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GROWTH STRATEGIES – CASE STUDY

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Introduction

Companies start their business concentrating on the market of the of their closest vicinity. Along with the growth of the enterprise activity on a given market and its saturation with their products, such companies expand the reach of their territory and enter new markets in order to avoid stagnation. The expansion is of local nature at first and subsequently assumes the form of regional activity, to offer its products all over the country in the end. For numerous companies this is the final stage of expansion, however, some of them do not stop at winning the domestic market, but start to offer their services overseas. Entities whose services or products are available almost all over the world are called global companies. Such enterprises must approach the strategy of development, growth and competition in a different way. This paper discusses such issues, presenting the case study of Google's strategy.

Strategy classification with particular attention paid to growth strategies

A company has numerous strategic options to select from. They are classified in a different way by various authors. A. Thompson and A. Strickland distinguish seven general types of strategy on the company level:

1) Focus on one business,
2) Vertical integration strategy,
3) Correlated diversification strategy,
4) Non-related diversification strategy,
5) Reduction strategies,
6) Disposal and liquidation strategies,
7) Combining strategy.

The above strategies have been distinguished with the use of two criteria:

- Company business structure criterion: specialized structure – diversified structure,
- Strategy nature criterion: specialized structure – diversified structure.

S. Certo and J. Peter suggested a similar classification of strategies. According to the authors, the general alternative strategies are as follows:

1) Focus on one business strategy,
2) Stabilization strategy,
3) Growth strategies,
4) Reduction strategies,
5) Combining strategy.

As part of the growth strategy, the authors distinguished vertical / horizontal integration strategies, diversification, merger and joint venture strategies. The reduction strategies include: growth / disposal and liquidation strategies. The same two criteria as above were used in this classification, however, the classification was expanded according to the second criterion, i.e. the nature of the strategy. The strategies of stabilization, growth and reduction were distinguished from this point of view. The strategies of horizontal integration, characteristic for the one business focus strategies, a separate strategy category, were classified without limitation within the growth strategies. The merger and joint venture strategies were classified herein as well, which is a method of strategy performance rather than a strategy itself.

L. Rue and P. Holland suggested a uniform and complete strategy classification on the company level. They divide company strategies into the following four categories, by the strategy nature:

1) Growth strategies,
2) Stabilization strategies,
3) Defensive strategies,
4) Combined strategies.

Within the growth strategy set there are concentration, vertical integration and diversification strategies, i.e. unlike S. Certo and J. Peter who also distinguish growth strategy group including vertical/horizontal integration, diversification, company mergers and joint ventures. The group of defensive strategies includes strategies of return, disposal and liquidation, i.e. like in the other authors.[1]

According to Porter, there are 3 potentially effective strategies enabling one to obtain better results than other enterprises on a given market. They include:

[1] Z. Pierścionek: Strategie rozwoju firmy. Wydawnictwo Naukowe PWN, Warszawa 1997 r., s. 206 – 208

- Leading position strategy in terms of total costs (cost priority), also called low cost strategy,
- Diversification strategy (quality priority),
- Concentration strategy. [2]

Global company development, growth and competition strategies

The way growth strategies are presented in global companies, more and more frequently appearing on the market. After G. Gierszewska, globalization is a higher, more complex stage of business internationalization process [3]. In this way the markets in various countries become more and more mutually dependent and the network of correlations between them grows. Globalization, however, is not only the expansion of an enterprise on a foreign market, but also taking advantage of global production factors.[4]

Along with the increased scope of activities, the basic strategies not always fulfill their role in case of global companies. Globalization somewhat forces a new approach to the strategies applied. The global operators have four trans-boundary competition and development strategies: global, transnational, international and multinational.[5]. They differ from one another by the company management different approach to the pressure on costs and adaptation of products and promotion to local customers. Global strategy is characterized with high pressure on costs, but their small adaptation to local customers. In other words, a company applying this strategy offers an inexpensive product and sells the same

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[2] S. Nahotko: Ryzyko ekonomiczne w działalności gospodarczej. OWOPO Sp. z o.o., Bydgoszcz 1997, s. 38

[3] G. Gierszewska: Strategie przedsiębiorstw w dobie globalizacji. Oficyna Wydawnicza Wyższej Szkoły Handlu i Prawa im. Ryszarda Łazarskiego, Warszawa 2003, s.52

[4] Z. Pierścionek: Strategie konkurencji i rozwoju przedsiębiorstwa. Wydawnictwo Naukowe PWN, Warszawa 2003, s.453-454

[5] Z. Pierścionek: Strategie konkurencji i rozwoju przedsiębiorstwa. Wydawnictwo Naukowe PWN, Warszawa 2003, s. 79-80

product all over the world. The application of international strategy is also based on sales of universal products all over the world, however, it is applied when the company does not feel the pressure on the price and may impose higher payment for its products. The further two strategies are based on the adaptation of the product, marketing campaign, sales or distribution system to the local customers. They are derived from the statement: „think globally, act locally", so they converge with the globalization effect. The transnational strategy is there when the company feels high price pressure on its products, while multinational strategy is present when no such pressure exists or the pressure is residual.

Global strategies, in addition to the traditional strategy of cost leadership or differentiation also use advantages resulting from international corporate structures and varying conditions from country to country. They are the foundation for international competition strategies, such as trans-border competition strategies. However, local competition strategies are not any alternative for global enterprises. Global companies are required to be flexible and capable of combining various strategies to benefit from such mixture to the maximum extent possible.[6]

Internalization is a strategy widely used by global companies. The strategy consists in the most efficient use of internal corporate flows, i.e. product and service flows between the headquarters and branches as well as between the branches alone. Final products as well as parts, subassemblies and services are subject to exchange. The company benefits from the internationalization of the corporate structure. Instead of making transactions on the market, part of them is replaced by exchanges inside the enterprise, which brings about savings. The companies also limit fiscal costs, paying taxes in the countries where such charges are lower and they also transfer the profits between their subsidiaries. The monitoring of

[6] Z. Pierścionek: Strategie konkurencji i rozwoju przedsiębiorstwa. Wydawnictwo Naukowe PWN, Warszawa 2003, p. 82-83

sales conditions, trade markets and financial support provided by parent companies to their subsidiaries also represent a significant element.[7]

The appropriate selection of company business location is of vital importance. Global companies applying location strategy purchase products in a different location, process them somewhere else and sell in yet another location. They try to make the optimum use of geographic and economic diversity of our globe, in order to achieve utmost competitive advantage. The access to new trade markets or friendly government policies are really significant factors encouraging the companies to apply the strategy. Cheap workforce and access to inexpensive raw materials have gradually become less important nowadays. In exchange, the access to advanced technological infrastructure, level of society education, access to educated employees, constitute factors of growing significance.[8]

The ownership strategy assumes that each company holds a unique set of skills and resources and knowledge on the method of their use. Tangible and intangible resources play the key role here. The unrestricted access to resources is more important nowadays than the very fact of possessing them. Skilful handling of the ownership rights enables the companies to reduce business costs – instead of building a factory they lease it.[9]

The liquidation of barriers, progressing liberalization of economic life aspects and a lot of other factors have led to the increased activity of companies on the international arena. In search of savings, companies more and more frequently choose outsourcing. International outsourcing is of strategic nature for global corporations. It is a source of competitive advantage and enables the company to generate benefits. [10]

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[7] Z. Pierścionek: Strategie konkurencji i rozwoju przedsiębiorstwa. Wydawnictwo Naukowe PWN, Warszawa 2003, p. 98-100

[8] Z. Pierścionek: Strategie konkurencji i rozwoju przedsiębiorstwa. Wydawnictwo Naukowe PWN, Warszawa 2003, p. 106-108

[9] Z. Pierścionek: Strategie konkurencji i rozwoju przedsiębiorstwa. Wydawnictwo Naukowe PWN, Warszawa 2003, p. 109-111

[10] Z. Pierścionek: Strategie konkurencji i rozwoju przedsiębiorstwa. Wydawnictwo Naukowe PWN, Warszawa 2003, p. 111-115

The strategy of Google

M.J. Minakowski noticed that Google does not attack competitors frontally, but it concentrates on finding a niche, gaining a dominating position therein and then it attacks the competitors.[11]

In 2000, two-year old Google became a search engine in a large web portal owned by Yahoo. Google used to provide services to a global. player, but at the same time it developed under its own brand name. The change of search engine was not entirely clear to conservative Americans – as the existing one functioned properly, what was the sense of changing it. This was when Google chose to apply the surrounding strategy. It adapted its search engine to tens of various languages and started its overseas expansion. While Yahoo needed editors to operate the portal on each overseas market, Google did not need anyone. Yahoo used to hold a strong position in countries like the UK, Germany, France, however, Google gained smaller markets one by one, such as Poland or the Scandinavian countries. Along with the gradual growth of popularity of Google all over the world, the company started to gain west European markets. Google conquered the whole world, except the USA. This was when Yahoo realized that people prefer to use Google search engine to enter Yahoo portals and search from them. The management of Yahoo decided to purchase several competitive search engines and create one super-search engine, but it was too late – Google dominated the whole world. [12]

Google applied the same strategy while creating iGoogle. Google always declared to be an Internet search engine only and would not introduce accessories typical for portals, e.g. horoscopes, calendar, useful links, news.[13]

[11] www.minakowski.pl/napoleonska-strategia-biznesowa-google-analiza, 2010-09-07
[12] www.minakowski.pl/napoleonska-strategia-biznesowa-google-analiza 2010-09-07
[13] www.minakowski.pl/napoleonska-strategia-biznesowa-google-analiza 2010-09-07

Conquering email by Google was similar. The market was in the hands of a few global players. Google chose not to attack them directly, it decided again to take a niche first – the users sending and receiving large attachments. Through creating email capable of taking one gigabyte of data (it was a huge volume for the time– 2004) Google promptly dominated the niche and then, along with the continuous product development and email capacity increase – dominated the whole market.[14]

Summarizing, the strategy of Google is based on occupying a market niche, ignored by competitors. Then, a very dynamic development of such niche and frontal attack on competitors take place. These are only three examples of the surrounding strategy applied by the corporation from Mountain View, but similar behavior can be observed with numerous other products of Google.

Another important element exercised within the growth strategy of Google is the creation of image. The leading motto of Google and its employees is the slogan „Don't be Evil. The corporation presents itself as the defender of all the Internet users, the freedom of speech. People who mainly work for the company are idealists, people to whom freedom is the greatest advantage, value they are ready to fight for permanently, each of them finds herself/himself indispensable and knows that she/he is able to change something and that their ideas may be used by Google to continue "doing good" in the world. An objective of Google is to catalog all the knowledge that human kind has access to and make it available online. They also promote ecologic sustainable development, the headquarters in Mountain View take electricity from solar collectors. The corporation employing more than 20 thousand people all over the world has

[14] www.minakowski.pl/napoleonska-strategia-biznesowa-google-analiza 2010-09-07

maintained its ‘garage’ nature – most of us do not realize how immense the corporation from Santa Clara is.[15]

Google cares about its clients like no-one else on the Internet. In addition to the fact it offers them best quality products, they are open to all the users’ remarks on the way to improve their programs. Moreover, Google tries to filtrate the sites it has found, in order to eliminate ones infected with viruses aimed at infecting the users’ PC’s. Theoretically such action is not required, but Google, caring about its clients, provides them with free-of-charge security protection, under the principle – everything for our clients.[16] For many specialists, the databases that Google has are the largest collection of private details in the world. The company declares that it uses the data for analytic purposes only and does not make them available to third persons. However, the perspective of leak or stealth of part of the data even is very worrying to numerous persons.[17]

Introducing censorship on the Chinese market was a very controversial decision of Google[18]. The image of the company as the defender of freedom on the Internet and supporter of general access of all the web users to all the information, was seriously infringed. Numerous protests were made against the corporation’s surrender to Chinese state authorities. People started to ask whether Google still was the defender of freedom on the Internet? Is the unrestricted access to data still the company’s objective? How far would Google management go to maximize its profits at the cost of censorship and obedience to government authorities? The company management chose to gain a new market at the cost of its morality. The motto „Don’t be evil” lost its significance because of this single

[15] L. Reppesgaard: Imperium Google - Google zna Cie lepiej niż sądzisz, BC Edukacja, Warszawa 2009, s.21
[16] L. Reppesgaard: Imperium Google - Google zna Cie lepiej niż sądzisz, BC Edukacja, Warszawa 2009, p.90-91
[17] L. Reppesgaard: Imperium Google - Google zna Cie lepiej niż sądzisz, BC Edukacja, Warszawa 2009, p.25
[18] L. Reppesgaard: Imperium Google - Google zna Cie lepiej niż sądzisz, BC Edukacja, Warszawa 2009

decision. In late March, 2010 Google decided to withdraw from the Chinese market. The negative effect on the company image caused by censorship and continuously dropping share of the company on the market of Chinese search engines represent the reason for such decision. The question if Google would have done so provided it achieved a dominating position on the Chinese market. This is rather doubtful. [19]

Another factor influencing the strategy is the company innovativeness. Starting with a search engine only, as the years go by, Google keeps adding more and more products to its portfolio. In 2010 it had almost 550 products [20]. Google comes before its competitors in terms of computer architecture, business organization, ability to create new ideas and it also can thoroughly analyze data collected as a result of its products' operation. With its innovativeness, Google deserves the name General Electric or IBM successor. Billions of dollars per year are designated for research and development and the employees characterized with immense creativity build new innovative products with unusual speed.

In the innovativeness ranking of 2010, prepared by Boston Consulting Group, Google occupies a very high second place giving way to Apple only. Thus, it has maintained its last year's position. Its main competitors occupy lower positions[21]. Microsoft is third and Yahoo did not enter the first fifty. Google's success results from the use of both factors in a very efficient way. The corporation spends huge amounts of money on research projects every year. In 2009 it was over 2,8 billion USD.[22] The money earned on the AdSense service is almost entirely used for pur-

[19] www.newsweek.pl/artykuly/sekcje/swiat/google-wycofa-sie-z-chin,55196,1 2010-08-28
[20] www.spreadsheets.google.com/pub?key=ty_BGDs9hnuBMRvj3AFeB2g&output=html 2010-08-28
[21] www.bwnt.businessweek.com/interactive_reports/innovative_companies_2010/ 2010-09-05
[22] www.investor.google.com/documents/2009_google_annual_report.html 2010-09-05

chase of start-ups and external know-how.[23] The money earned on the stock exchange.[24]

The innovative advantage of Google also results from the personal policy conducted by the corporation. The company carries out continuous recruitment of outstanding, creative individuals, approaching problem solution in a different way. The company management created a friendly atmosphere to the continuous process of creating innovations, even through the adaptation of the office rooms so that they can have a place to record their remarks and share them with other employees – the walls in the company headquarters are covered with boards where each employee can share their ideas and others can comment on it. The company encourages its employees to devote even 20% of their working time to develop their own innovative ideas.[25]

Examples of Google's innovative policy may include without limitation the creation of the fastest search engine in the world and the best system in the world matching ads to the topics searched for. This was innovative itself, but Google did not hesitate to go a step further. It created software operating under the principle AdWords and AdSense for press, radio and TV. For the time being, they are at the preliminary stage of operation and do not generate much income, but the possibility to place advertisement in the media, omitting the intermediary, is a very interesting idea and shall definitely be further developed.[26]

The innovative business model of Google proved that the company is able to offer its products free of charge and gain profits on them at the same time. This new approach preventing from transfer of costs onto

[23] L. Reppesgaard: Imperium Google - Google zna Cie lepiej niż sądzisz, BC Edukacja, Warszawa 2009, s.54

[24] L. Reppesgaard: Imperium Google - Google zna Cie lepiej niż sądzisz, BC Edukacja, Warszawa 2009, p. 94-95

[25] L. Reppesgaard: Imperium Google - Google zna Cie lepiej niż sądzisz, BC Edukacja, Warszawa 2009, p. 30-31

[26] L. Reppesgaard: Imperium Google - Google zna Cie lepiej niż sądzisz, BC Edukacja, Warszawa 2009, p.58-60

the end users, and rather charging persons interested in advertising their products has appeared to be a genial measure.

Summary

Basing on literature studies and the case study, it should be noticed that in case of global companies, the search for market niches, ignored by market players, in consequence a dynamic development of such niche activity and frontal attack on the competitors – this is what appears to be immensely important. Moreover, there are factors like creating the company image, perfect care about the client, very high quality, innovativeness of the company, HR policy that integrates and involves the employees.

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