

Strategic Management - The competitive Edge

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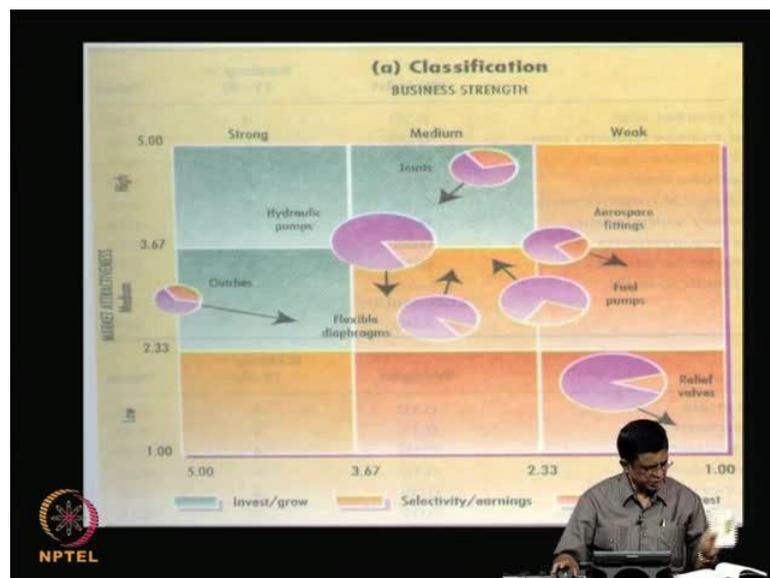
Indian Institute of Science, Bangalore

Module No. # 04

Lecture No. # 23

Corporate Strategy - 3 and Functional Strategy

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Welcome to this class. We were looking at this GE matrix. That is the matrix given out by the GE company. We looked at how this matrix is to be drawn and what it really signifies called the GE business screen in the actual parlance, but known as GE matrix.

We listed these steps to draw the GE business screen; that is four steps to go about drawing the business screen. Now, when you look at the type of strategies that can be drawn, this is presented to you in this slide.

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MARKET ATTRACTIVENESS	High	Protect Position •Invest to grow at maximum digestible rate •Concentrate effort on maintaining strength	Invest to build •Challenge for leadership •Build selectively on strengths •Reinforce vulnerable areas	Build selectively •Specialize around limited strengths •Seeks ways to overcome weaknesses •Withdraw if indications of sustainable growth are lacking
	Medium	Build Selectively •Invest heavily in most attractive segments •Build up ability to counter competition •Emphasize profitability by raising productivity	Selectivity manage for earnings •Protect existing program •Concentrate investments in segments where profitability is good And risk is relatively low	Limited expansion or harvest •Look for ways to expand without high risk; otherwise, minimize investment and rationalize operations
	Low	Protect and refocus •Manage for current earnings •Concentrate on attractive segments •Defend strengths	Manage for earnings •Protect position in most profitable segments •Upgrade product line •Minimize investment	Divest •Sell at time that will maximize cash value •Cut fixed costs and avoid investment meanwhile
		Strong	Medium	Weak
		BUSINESS STRENGTH		

Let us say, your business strength goes from strong to weak you are going this side. In the market attractiveness, you are going from low to high with respect to a particular unit of the company.

Your business strength, which is the business strength of the unit of the company, is strong and the market attractiveness is also high. That means the growth of market can be expected to be above the average; that is above the average of 10 percent.

What should be the strategy? The strategy should be to protect position; that is, invest to grow at maximum digestible rate. That is, there can be investment, but this investment has to be taken note of or has to be made taking note of the growth of the market, concentrate effort on maintaining strength; this is the top left block.

Similarly, suppose you have made the business strength is medium, but the market attractiveness is very high. Then, what should be the strategy? It is a challenge for the leadership.

So, the leadership should try to cash in on this and try to bring this business strength also to a strong position. So, you have a market attractiveness which is high, but somehow the business strength has been medium.

Now, find out how you can bring it to the left corner cell - the strong and high cell. Then, build selectively on strength; this could be the other strength strategy. Then, reinforce vulnerable areas.

Wherever you find that the company - the business units - needs to tighten up the belt, which is the place where you just start tightening, so that you do not have short comings.

Contrasted to this let us say, you have a weak business strength, but a high market attractiveness. Then, what should be the strategy? Your business strength is weak, but the market attractiveness is high.

So, this strategy advocated is built selectively. What do you mean by that? That is specializing around limited strengths. Seek ways to overcome weaknesses, withdraw if indications of sustainable growth are lacking.

So, you find out, what your strength is. That is what the unit strength is. You specialize around that limited strength. In other words, this strategy is what is called building a propitious niche. So, you create a niche strategy in the market place; this is the niche market.

So, you have some limited strength around that build a propitious niche. You seek ways to overcome weaknesses, withdraw if indications of sustainable growth are lacking.

Now compare to this let us say, come to the next three cells. What should be the strategy? Business strength is strong, market attractiveness is medium. What is the type of strategy that the firm should adopt with respect to that unit? Again build selectively. What do you mean by build selectively here?

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	Low	Protect and refocus <ul style="list-style-type: none"> Manage for current earnings Concentrate on attractive segments Defend strengths 	Manage for earnings <ul style="list-style-type: none"> Protect position in most profitable segments Upgrade product line Minimize investment 	Divest <ul style="list-style-type: none"> Sell at time that will maximize cash value Cut fixed costs and avoid investment meanwhile
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This selectively building that is the top most cell here and this selectively building is slightly different; kindly note that. What do we mean by this - build selectively? This is investing heavily in most attractive segments.

So, find out which is the segment that is most attractive. Some product segment or market segment might be very attractive; invest in that, build up ability to counter competition. So, you should be able to take on competition and emphasize profitability by raising productivity.

So, in other words, this is the time for you to put on your lever on this productivity; that is, enhance this productivity; may be make use of your learning curve experience or whatever and try to see that you build selectively that particular unit or that particular product line.

Let us say, you are at mediums business strength and the market attractiveness is also medium. So, it is sovereign around the average. What do you mean by market attractiveness being medium? It means it is sovereign around the average. Then, average growth rate of the market which you consider in the Indian situation around 10 percent of that.

What do you do for that? Selectivity stroke manage for earnings - what do we mean by this? So, here again selectivity is involved, managing for earning is involved; what do we

mean by this? Protect the existing program, so what is important for you is your strength is there. So, you have invested some money; you have entered the market; so time for you to protect your market and the market segment, and concentrate investments in segments where profitability is good and risk is relatively low. Kindly note this.

So, entering to segments where your risk is low. Do not enter into segment where the risk is very high. This is the second cell here. Now suppose your business strength is weak and the market attractiveness is medium. Then, what is the type of strategy that is suggested - limited expansion or harvest.

What do we mean by this? Look for ways to expand without high risk. Note that the strategy suggested is - do not take high risk; otherwise, minimize investment and rationalize operations. Suppose you are not sure about the risk involved. What should you do? Minimize the investment and rationalize the operations.

So, this is the way you can go about in these three cells. That is, where your market attractiveness is medium and your business strength is going from strong to weak.

Now, come to the bottom of this screen. So, your business strength again goes from strong to weak, but the market attractiveness is low - what do we mean by this? When the market attractiveness is low, the growth of the market is below average. Then, what do you do? You have a very strong business strength, that is the business unit is having a very strong business presence - may be it is a leader type of thing.

So, that presents itself in the BCG matrix as a strong cash cow. So with reference to the BCG matrix if you start relating, it may come as a strong cash cow. What should you do in that such a type of a situation? Protect and refocus if the strategy that is advocated. You protect yourself - that is, the unit should protect itself and refocus.

What do we mean by this? Manage for current earnings. So, without great investments you start managing the current earnings. Concentrate on attractive segments different strengths.

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That means to say, you are trying to see whether how your earnings can be the flow of earnings can be retained without taking great risks, because you have established yourself in that segment already.

So, you know that you are a more or less leader - a strong cash cow type of thing with respect to the BCG matrix. So, that type of unit you can do this. In other words, what are we trying to do in this type of strategy screen mapping which you are drawing here.

You are doing some micromanagement here. Earlier, there if you call it macro, you are doing some micromanagement here. So, you are going a little more in detail.

The next cell, where your business strength is medium, but the market attractiveness again low. What should you do? Manage for earnings. What is the type of this strategy? What do you mean by this? Expand on this. Protect position in most profitable segments upgrade product line, minimize investment, do not invest - this is the type of thing. So, wherever as for as possible try to keep your investment very low. So, this is the type of thing, which you normally do.

Then, divest - that is when you are strength is weak. This is a case for divesting or you are going into the docs similar to the doc's type of scenario with respect to the BCG matrix. Cell at that time that will maximize cash value - that is salvage value which you get from the whole sale should be maximum.

Cut fixed cost and avoid investment meanwhile. So, try to avoid the investment; try to cut the fixed cost; try to make the best possible use of the situation. So, this is the type of scenario which you normally try to get into this thing.

Now, if you just reading out some type of factors with respect to industry attractiveness, uncompetitive position in the Indian scenario with respect to this screen. This is given to you in my book page number 127.

So, what are the factors determining industry attractiveness and what could be the typical weightages that could be assigned to these factors? So, the factors which you can list are the size of the market, the typical weightage could be about 10 percent. Then, for the rate of growth of sales and cyclic nature of business, you can give a 15 percent weightage. Then, the nature of competition including vulnerability to foreign competition kindly, note this point.

Now, whatever might be the market that you may be in - The Indian markets have more or less opened up. You may not be able prevent even a foreign player entering that particular market. So, given that type of a scenario; you must take that as an important factor for industry attractiveness. That is, the nature of competition including vulnerability to foreign competition.

The typical weightage for that could be 15 percent, then susceptibility to technological obsolescence and new products – what do we mean by this? Suppose, your product is dependent on technology up gradation constantly and the technology that you have used for the manufacture of the product; suppose, it becomes absolute.

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Then, you have very little to prove in the market with respect to the product because a technology itself has become an absolute. The typical example could be that of the Indian telephone industries.

So the type of technology they use to have in the 60s 70s. That is the cross bar and the trouser technologies. When it came to the 80s started getting replaced by the electronic systems. When it started getting replaced by the electronic systems typically, the EPABX systems what was happening.

One set of skills which people acquired in cross bar or trouser all that became redundant; not useful to the company. The technology itself became absolute. The result is that many thousands of people who were engaged in this cross bar and trouser technologies. Their skills could not be made use of by the company.

In other words, the company was in forced into a position paying salaries to these people without them being very productive to the company. So, the company what did they do? It said; let us, retrain them in electronic exchanges.

The products, which is the electronic products so, instead of the cross bar or the trouser the mechanical systems. They started getting into these electronic systems. They said get trained in this PCB technologies. What had happened by that type of a time? This is how

these are some organizational problems which (()) typical public sector like ITI encountered.

They found that many of these employees were upwards of 45 years of age. Now, the company is asking them to retrain themselves in a new field of technology. They have got less number of years to really serve the company. Their argument was we have served this company for more than 2 decades now; why is the company asking us to reorient ourselves? Why cannot the company leave us alone? This type of a scenario.

So, the training themselves in PCB technology for them was calling for sharper eye site, which they were lacking at that age and the sharper welding which was required; which was not forthcoming at that age, all those types of things mattered for them.

So, the argument from the labor side was; why is the company forcing us to do this. Now, from the company side if they do not force them, they do not have a job for them in the years to come.

So, this is the type of scenario which you can be in; when the technology becomes absolute. So, when the technology becomes absolute, whatever the competitive advantage you had; that is the company had or the business unit had vanishes.

When it vanishes, then there is very little that you can do. This is the type of scenario which companies should try to avoid as far as possible, but sometimes they are not able to avoid like the one case this case which I mentioned.

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So, entered into this technology this thing cross bar or trouser found that, it is not the one which is useful. Then, found it very difficult for to retrain there labor all those types of things.

This can be given a weightage of 10 percent. What about entry conditions and social factors. What are the entry conditions? In the present Indian scenario, you can enter virtually every market and every product. That is, as a manufacturer there is very little to stop you from manufacturing a particular product.

You name whether it is a health product or whether it is a cosmetic product or whether it is some other product. You are free to make your entry into that product segment, because government has liberalized the rules for operation.

This license raj, which we use to refer before this liberalization; that is, for manufacture of anything, you should have had a license. So, if you do not have a license, you cannot enter that particular sector or you cannot enter that particular field.

Now, the question that you may ask is can we manufacture without license now. No, you cannot, but getting the license is made much easier. This is, what has happened in this LPG era.

Now, why are we doing all; that is, the entry conditions has been simplified and the social factors - what do you mean by social factors. Government encourages industrialist to set up units in backward areas of a particular state.

Why are they encouraging these business units to be set up in the backward areas of a state? It will help in creating employment opportunities for the local people and to that extent the migration to cities can be stopped. This is the (()) objective of the government.

Now in order to achieve this, the investment should flow to the rural areas, but somehow it has not flown to the rural areas to the extent that was result. So, you find a large number of concentrations of industries. If you take the state of Karnataka the maximum concentration of industries is in and around Bangalore only.

The government is now trying very hard or trying to move the industrialist to go to different cities like the next strand of cities, whether it is Mangalore or Hubli-Dharwar or Mysore. They are saying that why do not you go to Mysore; why do not you go to Hubli-Dharwar; why do not you go to this Mangalore belt set up your units there.

In other words the government is goading this industrialist to go to these different locations so, that the social factors can be addressed. This can be given a weightage of 10 percent, the profitability, which is the one which is the key for business.

So, every business, why are you doing entering a business, you want to maximize your profits. Whatever one might say, you are not there to make losses. That is, the unit is not there to make losses; whether it is the unit with business unit with respect to a company or the company as a whole. It is not there to make losses; it is there to make profits. So, profitability gets a very high weightage; here you get 40 percent.

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When you sum up the weightages from the size of the market down to profitably, the total percentage should add up to 100 percent. So, this is the way distribution is made.

Similarly, with respect to the competitive position how is the distribution going. The factors that can be considered or the market share and capacity a typical percentage could be 20 percent. For the growth rate - that is the market growth rate, typical weightage could be 10 percent. Then, the location and distribution - nearer the market, the cost of logistics will be less - it is another 10 percent. Then the management skills - how good is the company's management, you can give 15 percent for that. Then, the work force harmony, that is, loss of working days - company labor goes all of a sudden strike. So, may be the trade unions are very active things like that, then what is going to happen is your production is going to be hit.

Suppose that situation is not there, let say there is lot of harmony in the workforce, which is what the company really wants that can be given 20 percent weightage.

So, if you really consider a state like West Bengal. It finds it very difficult to attract investment; why is it? Because the labour climate in West Bengal and then in Kerala. Trade unions give being very attractive, highly energetic.

So, fighting for their rights or whatever, so the industrialist becomes vary of investing in this states. Because the industrialist after having invested; he does not want to face day-in and day-out problems from labour; he would like to avoid.

This is called a salubrious labour relations climate, which should be in existence for the industry to be attracted to this. The workforce harmony; then this typical weightage could be about 20 percent. The technical excellence including product and process engineering connected with your technical skill. A percentage could be; weightage could be about 20 percent and the image of the company.

Sometimes, let us say a company like TVS cashes in on its image in the south. Similarly, a company like Tata's cashes in on its image throughout the country. So, even company like Tata's had lot of problems if you see, when it wanted to set up its car unit in a state like West Bengal. So with all its brand image and things like that still the company faced terrific problems in starting its unit and had relocate itself to a different state now, doing very well in Gujarat.

So what was lost to West Bengal became profit to Gujarat. So what was a loss of investment to West Bengal became an investment to Gujarat and the Gujarat unit is doing very well. This is the way things can happen in the competitive position. So, even in competitive position it is not just the units of the company, but sometimes the states also tend to get it in the whole process so these are some examples for this.

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Table 2-2
Factors underlying market attractiveness and competitive position in GE Multifactor Portfolio Model: Hydraulic Pumps Market

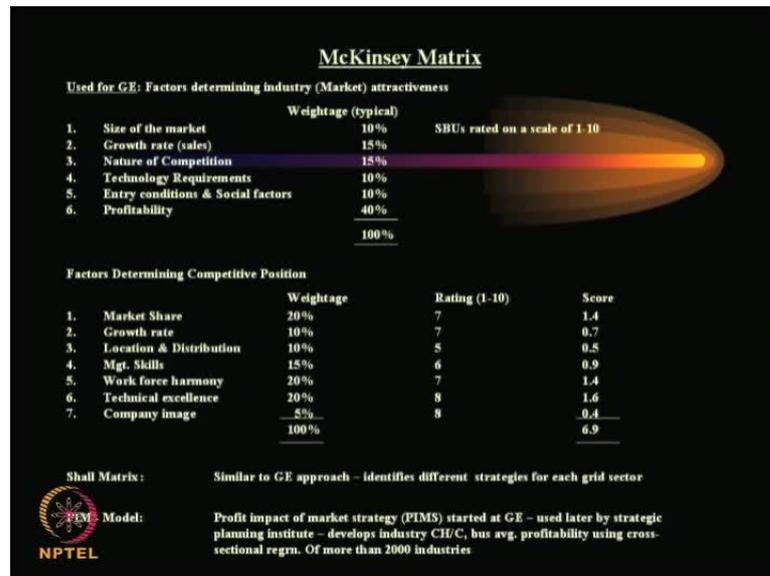
		Weight	Rating (1-5)	Value
Market Attractiveness	Overall market size	0.20	4.00	0.80
	Annual market growth rate	0.20	5.00	1.00
	Historical profit margin	0.15	4.00	0.60
	Competitive intensity	0.15	2.00	0.30
	Technological requirements	0.15	4.00	0.60
	Inflammary vulnerability	0.05	3.00	0.15
	Energy requirements	0.05	2.00	0.10
	Environmental impact	0.05	3.00	0.15
	Social/political/legal	Must be acceptable		
		1.00		3.70
Competitive Position	Market share	0.10	4.00	0.40
	Share growth	0.15	2.00	0.30
	Product quality	0.10	4.00	0.40
	Brand reputation	0.10	5.00	0.50
	Distribution network	0.05	4.00	0.20
	Promotional effectiveness	0.05	3.00	0.15
	Productive effectiveness	0.05	3.00	0.15
	Productive efficiency	0.05	2.00	0.10
	Unit costs	0.15	3.00	0.45
	Material supplies	0.05	5.00	0.25
	R&D performance	0.10	3.00	0.30
	Managerial personnel	0.05	4.00	0.20
		1.00		3.40

NPTEL Source: La Rue T. Horner, Strategic Management, Englewood Cliffs, N.J.: Prentice Hall, 1982, p.310

Now, after this g e matrix, let us move to the next matrix. The next matrix, I have given in this particular table with respect to the g e matrix only, the hydraulic pump market - what were the attractiveness factors and what are the factors for competitive position; what can be the weightage - the rating going from 1 to 5; what did this company business unit, that is, the hydraulic pumps market get? It got with respect to market attractiveness 3.70 and with respect to competitive position 3.40.

What has been presented in my book, if you really see on page 127? I have drawn on these factors and try to modify them to the extent that may be useful to the Indian conditions. This is the way the typical Indian scenario works like with respect to industry attractiveness and the competitive position.

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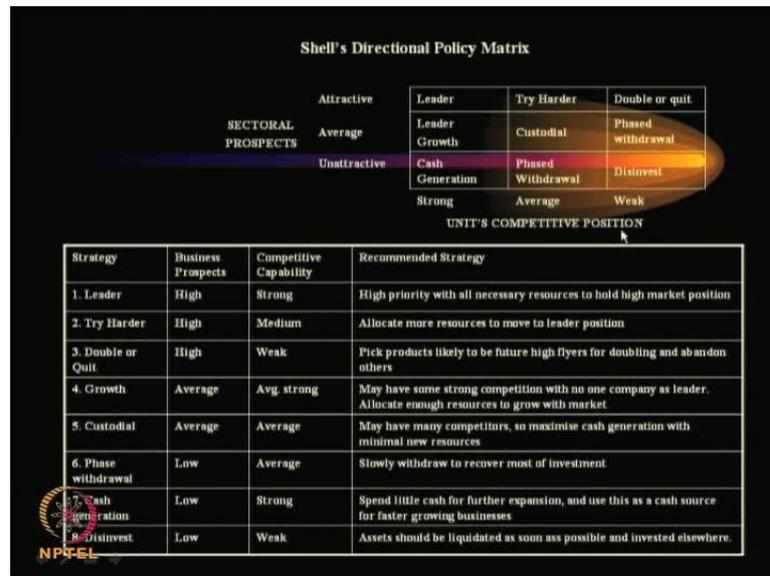


Now, let us go to the next matrix. The next matrix, which you can think of using in a typical situation, is what is called the McKinsey Matrix. Again used by the general electric company and whatever they have used I have presented to this as a typical Indian company this thing, which is presented in this particular slide.

That is presented as a table on industry attractiveness and competitive position which I just described on page 127 in the book.

Typically, the McKinsey Matrix used by this g e company with a slight modification. Now, using all these approaches the shell company came out with a directional policy matrix. This directional policy matrix is similar to the g e business screen.

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It was adopted by the shell oil company in the US; that is shell is a well-known oil company. I am reading from this same page - that is 127. This matrix is depicted in this figure 7.7 in this book. What is the type of thing which is important?

Now, if you go to this particular slide here this shell's directional policy matrix looks at sectoral prospects, because it considered the oil sector. Considering the oil sector; it is going from unattractive to attractive.

The unit's competitive position is going from strong to weak. When that is the type of thing, which is taken how do the cells look like? The cells look like this; it is 3 by 3 matrix, which is presented here. So, that means to say there will be 9 cells. This thing could be when your unit's competitive position is strong and the sectoral prospects are attractive; then you are the leader.

How does the leader that strategy is given in the table down below. If you see, suppose you are the leader, your business prospects are very high; your competitive capability is very strong. Then, what is the recommended strategy, high priority with all necessary resources to hold high market position.

So, accord high priority with all necessary resources to hold high market position. So, this is the put your efforts to see that you are really the leader in the market place; do not give up the leadership position

Now, suppose the sectoral prospects are attractive, but the unit's competitive position is not strong. Let us say, it is average. Then, what is the strategy advocated - try harder. What is the try harder - allocate more resources to move to the leader position, allocate more resources to move to the leader position. So, you should try to move from here to this leader position.

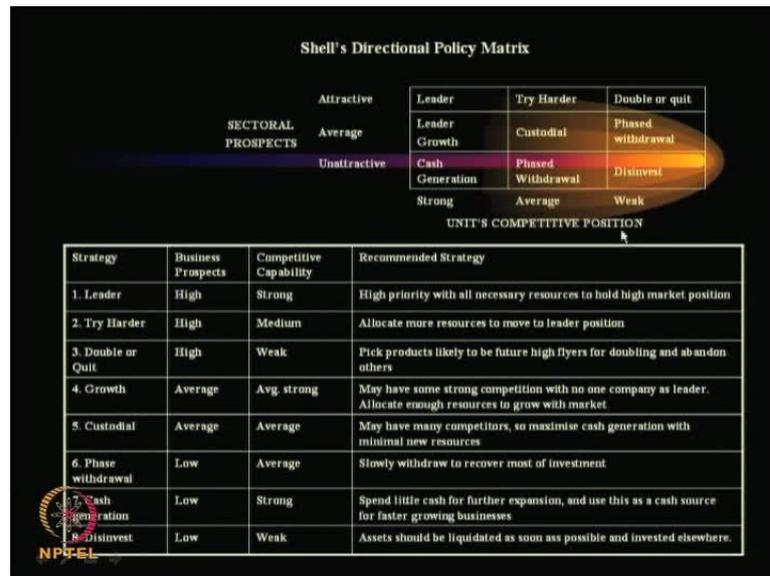
What is the third cell, where your competitive position. That is the units competitive position is weak. The sectoral prospects are attractive. So, the sectoral prospects are attractive, but the unit's competitive position is weak; then what is going to happen.

This strategy, which is advocated, is double or quite. That is, if you are not able to pull along, come out of the whole scenario. That is pick products, likely to be future high flyers for doubling and abandon others. Do not keep on having all this sentimental values, because in this competitive market there is no point in having all these types of product lines, which may not sustain themselves. This is the type of thing which is coming in.

Suppose your unit's competitive position is going from strong to weak, but the sectoral prospects are average. Then, what is going. Suppose your unit's competitive position is strong, but the sectoral prospects are average; what can be the type of strategy.

You may be a leader or you may not be a leader both are possible, but both strategy is what can be identified. So, the strategy that is recommended is growth. So, what do we mean by growth? The thing may have some strong competition with no one company as leader; allocate enough resources to grow with market.

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So, there may not be a leader, who might have been identified by allocating more resources, you may become a leader in this particular market place, though the sectoral prospects are average. What about the next one - that is this cell where you are having the unit's competitive position as average; the sectoral prospects are also average.

This strategy advocated is custodial. What do we mean by custodial, may have many competitors. So, maximize cash generation with minimal new resources. So, do not try to invest too much money. So, what should you do? Try to find out how much cash can flow in, similar to the cash cow type of a situation, in the BCG matrix.

Suppose, the unit is competitive position is weak, sectoral prospect again average. What should you do? The strategy advocated is phased withdrawal. This phased withdrawal what does it mean.

Slowly withdraw to recover most of investment. This is the same when your strategic the unit competitive position is average and the sectoral prospects are unattractive; this is the same strategy that is advocated.

So, what are you trying; what is the strategy that is being advocated slowly, withdraws to recover most of investment - that is salvage your investment to the extent, that this is possible. So, just let it not go the drain that type of scenario.

Now, suppose your unit's competitive position again goes from strong to weak, but these sectoral prospects are unattractive. What is the type of strategy that is suggested? Your unit's competitive position; that is the company's unit's competitive position is very strong, but the sectoral prospects are unattractive.

So, similar to the cash cow type of a scenario - what should you do? That is, you should try to generate as much cash as possible. How the cash can be generated, but do not invest. So, the strategy that is advocated is cash generation. What is this strategy? Spend little cash for further expansion; that is keep your investments minimum and use this as a cash source for faster growing business.

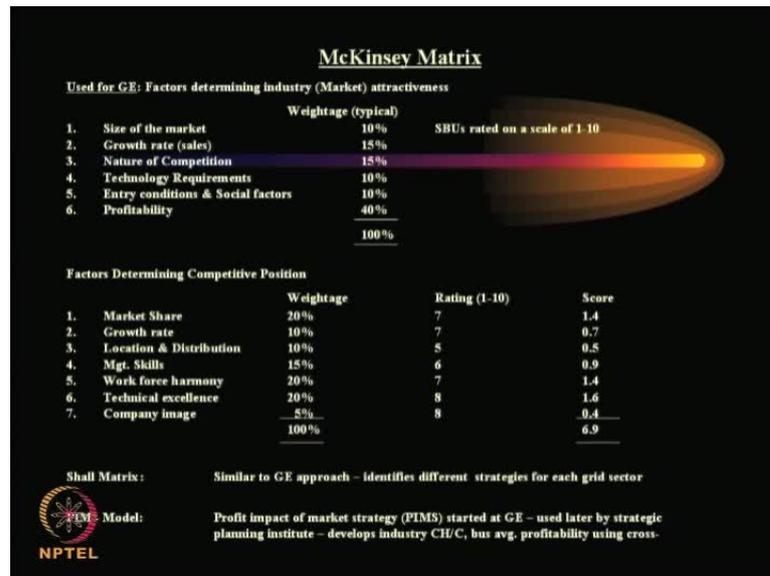
So, put this money in different businesses where the growth is higher. That is more than this average. So, this is the type of strategy; that is advocated. Now, we looked at this cell already same as the phased withdrawal, same for this weak position and the average sectoral prospects. Here it is the unit competitive position is average, but the sectoral prospects are unattractive so, the same phased withdrawal is advocated.

Now, let us say the unit's competitive position is very weak and these sectoral prospects are also unattractive. So, you have a situation, where the unit's competitive position is weak and these sectoral prospects are also not attractive.

In that type of scenario, what should you do? In such a type of scenario, the best strategy that is advocated is to disinvest; that is come out of the whole market as far as possible.

So assets what is the strategy? Assets should be liquidated as soon as possible and invested elsewhere. So come out of this whole scenario quickly; do not keep on hanging around in this scenario.

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So this is the type of strategies that are advocated by this shells matrix. This is the typical shell oil company's matrix, which was used by Shell Company. If you really see there are some similarities with respect to the g e business screen, as well as, the McKenzie matrix which I just gave you.

Using or drawing upon all these the pims model was suggested. What is this pims model? This is called profit impact of market strategy; it was first started at the general electric company only, then it moved on to this used later by this strategic planning institute for portfolio analysis. What does it do? It makes use of the multidimensional cross sectional regression studies of profitability of more than 2000 business units.

So, they took some 2000 business units across the United States, cross sectional data did a regression modeling, came out with analysis of this 2000 business units. Then, what did they do? Using an industry characteristic; that is, business average profitability is developed and it is compared with the performance of the company concern.

So, you develop a business average profitability. Find out, with respect to that it could be a sort of a look up screen for the company. Where am i, with respect to the business; where is my profitability; is it above average or is it below average. Suppose, it is below average, then, it is cost for concern for me that type of scenario.

The model uses past data to develop statistical relationship instead of judgment weights used in the g e business screen. So, the essential difference is it makes use of past data. But there is criticism also of this model; what is the criticism?

It makes use of hydrogenous population. So, it is not something, which is from the same sector. So, different types of businesses are taken at different periods and this matrix is strong and what is the type of conclusion that this model or matrix draws.

This model draws according to this model profitability is closely linked with the market share, 10 percent improvement of profitability corresponds to 5 percent improvement in return on investment.

So, 10 percent improvement in of profitability corresponds to 5 percent improvement in return on investment. The rationale is given by using the experience curve effect, which implies that the average cost per unit will reduce with an accumulated position.

The average cost per unit will reduce with an accumulated production, but there is a caution. It has to be recognizing that larger companies with better management quality, management techniques can exercise greater market power.

Now, there are 2 more matrices which are listed given here in the book. The next matrix which is listed makes use of the product life cycle approach. This is what is typically called the Arthur d little companies matrix presented to you on pages 128 and 29 of my book. So, considers the different stages of PLC with the business strength.

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McKinsey Matrix

Used for GE: Factors determining industry (Market) attractiveness

		Weightage (typical)	
1.	Size of the market	10%	SBU's rated on a scale of 1-10
2.	Growth rate (sales)	15%	
3.	Nature of Competition	15%	
4.	Technology Requirements	10%	
5.	Entry conditions & Social factors	10%	
6.	Profitability	40%	
		100%	

Factors Determining Competitive Position

		Weightage	Rating (1-10)	Score
1.	Market Share	20%	7	1.4
2.	Growth rate	10%	7	0.7
3.	Location & Distribution	10%	5	0.5
4.	Mgt. Skills	15%	6	0.9
5.	Work force harmony	20%	7	1.4
6.	Technical excellence	20%	8	1.6
7.	Company image	5%	8	0.4
		100%		6.9

Shell Matrix:

Similar to GE approach – identifies different strategies for each grid sector



LM Model:

Profit impact of market strategy (PIMS) started at GE – used later by strategic planning institute – develops industry CH/C, bus avg. profitability using cross-

The business strengths are classified according to the PLC. You can be going from weak to dominant and the according to the PLC; it can be going from embryonic to declaim. So, the businesses are classified according business strength as weak, tenable, favorable, strong or dominant; that is, the vertical axis. The horizontal axis has the 4 stages of the PLC, which is embryonic growth mature and declaims that is, maturity and declaim.

What is the type of strategy recommended? The strategy recommended in the growth and embryonic stages is to build the business; when the business strength is weak. For businesses in the mature stage with dominant to favorable business strength whole strategy is recommended.

For businesses with strong and dominant position in the declining stage Harvard strategy is recommended. For businesses which are weak and in the mature stroke decline stage the return on investment is unacceptable.

If you really see, there are so many cells in this product life cycles; where the return on investment that is the ROI is unacceptable. So, when something is unacceptable; what

will you do? The strategy recommended is to divers those units, as quickly as possible so, that you can salvage as much of investment as possible.

So, this is the type of strategies that you normally recommend at this particular point of time. In other words, what are you trying to do in the Arthur d little company's matrix; you are looking at business strengths on the one side and you are looking product life cycle on the other side.

What do we mean by saying you are looking at the product life cycle; you are looking at all the 4 stages of the PLC and the business strengths, you are going from weak to dominant are strong, weak, tenable, favorable, strong dominant. Dominant can be very strong.

So, for each of this different business strength positions and depending on that PLC position that you are in, that is, unit is in. You recommend a strategy, suppose it is you are in the embryonic stage and your business strength is very weak. Then, what is that you are a candidate for divestment again. You can think of divesting.

So, if you are not able to develop so, similar to that type of scenario. Now there are so many cells which can be where your return on investment ROI is an acceptable. So, when it is not acceptable so, you just come out of that business to the extent and salvage your investment to the extent that is possible.

So these are the strategies that are recommended by this Arthur d little company's matrix. Now, we will look at this hooper's products stroke market evolution matrix in the next class. Thank you.