



The Business Case for Diversification

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Step One

Develop a strategic plan around a specific diversification opportunity:

- Product line expansion?
- Client/Revenue expansion?
- Geographic expansion?
- Competitive environment?



Strategic Plan Assessment

Product Line Expansion

- What are our current product lines?
- What are potential product lines we could effectively add?
- Who would our target market be for these new products?
- Do we currently have a business relationship with this market, or is this a new client base for us?



Strategic Plan Assessment

Client/Revenue Expansion

- What are our current channels?
- What additional channels would we like to explore?
- What competencies do we have internally to address each of these channels?
- What is the client/revenue mix that we would like to have?



Strategic Plan Assessment

Geographic Expansion

- What is our current geographic footprint?
- What additional areas would we like to explore?
- What staff resources would we need to expand into these additional areas?
- What technology and other additional resources would we need to expand into this area?



Strategic Plan Assessment

Competitive Environment

- Is new area of focus (product/client/geography) dominated by any one (or any small group of) competitors?
- How will you displace existing competitors?
- Is your marketing/sales/technology budget realistic, given existing competition?
- Should you partner with existing competitors to gain entry?



Step Two

Assess your available and potential resources against the plan.

- Capitalization
- Internal competencies
- Structural competencies



Resource Assessment

Capitalization

- What are our reserves?
- What will it cost us to get this venture up and running?
- What does our financial pro forma look like for this new business venture?



Resource Assessment

Internal Competencies: Management

- What abilities do we have on our management team to manage this new operation?
- What training do we need to bring our management team up to speed?
- What new managers do we need to hire and what skills do they need to have?



Resource Assessment

Internal Competencies: Staff

- What abilities do we have on our staff to handle the demands of this new venture?
- What training do we need to bring our staff up to speed?
- What new staff do we need to hire and what skills do they need to have?



Resource Assessment

Internal Competencies: Organizational

- What kind of company are we?
- Where do we want to be able to compete?
- What organizational competencies do we have to aid us in this new pursuit
- How can we build off of what we already have in place?



Resource Assessment

Structural Competencies: Culture

- What is our operational philosophy?
- Is our management team open to change?
- Is our staff flexible and nimble enough to effect core changes?
- Does our sales organization have the appetite to explore new markets?



Resource Assessment

Structural Competencies: Technology

- Is our technology adaptable to new products and services?
- Do we have sufficient internal resources to adapt the technology to new uses?
- Do we have sufficient financial resources to upgrade or revamp the technology?



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