In what ways does UTC’s corporate-level strategy of unrelated diversification create value? Collect some recent information on UTC from sources like Yahoo! Finance. How successful has it been in pursuing its strategy?

Business organizations pursue various strategies in order to achieve high growth. Different organizations pursue different strategies depending upon their business requirements. This paper is basically concerned with assessing the corporate level strategy of unrelated diversification, as pursued by UTC corporation and the extent to which it is successful in pursuing such strategy//.

In this competitive business environment, businesses are adopting various strategies in order to achieve higher growth. In the process, they are expanding their business globally by adopting various strategies such as mergers, acquisitions, amalgamations, etc. Even the companies are eying to expand their operations globally. In the process of expansion, they adopt various corporate strategies, such as diversifying their business to the same as well as different lines of business from the existing business carried on by them.

United Technologies Corporation (UTC) is Hartford based company, which has owned a wide variety of companies that operate in different lines of business and industry. The different lines of business, which form the part of UTC, enable the company in creating values in the major activities performed by the organization. One of the most important ways through which the unrelated diversification strategy of UTC helps in creating value for the organization is the development of a unique multi business model by the CEO of the company George David (Hill & Jones, 2008).

The multi business model, as developed by the company, has proved to be successful in one of its business of developing elevators. Such model has enabled the company to increase its overall profitability from the business of manufacturing elevators. The business of elevator has been proved to be a disaster. As such, the company has adopted one of its TQM experts in order to assess the main reason behind the failure of its elevator business initially. The entire process of manufacturing the elevator has been analyzed by the TQM experts, along with the managers, designers and the production workers.

This has enabled the company to identify the main reason behind the collapse of its elevator in the market. As such, the company has redesigned its entire process of manufacturing elevators and has achieved success in the market. The success formula for the particular business of manufacturing elevators has been applied to all the businesses and it has resulted into increased profitability of the entire corporation. This implies that the business model, as developed in one of the subsidiaries of the company, has proved to be successful and its application to all other businesses of the company has helped the entire corporation in achieving great success (Hill & Jones, 2008).

The benefit of pursuing an unrelated diversification strategy is that the advantage of one business can be applied to other major businesses of the company. The strategy that has been proved to be successful can be tested in the other major businesses that the company has its presence. Similar is the case with the UTC, as the success formula that has been learned from the business of manufacturing elevator has been applied by the company in its other major businesses and has achieved success. This implies that the unrelated diversification strategy, as pursued by the organization, has been helpful for the company in creating value for the entire organization (Hill & Jones, 2008).

In addition to the benefits of skill transfer, the other major benefit that has been achieved by the UTC Corporation is controlling its risk to a larger extent. As the company has acquired businesses which deals in different lines of businesses, the company has been able to control its risks in the sense that, in case when one of the industry is not performing well, then its entire business is not affected by such under performance, rather only a particular line of business get affected. In such circumstances, the overall company still performs well, as the other major line of businesses, in which the company has its existence, performs well. This ultimately helps the company in creating value for all the stakeholders of the company (Bovay, 2010).

In addition to this, within the unrelated diversification strategy, the company has adopted certain strategies that help in the creation of value for the entire business of the company. The strategy that the company follows while acquiring the businesses that deal in the other line of businesses is to acquire only those businesses that have the potential to grow at a rapid pace in the future. This has also provided with certain additional benefits to the company in achieving high profitability and ultimately, creates value for the entire business. Thus, the company has followed a competitive strategy within its unrelated diversification strategy in order to achieve higher growth.

//After having a brief understanding of the way in which the unrelated diversification strategy as adopted by UTC Corporation helps it in creating value, the following section comprises of some recent information on the performance of the company from the Yahoo Finance//.

An analysis of the recent performance of the company implies that the share price at which the shares of the company are traded in the stock market is around 71. An assessment of the income statement of the company implies that the company is earning enough income from its operations in various lines of business, but it has declined to a certain extent in the financial year 2009, in comparison to the previous year. The total assets of the company as revealed by the balance sheet imply that the total liabilities of the company are less in comparison to its total assets. This implies that the company has the ability to meet its liabilities out of its total assets in a most effective manner. The proportion of debt as revealed by the financial statements of the company implies that it is also less in comparison to that of the equity financing of the company. Thus, the company is financially strong as the financial risk is less as assessed from its capital structure. Overall, the strategies as pursued by the company is quite effective for the company in achieving success, as it is also evident from the financial statements of the company (Yahoo finance).

//The analysis of information from the Yahoo finance concerning the performance of UTC Corporation has been quite useful in better understanding the impact of such strategy. The following paragraph comprises a brief discussion on analyzing how successful the company is in pursuing its strategy//.

The company's corporate-level strategy of unrelated diversification creates value by finding the link between related and unrelated strategy. The pursuing of this strategy helps the company in improving the standards and knowledge for competing in the business. The company generated profit from the use of diversification strategy. The use of this strategy helps the company in increasing the value as well as overall performance. The value of the company is generated after the implementation of strategy.

The unrelated diversification of strategy improves the revenues of business in the company and also helps in reducing the cost which is used for implementing the business level strategies. The reason for using this strategy for the company is that it increases the value of firm in the industry and doesn't have an adverse effect on the working of the company. The decision of the firm to use the strategy helps in reducing the risk related to managerial condition. So due to this, it minimizes the risk of top executives related to employment.

Some of the key points which made the company successful in pursuing this activity are as follows:

l Sharing of activities related to task

l Movement in the competencies

l Efficient use of located capital

l Restructuring of business

l Consolidate integration

l Blocks competitors from various use of strategies

In this way, the unrelated diversification strategy builds the company from effective uses of resources and extends the capabilities to maintain the value in the market. The use of this strategy helps the business of the company in developing the economy and its scope in the industry. The cost saving and transferring of cost helps in developing the business from one to another. The economies of the company create the value according to two basic operational activities: sharing activity and transfer of corporate relatedness.

The operational relatedness of the company gets improvement in the business after the usage of strategy, by sharing it in primary and support activity for improving and managing the sustainability in the industry. The transfer of the activities improves the core competencies with the use of related resource of the company. This implies that the company is doing well in all the major activities undertaken by it creating value for its entire stakeholders (Hitt, Ireland & Hoskisson, 2009).

References

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