

ble.NEC integrates its computer, semiconductor, telecommunications, and consumer electronics businesses by merging computers and communication.Despite such pitfalls, opportunities to gain advantage from sharing activities have proliferated because of momentous developments in technology, deregulation, and competition.Sharing can lower costs if it achieves economies of scale, boosts the efficiency of utilization, or helps a company move more rapidly down the learning curve.And if compromise greatly erodes the unit's effectiveness, then sharing may reduce rather than enhance competitive advantage.The infusion of electronics and information systems into many industries creates new opportunities to link businesses.Prime examples of companies that have diversified via using shared activities include P&G, Du Pont, and IBM.The costs of General Electric's advertising, sales, and after-sales service activities in major appliances are low because they are spread over a wide range of appliance products.Conversely, diversification based on the opportunities to share only corporate overhead is rarely, if ever, appropriate.Sharing activities inevitably involves costs that the benefits must outweigh.The shared salesperson, for example, can be provided with a remote computer terminal to boost productivity and provide more customer information.Companies using the shared-activities concept can also make acquisitions as beachhead landings into a new industry and then integrate the units through sharing with other units.Marriott illustrates both successes and failures in sharing activities over time.A shared service network, for example, may make more advanced, remote servicing technology economically feasible.Often, sharing will allow an activity to be wholly reconfigured in ways that can dramatically raise competitive advantage.P&G's distribution system is such an instance in the diaper and paper towel business, where products are bulky and costly to ship.Companies also merge activities without consideration of whether they are sensitive to economies of scale.Companies compound such errors by not identifying costs of sharing in advance, when steps can be taken to minimize them.The fields into which each has diversified are a cluster of tightly related units.A shared order-processing system, for instance, may allow new features and services that a buyer will value.Sharing must involve activities that are significant to competitive advantage, not just any activity.Costs of compromise can frequently be mitigated by redesigning the activity for sharing.Internal development is often possible because the corporation can bring to bear clear resources in launching a new unit.Sharing can also enhance the potential for differentiation.Sharing can also reduce the cost of differentiation.A salesperson handling the products of two business units, for example, must operate in a way that is usually not what either unit would choose were it independent.Many companies have only superficially identified their potential for sharing.When they are not, the coordination costs kill the benefits.Jamming business units together without such thinking exacerbates the costs of sharing.Start-ups are less difficult to integrate than acquisitions.One cost is the greater coordination required to manage a shared activity.The corporate strategy of sharing can involve both acquisition and internal development.It is all too easy to create a shallow corporate theme.More important is the need to compromise the design or performance of an activity so that it can be shared.