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Strategies for Diversification

Igor Ansoff, Harvard Business Review, 1957

The four ways a business can grow, and why the last one is the riskiest.

The big idea

Ansoff set out a simple way of thinking about growth. You can sell more of what you have to the customers you already serve, or you can change the product, the market, or both. The further you move from what you know, the higher the risk.

The famous example

The four growth options that became known as the Ansoff Matrix.

EXISTING PRODUCT, EXISTING MARKET	EXISTING PRODUCT, NEW MARKET	NEW PRODUCT, EXISTING MARKET	NEW PRODUCT, NEW MARKET
Penetration	**Market development**	**Product development**	**Diversification**
Lowest risk			Highest risk

Diversification means learning new products and new customers at the same time, which is why it carries the most risk.

Why it matters

Growth for its own sake can water down what made you successful in the first place. Expanding a tournament or a product range only works if it doesn't cost you the thing people loved about it.

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Ansoff, H. I. (1957). Strategies for Diversification. *Harvard Business Review*, 35(5), 113–124.

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