Paper –Strategic Management
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Topic- Conglomerate Diversification Part 2

Conglomerate Diversification: When an organization adopts a strategy that requires taking up activities that are not related to the existing business definition of one or more of its businesses either in terms of their respective customer groups, customer functions or alternative technologies, it is called conglomerate diversification.

It should be noted that a key difference between concentric and conglomerate diversification is that the former should be based on some commonality in markets, products or technology whereas the latter should be based more on profit considerations

There are several examples of Indian companies, which have adopted this strategy for growth and expansion, for instance, ITC, a cigarette company diversifying into the hotel industry and Shriram Fibres Ltd. diversifying into the financial services.

The six situations where conglomerate diversification may be an effective strategy to pursue, are:

- When the basic industry of an organization is facing a downfall in annual sales and profits.
- When an organization has the capital and managerial talent needed to compete successfully in new industry.
- When an organization has the opportunity to purchase an unrelated business that looks like an attractive investment.
- When the financial synergy between the acquired and acquiring organization exists.
- When existing markets are saturated by the organization's present product Diversification strategies offer great rewards if proper steps are implemented at the right time.