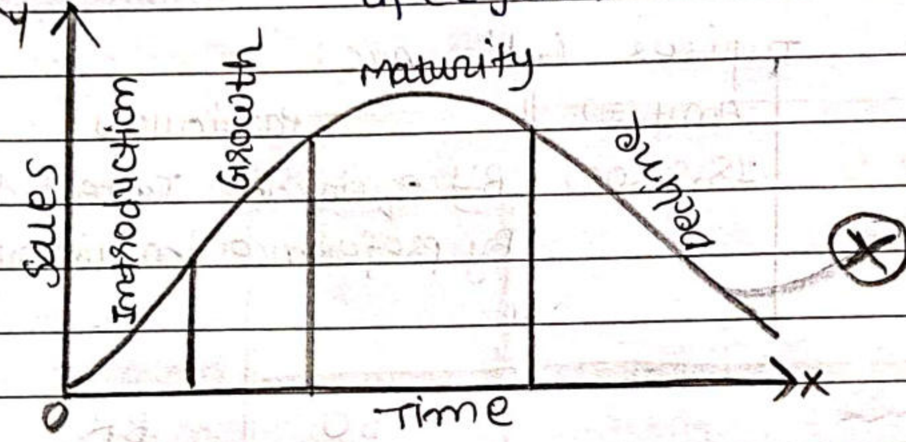
4. Strategic Choice

→ 

→ Top level management of the organisation makes strategic decisions.

Concept I :- Stages of Product lifecycle (Business lifecycle)



Product lifecycle (PLC)

Meaning

- PLC is useful framing strategic decisions.
- PLC is s-shaped curve
- It tells about relationship of sales with respect of time for a product.

stages

significance of PLC

- The main advantage is that, it can be use to diagnose a portfolio of product/Business in order to establish the stage at which each of them exist.
- Depending upon diagnose appropriate, stanategic choice can be made.
- And company can gain competitive advantage.

MTP May 25

stage-1	Stage-2	stage-3	stage-4
• the first stage is the Introduction stage.	• The second stage is the growth stage.	• Maturity stage.	• Decline stage.
• slow sales growth	• Demand expands rapidly	• slowdown in growth rate	• sharp downward drift in sales.
• competition is almost negligible.	• competition Increases.	• competition gets tough	
• prices are relatively high.	• prices falls.	• profits comes down	• profit will fall sharply
• growth in sales at lower rate because of lack of awarness on the part of customers.	• Market expands because the customer knows about the product.	• Market gets stablize.	• New product replaces the existing product

concept 2 :- Different type of strategy

Based on the level of organisation

1. corporate level
2. Business level
3. Functional level

Based on life cycle

1. Introduction → Market penetration strategy
2. Growth
   ↳ Growth & expansion strategy
3. Maturity
   ↳ stability strategy
4. Decline
   ↳ Retrenchment strategy

competition oriented strategy

competitive strategy
1. cost leadership
2. differentiation strategy
3. Focus → Michel Porter

collaboration strategy
1. merger & acquisition
2. strategic Alliance
3. joint venture

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concept 3 :- Introduction of strategic choice

→ There are different or various types of strategies available for an organisation to adopt. We can classify these strategies on different basis.

→ Michel porter suggested three strategies :-
1. cost leadership
2. Differentiation
3. Focus

→ William F Glueck & Laurence R Jauch discussed four generic strategy or
corporate level strategy or
Grand strategy or
Directional strategy Including -
1. stability
2. Expansion (Growth)
3. Retrenchment
4. combination

→ In this chapter, we will discussing corporate level strategies that is strategic choice available to corporate level manager.

Stability ↓
- Stay with current business & current market.
- Maintain the existing level of efforts.

Expansion ↓
- significant growth within the current business or may be by entering in new business

Retrenchment ↓
- Retrenches some of activity in some businesses.
- Drops the business.

Combination ↓
- combines these 3 strategies in some permutations & combination
- $C = S + E + R$

• organisation statisfy with incremental growth.	• By entering in new business that may be related to existing business or unrelated to existing business

• Reliance

Oil	Jio	Dunzo
S	E	R

concept 4 :- Flow chart of corporate strategy

- Stability
- Growth/Expansion
  - Internal
    - Intensification
    - Diversification
  - External
    - Merger & acquisition
    - Strategic alliance
- Retrenchment
  - Internal → Turnaround
  - external
    - Divestment
    - liquidation → X Not in syllabus
- Combination

(RTP May-24) (PYQ Sep 24)

① **Stability Strategy** :- It is more meaningful when size of operations is expanded to full capacity & business at mature stage

• Meaning & characteristics

S → same Business / product / Market / Level of efforts.
T → Tarakki jyada nahi hogi - Increamental growth (limited)
A → Able to concentrate on existing business.
B → Better to use of resources leading to core competence
I → Investment → fresh Investment
L → Low Risk
I → Increase in functional efficiency
T → Tension Kam hogi (safety oriented)
Y → why ? (Reason) - Because of below mentioned reasons :-

① product at maturity stage of PLC
② staff comfortable
③ Environment is stable relatively
④ Expansion may be ~~threatening to~~ threatening
⑤ Rapid Expansion in consolidation

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- Q :- Whether startup should follow stability ?
  It is wrong statement.

Imp. for exams :-

- Stability strategy is "DO nothing" strategy. ?
  NO, Stability strategy means donot do new. Since organisation has to remain updated and have to pace with dynamic business environment to reserve market share

(2) Expansion strategy :- (MTP sep-24)

"Expansion strategy is opposition of stability strategy"

- Meaning & characteritics :-

a) High Risk ↑ & pitfalls
b) Fresh Investment ↑
c) Tension ↑ (not safety oriented)
d) Redefinition of Business
e) Significant growth
f) NOT able to concentrate on existing business
g) Overall efficiency Increase
h) Better use of resources.
i) Dynamic is synonymous with promise & success

- Reasons (Why expansion ?)

(1) Great control over market & competitors
(2) Advantage of economic scale & curve of operatio
(3) CEO pride in preceding over growth oriented organ
(4) Environment is in place of activity.
(5) Expansion also includes intensify, diversify, acquiring & merger

- Types of Expansion/ Growth strategy

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Internal | External

Intensification | Diversification | Merger & Acquis expansion | Strategic alliance

⇒ Internal growth strategies :-
(i) Intensification :-

→ Redefining of Business definition by substantially scalling the level of operation through Internal Development.

→ NOT taking help of other corporations or business

→ Strategies for Intensification (MTP-Sep-24)

Market penetration	Market Development	Product Development
• Same product, same market & Advertisement. • To sale existing product in existing market. • more sales to present customer without changing product. • It may require spending on advertising or personal selling. eg:- luxury clothing brand.	• same product, New market • To sale existing product in New market. • It may be achieve through new geographical market & new distribution channel. • Creat new market Segment. • luxury brand sale in chinese market. • to expand Market Presence	• New product, same market • To Introduce new product in existing market. • It may be require development of new competence • Modify the products which can appeal to existing market

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(ii) Diversification :-

→ To sale New product in New market.
→ It Includes start-up or acquiring products.
→ This is most Risky one.
→ Diversification means entering into new product or new product line, new market which may involve different skills, technology or knowledge.
→ In some firms, Diversification is a means of utilising these existing facilities / capabilities in more effective and efficiency.

→ Diversification can classified into two broad categories.
① Concentric Diversification (Related Business)
② Conglomerate Diversification (Unrelated Business)

Diversification
- Innovation
- Concentric Diversification
  - Vertically integrated
    - Forward
    - Backward
  - Horizontally integrated
- Conglomerate Diversification

(MTP Jan-25)
(MTP May 25)
① Concentric Diversification :- (RTP Sep-24)
(MTP May-24)
→ When product are related.
→ New business is link to existing business through PTM (Process, Technology & Market)
→ The new product is only connected in loop-like manner at one or more manner.
→ eg. To expand existing learner Co., purchase more machi

(PYQ May-24)

Concentric Diversification

Vertically Integrated

↓

After sale service

I

Marketing sales

I

Manufacturer

I

Intermediate goods

I

RM supplier

Forward Integration

Backward Integration

- Related to existing business of the firm.
- The firm remain vertically within the same process sequence (move forward or backward) in chain.

Forward Integration

↓

- Moving forward in the value chain & entering business line that uses existing products.
- It will also take place where organisation enter into distribution channel.
- moves towards the end customer.

Backward Integration

↓

- creation of effective supply by entering business Input providers.
- strategy employed to expand, profit & gain over production / supply of a product.
- moves ~~toward~~ the sources of RM & components
- stable supply of inputs.

Horizontally Integrated

↓

- Distributor

↓

Manufacturer

↓

RM supplier

- A firm gets horizontally diversified by acquisition of one or more similar business operating at the same stage of chain.
- They can also integrate with the firms producing or manufacturing complementary products, by products or taking over competitor's products.

Both forward & Backward integration offer advantages si[illegible] as increased market power, cost efficiencies & greater contr[illegible] over critical business process.
Both Integration depends upon industry dynamic, competitive land[illegible] & resource

RTP May-25 (II) conglomerate Diversification (MTP May-25) (MTP May-25) (MTP May-24) (RTP sep-24)

→ No linkage Related to PTM (Product, market & Technology)
→ The New Business, products are disjoint from existing business or products in every way
→ It is totally unrelated diversification.
→ No common thread at all the firms' present position.
→ there is no connection between the New product & Existing product

(III) Innovation (3 Marks) (PYQ May-24) (MTP May-25)

→ Upgradation of existing product line or processess; leading to increase market share, revenues, profitability, customer satisfaction.
→ Innovation offers following :-
a) P - Productivity Increase
b) C - competitive advantage
c) S - solve complex problems.

simplification & automation of existing task

Find opportunities in existing problems of the society.

A faster business Innovates and provides added satisfaction to consume[illegible]

Benefits

Related Diversification (concentric)	Unrelated Diversification (conglomerate)
① Economical of scale	① Employment of new technology
② Brand Name	② Defend aganist takover bids
③ marketing skills	③ Investment in New product
④ Manufacturing skills	④ Focus on Multiple product
⑤ R & D	⑤ Reduce Risk
⑥ sale & Distribution capacity	⑥ Provide executive Interest

* only acquisition word ⇒ Diversification
* Merger & acquisition word ⇒ Merger & acquisition

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⇒ External growth strategies

(i) Merger & Acquisition

- Meaning of Merger

- It is a process when two or more companies comes together to expand their business operations.

- Gets finalize on freindly team & both the organisation shares profit in newly created entity.

- Meaning of Acquisition

- When one organisation takes over other organisation & controls all its business operations it is known as acquisitions.

- Gets finalize on freindly teams.

- An acquisition one financially strong organisation overpowers the weaker one.

- Meaning of Take over

↳ when a deal in case of acquisition, finalise on unfriendly manner it is called takeover.
↳ company in weaker position is forced to sell its entity.

- Types of Merger → similar to diversification;

Horizontal Merger
→ combination of firms engaged in the same industry.

Vertical Merger
→ It is a merger of two organisation that are

(MTP sep '24)
Co-generic Merger
→ two or more merging organisations are associated in same way &

Conglomerate Merger
→ combination of firm's operating in different

→ It is a merger with a direct competitor

operating in the same Industry but at different stages of prodn or distrin stage

Backward
→ take over its supplier / procedures of RM, then it is a Backward integration

Forward
→ It happens when Organisation decides to take over its buyer organisations or distribution channels

→ Non-competing Industry
→ Related
→ provide significant opportunity for both company to capitalize

Industry
→ this is unrelated to each other
→ It is strategy move that diversify

(MTP May-24) (ii) Strategic Alliance (RTP Jan-25) (MTP Jan-25)

Meaning
↓
It is Relationship between two or more business that enables each to achieve certain objectives which neither would be able to achieve on its own.

Advantages
↓
ESOP
E - Economic advantage
S - Strategic advantage
O - Organisational advantage
P - Political advantage

Disadvantages
↓
SC
S - Sharing
C - competition

③ Retrenchment Strategy :-

• Meaning :-
(i) Strategic exists are followed when an organisation wants to reduce the scope of its activities.

(ii) If the organisation choose to focus on ways and means to ~~rese~~ reverse the process of decline, it adopt turnaround strategy.

(iii) If it cuts off the loss making unit, division, SBU's, curtails its production line, it adopt divestment strategy.

(iv) If none of these work then it may choose to abandon it totally i.e. liquidation strategy.

(SEP 24 PYQ)

⇒ Internal retrenchment strategy :- (MTP May-24)

-: Turnaround :- (RTP sep-24) (MTP-sep 24)

Meaning

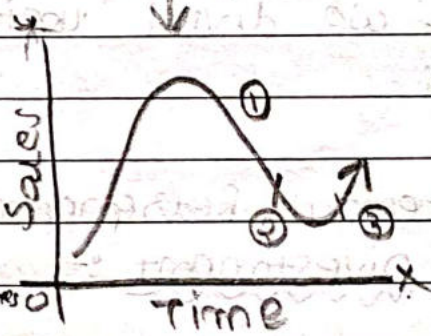
Entity shall try to improve their internal efficiency, known as turnaround.

Indicators

when Turnaround is required

- persistant (constant) cash flow from business
- Declining market share
- over staffing
- low moral
- Uncompetitive products or services
- Mismanagement
- high T/O. of employee
- Negative cashflow

Action plan



Elements

- Identifying quick payoff activities,
- Revenue generation
- Quick cost reductions
- Neutralising external pressures
- Assets liquidation
- Better Internal co-ordination
- changes in top level mgt.

"Product mix" may be changed :

stage

step:1	step:2	step:3	step:4	step:5
Assessment of current problems ↓ get to the root causes & extent of damage the problem.	Analyse the situation & Develop a strategic plan. ↓ Identify major problems & opportunities	Implementing an emergency action plan ↓ In a critical stage, take action plan	Restructing the Business ↓ If Unprotected efforts	Returning to normal ↓ final stage & enhancing economic value-added & Increase Market share

Q:- can we divest unit before Turnaround ?
Ans:- yes

Q:- can we divest unit after Turnaround (ie. after step 5)
Ans:- yes.

⇒ External Retrenchment strategy
-: Divestment :-

- **Meaning:**
Divestment strategy involves the sale or liquidation of portion of business or major division, SBU.

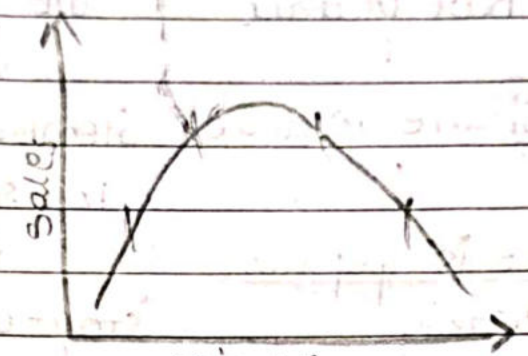
It is adopted when turnaroud proves to be unsuccessful & business become unprofitable & unviable due to external factor.

It is Integral part of corporate strategy without any stigma (कलंक) attached.

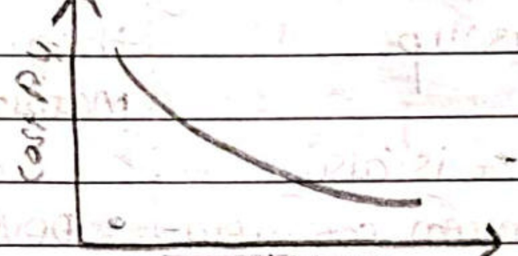
Reasons & charateristic ⇒ Refer book.

Concept 4 :- Strategic options

→ Product lifecycle



→ Learning curve / Experience curve



→ SBU :- (Strategic Business unit)

(a) It is a collection of similar products or business for which separate strategies required
(b) Each SBU has its own Mgt.
(c) Each SBU has its own customers & competitors.
(d) Each SBU of an organisation has separate vision & mission can be planned Independently.

⇒ Strategic options :- In order to design the business portfolio, the Mgt. must analysis its current business portfolio & decide which business / products / SBU(s) should be invested for.

→ They are set of model that help strategists in taking this strategic decisions.

PYQ Jan 25
MTP May-25

APM Matrix

↓

Amsoff's product Market Growth matrix

↓

proposed by Igor Amsoff

- It depends on market & product.
- Products may be existing or New & Markets may be existing or new.
- This matrix is also called "Growth Matrix"
- Strategies :-
  1) Market penetration
  2) Market Development
  3) product Development
  4) Diversification

MTP Jan-25
PYQ Jan-25
RTP May-24

BCG Matrix

share matrix

↓

It is popular Matrix

↓

Developed by Boston consulting Group.

- It is also known for metaphors like cow & dog.
- classify its different business on a two-dimensional matrix =>
  - vertical axis (Y Axis) → Market growth rate
  - Horizontal axis (X Axis) → Relative Market Share
- classification of product & Business
  1) star
  2) cash cow
  3) Dog
  4) Question mark.

RTP Jan-25
PYQ Jan-25

GE Matrix

↓

General Electronic Matrix

↓

'stop-light' strategy matrix

- It is better than BCG Matrix.
- Developed by GE with assistance of consulting firm McKinsey & Co.
- It is also know as GE Nine-cell Matrix & GE Model.
- Inspired by trafic control lights
- Two factor :-
  a) Market / Industry attractiveness
  b) Business Unit strength

RTP May-25

ADL Matrix

↓

Derived from Arthur D Little

↓

It is based on PLC / BLC / IC (Industry)

↓

Two dimensional Matrix :-

- X-axis → IC
- Y-axis → competitive position
- competitive position
  1) Dominant
  2) strong
  3) Favourable
  4) Tenable
  5) weak
- The Role is to assess the competitive position of a firm based on above five criteria.
- Portfolio analysis method

• strategies to be followed after classification of business, product or SBUs.

1) Build - star
2) Hold - cash flow
3) Harvest - Question mark
4) Divest - Dogs

• Limitations of BCG Matrix :-

① A high market share does not necessarily leads to profitability all the time.
② A business with low market share can be profitable too.
③ Small competitors that have fact growing market share.
④ It can be difficult, time consuming & costly to unplanned
⑤ It can be challenging & subjective
⑥ emphasizes current business scenarios but provides limited guidance for future planning.

• strategies to be followed under GE Matrix

If product falls in green section
↓
expand/ Invest/ grow
↓
• Advantage positions
• Reap (acquire) the Benefits

If product fall in yellow section
↓
Earn / select / protect
↓
• It needs caution & managerial discreation is called for strategic choices.

If product fall in Red zone
↓
Retrenchment or Divest or liquidation
↓
• Eventually losses that would make difficult for organisation

Corporate Strategy

- Stability
- Expansion
  - Internal
    - Intensification
      - Market penetration
      - Market development
      - Product development
    - Diversification
      - Innovation
      - Concentric
        - Vertical Integrated
          - Forward
          - Backward
        - Horizontal Integrate
      - Conglomerate
  - External
    - Merger & acquisition
    - Strategic alliance
- Retrenchment
  - Internal
    - Turnaround
  - External
    - Divestment
    - Liquidation
      - Not in syllabus
- Combination

:- BCG Growth - share Matrix :-

→ classified into four categories :- star, cash cows, Dogs & Question marks.

→ These classification is based on combination of market share & market growth rate.