

## **DIVERSIFICATION AS A SOURCE OF SUSTAINABLE COMPETITIVE ADVANTAGE**

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This paper considers the phenomenon of diversification and explores it as source of competitive advantage of a company. Diversification strategy is a strategy developed by a company to penetrate into a new market, products or services with the right knowledge and capacity [1]. The type of diversification strategy a company chooses will be determined by what it intends to achieve with the products and or services being introduced into the market [2]:

1. Concentric diversification is a strategy where the company ventures into a known market or industry where it would be able to take advantage of its current technical knowledge about the market and gain an edge.

2. Horizontal diversification is a strategy when a company tends to introduce a new product or service in a market that is sometimes not similar to the existing one but this would be of interest to the customers in the market.

3. While conglomerate diversification tends to see a company venturing into a market or product that is largely different in terms of technological and commercial similarities to its existing products or services.

Usually when using the diversification strategy a company can get the additional performance in the form of synergy effect [3]. Diversification strategy has its own pros and cons in which case a company must examine its cost-benefit analysis before adapting a particular strategy in order to mitigate risk and increase its market share (sales and profits). Diversification strategy helps a company to spread its risk on over dependence on a particular product or service and be able to leverage on market opportunities which will further increase sales, profits and would be able to sustain its competitive advantage. On the other hand, diversification strategy might expose the company to a high risk when they venture into a market or product which they are unfamiliar with or have the technical knowledge on how it operates.

Conclusively, diversification strategy can be a great tool for sustainable competitive advantage for a company if it is able to assess the market or product sufficiently to know the correct strategy to adopt before venturing into it; this would enable the company to only take calculated risks which be for the overall benefit of the company.

### **References:**

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