

Paper –Strategic Management

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Topic- Expansion through Concentration

Concentration is the first level of expansion strategy and thus it is the first prefer strategy for any organization. Concentration involves converging resources in on more of the organization's businesses in terms of their customer needs, customer functions and alternative technologies, either individually or jointly in such a manner that it results in expansion Concentration strategies in business intensification, focus or specialisation strategies.

Peters and Waterman in their book In Search for Excellence advocated concentration strategies as a parameter for successful businesses. They called concentration strategies the **stick to knitting strategies**. According to them. Excellent firms tend to rely on doing what they know, they are best at doing.

Practically, concentration strategies involve investment of resources in a product line for identified market with the help of a proven technology. For instance. An organization may attempt focussing intensely on existing markets with the current product line by using market penetration. The organization may also try to attract new customers the existing products resulting market development Alternatively, it may introduce new products in the existing market by concentration on product development.

for example, Bajaj Auto has been constantly concentrating on two-wheelers for the last several years as it finds it to be a high growth and attractive industry for investment. To gain competitive advantage in the market, it has tried various means and proven technology.

Concentration helps an organization to grow. It is the first-level type of expansion grand strategy and also the first-preference strategy for the organizations. The advantages of concentration strategies are as follows:

- Concentration involves fewer organizational changes
- It is less threatening and more comfortable staying with current business,
- It enables the organization to specialise in some particular activity by business acquiring in-depth knowledge of business.
- Intensification of resources helps in creating competitive advantage for the business.
- It facilitates easy development in the system and process involved in production of goods.
- Concentration facilitates less strain while decision-making as there is a high level of predictability.
- Managers face fewer problems with the known situations.

Concentration strategies help organizations to grow but such strategies have limitations also, which are as follows:

- Concentration strategies are highly dependent on the industry. Therefore, adverse conditions in an industry can affect organizations if they are intensely concentrated. The potential for industrial growth, industrial attractiveness and industrial maturity are variable factors. If an industry faces recession, the organization concentrated in it finds it too difficult to withdraw. If an industry becomes too crowded with competitors, its attractiveness decreases for the existing organizations in the industry. For an industry, constraints arise on the concentrated organizations for further expansion.

- Factors such as new technologies, market inconsistency and product obsolescence can be a threat for the organizations. A firm investing heavily in either of these factors may face risk.
- Too much of specialisation may create organizational inertia. In such a situation, managers may not be able to sustain interest and find the work less challenging and stimulating.
- Concentration may lead to cash flow problems that may create problems for the organizations. Expansion requires a large cash flow to build up the assets while the business is growing. When these businesses mature, organizations may face cash surplus with little scope for investment opportunities outside the current industry resulting in diversification and integration.