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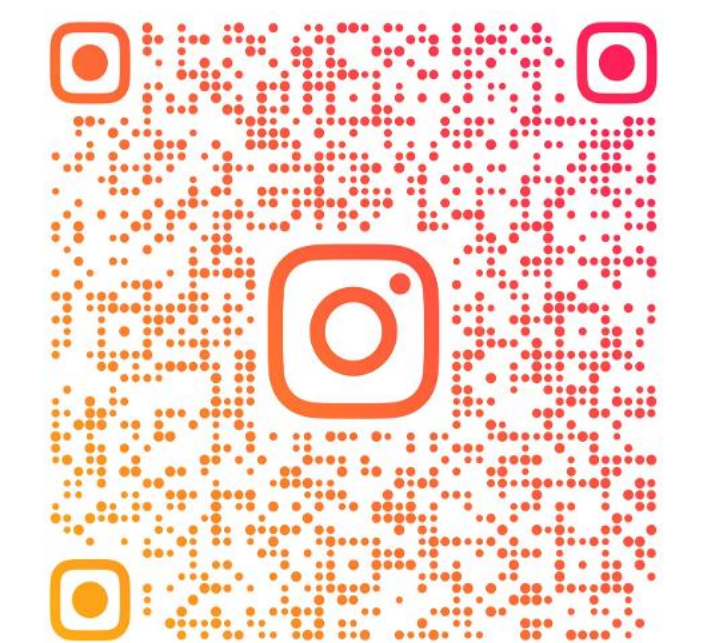


CA ADARSH JOSHI

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



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CA DARSHAN JAIN

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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

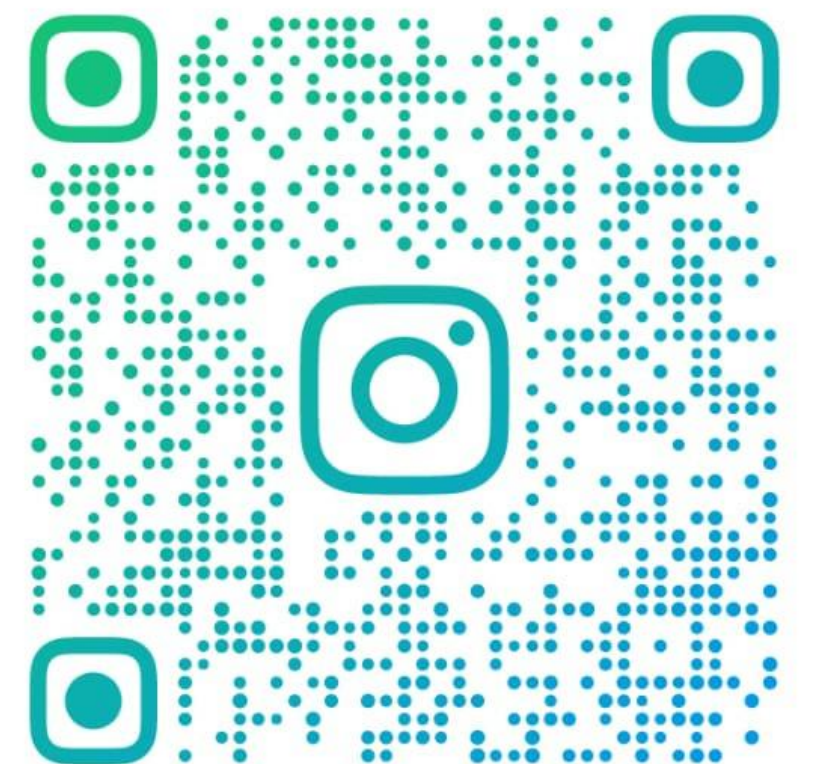


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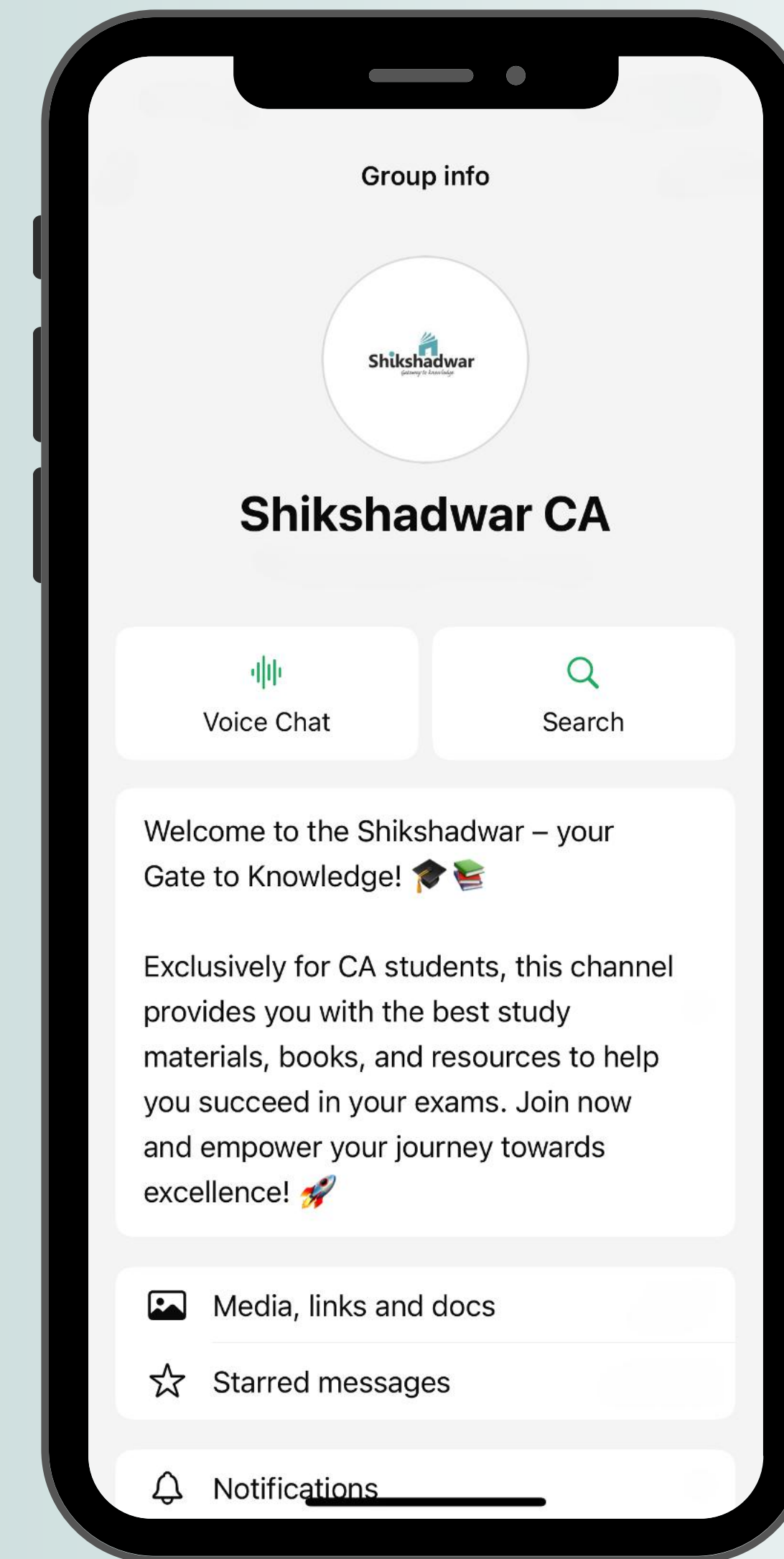
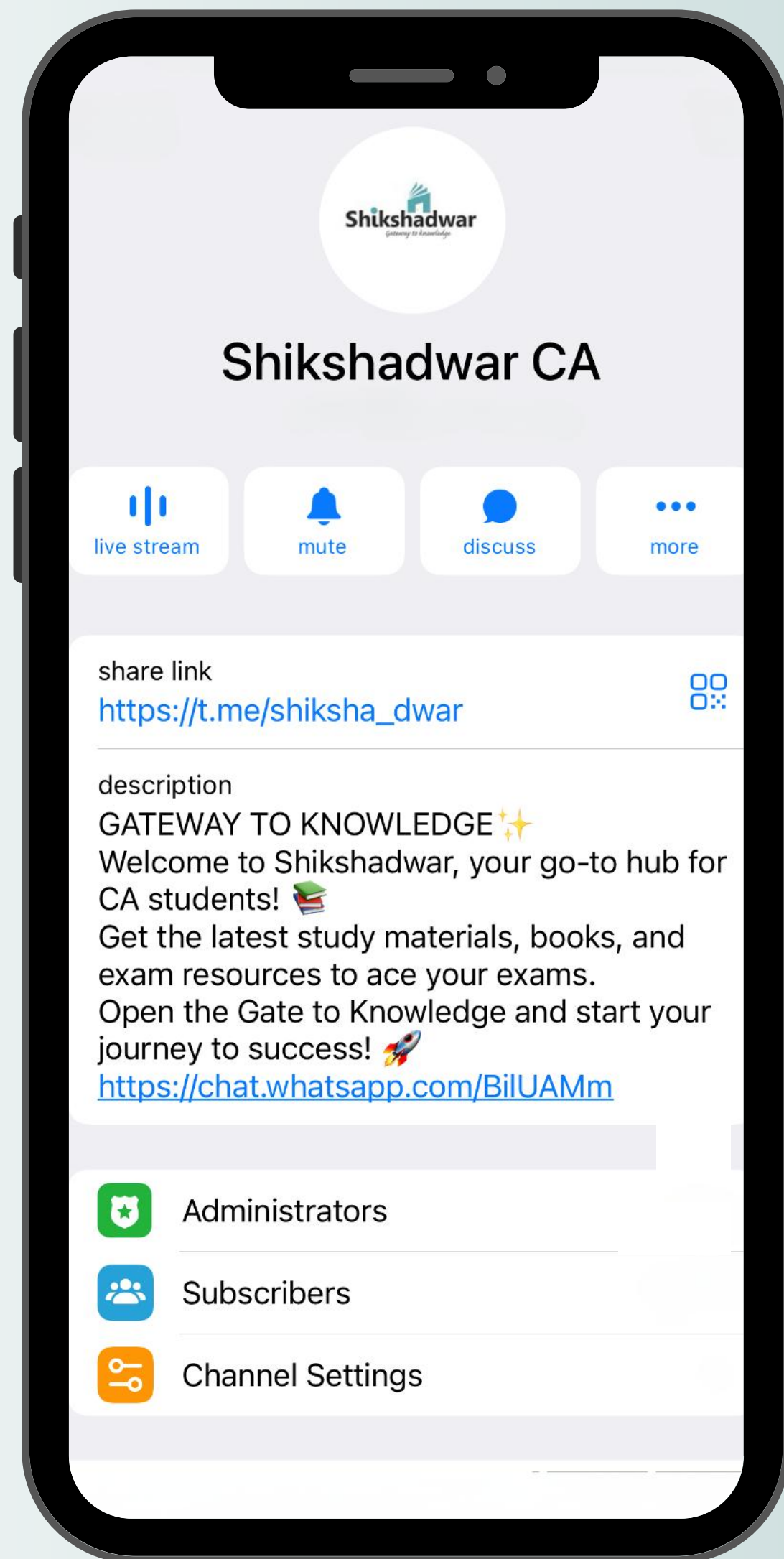
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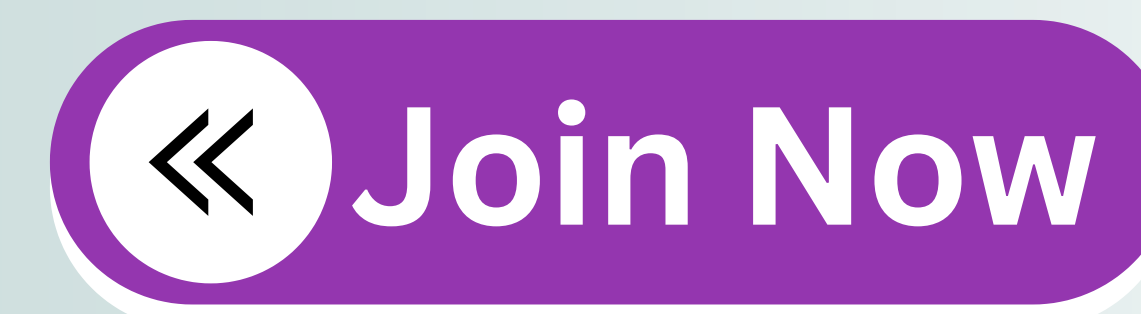
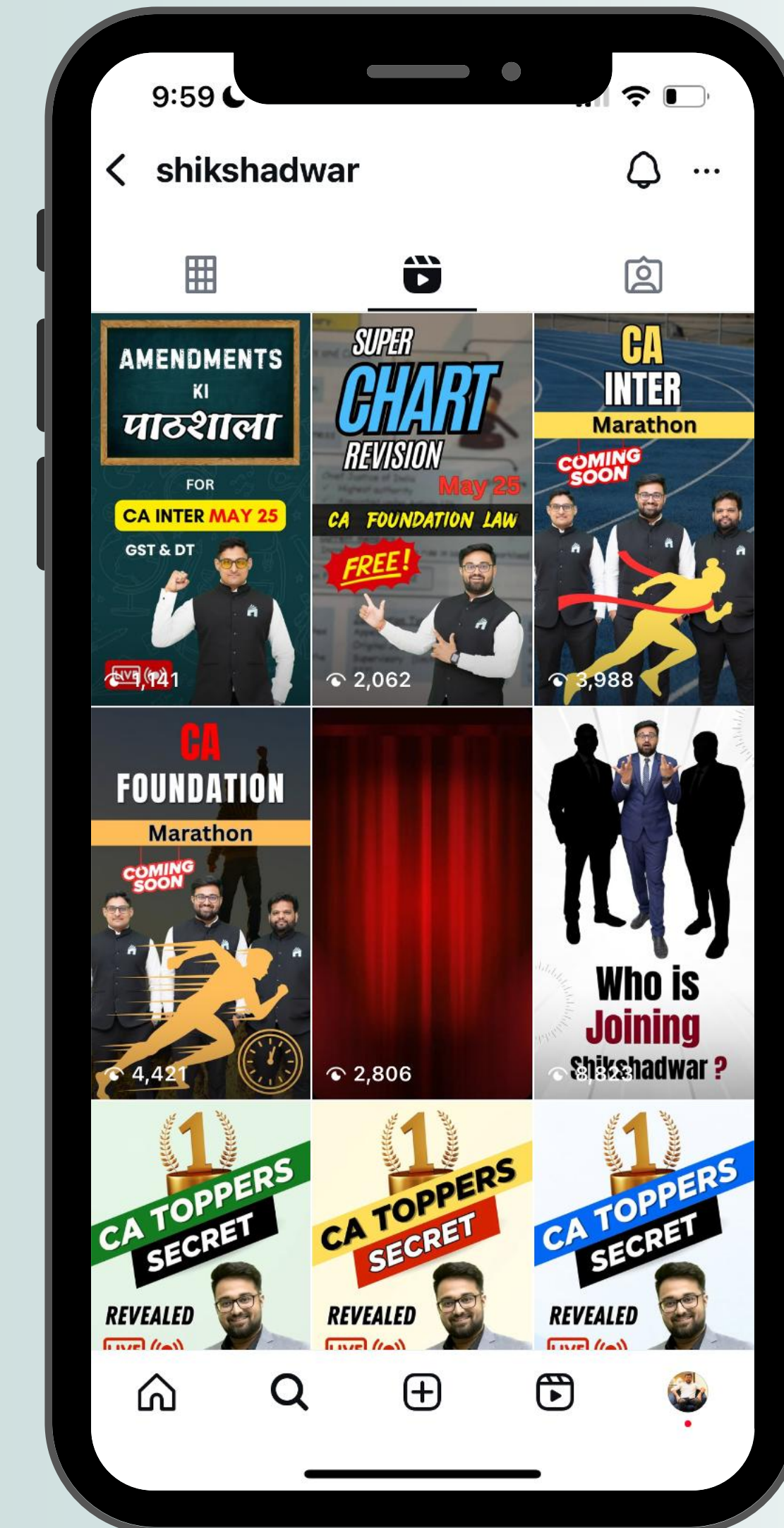
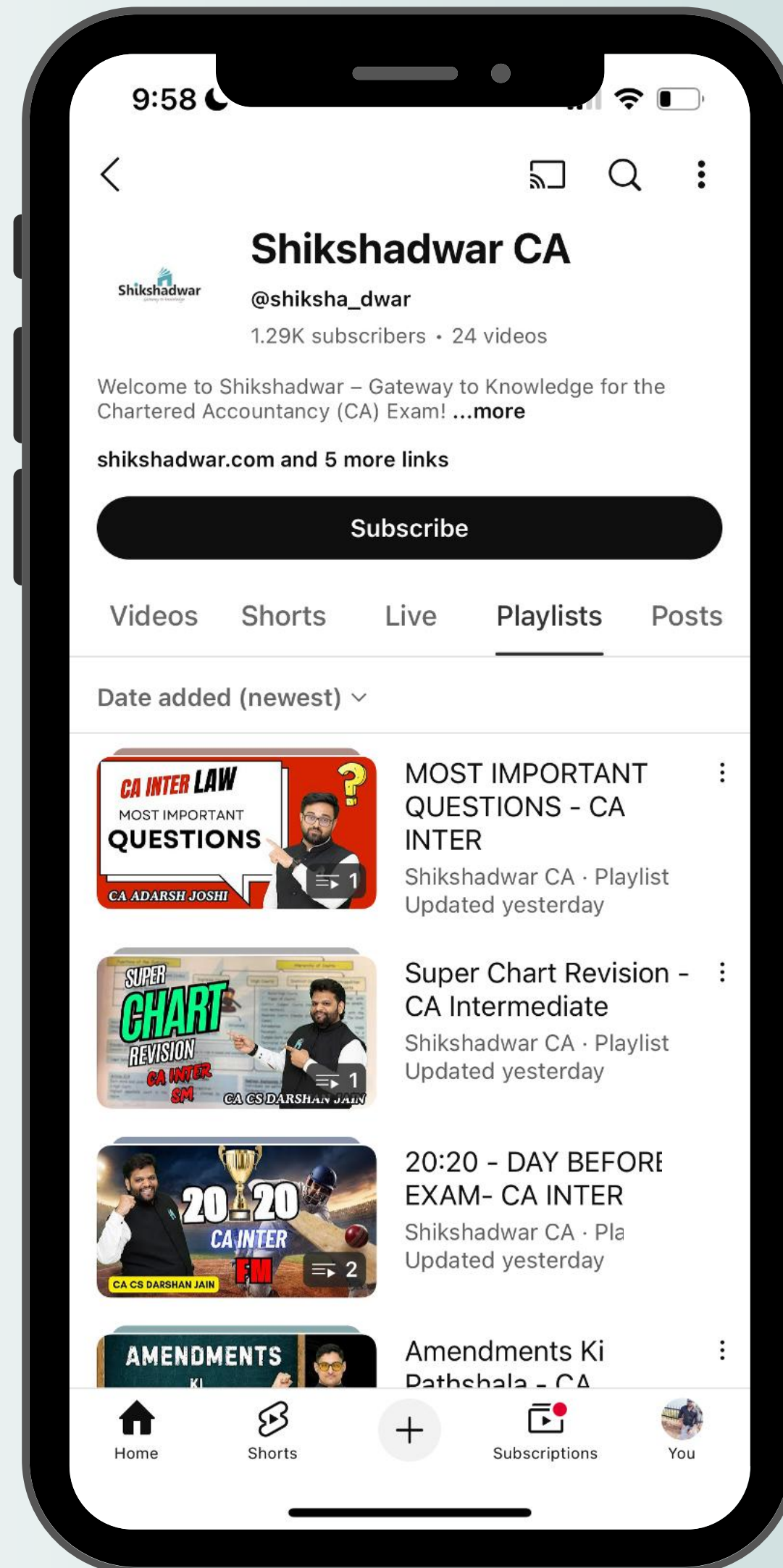
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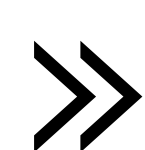
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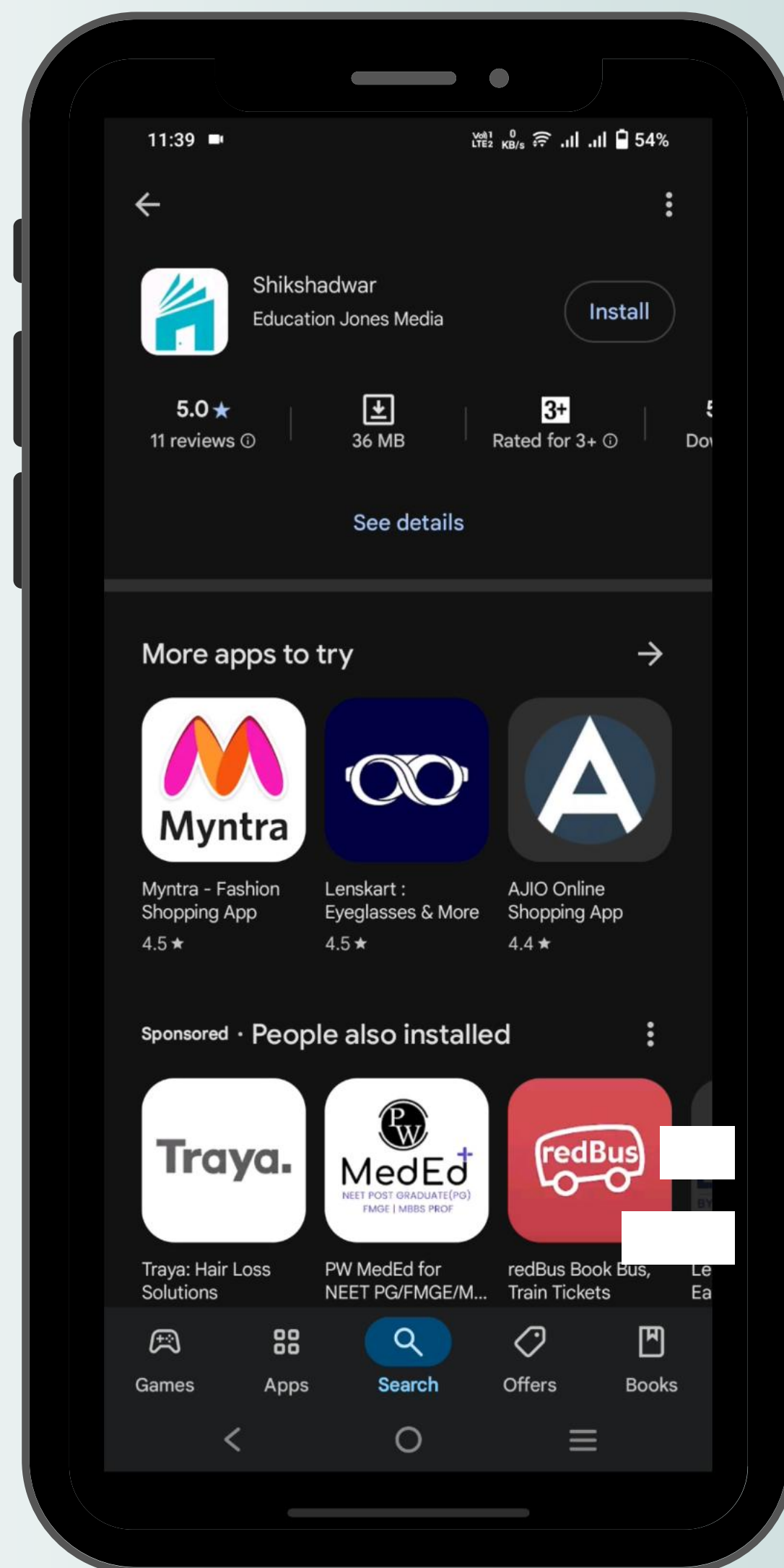
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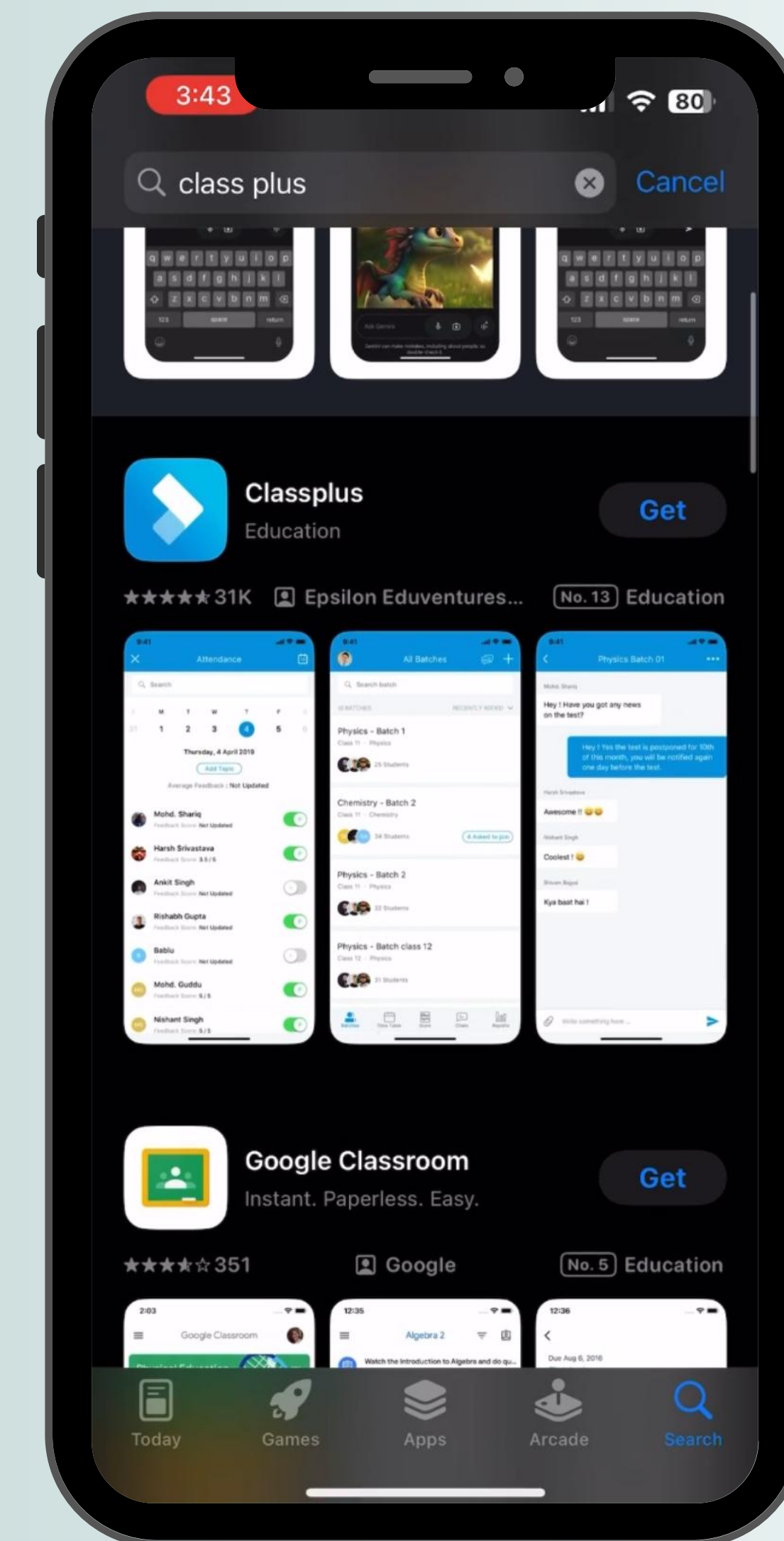
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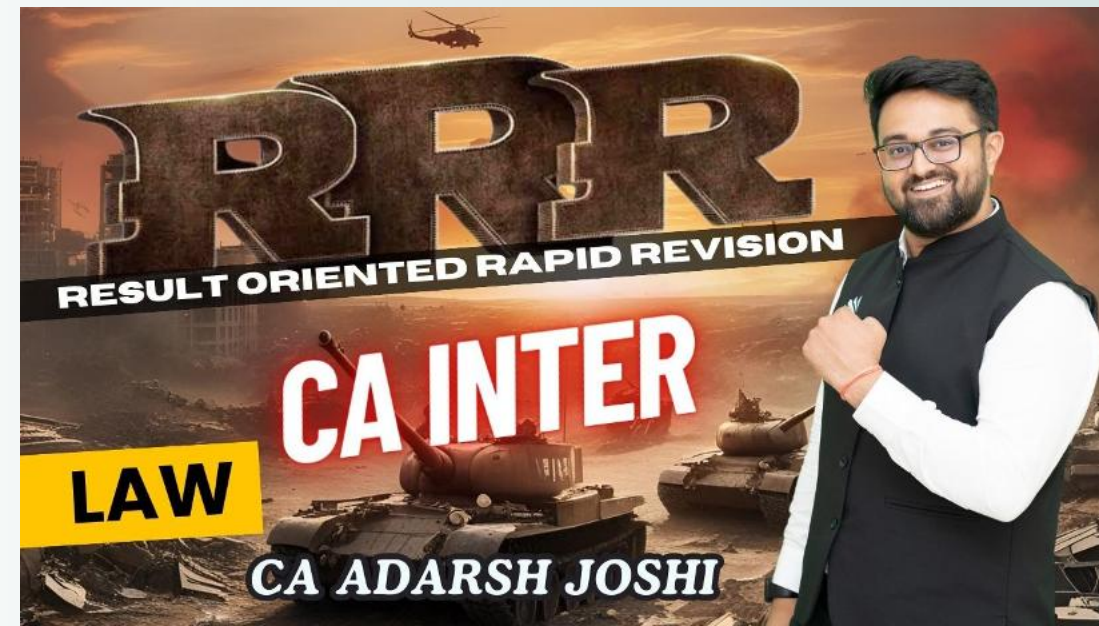
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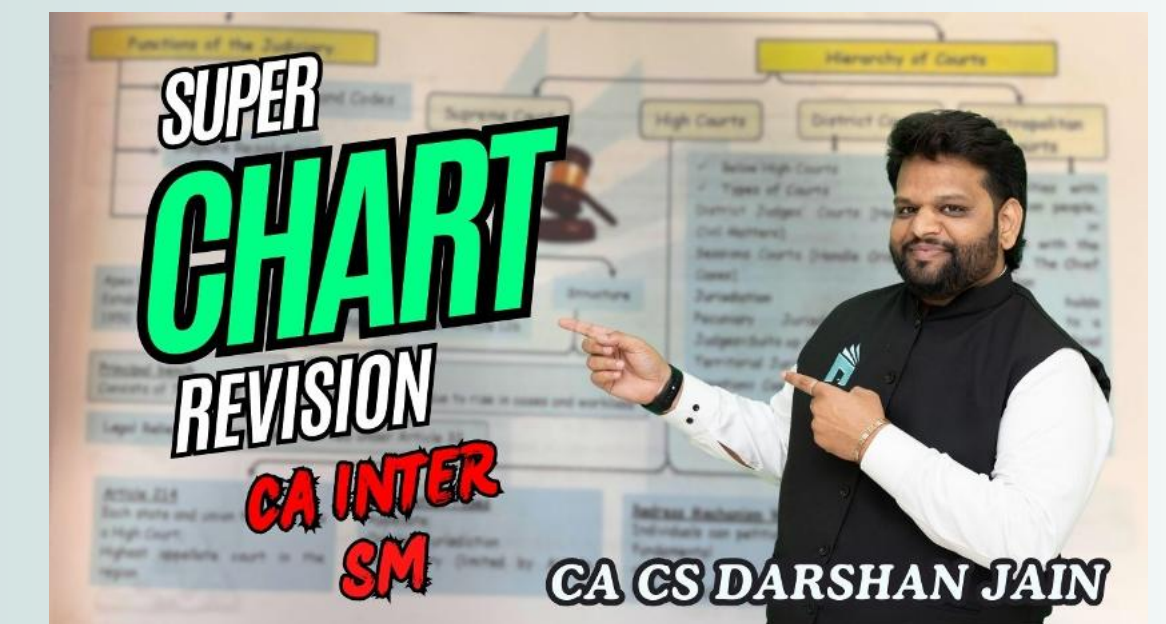
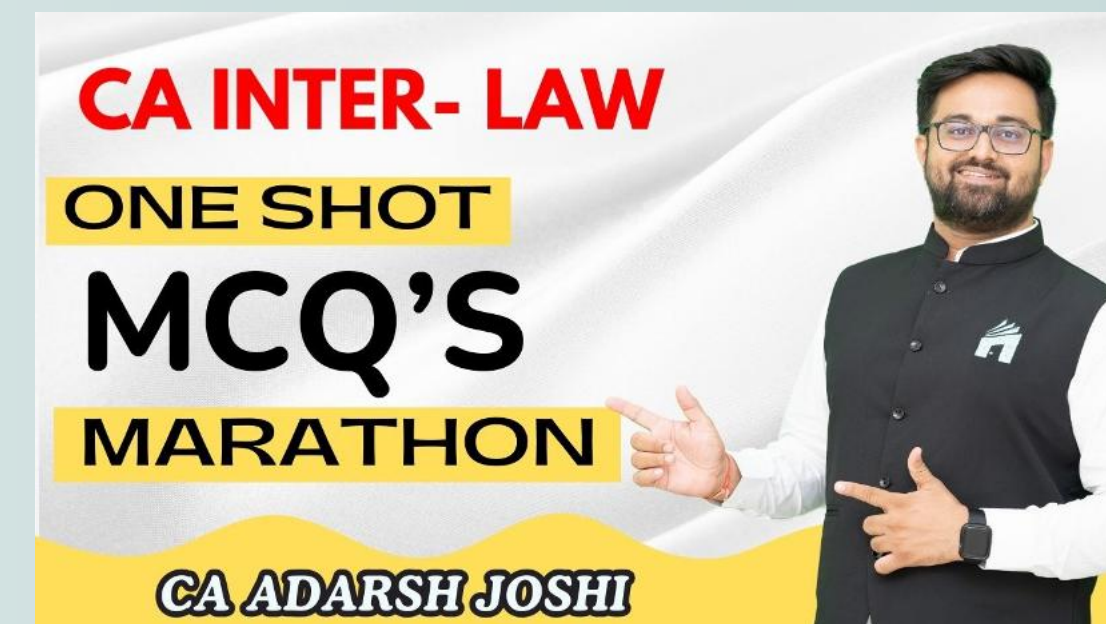
CA INTERMEDIATE MAY 25

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

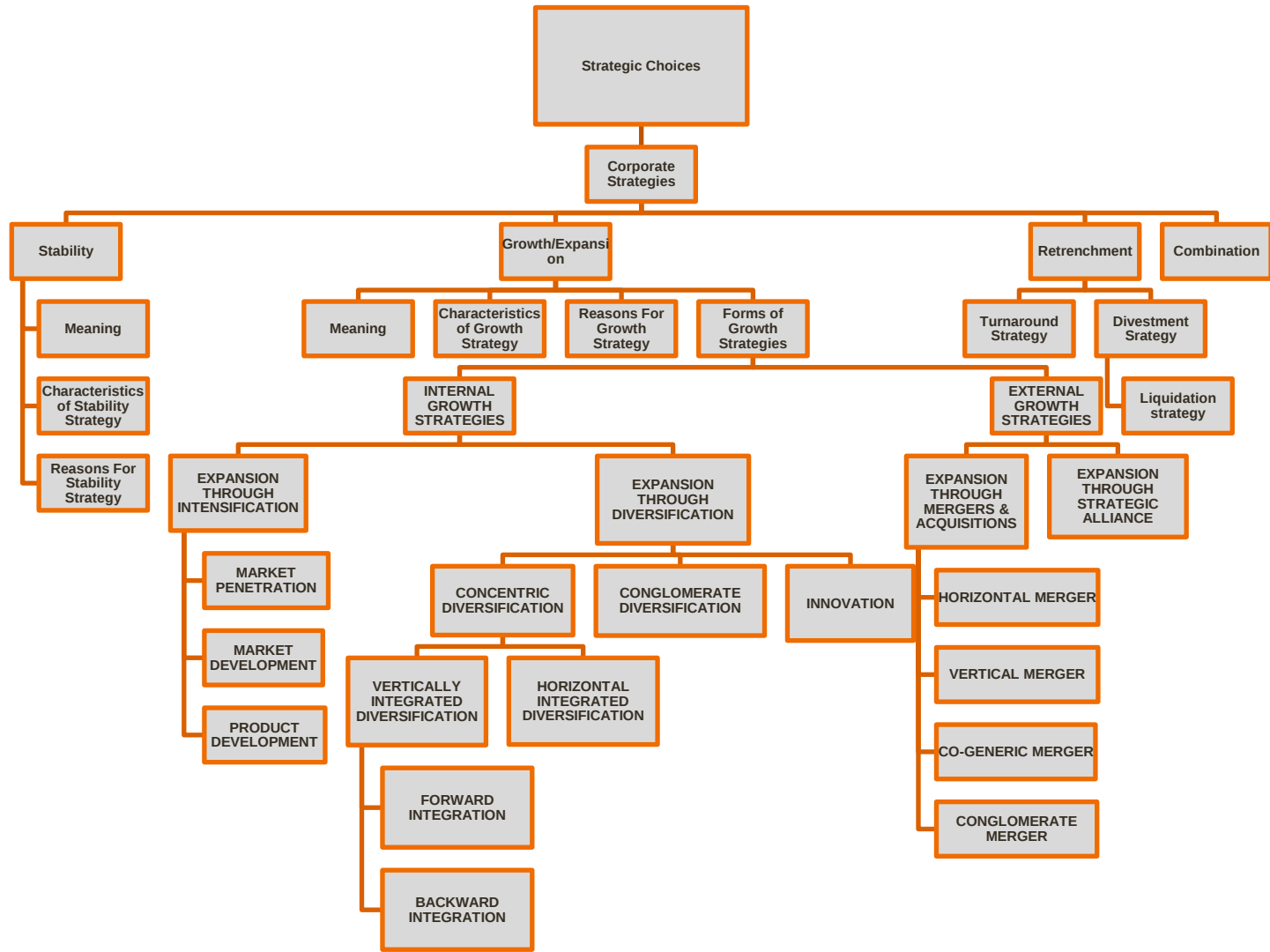
DATE	TIME	EDUCATOR	SUBJECT	TOPICS	YOUTUBE LINK
17/4/2025	8.00 AM	CA ADARSH JOSHI	LAW	RRR	 WATCH NOW
18/4/2025	12.00 NOON	CA TUSHAR TAPARIA	GST	RRR	 WATCH NOW
19/4/2025	8.00 AM	CA CS DARSHAN JAIN	FM	RRR	 WATCH NOW
20/4/2025	8.00 AM	CA ADARSH JOSHI	LAW	ONE SHOT MCQ MARATHON	 WATCH NOW
21/4/2025	2.00 PM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

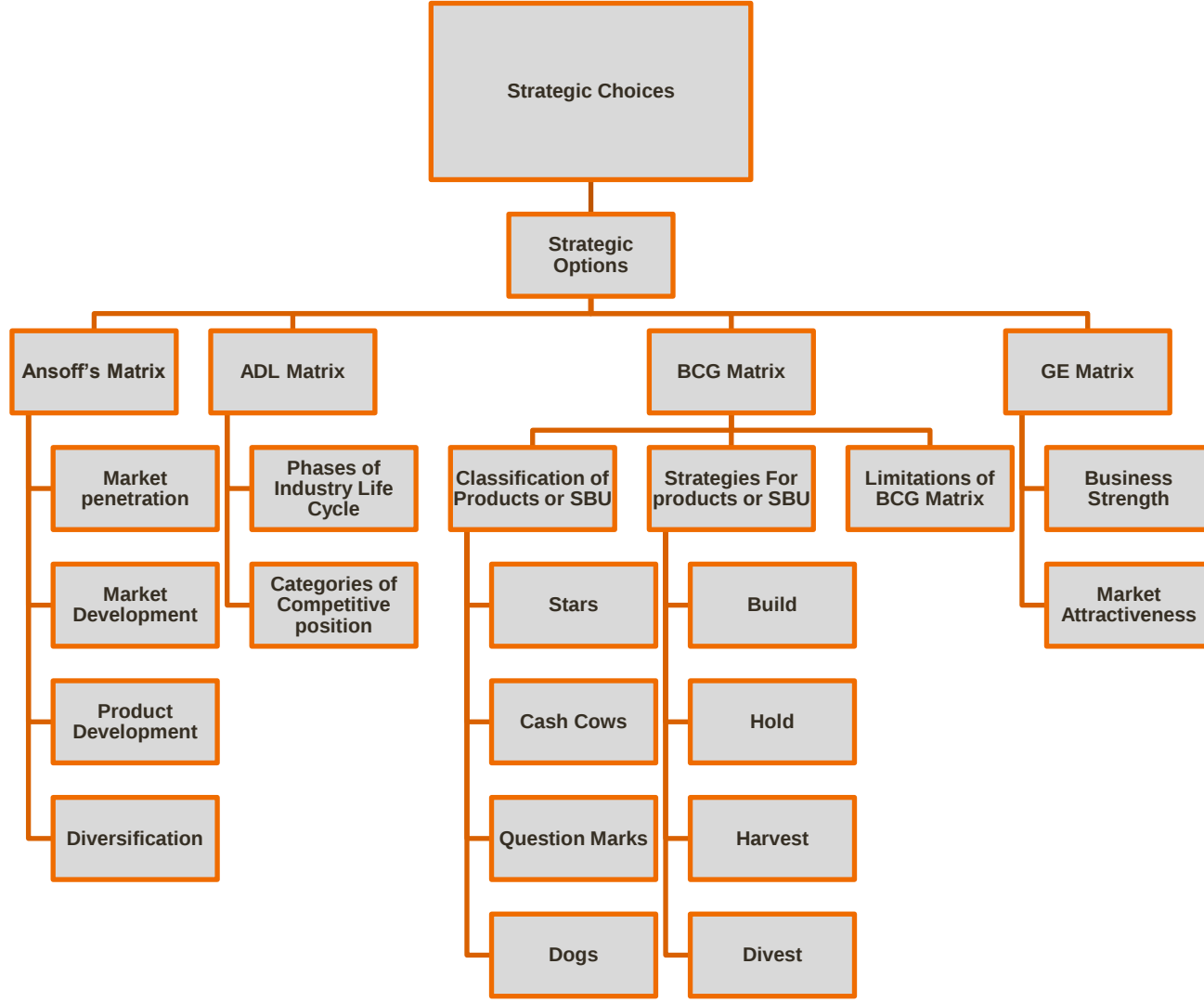
DATE	TIME	EDUCATOR	SUBJECT	TOPICS	YOUTUBE LINK
24/4/2025	2.00 PM	CA TUSHAR TAPARIA	DT	DT AMENDMENTS & ITS IMPORTANT QUESTIONS	 WATCH NOW
27/4/2025	8.00 AM	CA CS DARSHAN JAIN	SM	ONE SHOT MCQ MARATHON	 WATCH NOW
4/5/2025	8.00 AM	CA ADARSH JOSHI	LAW	MOST IMPORTANT QUESTIONS	 WATCH NOW
6/5/2025	3.00 PM	CA TUSHAR TAPARIA	TAXATION	20-20	 WATCH NOW
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STRATEGIC CHOICES







TYPES OF STRATEGIES ON THE BASIS OF THEIR CLASSIFICATION

BASIS OF CLASSIFICATION	TYPES OF STRATEGIES
Level of the organization	✓ Corporate Level ✓ Business Level ✓ Functional Level
Stages of Business Life Cycle	✓ Entry/Introduction Stage - Market Penetration Strategy ✓ Growth Stage - Growth/Expansion Strategy ✓ Maturity Stage - Stability Strategy ✓ Decline Stage - Retrenchment/ Turnaround Strategy
Competition oriented	✓ Competitive Strategies - Cost Leadership, Differentiation, Focus ✓ Collaboration Strategies - Joint Venture, Merger & Acquisition, Strategic Alliance.

Corporate Strategy

```
graph TD; A[Corporate Strategy] --> B[Stability]; A --> C[Growth/Expansion]; A --> D[Retrenchment]; A --> E[Combination];
```

Stability

Growth/Expansion

Retrenchment

Combination

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

- ❑ 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.
2. The endeavour is to **enhance functional efficiencies** in an incremental way, **through better deployment and utilization of resources**.
3. Stability strategy **does not involve a redefinition of the business** of the corporation.
4. It is a safe strategy that maintains **status quo**.
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**.
8. The firms with **modest growth objective** choose this strategy.

MAJOR REASONS FOR STABILITY STRATEGY

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.

GROWTH/ EXPANSION STRATEGY

- ❑ 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**.
- ❑ 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**.

CHARACTERSTICS 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**.
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.

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.**

EXPANSION THROUGH INTENSIFICATION

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.

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.

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.

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.**

❑ 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**

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.

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.

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.

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:**
- 2. Increases Productivity**
- 3. Gives Competitive Advantage:**

EXPANSION THROUGH MERGERS & ACQUISITIONS

- ❑ 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.
 - Deal gets finalized on friendly terms
 - Both the organizations share profits in the newly created entity. I
 - Two organizations combine to increase their strength and financial gains along with breaking of the trade barriers.

In Acquisition

- One organization takes over the other organization and controls all its business operations
- One financially strong organization overpowers the weaker one.
- Acquisitions often happen during recession in economy or during declining profit margins.
- 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.

TYPES OF MERGERS

1. **Horizontal merger:** Horizontal mergers are combinations of firms engaged in the same industry.
2. **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.
3. **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.
4. **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.

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

1. **Organizational**
2. **Economic**
3. **Strategic**
4. **Political**

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

RETRENCHMENT STRATEGIES

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.

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.

Liquidation Strategy: A retrenchment strategy considered the most extreme and unattractive is liquidation strategy, which involves closing down a firm and selling its assets. It is considered as the last resort because it leads to serious consequences such as loss of employment for workers and other employees, termination of opportunities where a firm could pursue any future activities, and the stigma of failure.

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**
- 2. Stage Two – Analyze the situation and develop a strategic plan**
- 3. Stage Three – Implementing an emergency action plan**
- 4. Stage Four – Restructuring the business**
- 5. Stage Five – Returning to normal**

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

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

CHARACTERSTICS 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**.
- ❑ The management feels that **business could be made viable by divesting some of the activities or liquidation of unprofitable activities**.
- ❑ A business that had been **acquired** proves to be a **mismatch** and cannot be integrated within the company.
- ❑ **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.

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 it markets in new or existing products in both new and existing markets.

Existing Products

New Products

**Existing
Markets**

**Market
Penetration**

**Product
Development**

**New
Markets**

**Market
Development**

Diversification

Strategies proposed Under Ansoff Matrix

1. Market Penetration

2. Market Development

3. Product Development

4. Diversification

ADL MATRIX

- ❑ The ADL matrix (derived its name from Arthur D. Little) is a **portfolio analysis technique that is based on product life cycle**.
- ❑ 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 **Embyronic , 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**.

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.

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.

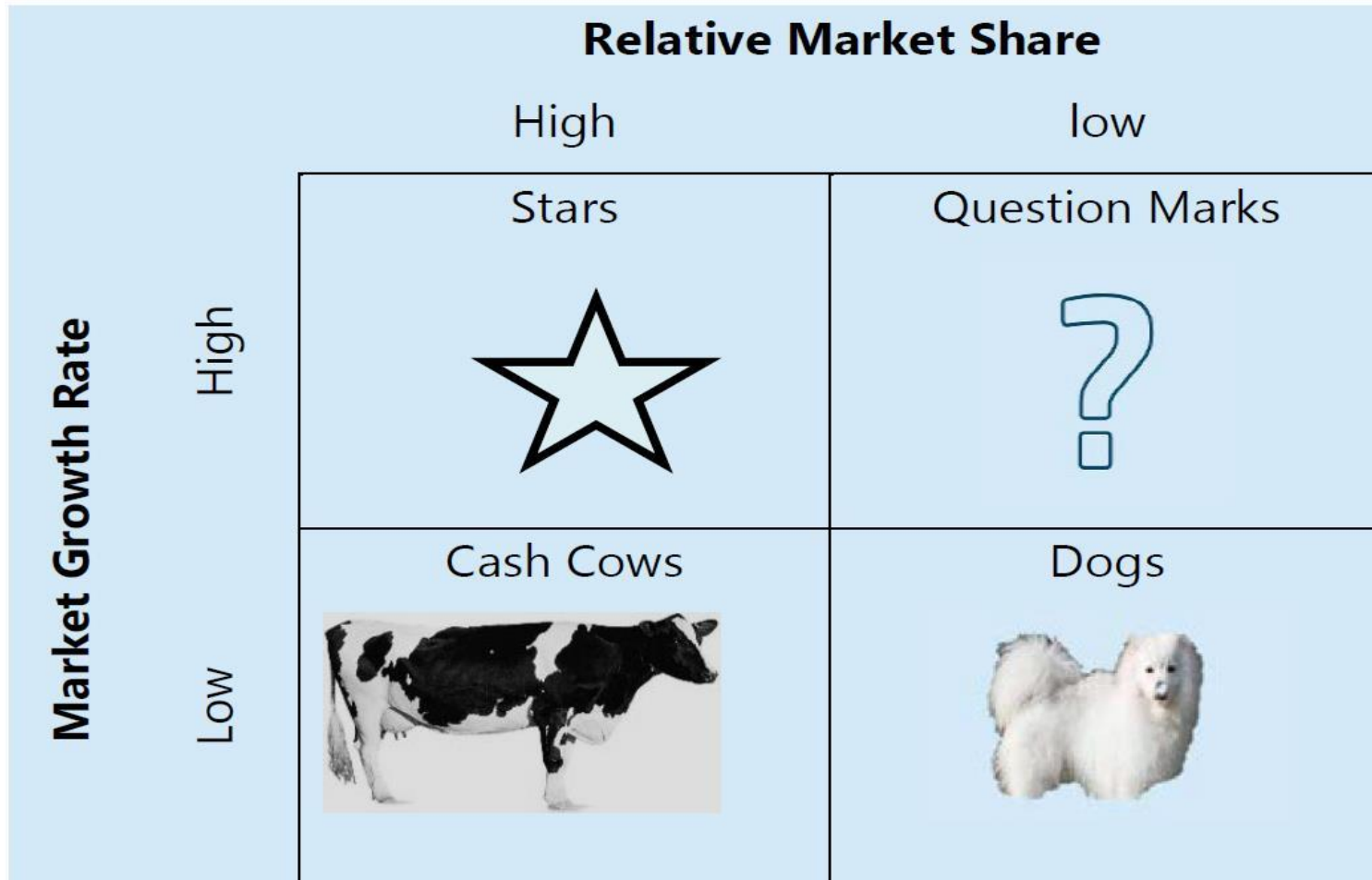
It is four by five matrix as follows:

Stage of industry maturity - Arthur D. Little (ADL) Matrix				
Competitive position	Embryonic	Growth	Mature	Ageing
Dominant	- Fast grow - Build barriers - Act offensively	- Fast grow - Attend cost leadership - Renew - Defend position - Act offensively	- Defend position - Attend cost leadership - Renew - Fast grow - Act offensively	- Defend position - Renew - Focus - Consider withdrawal
Strong	- Differentiate - Fast grow	- Differentiate - Lower cost - Attack small firms	- Lower cost - Focus - Differentiate - Grow with industry	- Find niche - Hold niche - Harvest
Favorable	- Differentiate - Focus - Fast grow	- Focus - Differentiate - Defend	- Focus - Differentiate - Harvest - Find niche - Hold niche - Turnaround - Grow with industry - Hit smaller firms	- Harvest - Turnaround
Tenable	- Grow with industry - Focus	- Hold niche - Turnaround - Focus - Grow with industry - Withdraw	- Turnaround - Hold niche - Retrench	- Divest - Retrench
Weak	- Find niche - Catch-up - Grow with industry	- Turnaround - Retrench - Niche or withdraw	- Withdraw - Divest	- Withdraw

BOSTON CONSULTANCY GROUP (BCG) GROWTH-SHARE MATRIX

- ❑ 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

- 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

- 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

- 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

- 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.
2. **Hold:** Here the objective is to preserve market share.
3. **Harvest:** Here the objective is to increase short-term cash flow regardless of long-term effect.
4. **Divest:** Here the objective is to sell or liquidate the business because resources can be better used elsewhere.

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.

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.

Business strength

Strong

Average

Weak

Market attractiveness

High

Medium

Low

Invest/Expand

Invest/Expand

Select/Earn

Invest/Expand

Select/Earn

Harvest/Divest

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.