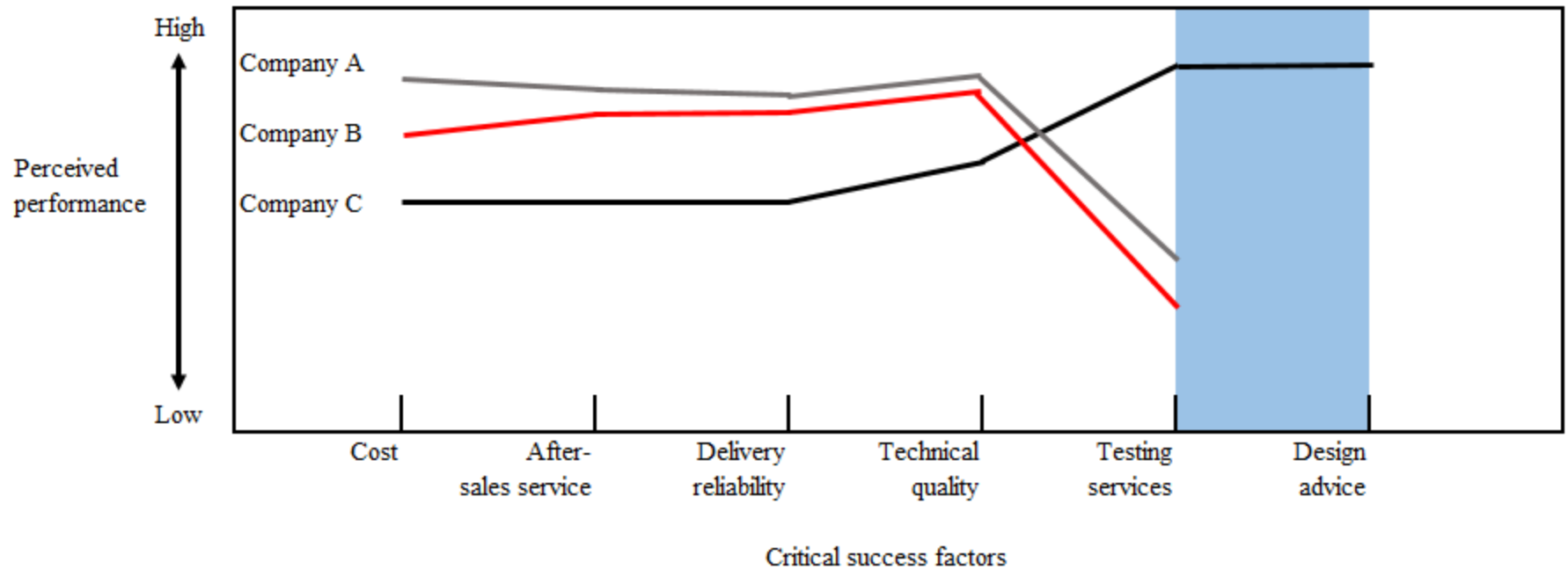
Blue Ocean Strategy

Red ocean strategy	Blue ocean strategy
Compete in existing market space	Create uncontested market space
Beat the competition	Make the competition irrelevant
Exploit existing demand	Create and capture new demand
Make the value – cost trade off	Break the value – cost trade – off
Align the whole system of a firm’s activities with its strategic choice of differentiation or low cost	Align the whole system of a firm’s activities in pursuit of differentiation and low cost

(Kim and Mauborgne, 2015:18)



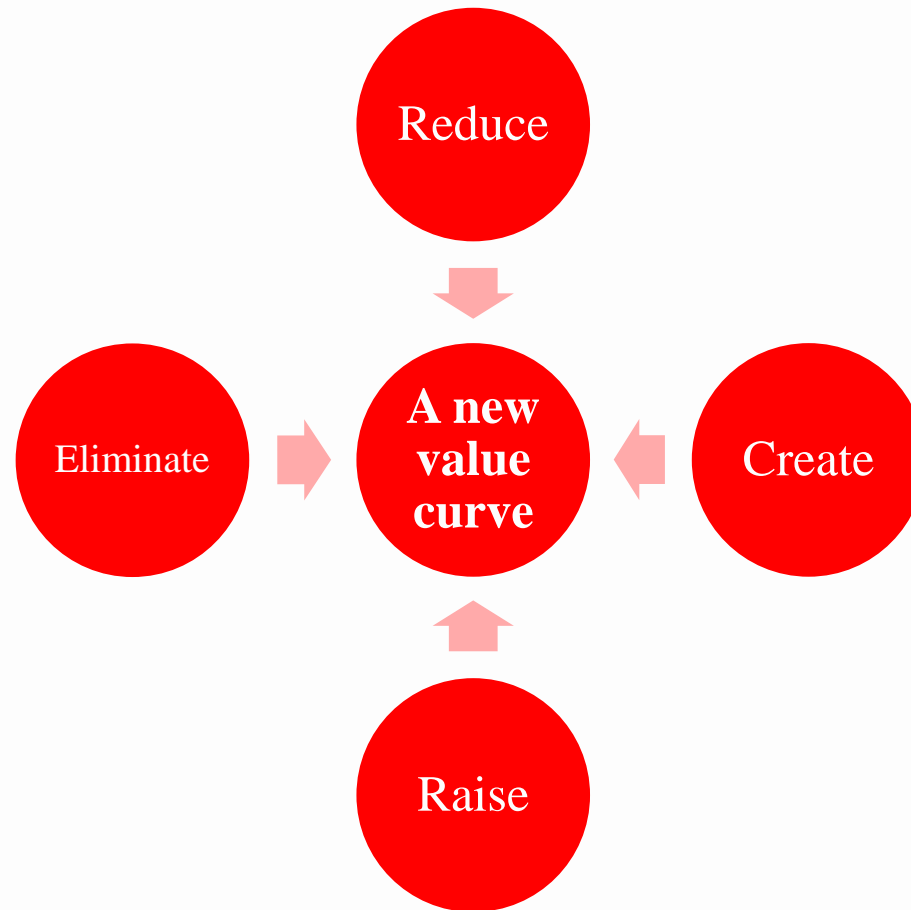
Strategy canvas



(Johnson et al., 2014:58)



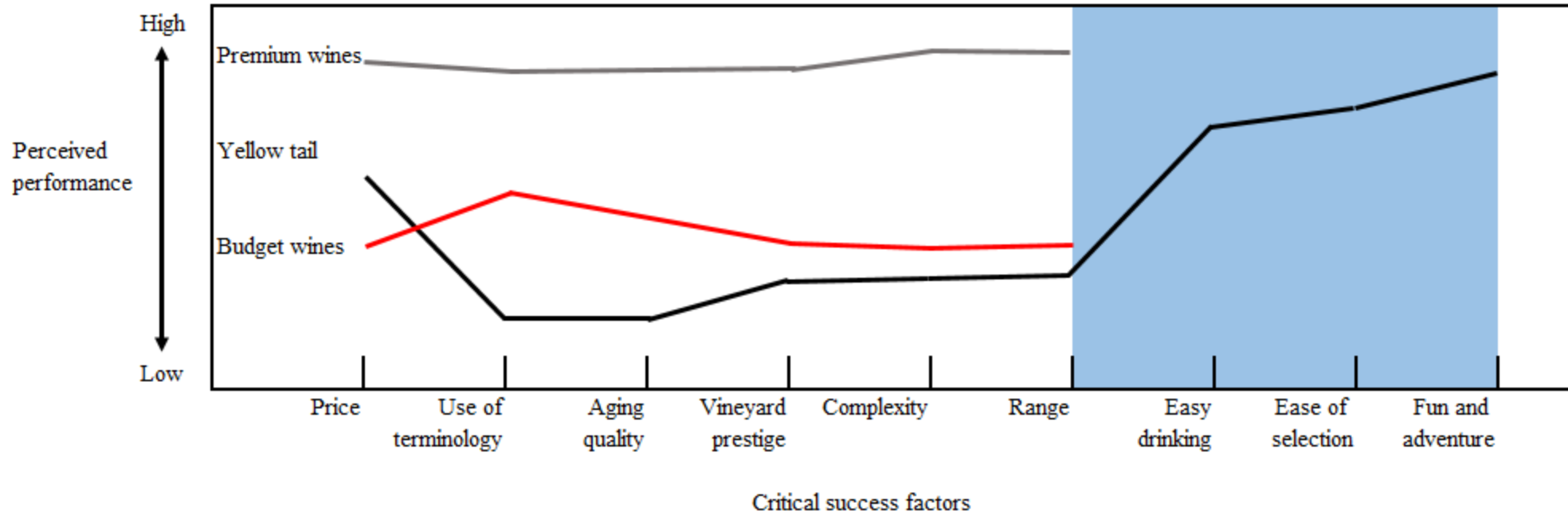
The four actions framework



(Kim and Mauborgne, 2015:31)



Yellow tail wine



(Kim and Mauborgne, 2015:34)



Eliminate – reduce – raise – create grid

Eliminate:	Raise:
Reduce:	Create:

(Kim and Mauborgne, 2015:38)



Eliminate – reduce – raise – create grid

Eliminate: use of terminology aging quality	Raise: price against budget wines
Reduce: vineyard prestige wine complexity wine range	Create: easy drinking ease of selection fun and adventure

(Kim and Mauborgne, 2015:38)



Any questions or comments?



References

- ▣ Ansoff, H. I. (1975). 'Strategies for Diversification'. *Harvard Business Review*. Vol. 35. No. 5. pp. 113 – 124.
- ▣ Johnson, G., Whittington, R., Scholes, K., Angwin, D. and Regnér, P. (2014). *Exploring Strategy*. Harlow: Pearson.
- ▣ Kim, W. C. and Mauborgne, R. (2015). *Blue Ocean Strategy*. Boston, MA: Harvard Business Review Press.