

Business Growth Strategies for a Global Economy



U. C. Berkeley Haas School of Business California Management Review issued a call for research papers on the following topic:

In a global economy where market information is available rapidly and inexpensively, how should executives think about decision processes, positioning, market entry, resource allocation, new strategic initiatives, innovation and strategy execution?

The strategy an organization uses to expand its business depends on its financial position, existing competition and any government regulation applicable to that industry. Five main growth strategies commonly utilized by most businesses are market penetration, market development, product expansion, acquisition and diversification.

Market Penetration

This is an excellent strategy to use when a business wants to market its existing products in the same market where it already has a presence. The goal is to increase its market share in a predefined vertical channel. Market share for this purpose is defined as a percentage of the gross sales in the market in comparison to other businesses in the same market. Market penetration involves going deeper in an existing vertical rather than introducing new market channels.

Market Development

Development refers to expanding the sales of existing products in new markets. Competition in the current market may be so tight there is no room for growth without spending exorbitant amounts on advertising. It may be much more efficient to develop new markets to increase profitability. The company may also develop new uses for its products. For example, an organization that sells medical equipment to hospitals may find that medical clinics also desire the same product.

Product Expansion

If technology changes and advancements begin to reduce existing sales, the company may expand its product line by creating new products or adding additional features to their existing products. The business continues to sell its products in the same market, and it utilizes the relationships the organization has already established by selling original products or enhanced products to its current customers.

Acquisition

A business can purchase another company in the same industry in order to expand its sales in that market. The purchaser must be very clear on the benefits of buying a business because of the additional investment required to buy and implement the required changes. For this reason, an acquisition strategy can be very risky. However, it is not as risky as a diversification strategy because the products and market have already been established by the company it is purchasing.

Diversification

The goal is to sell novel products to new markets. Market research is essential to the success of this strategy because the company must determine the potential demand for its new products. Just because an organization is successful selling one type of product to a specific market, does not mean it will be profitable selling alternative products to markets that do not currently exist. Diversification is even more risky than acquisition because of the significant cost involved in creating contemporary products for untried markets.

The case study "[Creating a Strategy that Smooths the Path for Growth](#)" by Pacific Crest Group (PCG) illustrates the power of accountability in a strategic plan. PCG developed a business growth plan with well-defined steps, metrics to measure the client's success and accountability to make sure the plan was executed efficiently. The process included tools for the company to manage their growth, automate administrative functions and assisted them in training existing staff as well as hiring new staff as necessary to optimize effectiveness. The implementation of this system resulted in the accomplishment of an overwhelmingly profitable growth initiative.

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