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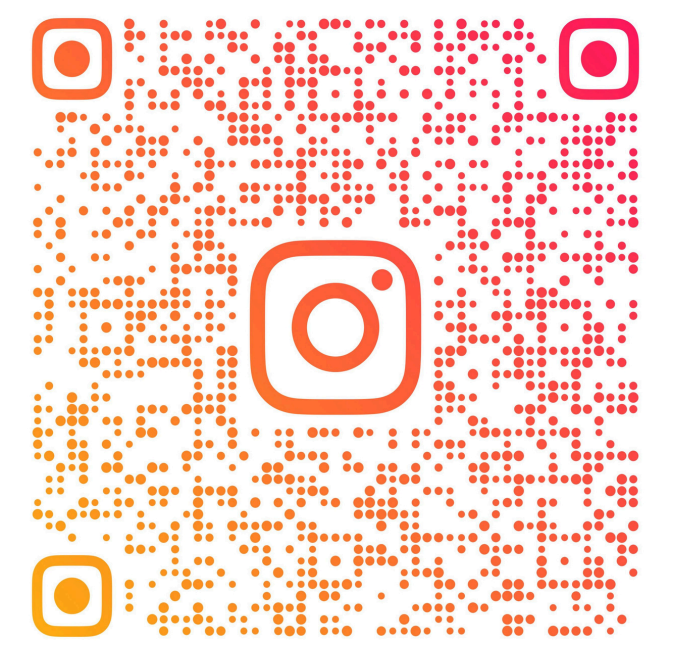


# CA ADARSH JOSHI

CA , B.COM

FOUNDER

- 8+ years of teaching experience in CA education
- Subject Expert in:  
CA Foundation – Paper 2: Business Laws  
CA Intermediate – Paper 2: Corporate and Other Laws
- Has uploaded over 3000+ educational videos for CA Foundation and CA Inter students
- Known for his dynamic, conceptual and “fun-and-learn” teaching style
- Guided thousands of students across India to success in CA exams
- Strong academic background with B.Com (BMCC, Pune) and ACA qualification
- Widely appreciated for his clarity, energy, and practical approach to law subjects
- Through Shikshadwar, offers comprehensive classes, books, tests, and mentorship to CA students



CAADARSHJOSHI



# CA DARSHAN JAIN

CA , CS , LLB , DISA , DIRM , B.COM

CO FOUNDER

- Chartered Accountant by profession & educator by passion
- Teaching Financial Accounting , Financial Management & Strategic Management to CA Students For 12 Years.
- Practicing Chartered Accountant For Past 13 years in The Field of Audit , Direct & Indirect Taxes & Management Consultancy
- Elected as Convenor of The Jalna CA CPE Chapter of WIRC of ICAI For 2 consecutive years 20-21 & 21-22.
- He Has Successfully Completed & Qualified Following Certificate Course Conducted By ICAI
  1. Forensic Accounting & Fraud Detection
  2. Concurrent Audit of Banks
  3. Goods & Service Tax (GST)
  4. Public Finance & Accounting
  5. Drafting & Pleading Before Authorities
  6. Wealth management & Financial Planning
  7. Artificial Intelligence



@CA\_DARSHAN\_JAIN



# CA TUSHAR TAPARIA

CA , LLB

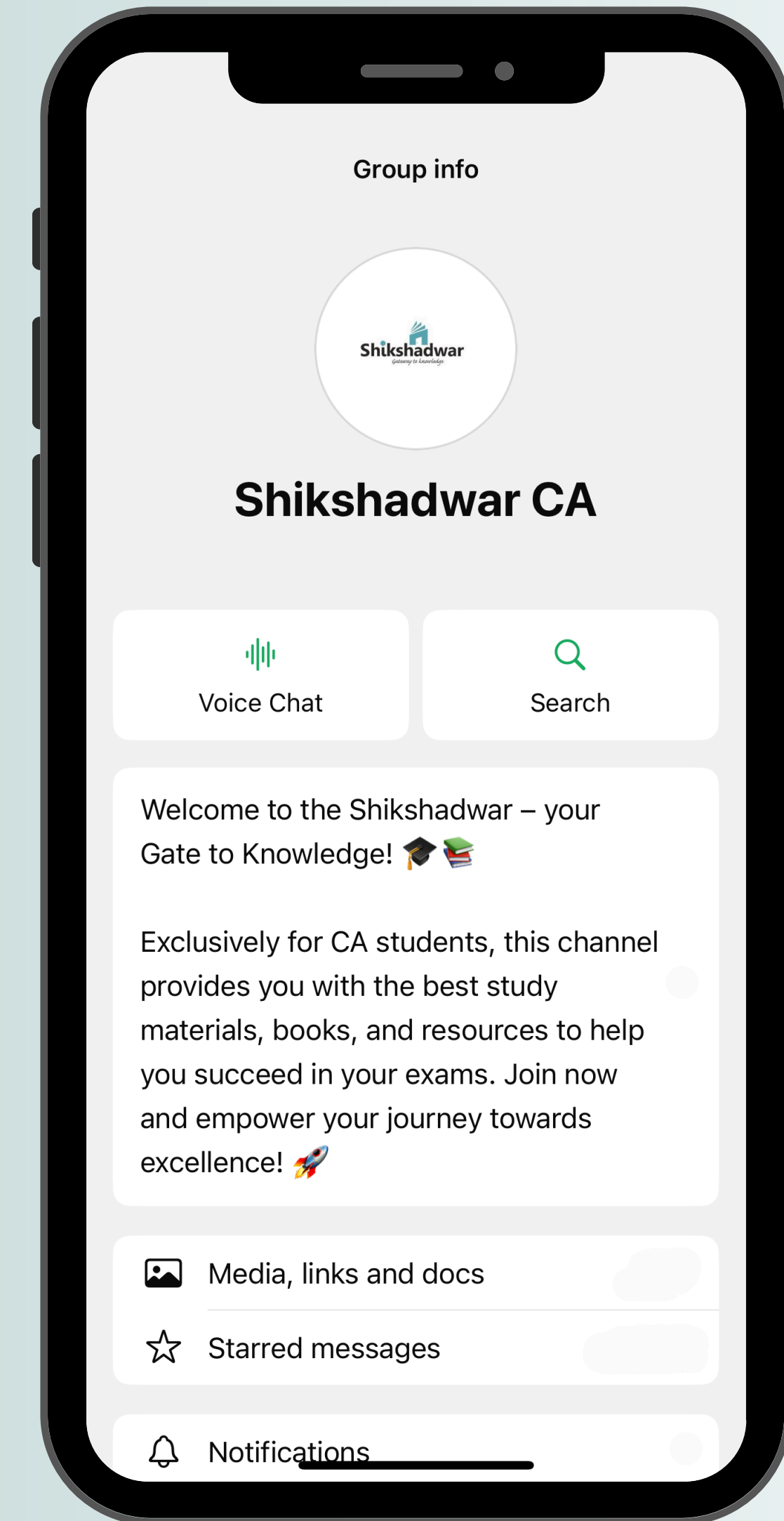
- A multi-faceted professional with a Chartered Accountancy qualification and a Bachelor's degree in Law.
- Brings 7+ years of teaching experience across CA and CS professional courses.
- Specializes in:
  - Taxation at CA Intermediate and CS Executive levels
  - Economics at CA Foundation level
- Known for simplifying complex concepts with crystal-clear explanations and practical insights.
- Expert in delivering Fasttrack batches with proven accelerated learning techniques.
- Frequently invited as a visiting faculty for Taxation at reputed coaching institutes.
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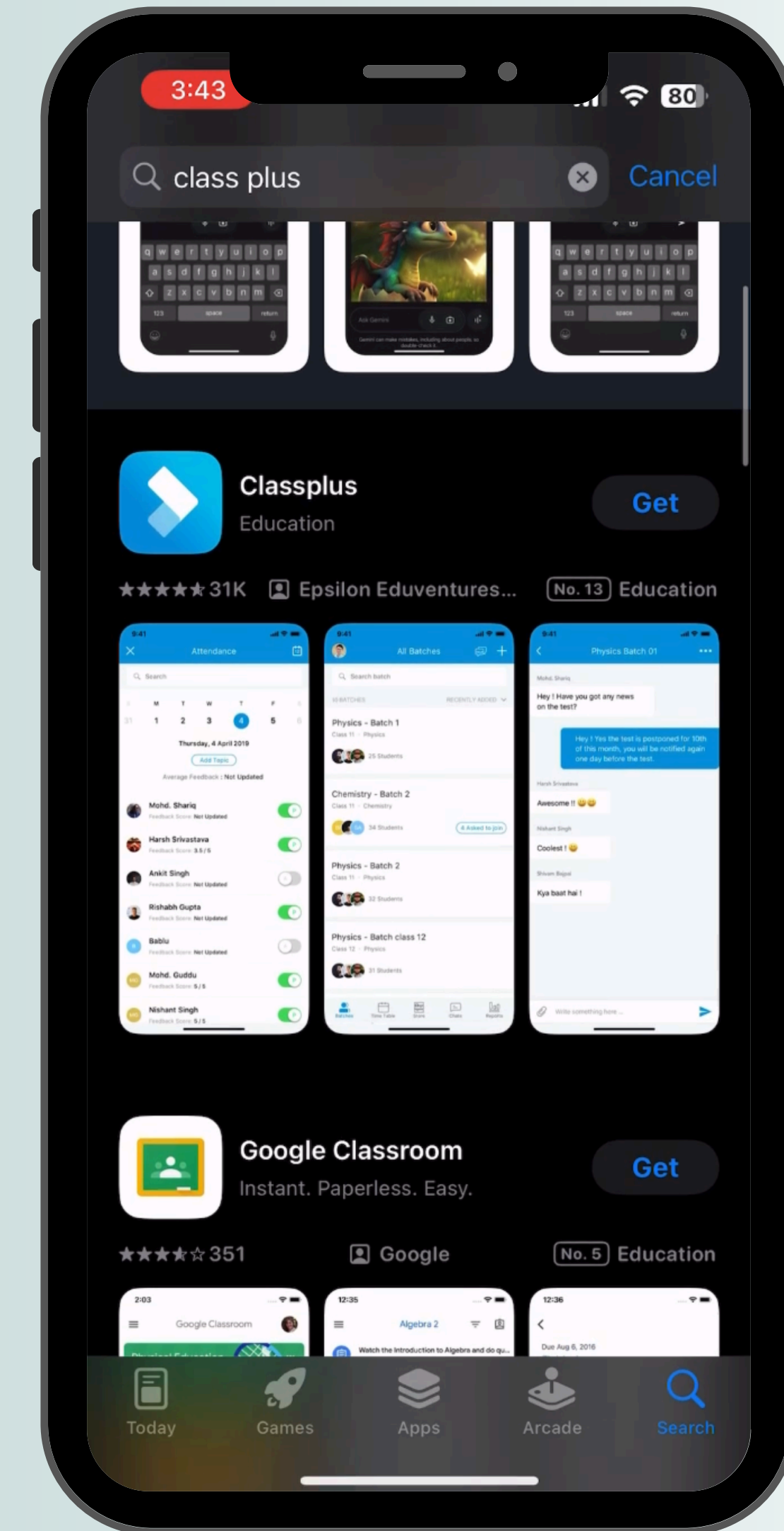
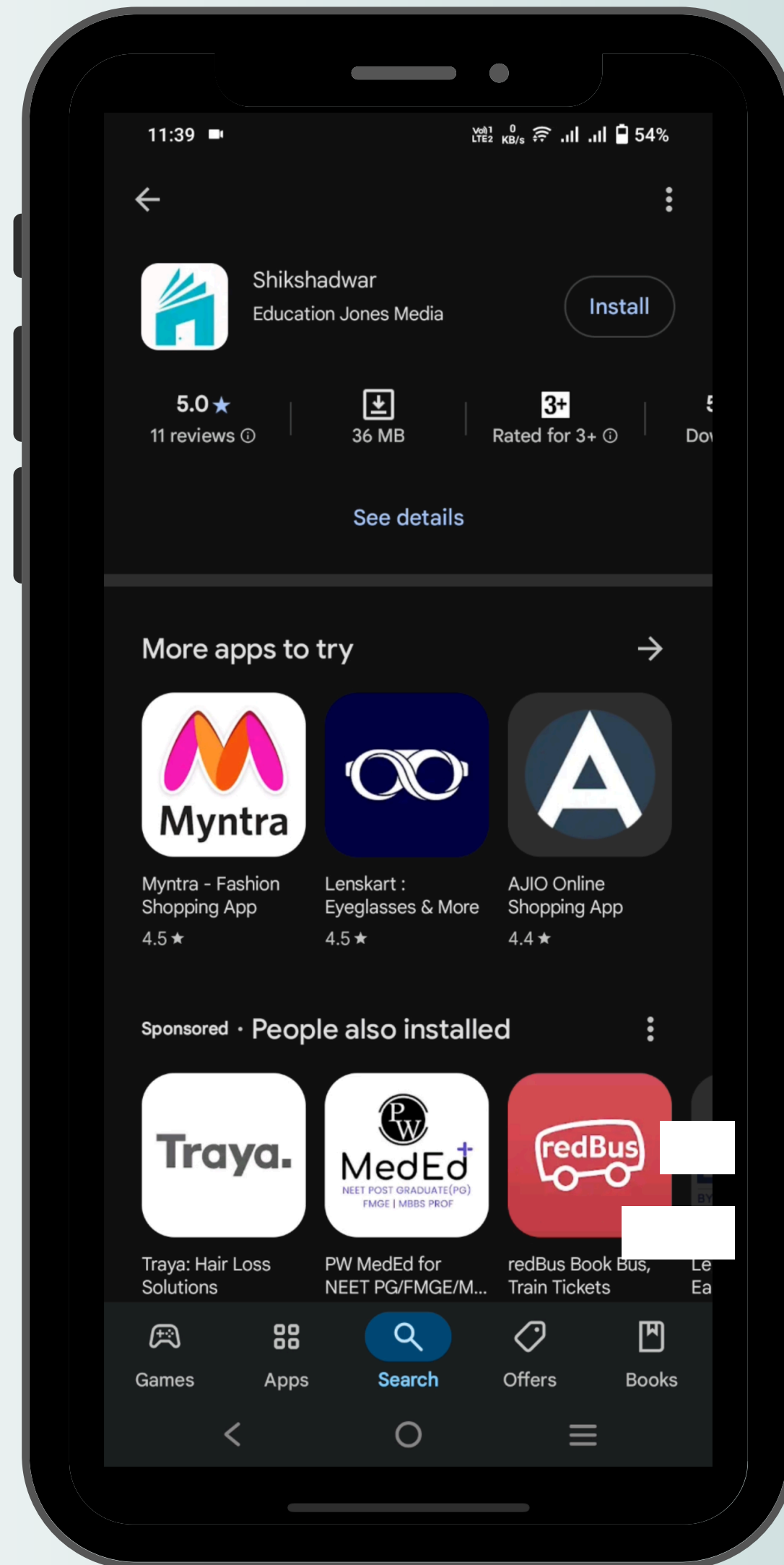
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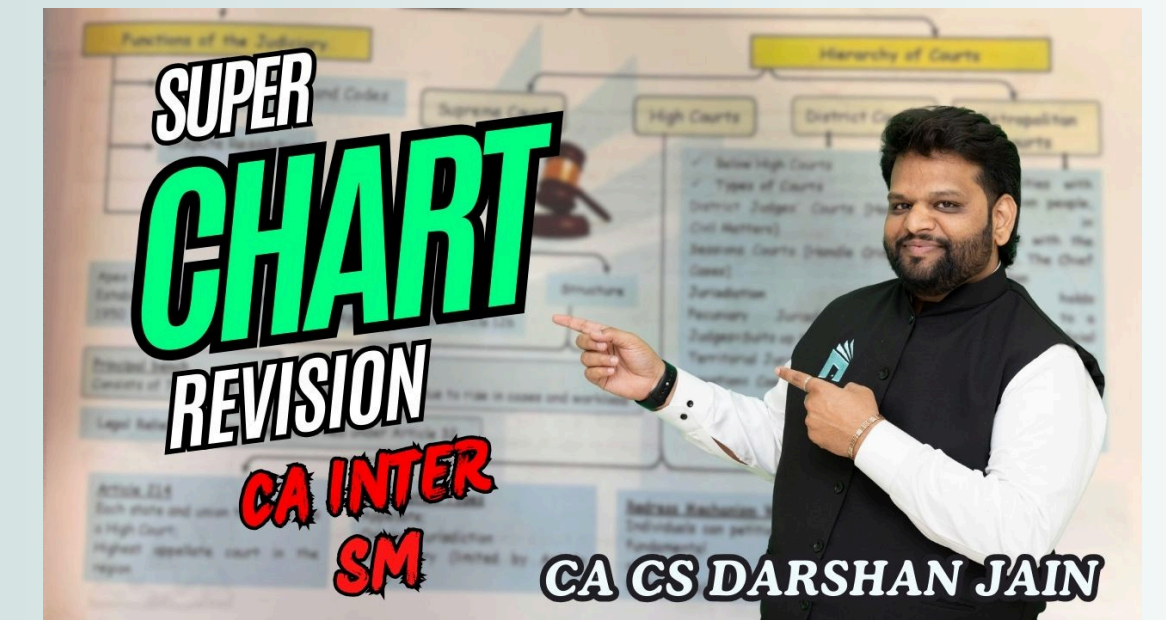
# CA INTERMEDIATE MAY 25

## Marathons Live Streams



RRR - Result Oriented Rapid Revision

Most Imp Questions



One Shot MCQ's Marathon

Super Chart Revision









Amendments Ki Pathshala

20 -20 Series

# CA INTERMEDIATE MAY 25

## Marathons Schedule With Links

| DATE      | TIME       | EDUCATOR           | SUBJECT | TOPICS                                      | YOUTUBE LINK  |
|-----------|------------|--------------------|---------|---|---|
| 17/4/2025 | 8.00 AM    | CA ADARSH JOSHI    | LAW     | RRR   |    |
| 18/4/2025 | 12.00 NOON | CA TUSHAR TAPARIA  | GST     | RRR   |    |
| 19/4/2025 | 8.00 AM    | CA CS DARSHAN JAIN | FM      | RRR   |  |
| 20/4/2025 | 8.00 AM    | CA ADARSH JOSHI    | LAW     | ONE SHOT MCQ<br>MARATHON                    |  |
| 21/4/2025 | 2.00 PM    | CA TUSHAR TAPARIA  | GST     | GST AMENDMENTS & ITS<br>IMPORTANT QUESTIONS |  |
| 23/4/2025 | 8.00 AM    | CA CS DARSHAN JAIN | FM      | ONE SHOT MCQ<br>MARATHON                    |  |

| DATE      | TIME    | EDUCATOR           | SUBJECT  | TOPICS                                  | YOUTUBE LINK  |
|-----------|---------|--------------------|----------|---|---|
| 24/4/2025 | 2.00 PM | CA TUSHAR TAPARIA  | DT       | DT AMENDMENTS & ITS IMPORTANT QUESTIONS |    |
| 27/4/2025 | 8.00 AM | CA CS DARSHAN JAIN | SM       | ONE SHOT MCQ MARATHON                   |    |
| 4/5/2025  | 8.00 AM | CA ADARSH JOSHI    | LAW      | MOST IMPORTANT QUESTIONS                |    |
| 6/5/2025  | 3.00 PM | CA TUSHAR TAPARIA  | TAXATION | 20-20                                   |   |
| 12/5/2025 | 8.00 AM | CA CS DARSHAN JAIN | FM       | 20-20                                   |  |
| 13/5/2025 | 8.00 AM | CA CS DARSHAN JAIN | SM       | SUPER CHART REVISION                    |  |

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# STRATEGIC CHOICES

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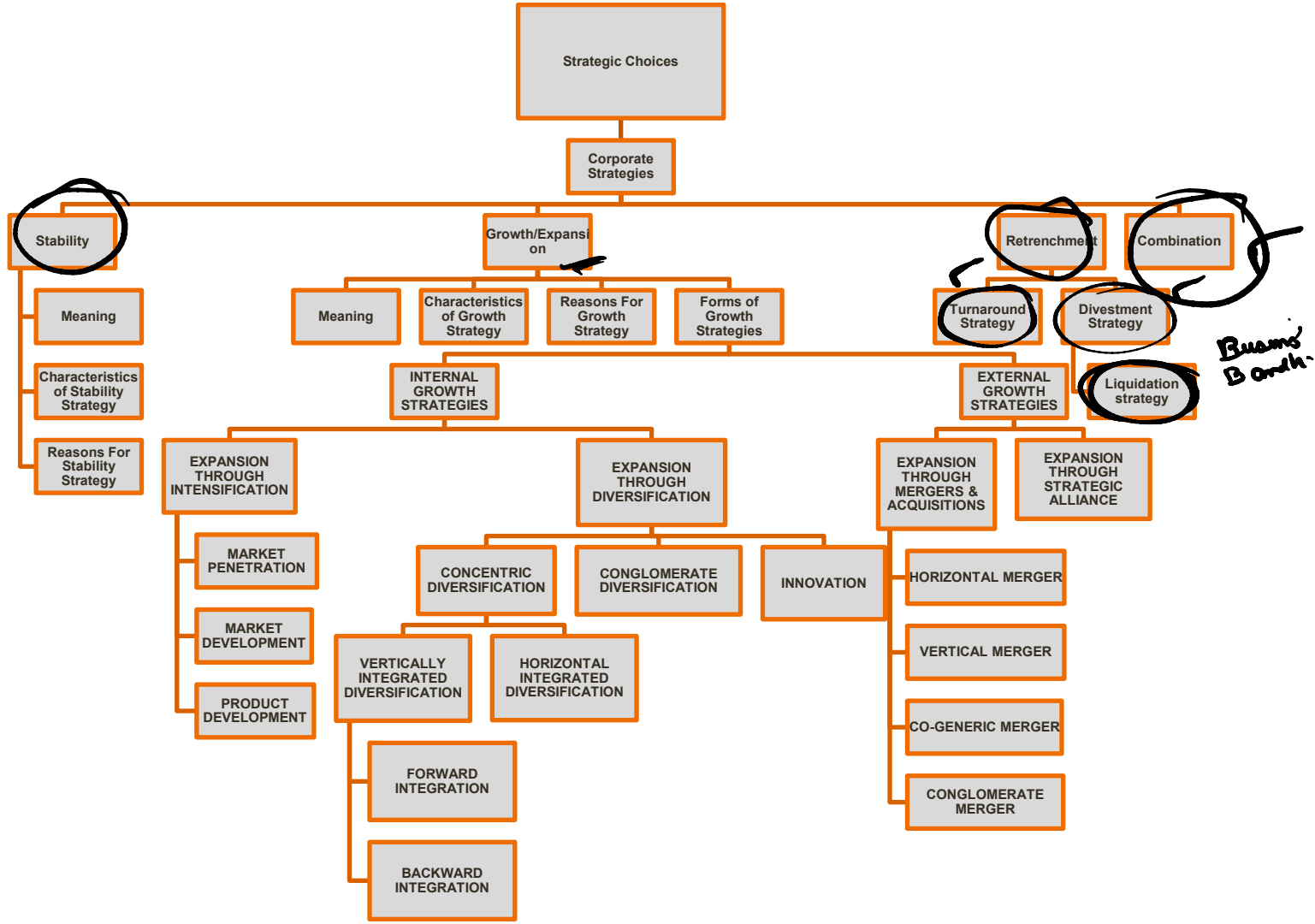
# WEIGHTAGE ANALYSIS

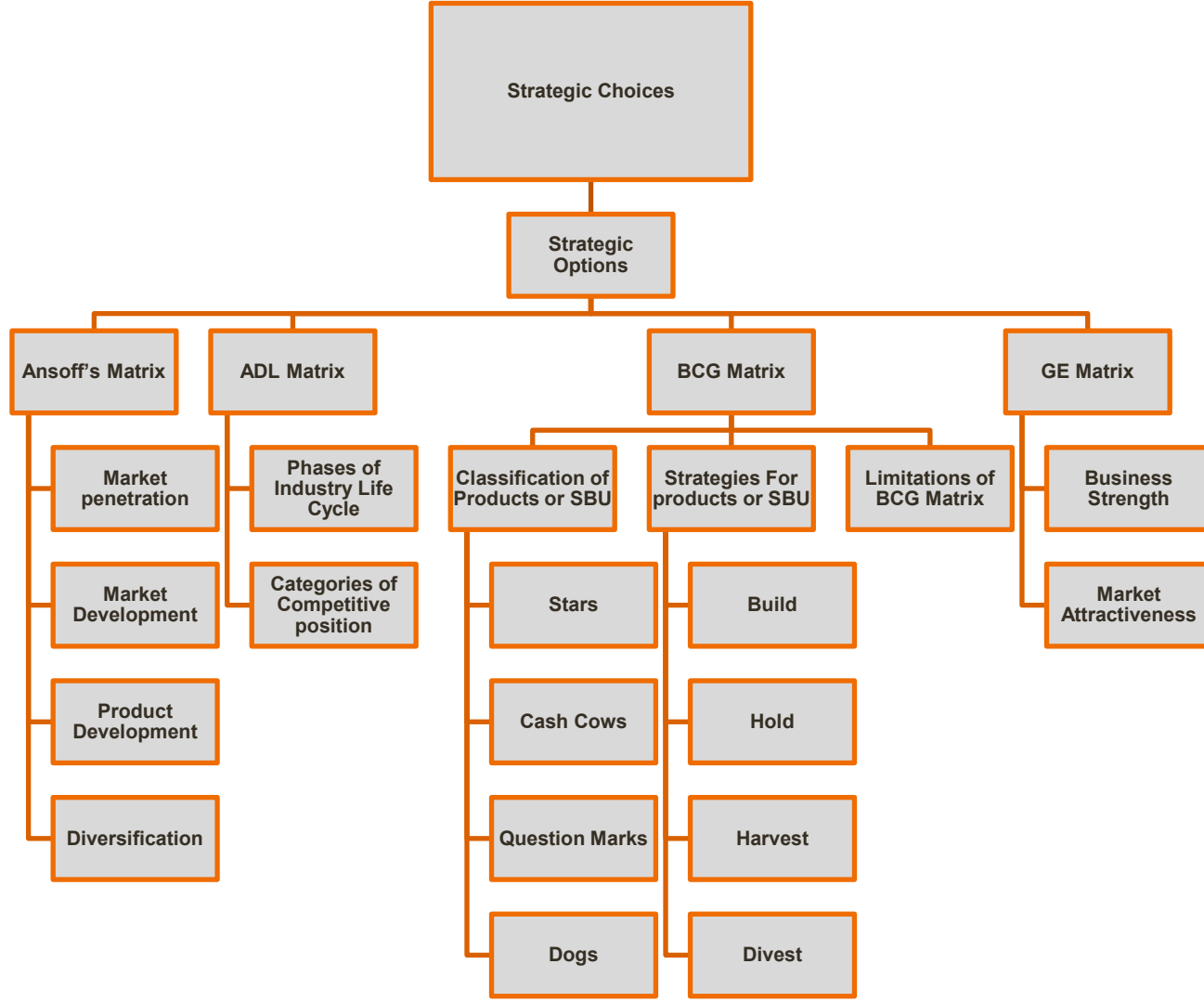
| SR.NO | NAME OF TOPIC                             | May 18    | Nov 18    | May 19    | Nov 19    | Nov 20    | Jan 21    | Jul 21    | Dec 21    | May 22    | Nov 22    | May 23    | Nov 23    | May 24    |
|-------|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| 1     | INTRODUCTION TO SM                        | 9         | 9         | 10        | 5         | 5         | 5         | 5         | 5         |           | 10        | 5         | 10        | 10        |
| 2     | STRATEGIC ANALYSIS – EXTERNAL ENVIRONMENT | 7         | 5         | 5         | 10        | 5         |           | 10        | 5         | 5         |           | 5         | 10        | 10        |
| 3     | STRATEGIC ANALYSIS – INTERNAL ENVIRONMENT | 14        | 7         | 5         | 3         | 5         | 15        | 5         | 10        | 5         | 10        | 5         |           | 10        |
| 4     | STRATEGIC CHOICES                         | 7         | 6         | 5         | 10        | 5         | 5         | 5         | 10        | 10        | 5         | 5         | 10        | 10        |
| 5     | STRATEGY IMPLEMENTATION & EVALUATION      | 15        | 19        | 11        | 5         | 10        | 20        |           | 15        | 15        | 10        | 25        |           | 10        |
| 6     | MCQ'S                                     | -         | -         | 15        | 15        | 15        | 15        | 15        | 15        | 15        | 15        | 15        | 15        | 15        |
|       | <b>TOTAL</b>                              | <b>52</b> | <b>46</b> | <b>51</b> | <b>48</b> | <b>45</b> | <b>60</b> | <b>40</b> | <b>60</b> | <b>50</b> | <b>50</b> | <b>60</b> | <b>45</b> | <b>65</b> |

# BIRDS EYE VIEW

- ❖ **INTRODUCTION**
- ❖ **STRATEGIC CHOICES**
- ❖ **STABILITY STRATEGIES**
- ❖ **GROWTH / EXPANSION STRATEGIES**
  - **INTERNAL GROWTH STRATEGIES**
  - **EXTERNAL GROWTH STRATEGIES**
- ❖ **INTERNAL GROWTH STRATEGIES**
  - **EXPANSION THROUGH INTENSIFICATION**
  - **EXPANSION THROUGH DIVERSIFICATION**
- ❖ **EXPANSION THROUGH INTENSIFICATION**
  - **MARKET PENETRATION**
  - **MARKET DEVELOPMENT**
  - **PRODUCT DEVELOPMENT**
- ❖ **EXPANSION THROUGH DIVERSIFICATION**
  - **CONCENTRIC DIVERSIFICATION**
    - **VERTICALLY INTEGRATED DIVERSIFICATION**
    - **HORIZONTAL INTEGRATED DIVERSIFICATION**
  - **CONGLOMERATE DIVERSIFICATION**
  - **INNOVATION**

- ❖ **EXTERNAL GROWTH STRATEGIES**
  - EXPANSION THROUGH MERGERS & ACQUISITIONS
  - EXPANSION THROUGH STRATEGIC ALLIANCE
  
- ❖ **TYPES OF MERGERS**
  - HORIZONTAL MERGER
  - VERTICAL MERGER
  - CO-GENERIC MERGER
  - CONGLOMERATE MERGER
  
- ❖ **STRATEGIC EXITS**
  - TURNAROUND STRATEGY
  - DIVESTMENT STRATEGY
  
- ❖ **STRATEGIC OPTIONS**
  - ANSOFF'S PRODUCT MARKET GROWTH MATRIX
  - ADL MATRIX
  - BOSTON CONSULTANCY GROUP (BCG) GROWTH-SHARE MATRIX
  - GENERAL ELECTRIC MATRIX (STOP LIGHT STRATEGY MODEL)





# INTRODUCTION

- ❑ Strategies are formulated at different levels of an organization.
- ❑ Strategy formulation involves well thought of decision making and cover actions dealing with the objective of the firm, shareholders and allocation of resources and coordination of strategies of various business units for optimal performance.
- ❑ Top management of the organization makes strategic decisions, which pan down for delegation at middle management level and finally the functional level managers execute the same with their teams.

# STRATEGIC CHOICES

- ❑ Businesses follow different types of strategies to enter the market, to stay relevant and grow in the market.
- ❑ A large number of strategies with different nomenclatures have been employed by different businesses and also suggested by different authors on strategy. *NAMES.*
- ❑ For instance, William F Glueck and Lawrence R Jauch discussed four generic strategies including stability, growth, retrenchment and combination. These strategies have also been called Grand Strategies/Directional Strategies by many other authors. *↑ general.*
- ❑ Michael E. Porter suggested competitive strategies including Cost Leadership, Differentiation, Focus Cost Leadership and Focus Differentiation which could be used by the corporates for their different business units.
- ❑ Besides these, we come across Functional Strategies which are meant for strategic management of distinct functions such as Marketing, Financial, Human Resource, Logistics, Production etc.

# TYPES OF STRATEGIES ON THE BASIS OF THEIR CLASSIFICATION

| BASIS OF CLASSIFICATION       | TYPES OF STRATEGIES   |
|-------------------------------|---|
| Level of the organization     | <ul style="list-style-type: none"><li>✓ Corporate Level</li><li>✓ Business Level</li><li>✓ Functional Level</li></ul>   |
| Stages of Business Life Cycle | <ul style="list-style-type: none"><li>✓ Entry/Introduction Stage - Market Penetration Strategy</li><li>✓ Growth Stage - Growth/Expansion Strategy</li><li>✓ <u>Maturity Stage - Stability Strategy</u></li><li>✓ Decline Stage - <u>Retrenchment/ Turnaround Strategy</u></li></ul> |
| Competition oriented          | <ul style="list-style-type: none"><li>✓ Competitive Strategies - Cost Leadership, Differentiation, Focus</li><li>✓ Collaboration Strategies - Joint Venture, Merger &amp; Acquisition, Strategic Alliance.</li></ul>  |

- ❑ The organisation adopts either of the above strategies depending upon their needs and requirements.
- ❑ For instance, a start-up or a new enterprise might follow either a competitive strategy i.e., entering the market where a number of rivals are already operating, or a collaborative strategy, i.e., enter into a joint venture with an established company. However, majority of startups are launched on a small scale and their main strategy is to penetrate the market and to reach the breakeven stage at the earliest and later pursue growth strategy.
- ❑ While a going concern can continue with the competitive strategy or resort to collaborative strategy to ensure business growth.
- ❑ Business conglomerates having multiple product folios formulate strategies at different levels, viz., corporate, business unit and functional.
  - Corporate level strategies are meant to provide 'direction' to the company.
  - Business level strategies are formulated for each product/process division known as strategic business unit.
  - While for implementation of the corporate and business strategies, functional strategies are formulated in business areas like production/operations, marketing, finance, human resources etc.
- ❑ In fact, big corporates follow an elaborate system of strategy formulation, implementation and control at different levels in the company to survive and grow in the turbulent business environment.

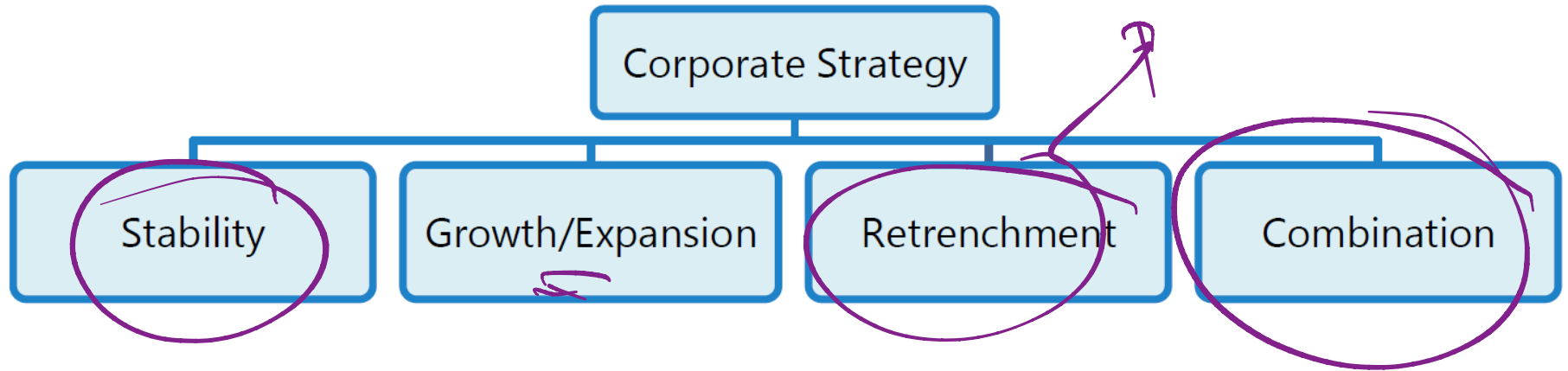
*DYNAMIC*

❑ In this chapter, we shall discuss the corporate level strategies. The corporate strategies a firm can adopt may be classified into four broad categories:

1. Stability strategy ✓
2. Expansion strategy ✓
3. Retrenchment strategy ✓
4. Combination strategy ✓

Stability + expand

strategy & exit



# Basic Features of Corporate Strategies

| Strategy     | Basic Feature   |
|--------------|---|
| Stability    | The firm stays with its current businesses and product markets; maintains the existing level of effort; and is satisfied with incremental growth.   |
| Expansion    | Here, the firm seeks significant growth-maybe within the current businesses; maybe by entering new business that are related to existing businesses; or by entering new businesses that are unrelated to existing businesses. |
| Retrenchment | The firm retrenches some of the activities in some business (es), or or drops the business as such through sell-out or liquidation.   |
| Combination  | The firm combines the above strategic alternatives in some permutation/combination so as to suit the specific requirements of the firm.   |

# STABILITY STRATEGY

To maintain existing position.

- ❑ One of the important goals of a business enterprise is stability.
- ❑ Stability strategy is to stabilise- it may be opted to safeguard its existing interests and strengths, to pursue well established and tested objectives, to continue in the chosen business path, to maintain operational efficiency on a sustained basis, to consolidate the commanding position already reached, and to optimise returns on the resources committed in the business.
- ❑ A stability strategy is pursued by a firm when:
  - It continues to serve in the same or similar markets and deals in same or similar products and services.
  - This strategy is typical for those firms whose product have reached the maturity stage of product life cycle or those who have a sufficient market share but need to retain that. They have to remain updated and have to pace with the dynamic and volatile business world to preserve their market share.
- ❑ Stability strategy should not be confused with 'do nothing' strategy. Small organizations may also follow stability strategy to consolidate their market position and prepare for the launch of growth strategies.

# CHARACTERISTICS OF STABILITY STRATEGY

1. A firm opting for stability strategy stays with the same business, same product-market posture and functions, maintaining same level of effort as at present. *will*
2. The endeavour is to enhance functional efficiencies in an incremental way, through better deployment and utilization of resources. The assessment of the firm is that the desired income and profits would be forthcoming through such incremental improvements in functional efficiencies.
3. Stability strategy does not involve a redefinition of the business of the corporation. *↓*
4. It is a safe strategy that maintains status quo. *Just the*
5. It does not warrant much of fresh investments.
6. The risk involved in this strategy is less.
7. While opting for this strategy, the organization can concentrate on its resources and existing businesses/products and markets, thus leading to building of core competencies. *Strength*
8. The firms with modest growth objective choose this strategy.

# MAJOR REASONS FOR STABILITY STRATEGY

Expansion  
↓  
Stabilise

1. A product has reached the maturity stage of the product life cycle.
2. The staff feels comfortable with the status quo as it involves less changes and less risks.
3. It is opted when the environment in which an organisation is operating is relatively stable.
4. Where it is not advisable to expand as it may be perceived as threatening.
5. After rapid expansion, a firm might want to stabilize and consolidate itself.

## Why don't Startups aim for stability?

A startup is an entrepreneurial venture in the early stages of idea and development, generally created for solving real-life problems through technology. For it, the most important factors are speed and agility, because of it being in a nascent stage of operations. Stability on the other hand is more meaningful strategy when the size of operations is expanded to full capacity and business is at a mature stage. Thereby, we rarely see startups aiming for stability.

Absence to move faster.

Intro

# GROWTH/ EXPANSION STRATEGY

Vision, mission, goal & objectives

□ Growth/Expansion strategy is implemented by redefining the business by enlarging the scope of business and substantially increasing investment in the business. It is a strategy that can be equated with dynamism, vigour, promise and success.

Strength

entering into

□ It is often characterised by significant reformulation of goals and directions, major initiatives and moves involving investments, exploration and onslaught into new products, new technology and new markets, innovative decisions and action programmes and so on.

□ This strategy may take the enterprise along relatively unknown and risky paths, full of promises and pitfalls.

Danger

# CHARACTERISTICS OF GROWTH /EXPANSION STRATEGY

1. Expansion strategy involves a **redefinition** of the business of the corporation.
2. Expansion strategy is the opposite of stability strategy. While in stability strategy, rewards are limited, in expansion strategy they are very high. In the matter of risks, too, the two are the opposites of each other.
3. Expansion strategy leads to business growth. A firm with a **mammoth** growth ambition can meet its objective only through the expansion strategy.
4. The process of renewal of the firm through fresh investments and new businesses/products/markets is facilitated only by expansion strategy.
5. Expansion strategy is a highly versatile strategy; it offers several permutations and combinations for growth. A firm opting for the expansion strategy can generate many alternatives within the strategy by altering its propositions regarding products, markets and functions and pick the one that suits it most.
6. Expansion strategy holds within its fold two major strategy routes: **Intensification** & **Diversification**. Both of them are growth strategies; the difference lies in the way in which the firm actually pursues the growth.

huge  
on the basis of internal strength

# MAJOR REASONS FOR GROWTH /EXPANSION STRATEGY

1. It may become imperative when environment demands increase in pace of activity.
2. Strategists may feel more satisfied with the prospects of growth from expansion; chief executives may take pride in presiding over organizations perceived to be growth-oriented.
3. Expansion may lead to greater control over the market vis-a-vis competitors.
4. Advantages from the experience curve and scale of operations may accrue.
5. Expansion also includes intensifying, diversifying, acquiring and merging businesses.

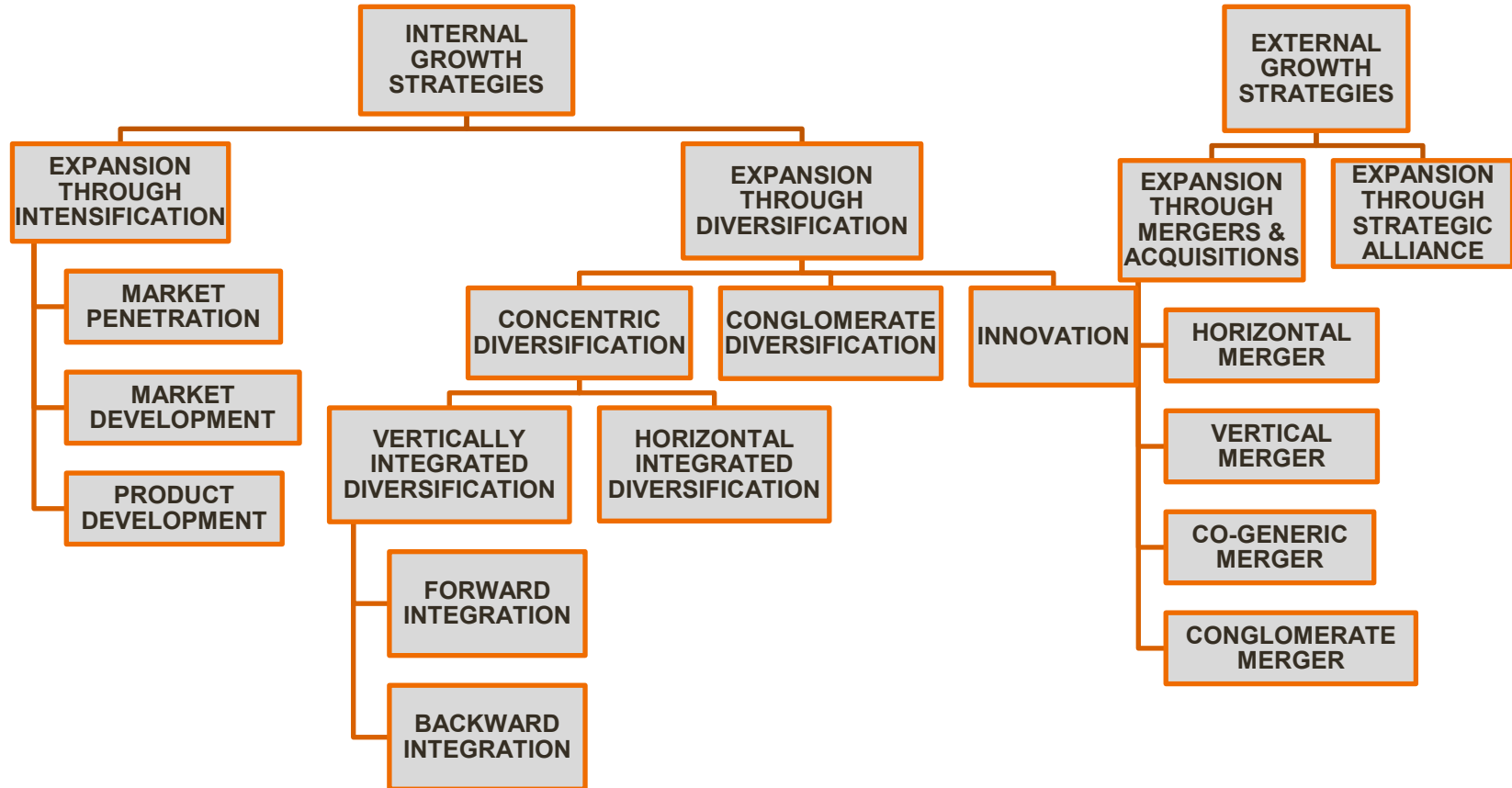
↑ crucial  
imperative  
growth-oriented  
control  
experience curve  
scale of operations  
acquiring  
merging  
businesses  
Internal Strength

change  
business  
or product

acquiring  
small  
companies

merge  
with  
other  
company.

# FORMS OF GROWTH/EXPANSION STRATEGY



Raw material

FG

Further usage

Same line of

production

# EXPANSION THROUGH INTENSIFICATION

on the basis  
of Internal  
Strength.

Expansion or growth through intensification means that the organisation tries to grow internally by intensifying its operations either by **market penetration** or **market development** or by **product development**. It tries to cash on its **internal capabilities** and **internal resources**.

**The firm can intensify by adopting any of the following strategies:**

**Market Penetration:** Highly common expansion strategy is market penetration/concentration on the current business. The firm directs its resources to the profitable growth of its existing product in the existing market. *(Existing product in existing market)*

**Market Development:** It consists of marketing present products, to customers in related market areas by adding different **channels of distribution** or by **changing the content of advertising** or the **promotional media**. *(existing product in new market)*

**Product Development:** Product development involves substantial modification of existing products or creation of new but related items that can be marketed to current customers through establish channels. *(New product in existing market)*

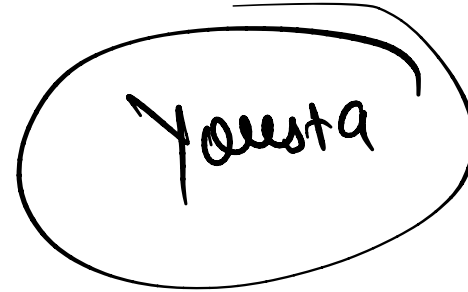
Igor. H. Ansoff gave a framework as shown in figure below which describes the intensification options available to a firm.

| <b>Market Penetration</b>                 | <b>Product Development</b>                  |
|---|---|
| Increase market share. ✓ 40 + 60          | Add product features, product refinement. ✓ |
| Increase product usage. ✓                 | Develop a new-generation product. ✓         |
| Increase the frequency of usage. ✓        | Develop new product for the same market. ✓  |
| Increase the quantity used. ✓             |   |
| Find new application for current users ✓  |   |
| <b>Market Development</b>                 |   |
| Expand geographically Target new segments |   |

# EXPANSION THROUGH DIVERSIFICATION

- ❑ Diversification is defined as an entry into new products or product lines, new services or new markets, involving substantially different skills, technology and knowledge.
- ❑ When a firm tries to grow and expand by diversifying into various products or fields, it is called growth by diversification. This is also an internal growth strategy.
- ❑ Innovative and creative firms always look for opportunities and challenges to grow, to venture into new areas of activity and to break new frontiers with the zeal of entrepreneurship using their internal resources. They feel that diversification offers greater prospects of growth and profitability than intensification. *↑ Boundaries enthusiasm*
- ❑ When an established firm introduces a new product, which has little or no affinity with its present product line and which is meant for a new class of customers different from the firm's existing customer groups, the process is known as conglomerate diversification. Both the technology of the product and the market are different from the firm's present experience. *→ similarity*
- ❑ For some firms, diversification is a means of utilising their existing facilities and capabilities in a more effective and efficient manner. They may have excess capacity or capability in manufacturing facilities, investible funds, marketing channels, competitive standing, market prestige, managerial and other manpower, research and development, raw material sources and so forth. *coming together of all resources*
- ❑ Another reason for diversification lies in its synergistic advantage. It may be possible to improve the sales and profits of existing products by adding suitably related or new products, because of linkages in technology and/or in markets.

- ❑ Based on the nature and extent of their relationship to existing businesses, diversification can be classified into two broad categories:
  1. **Concentric diversification** : Diversification into **related business** to benefit from synergistic gains
  2. **Conglomerate diversification** : Diversification into **unrelated business** to explore more **opportunities** beyond existing **areas of expertise**
  3. **Expansion through Innovation**



Yeast

Zudio  
↓  
TATA

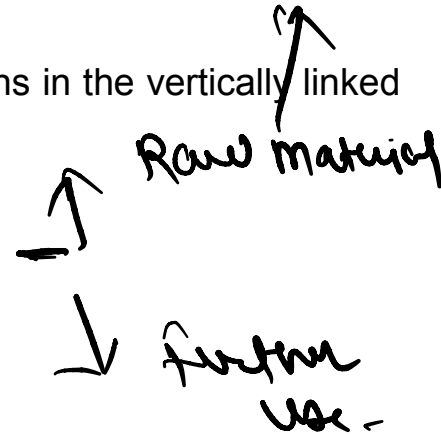
Youta,  
↓  
Relianca,

# CONCENTRIC DIVERSIFICATION

- ❑ Concentric diversification takes place when the products are related.
- ❑ In this diversification, the new business is linked to the existing businesses through process, technology or marketing. The new product is a spin-off from the existing facilities and products/processes. This means that in concentric diversification too, there are benefits of synergy with the current operations.
- ❑ The new product is only connected in a loop-like manner at one or more points in the firm's existing process/technology/product chain.
- ❑ **For example**, a company producing clothes ventures into the manufacturing of shoes , Dominos Selling garlic breads With Pizza.
- ❑ Concentric diversification is generally understood in two directions, **vertical** and **horizontal** integration;

# VERTICALLY INTEGRATED DIVERSIFICATION

- ❑ In vertically integrated diversification, firms opt to engage in businesses that are related to the existing business of the firm.
- ❑ The firm remains vertically within the same process sequence moves forward or backward in the chain and enters specific product/process steps with the intention of making them into new businesses for the firm.
- ❑ The characteristic feature of vertically integrated diversification is that the firm remains in the vertically linked product-process chain.
- ❑ A firm can either opt for forward or backward integration or horizontal integration.



# BACK WARD INTEGRATION

- ❑ Backward integration is concerned with creation of effective supply by entering business of input providers.
- ❑ Strategy employed to expand profits and gain greater control over production/supply of a product whereby a company will purchase or build a business that will increase its own supply capability or lessen its cost of production.
- ❑ **For example**, A large supermarket chain considers to purchase a number of farms that would provide it a significant amount of fresh produce , Ikea Buying 83000 Hectares of Forest in Romania.

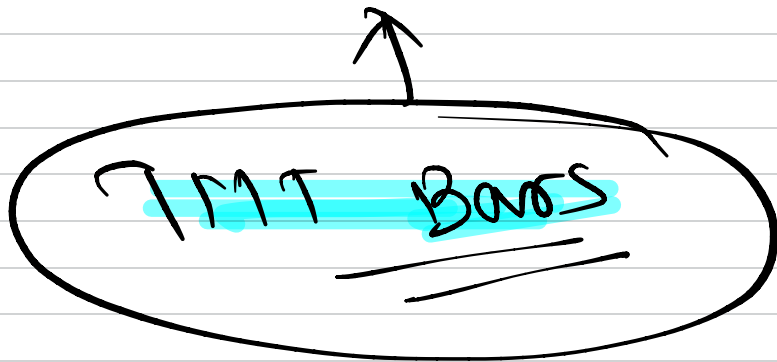
# FORWARD INTEGRATION

- ❑ Forward integration is moving forward in the value chain and entering business lines that use existing products.
- ❑ Forward integration will also take place where organizations enter into businesses of distribution channels.
- ❑ **For example**, A coffee bean manufacture may choose to merge with a coffee café , Farmer Selling his own products Directly in market.

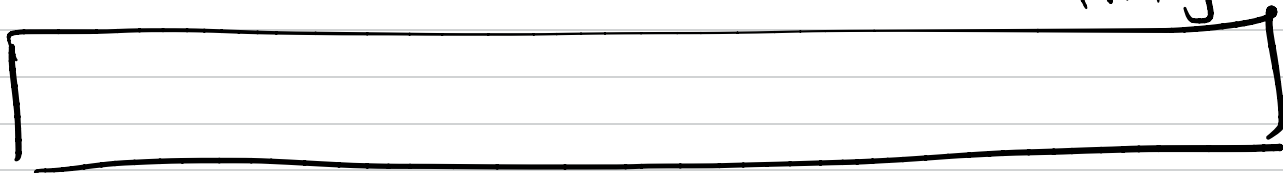
Starbucks entering into a Business of  
Producing coffee beans  
↓  
Backward.

A Film Producer opening his own  
theatre → forward.

Beit.



forward  
integration



# HORIZONTAL INTEGRATED DIVERSIFICATION

- ❑ A firm gets horizontally diversified by integrating through acquisition of one or more similar businesses operating at the same stage of the production-marketing chain.
- ❑ They can also integrate with the firms producing complementary products or by-products or by taking over competitors' products.
- ❑ For example, when a notebook manufacturer starts to manufacture pencils and when they enter pencil manufacturing.

Shoes + wallet +  
belt.

Notebook + pencil  
shoes + clothing.

Pizza + garlic bread.

# CONGLOMERATE DIVERSIFICATION

- ❑ In conglomerate diversification, no linkages related to product, market or technology exist; the new businesses/products are disjointed from the existing businesses/products in every way; it is a totally unrelated diversification.
- ❑ In process/technology/function, there is no connection between the new products and the existing ones.
- ❑ Conglomerate diversification has no common thread at all with the firm's present position.
- ❑ **For example,**
  - A cement manufacturer diversifies into the manufacture of steel and rubber products.
  - ITC, a tobacco-to-hotels conglomerate, is one of the few organizations that successfully diversified far its main sector. The organization, which began as a tobacco product producer, has now grown into hotels, paper and packaging, as well as agribusiness and food.
  - Ola, the ride-hailing platform, has successfully ventured into electric scooters with its Ola Electric brand.

# Related vs. Unrelated Diversification

## RELATED DIVERSIFICATION

- ◆ Exchange or share assets or competencies by exploiting.
- ◆ Brand name.
- ◆ Marketing skills.
- ◆ Sales and distribution capacity
- ◆ Manufacturing skills.
- ◆ R&D and new product capability.
- ◆ Economies of scale.

## UNRELATED DIVERSIFICATION

- ◆ Investment in new product portfolios.
- ◆ Employment of new technologies.
- ◆ Focus on multiple products.
- ◆ Reduce risk by operating in multiple product markets.
- ◆ Defend against takeover bids.
- ◆ Provide executive interest.



Is it really worth expanding so much to diversify a business into unrelated products?

**Despite of its complexity, conglomerate diversification (diversification into unrelated business) financially makes a lot of sense. It creates access a new pool of customers, thereby expanding its customer base. It allows access to markets and cross-selling new products, leading to increased revenues. Further, it eases the management of losses in a business; profits in one business can be used to keep the loss-making business afloat within the same organisation.**

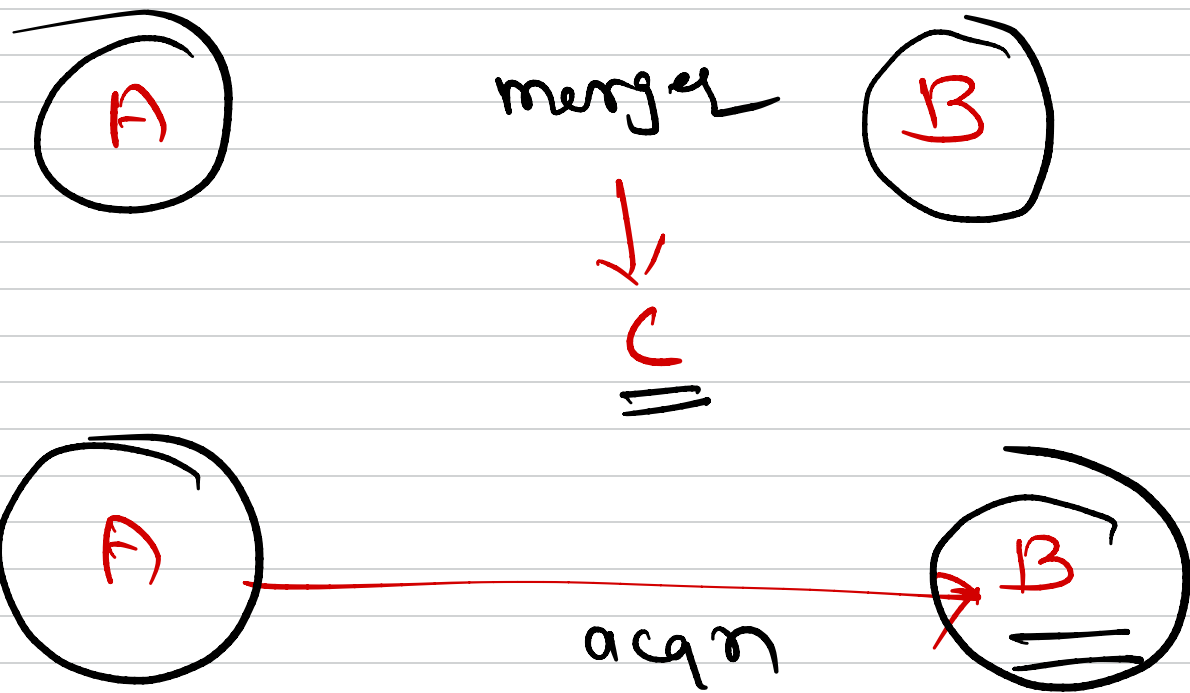
# INNOVATION

Innovation drives upgradation of existing product lines or processes, leading to increased market share, revenues, profitability and most important, customer satisfaction. Some may argue that innovation leads to unnecessary expenses that do not give as much returns, but on the contrary, for a business to grow long term, innovation offers the following;

- 1. Helps to solve complex problems:** A business strives to find opportunities in existing problems of the society, and it does so through planned innovation in areas of expertise. This guided innovation helps solve complex problems by developing customer-centric sustainable solutions. **For example**, the pressing problem of environmental damage is being tackled head-on by shifting to renewable sources of energy like solar, wind, sea waves, etc. It might be costly in introductory stages but in the long run it will only have economical and environmental sustainability.
- 2. Increases Productivity:** Innovation leads to simplification and in most cases automation of existing tasks. Productivity is defined as a measure of final output from a task or a process, and companies are willing to spend millions on increasing their productivity. Innovation, by automating repetitive tasks, and simplifying the long chain of processes, adds to the productivity of teams and thereby the organisation as a whole. **For example**, MS Excel, every finance professional uses this software to simplify and automate their manual tasks. Such digital innovation which leads to improved productivity, creates opportunities to further develop processes and products within and outside the organisation. Thus, innovation creates a ripple effect that has a far and wide impact across industries.

- 3. Gives Competitive Advantage:** Being ahead of competition is a need, and businesses spend majority of their strategic time building solutions to achieve this advantage. An interesting concept about innovation is - the faster a business innovates, the farther it goes from its competitor's reach. Innovative products need less marketing as they aim to provide added satisfaction to consumers, thus, creating a competitive advantage. Innovation not only helps retain the existing customers but helps acquire new ones with ease.

face password



Vodafone

Edg

11/11

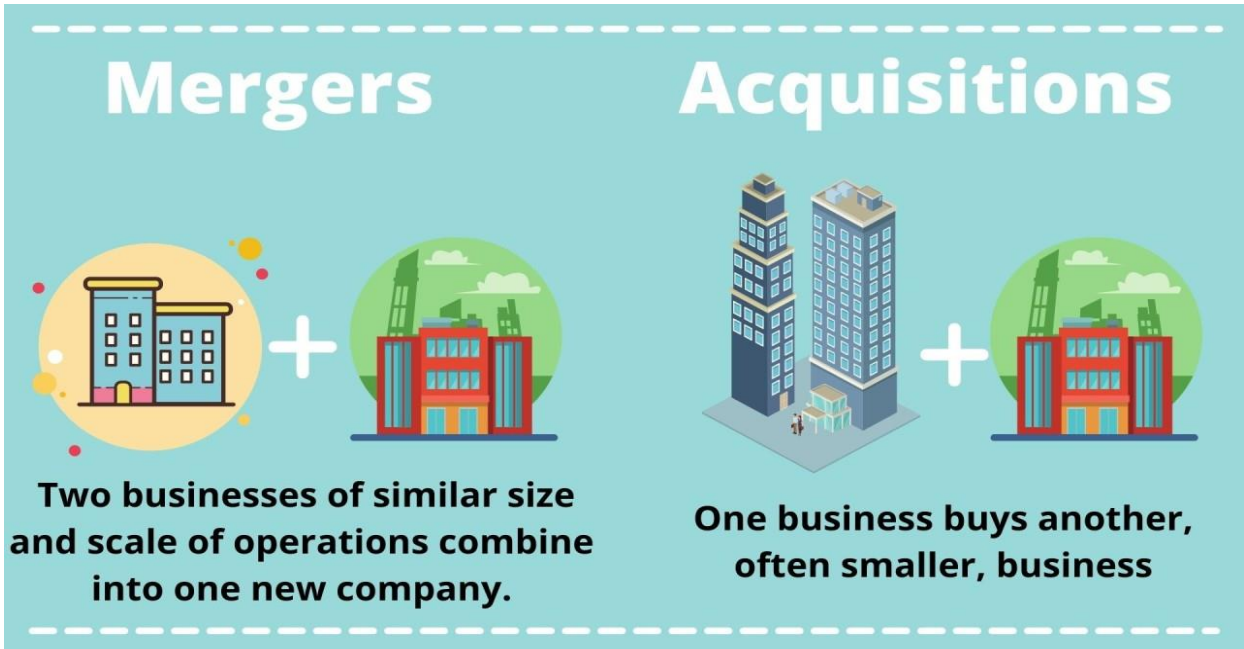
# EXPANSION THROUGH MERGERS & ACQUISITIONS

- ❑ Acquisition or merger with an existing concern is an instant means of achieving the expansion.
- ❑ It is an attractive and tempting proposition in the sense that it circumvents the time, risks and skills involved in screening internal growth opportunities, seizing them and building up the necessary resource base required to materialise growth. Organizations consider merger and acquisition proposals in a systematic manner, so that the marriage will be mutually beneficial, a happy and lasting affair.
- ❑ Apart from the urge to grow, acquisitions and mergers are resorted to for purposes of achieving a measure of synergy between the parent and the acquired enterprises. Synergy may result from such bases as physical facilities, technical and managerial skills, distribution channels, general administration, research and development and so on. Only positive synergistic effects are relevant in this connection which denotes that the positive effects of the merged resources are greater than the effects of the individual resources before merger or acquisition.
- ❑ Merger and acquisition in simple words are defined as a process of combining two or more organizations together. There is a thin line of difference between the two terms but the impact of combination is completely different in both the cases.
- ❑ Merger is a process when two or more companies come together to expand their business operations. In such a case the deal gets finalized on friendly terms and both the organizations share profits in the newly created entity. In a merger two organizations combine to increase their strength and financial gains along with breaking of the trade barriers.

□ When one organization takes over the other organization and controls all its business operations, it is known as acquisition. In acquisition, one financially strong organization overpowers the weaker one. Acquisitions often happen during recession in economy or during declining profit margins. In this process, the stronger one overpowers the weaker one. The combined operations then run under the name of the powerful entity. A deal in case of an acquisition is often done in an unfriendly manner, it is more or less a forced association where the powerful organization acquires the operations of the company that is in a weaker position and is forced to sell its entity.

6-9

8



# TYPES OF MERGERS

The following are the types of mergers and are quite similar to the types of diversification.

1. **Horizontal Merger**
2. **Vertical Merger**
3. **Co-generic Merger**
4. **Conglomerate Merger**

# HORIZONTAL MERGER

- ❑ Horizontal merger is a combination of firms engaged in the same industry.
- ❑ It is a merger with a direct competitor.
- ❑ The principal objective behind this type of merger is to achieve economies of scale in the production process by shedding duplication of installations and functions, widening the line of products, decrease in working capital and fixed assets investment, getting rid of competition and so on.
- ❑ **For example**, formation of Brook Bond Lipton India Ltd. through the merger of Lipton India and Brook Bond.

Arreolar merger

↓  
arreolar merger.

# VERTICAL MERGER

- ❑ It is a merger of two organizations that are operating in the same industry but at different stages of production or distribution system.
- ❑ This often leads to increased synergies with the merging firms.
- ❑ If an organization takes over its supplier/producers of raw material, then it leads to backward integration.
- ❑ Forward integration happens when an organization decides to take over its buyer organizations or distribution channels.
- ❑ Vertical merger results in many operating and financial economies. Vertical mergers help to create an advantageous position by restricting the supply of inputs to other players, or by providing the inputs at a higher cost.
- ❑ **For example, backward integration and forward integration.**

# CO-GENERIC MERGER

- ❑ In Co-generic merger two or more merging organizations are associated in some way or the other related to the production processes, business markets, or basic required technologies.
- ❑ Co- Generic merger includes the extension of the product line or acquiring components that are required in the daily operations.
- ❑ It offers great opportunities to businesses to diversify around a common set of resources and strategic requirements.
- ❑ **For example**
  - an organization in the white goods category such as refrigerators can diversify by merging with another organization having business in kitchen appliances.
  - In 1998, the banking giant Citicorp acquired the Traveler's Group, a company offering financial services. Both companies were part of the financial industries but had a different product line. Their merger into Citicorp Inc. allowed them to expand their reach into the market.

# CONGLOMERATE MERGER

- ❑ Conglomerate mergers are the combination of organizations that are unrelated to each other.
- ❑ There are no linkages with respect to customer groups, customer functions and technologies being used.
- ❑ There are no important common factors between the organizations in production, marketing, research and development and technology.
- ❑ In practice, however, there is some degree of overlap in one or more of these factors.

# EXPANSION THROUGH STRATEGIC ALLIANCE

- ❑ A strategic alliance is a relationship between two or more businesses that enables each to achieve certain strategic objectives which neither would be able to achieve on its own.
- ❑ The strategic partners maintain their status as independent and separate entities, share the benefits and control over the partnership, and continue to make contributions to the alliance until it is terminated.
- ❑ Strategic alliances are often formed in the global marketplace between businesses that are based in different regions of the world.



# ADVANTAGES OF STRATEGIC ALLIANCE

## Organizational

- Strategic alliance helps to learn necessary skills and obtain certain capabilities from strategic partners.
- Strategic partners may also help to enhance productive capacity, provide a distribution system, or extend supply chain.
- Strategic partners may provide a good or service that complements thereby creating a synergy. Having a strategic partner who is well-known and respected also helps add legitimacy and credibility to a new venture.

## Economic

- There can be reduction in costs and risks by distributing them across the members of the alliance.
- Greater economies of scale can be obtained in an alliance, as production volume can increase, causing the cost per unit to decline.
- Finally, partners can take advantage of co-specialization, creating additional value, such as when a leading computer manufacturer bundles its desktop with a leading monitor manufacturer's monitor.

## Strategic

- Rivals can join together to cooperate instead of competing with each other.
- Vertical integration can be created where partners are part of supply chain.
- Strategic alliances may also be useful to create a competitive advantage by the pooling of resources and skills. This may also help with future business opportunities and the development of new products and technologies.
- Strategic alliances may also be used to get access to new technologies or to pursue joint research and development.

## Political

- Sometimes strategic alliances are formed with a local foreign business to gain entry into a foreign market either because of local prejudices or legal barriers to entry.
- Forming strategic alliances with politically influential partners may also help improve your own influence and position.

Tommy Towers

Trump Tower

Donald  
Trump

Parasitic Property

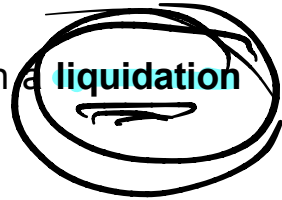
Shared Power

# DISADVANTAGES OF STRATEGIC ALLIANCE

- ❑ The major disadvantage is **sharing**. Strategic alliances require sharing of resources and profits, and also sharing knowledge and skills that otherwise organisations may not like to share. Sharing knowledge and skills can be problematic if they involve **trade secrets**. Agreements can be executed to protect trade secrets, but they are only as good as the willingness of parties to abide by the **agreements** or the **courts willingness** to enforce them.
- ❑ Strategic alliances may also create potential competition when **an ally becomes an opponent in future** when it **decides to separate out**

# STRATEGIC EXITS

- ❑ Strategic Exits are followed when an organization substantially reduces the scope of its activity. This is done through an attempt to find out the problem areas and diagnose the causes of the problems.
- ❑ Next, steps are taken to solve the problems. These steps result in different kinds of **retrenchment strategies**.
- ❑ If the organization chooses to focus on ways and means to reverse the process of decline, it adopts a **turnaround strategy**. ✓
- ❑ If it cuts off the loss-making units, divisions, or SBUs, curtails its product line, or reduces the functions performed, it adopts a **divestment (or divestiture) strategy**.
- ❑ If none of these actions work, then it may choose to abandon the activities totally, resulting in a **liquidation strategy**.



# TURNAROUND STRATEGY

- ❑ Retrenchment may be done either internally or externally. For internal retrenchment to take place, emphasis is laid on improving internal efficiency, known as turnaround strategy.
- ❑ There are certain conditions or indicators which point out that a turnaround is needed if the company has to survive. These danger signals are:
  - ◆ Persistent negative cash flow from business(es)
  - ◆ Uncompetitive products or services
  - ◆ Declining market share
  - ◆ Deterioration in physical facilities
  - ◆ Over-staffing, high turnover of employees, and low morale
  - ◆ Mismanagement

# ACTION PLAN FOR TURNAROUND

## 1. Stage One – Assessment of current problems

- The first step is to assess the current problems and get to the root causes and the extent of damage the problem has caused.
- Once the problems are identified, the resources should be focused toward those areas essential to efficiently work on correcting and repairing any immediate issues.

## 2. Stage Two – Analyze the situation and develop a strategic plan

- Before you make any major changes; determine the chances of the business's survival.
- Identify appropriate strategies and develop a preliminary action plan.
- For this one should look for the viable core businesses, adequate bridge financing and available organizational resources.
- Analyze the strengths and weaknesses in the areas of competitive position.
- Once major problems and opportunities are identified, develop a strategic plan with specific goals and detailed functional actions.

Requirements study

### 3. Stage Three – Implementing an emergency action plan

- If the organization is in a critical stage, an appropriate action plan must be developed to stop the bleeding and enable the organization to survive.
- The plan typically includes human resource, financial, marketing and operations actions to restructure debts, improve working capital, reduce costs, improve budgeting practices, prune product lines and accelerate high potential products.
- A positive operating cash flow must be established as quickly as possible and enough funds to implement the turnaround strategies must be raised.

Verification

cut short

bad & unlikely to improve

### 4. Stage Four – Restructuring the business

- The financial state of the organization's core business is particularly important. If the core business is irreparably damaged, then the outlook for the entire organization may be bleak. Prepare cash forecasts, analyze assets and debts, review profits and analyze other key financial functions to position the organization for rapid improvement.
- During the turnaround, the "product mix" may be changed, requiring the organization to do some repositioning. Core products neglected over time may require immediate attention to remain competitive. Some facilities might be closed; the organization may even withdraw from certain markets to make organization leaner or target its products toward a different niche.
- Morale building is another important ingredient in the organization's competitive effectiveness. Reward and compensation systems that encourage dedication and creativity amongst employees to think about profits and return on investments.

Specific market

## 5. Stage Five –Returning to normal

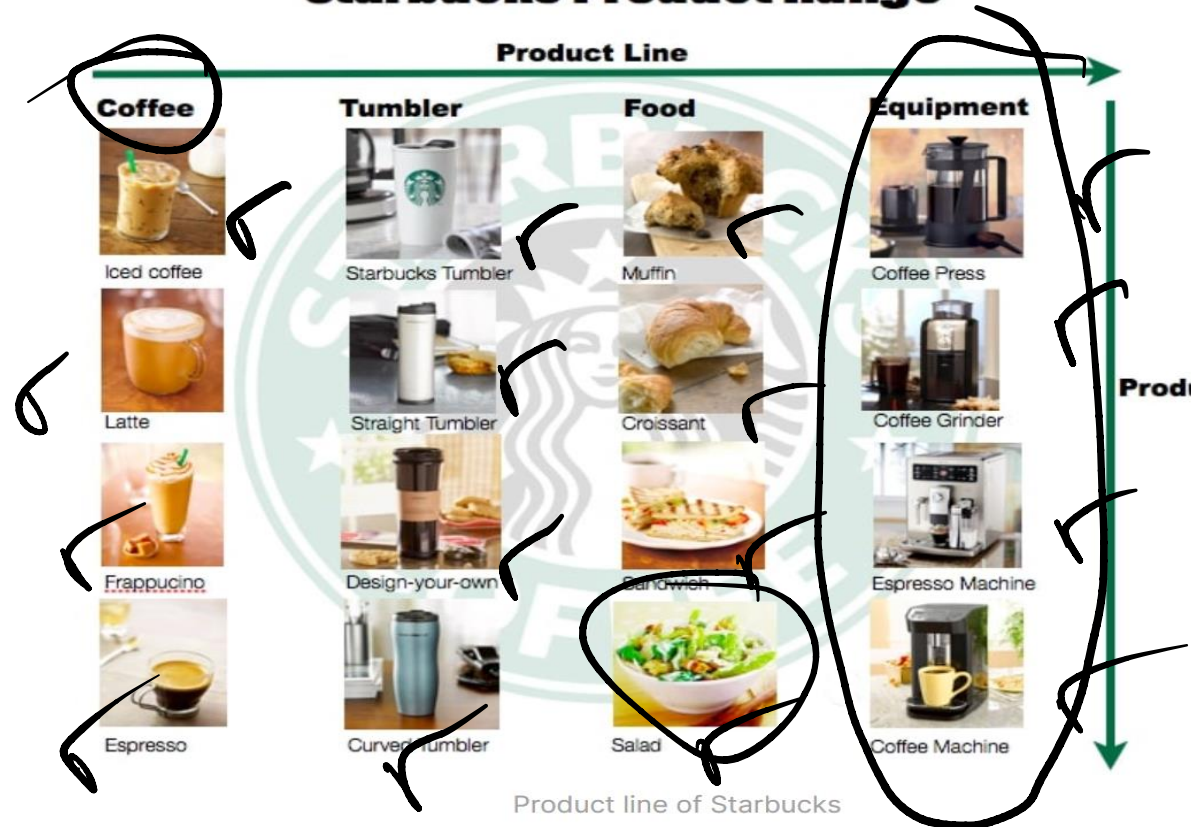
- In the final stage of turnaround strategy process, the organization should begin to show signs of profitability, return on investments and enhancing economic value-added.
- Emphasis is placed on a number of strategic efforts such as carefully adding new products and improving customer service, creating alliances with other organizations, increasing the market share, etc.

# PRODUCT LINES V/S PRODUCT MIX

\* Product line

\* Product mix

## Starbucks Product Range



Product line of Starbucks

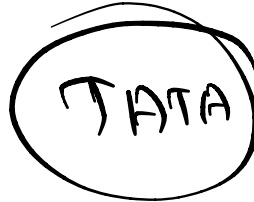
KBC

# ELEMENTS OF TURNAROUND STRATEGY

- ❖ Changes in the top management
  - ❖ Initial credibility building actions
  - ❖ Neutralising external pressures
  - ❖ Identifying quick payoff activities
  - ❖ Quick cost reductions
  - ❖ Revenue generation
  - ❖ Asset liquidation for generating cash
  - ❖ Better internal coordination
- gouv, Banks, suppliers
-

# DIVESTMENT STRATEGY

- ❑ Divestment strategy involves the sale or liquidation of a portion of business, or a major division, profit centre or SBU.
- ❑ Divestment is usually a part of rehabilitation or restructuring plan and is adopted when a turnaround has been attempted but has proved to be unsuccessful.
- ❑ The option of a turnaround may even be ignored if it is obvious that divestment is the only answer.
- ❑ Example – Divestment of Air India by GOI



## CHARACTERISTICS OF DIVESTMENT STRATEGY

- ❑ This strategy involves divestment of some of the activities in a given business of the firm or sell-out of some of the businesses as such.
- ❑ Divestment is to be viewed as an integral part of corporate strategy without any stigma attached.

# REASONS FOR DIVESTMENT STRATEGY

- The management no longer wishes to remain in business either partly or wholly due to continuous losses and unviability. NO POSITIVE SCOPE
- The management feels that business could be made viable by divesting some of the activities or liquidation of unprofitable activities. 100 = 20 = 80
- A business that had been acquired proves to be a mismatch and cannot be integrated within the company. CONTINUOUS
- Persistent negative cash flows from a particular business create financial problems for the whole company, creating the need for divestment of that business.
- Severity of competition and the inability of a firm to cope with it may cause it to divest.
- It is not possible for the business to do Technological upgradation that is required for the business to survive, a preferable option would be to divest.
- A better alternative may be available for investment, causing a firm to divest a part of its unprofitable business.

Is Turnaround strategy only relevant to loss making businesses?

Interestingly, turnaround strategy is relevant when a company is experiencing a period of poor performance. Poor performance does not always mean losses, it may also mean lower than expected growth, no future clarity, or even lesser than target profits.

# STRATEGIC OPTIONS

Portfolio Analysis

find out.

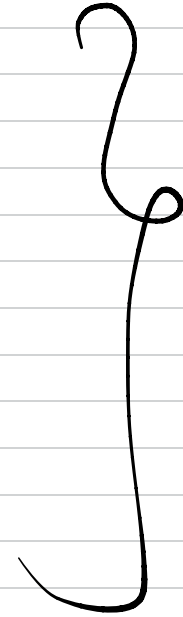
- ❑ Strategic options need to be carved out from existing products and innovations that are happening in the industry.
- ❑ There are a set of models that help strategists in taking strategic decisions with regard to individual products or businesses in a firm's portfolio. Primarily used for competitive analysis and corporate strategic planning in multi-product and multi business firms. They may also be used in less- diversified firms, if these consist of a main business and other minor complementary interests.
- ❑ The main advantage in adopting a portfolio approach in a multi-product, multi-business firm is that resources could be channelised at the corporate level to those businesses that possess the greatest potential.
- ❑ For instance, a diversified company may decide to divert resources from its cash- rich businesses to more prospective ones that hold promise of a faster growth so that the company achieves its corporate level objectives efficiently.
- ❑ In order to design the business portfolio, the management must analyse its current business portfolio and decide which business should receive more, less, or no investment. Depending upon analyses management may develop growth strategies for adding new products or businesses to the firm's portfolio.

Ansoff's matrix

ADL matrix

BCG matrix

GE matrix



Strategic  
models

# ANSOFF'S PRODUCT MARKET GROWTH MATRIX

- ❑ The Ansoff's product market growth matrix (proposed by Igor Ansoff) is a useful tool that helps businesses decide their product and market growth strategy.
- ❑ With the use of this matrix a business can get a fair idea about how its growth depends upon its markets in new or existing products in both new and existing markets.
- ❑ One useful device for identifying growth opportunities for the future is the product/market expansion grid.
- ❑ The product/market growth matrix is a portfolio-planning tool for identifying growth opportunities for the company.
- ❑ As market conditions change overtime, a company may shift product-market growth strategies. **For example**, when its present market is fully saturated a company may have no choice other than to pursue new market.

New Product      Existing Product  
New Market      Existing Market.

1) New Product New market - Diversification

2) New Product existing market - Product Development

3) Existing Product New market - market Development

4) Existing Product Existing market - market Penetration

**Existing Products**

**New Products**

**Existing Markets**

**Market Penetration**

(Existing product in existing product)

**Product Development**

(New product in existing market)

**New Markets**

**Market Development**

(Existing product in new market)

**Diversification**

(New product & new market)

## 1. Market Penetration

- Market penetration refers to a growth strategy where the business focuses on selling existing products into existing markets.
- It is achieved by making more sales to present customers without changing products in any major way.
- Penetration might require greater spending on advertising or personal selling. Overcoming competition in a mature market requires an aggressive promotional campaign, supported by a pricing strategy designed to make the market unattractive for competitors.
- Penetration is also done by effort on increasing usage by existing customers.
- For example, Gucci, a luxury clothing brand, selling its luxury clothing in European markets with new designs, is market penetration.**

Luxury clothing  
(existing product)

Europe  
(existing market)

## 2. Market Development

- Market development refers to a growth strategy where the business seeks to sell its existing products into new markets.
- It is a strategy for company growth by identifying and developing new markets for current company products.
- This strategy may be achieved through new geographical markets, new product dimensions or packaging, new distribution channels or different pricing policies to attract different customers or create new market segments.
- For example, Gucci, a luxury clothing brand, selling its luxury clothing in Chinese markets, is market development.**

Luxury clothing  
(existing product)

China  
(new market)

### 3. Product Development

- Product development refers to a growth strategy where business aims to introduce **new products** into **existing markets**.
- It is a strategy for company growth by offering **modified or new products** to **current markets**.
- This strategy may require the **development of new competencies** and **requires the business** to develop **modified products** which can appeal to existing markets.
- **For example**, *Gucci, a luxury clothing brand, selling casual clothing in European markets, is product development.*

Casual clothing  
(new product)

Europe  
(existing market)

### 4. Diversification

- Diversification refers to a growth strategy where a business markets **new products** in **new markets**.
- It is a strategy by starting up or acquiring businesses **outside the company's current products** and **markets**.
- This strategy is risky because it does not rely on either **the company's successful product** or its **position in established markets**.
- Typically, the business is moving into markets in which it has little or no experience.
- **For example**, *Gucci, a luxury clothing brand, selling casual clothing in Chinese markets, is diversification.*

Casual clothing  
(new product)  
China (new market)

In the context of Ansoff's Product-Market Growth Matrix, identify with reasons, the type of growth strategies followed in the following cases:

(i) A leading producer of tooth paste, advises its customers to brush teeth twice a day to keep breath fresh. *Market Penetration*

(ii) A business giant in hotel industry decides to enter into dairy business. *Diversification*

(iii) One of India's premier utility vehicles manufacturing company ventures to foray into foreign markets. *Market Development*

(iv) A renowned auto manufacturing company launches ungeared scooters in the market. *Product Development*

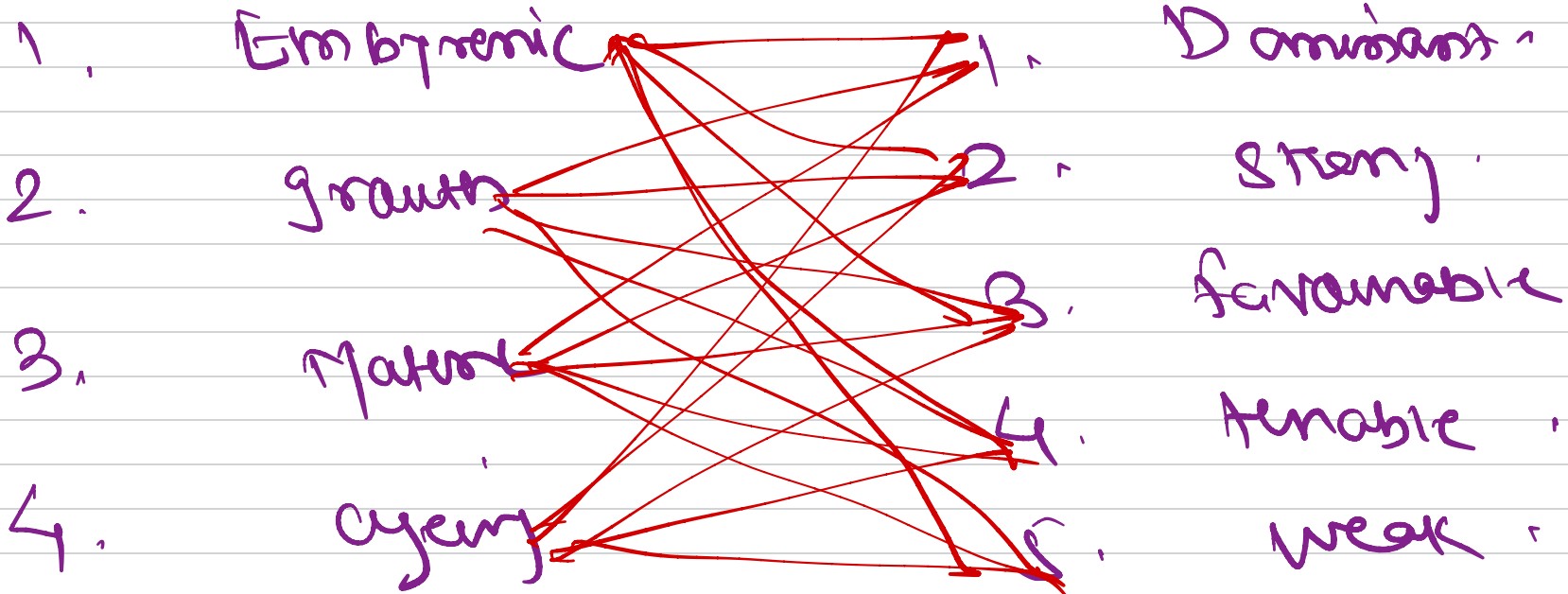


# ADL MATRIX

- ❑ The ADL matrix (derived its name from Arthur D. Little) is a portfolio analysis technique that is based on product life cycle. *Intro growth maturity Decline*
- ❑ The approach forms a two-dimensional matrix based on stage of industry maturity and the firms competitive position, environmental assessment and business strength assessment.
- ❑ Stage of industry maturity is an environmental measure that represents a position in industry's life cycle. The industry life cycle refers to the evolution of an industry or business through four stages based on the business characteristics commonly displayed in each phase namely Embryonic, Growth, Mature, Ageing.
- ❑ Competitive position is a measure of business strengths that helps in categorization of products or SBU's into one of five competitive positions i.e Dominant, Strong, Favorable, tenable & weak.

# Industry life cycle

# Competitive position



# PHASES OF INDUSTRY LIFE CYCLE

1. **Embryonic** – The introduction stage, characterized by rapid market growth, very little competition, new technology, high investment and high prices.
2. **Growth** – The market continues to strengthen, sales increase, few (if any) competitors exist, and the company reaps rewards for bringing a new product to market.
3. **Mature** – The market is stable, there's a well-established customer base, market share is stable, there are lots of competitors, and energy is put toward differentiating from competitors.
4. **Ageing** – Demand decreases, companies start abandoning the market, the fight for market share among remaining competitors gets too expensive, and companies begin leaving or consolidating until the market's demise. *ends*

# CATEGORIES OF COMPETITIVE POSITION

1. **Dominant** – This is rare and typically short-lived. There's little, if any, competition, usually a result of bringing a brand-new product to market or having built an extremely strong reputation in the market (think Microsoft).
2. **Strong** – Market share is strong and stable, regardless of what your competitors are doing.
3. **Favorable** – Your business line enjoys competitive advantages in certain segments of the market. However, there are many rivals of equal strength, and you have to work to maintain your advantage.
4. **Tenable** – Your position in the overall market is small, and market share is based on a niche, a strong geographic location, or some other product differentiation. Strong competitors are overtaking your market share by building their products and defining clear competitive advantages.
5. **Weak** – There's continual loss of market share, and your business line, as it exists, is too small to maintain profitability.

Green - Good for Business.

Orange - Cautious.

Red - Bad for the Business.

It is four by five matrix as follows:

Rehaammy  
(CMT)

| Stage of industry maturity - Arthur D. Little (ADL) Matrix |  |  |  |  |
|--|--|--|--|--|
| Competitive position                                       | Embryonic  | Growth   | Mature   | Ageing   |
| Dominant   | <ul style="list-style-type: none"> <li>- Fast grow</li> <li>- Build barriers</li> <li>- Act offensively</li> </ul> | <ul style="list-style-type: none"> <li>- Fast grow</li> <li>- Attend cost leadership</li> <li>- Renew</li> <li>- Defend position</li> <li>- Act offensively</li> </ul> | <ul style="list-style-type: none"> <li>- Defend position</li> <li>- Attend cost leadership</li> <li>- Renew</li> <li>- Fast grow</li> <li>- Act offensively</li> </ul>   | <ul style="list-style-type: none"> <li>- Defend position</li> <li>- Renew</li> <li>- Focus</li> <li>- Consider withdrawal</li> </ul> |
| Strong   | <ul style="list-style-type: none"> <li>- Differentiate</li> <li>- Fast grow</li> </ul>                             | <ul style="list-style-type: none"> <li>- Differentiate</li> <li>- Lower cost</li> <li>- Attack small firms</li> </ul>  | <ul style="list-style-type: none"> <li>- Lower cost</li> <li>- Focus</li> <li>- Differentiate</li> <li>- Grow with industry</li> </ul>   | <ul style="list-style-type: none"> <li>- Find niche</li> <li>- Hold niche</li> <li>- Harvest</li> </ul>                              |
| Favorable  | <ul style="list-style-type: none"> <li>- Differentiate</li> <li>- Focus</li> <li>- Fast grow</li> </ul>            | <ul style="list-style-type: none"> <li>- Focus</li> <li>- Differentiate</li> <li>- Defend</li> </ul>   | <ul style="list-style-type: none"> <li>- Focus</li> <li>- Differentiate</li> <li>- Harvest</li> <li>- Find niche</li> <li>- Hold niche</li> <li>- Turnaround</li> <li>- Grow with industry</li> <li>- Hit smaller firms</li> </ul> | <ul style="list-style-type: none"> <li>- Harvest</li> <li>- Turnaround</li> </ul>  |
| Tenable  | <ul style="list-style-type: none"> <li>- Grow with industry</li> <li>- Focus</li> </ul>                            | <ul style="list-style-type: none"> <li>- Hold niche</li> <li>- Turnaround</li> <li>- Focus</li> <li>- Grow with industry</li> <li>- Withdraw</li> </ul>                | <ul style="list-style-type: none"> <li>- Turnaround</li> <li>- Hold niche</li> <li>- Retrench</li> </ul>   | <ul style="list-style-type: none"> <li>- Divest</li> <li>- Retrench</li> </ul>   |
| Weak   | <ul style="list-style-type: none"> <li>- Find niche</li> <li>- Catch-up</li> <li>- Grow with industry</li> </ul>   | <ul style="list-style-type: none"> <li>- Turnaround</li> <li>- Retrench</li> <li>- Niche or withdraw</li> </ul>  | <ul style="list-style-type: none"> <li>- Withdraw</li> <li>- Divest</li> </ul>   | <ul style="list-style-type: none"> <li>- Withdraw</li> </ul>   |

\* Build Barriers = make way difficult for others.

\* Act offensively = Act in a way to upset anyone in competition.

\* Niche = Specific or particular market.

\* Defend position = retain valuable customers.

\* Withdraw = withdrawal from market |  
Leave market

\* Harvest = reduction in investing &  
harvesting funds in another  
profitable opportunity.

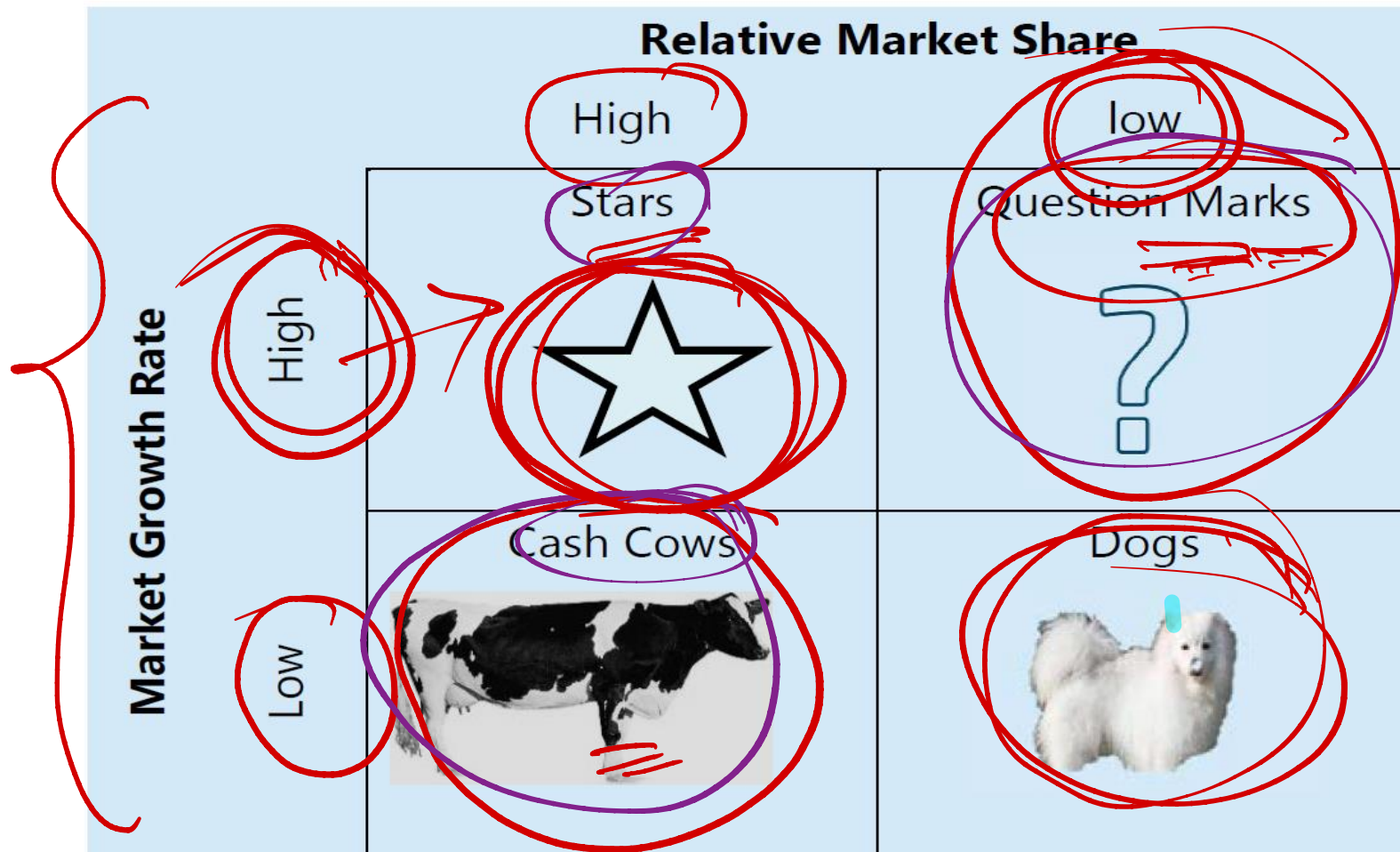
\* Divest = liquidate & use funds  
elsewhere.

# BOSTON CONSULTANCY GROUP (BCG) GROWTH-SHARE MATRIX

BCG = Multiple products / Multiple Business.

- ❑ The BCG growth-share matrix is the simplest way to portray a corporation's portfolio of investments.
- ❑ Growth share matrix also known for its cow and dog metaphors is popularly used for resource allocation in a diversified company.
- ❑ Using the BCG approach, a company classifies its different businesses on a two-dimensional growth-share matrix.
- ❑ In the matrix:
  - The vertical axis represents market growth rate and provides a measure of market attractiveness.
  - The horizontal axis represents relative market share and serves as a measure of company strength in the market.

Using the matrix, organisations can identify four different types of products or SBUs as follows



## 1. Stars

(High growth rate & high market share)

- Stars are products or SBUs that are growing rapidly.
- They also need heavy investment to maintain their position and finance their rapid growth potential.
- They represent best opportunities for expansion.

## 2. Cash Cows

(low growth & high market share)

- Cash Cows are low-growth, high market share businesses or products.
- They generate cash and have low costs.
- They are established, successful, and need less investment to maintain their market share.
- In long run when the growth rate slows down, stars become cash cows.

3. **Question Marks** (High growth rate, low market share)
- Question Marks, sometimes called problem children or wildcats, are low market share business in high-growth markets.
  - They require a lot of cash to hold their share. They need heavy investments with low potential to generate cash.
  - Question marks if left unattended are capable of becoming cash traps.
  - Since growth rate is high, increasing it should be relatively easier. It is for business organisations to turn them stars and then to cash cows when the growth rate reduces.

4. **Dogs** (low growth rate, low market share)
- Dogs are low-growth, low-share businesses and products.
  - They may generate enough cash to maintain themselves, but do not have much future.
  - Sometimes they may need cash to survive.
  - Dogs should be minimised by means of divestment or liquidation.

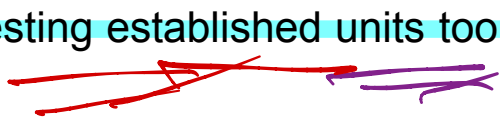
# BCG MATRIX – POST IDENTIFICATION STRATEGIES

After a firm, has classified its products or SBUs, it must determine what role each will play in the future. The four strategies that can be pursued are:

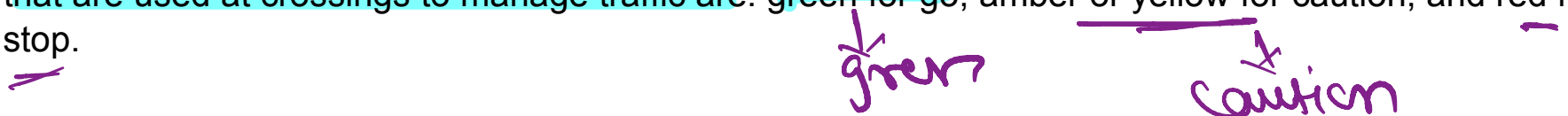



1. **Build:** Here the objective is to increase market share, even by forgoing short-term earnings in favour of building a strong future with large market share. *Question mark, Dogs.*
2. **Hold:** Here the objective is to preserve market share. *Cash cows, Stars.*
3. **Harvest:** Here the objective is to increase short-term cash flow regardless of long-term effect. *Cash cow.*
4. **Divest:** Here the objective is to sell or liquidate the business because resources can be better used elsewhere. *Dog*

# LIMITATIONS OF BCG MATRIX

- ❑ BCG matrix can be difficult, time-consuming, and costly to implement.
- ❑ Management may find it difficult to define SBUs and measure market share and growth.
- ❑ It also focuses on classifying current businesses but provide little advice for future planning.
- ❑ They can lead the company to placing too much emphasis on market-share growth or growth through entry into attractive new markets. This can cause unwise expansion into hot, new, risky ventures or divesting established units too quickly



# GENERAL ELECTRIC MATRIX (STOP LIGHT STRATEGY MODEL)

- ❑ This model has been used by General Electric Company (developed by GE with the assistance of the consulting firm McKinsey and Company).
- ❑ This model is also known as Business Planning Matrix, GE Nine-Cell Matrix and GE Model.
- ❑ The strategic planning approach in this model has been inspired from traffic control lights. The lights that are used at crossings to manage traffic are: green for go, amber or yellow for caution, and red for stop.  

- ❑ This model uses two factors while taking strategic decisions
  - Business Strength and 
  - Market Attractiveness. 
- ❑ The **vertical** axis indicates market **attractiveness**, and the **horizontal** axis shows the **business strength in the industry**.  


**The market attractiveness is measured by a number of factors like:**

- Size of the market. ✓
- Market growth rate. ✓
- Industry profitability. ✓
- Competitive intensity. ✓
- Availability of Technology. ✓
- Pricing trends. ✓
- Overall risk of returns in the industry. ✓
- Opportunity for differentiation of products and services. ✓
- Demand variability. ✓
- Segmentation. ✓
- Distribution structure (e.g. direct marketing, retail, wholesale) etc.

low,  
medium,  
high.

**Business strength is measured by considering the typical drivers like:**

- Market share.
- Market share growth rate.
- Profit margin.
- Distribution efficiency.
- Brand image.
- Ability to compete on price and quality.
- Customer loyalty.
- Production capacity.
- Technological capability.
- Relative cost position.
- Management calibre, etc.

Weak  
Average  
Strong

# Business strength

Strong

Average

Weak

Invest/Expand

Invest/Expand

Select/Earn

High

Invest/Expand

Select/Earn

Harvest/Divest

Medium

Select/Earn

Harvest/Divest

Harvest/Divest

Low

Market attractiveness

|        | Strong        | Average        | Weak           |
|--------|---------------|----------------|----------------|
| High   | Invest/Expand | Invest/Expand  | Select/Earn    |
| Medium | Invest/Expand | Select/Earn    | Harvest/Divest |
| Low    | Select/Earn   | Harvest/Divest | Harvest/Divest |

- ❑ If a product falls in the green section, the business is at advantageous position. To reap the benefits, the strategic decision can be to expand, to invest and grow.
- ❑ If a product is in the amber or yellow zone, it needs caution and managerial discretion is called for making the strategic choices.
- ❑ If a product is in the red zone, it will eventually lead to losses that would make things difficult for organisations. In such cases, the appropriate strategy should be retrenchment, divestment or liquidation.

This model is similar to the BCG growth-share matrix. However, there are differences.

- Firstly, market attractiveness replaces market growth as the dimension of industry attractiveness and includes a broader range of factors other than just the market growth rate.
- Secondly, competitive strength replaces market share as the dimension by which the competitive position of each SBU is assessed.